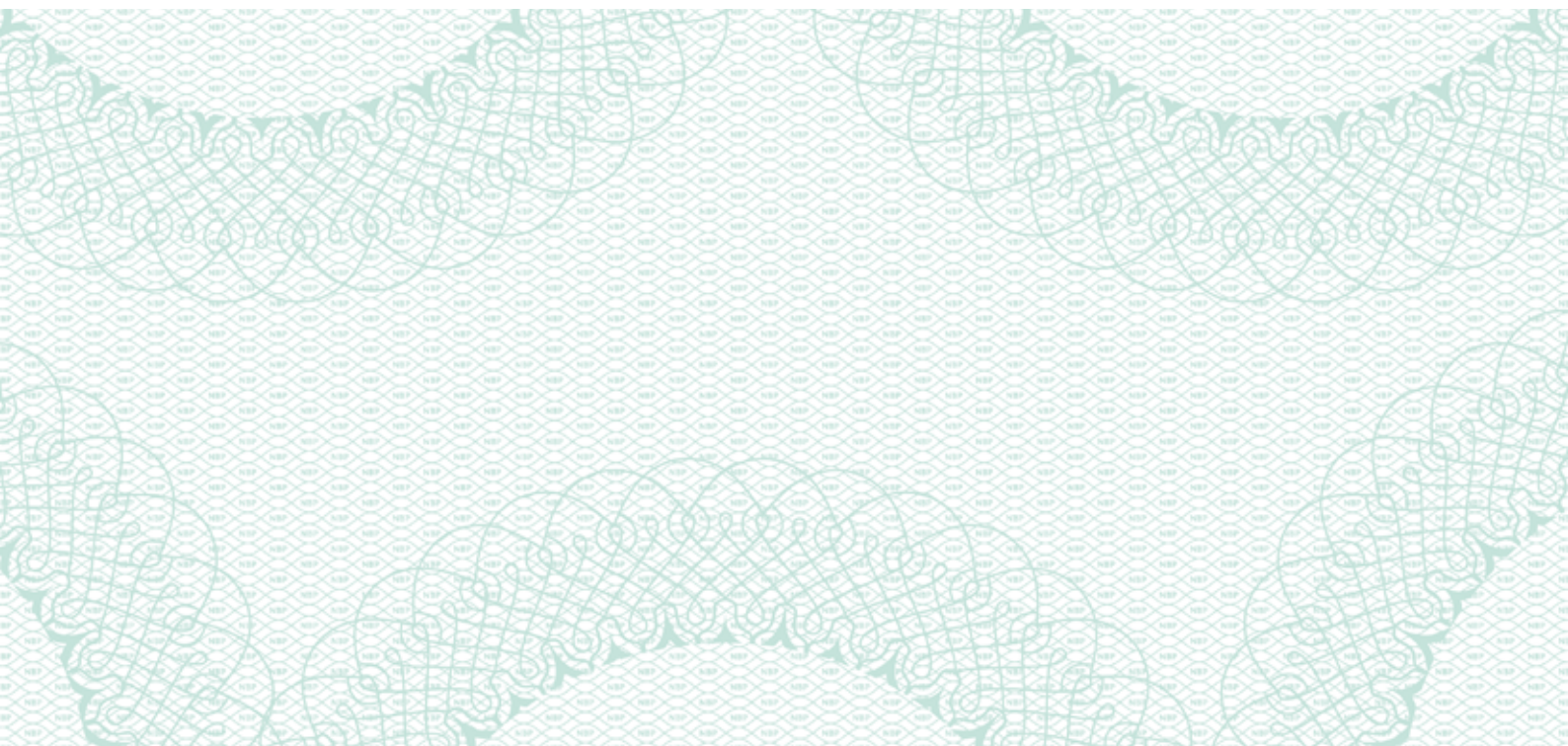


NBP

Narodowy Bank Polski

Annual Report 2019



Annual Report 2019

Warsaw 2020

Compiled on basis of NBP materials

Photo of the President of NBP
Piotr Małecki

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Adam Glapiński
President of Narodowy Bank Polski

Dear Readers,

It is my pleasure to present to you the *Annual Report* of Narodowy Bank Polski for 2019. The publication presents the most important information on the activities of the central bank along with its financial statements.

As in the previous years, the activities of NBP in 2019 focused on carrying out its constitutional and statutory tasks. Above all, they include maintaining price stability, while at the same time supporting the economic policy of the government, as far as this does not interfere with the basic objective of NBP. Narodowy Bank Polski also ensures financial system stability. The central bank duly fulfilled the tasks entrusted to it, as evidenced by the macroeconomic data, which confirm the sound condition of the Polish economy in 2019.

Narodowy Bank Polski fulfils its mandate by using the long-established inflation targeting strategy. As part of this approach,

the medium-term inflation target is set, which since 2004 has stood at 2.5% with a symmetrical deviation of ± 1 percentage point. In 2019 annual consumer price growth amounted to 2.3% and was therefore in line with the inflation target. This is undoubtedly a success of the monetary policy and evidence of the effective fulfilment by NBP of its basic constitutional duty to protect the value of Polish money.

The year 2019 was also a period of a continued upturn in our economy. Poland remained one of the fastest developing countries of the European Union with economic growth reaching 4.1%. Polish citizens clearly felt the effects of the favourable economic situation, with salaries growing for yet another year in a row and the unemployment rate falling to its lowest level since the beginning of the economic transformation.

It should be stressed that in 2019 there was no build-up of macroeconomic imbalances. The ratio of non-financial sector debt to GDP declined as did Poland's external debt to GDP ratio on the back of an increase in the foreign trade surplus.

Taking into account these macroeconomic determinants, in 2019 the Monetary Policy Council kept NBP interest rates unchanged, including the reference rate at 1.5%. The stabilisation of interest rates supported price stability, enabled Polish economy to remain on the path of sustainable growth and safeguarded sound macroeconomic balance.

The measures implemented by NBP in order to ensure the stability of the Polish financial system deserve special attention. The research work conducted in this field as well as the actions taken under the Financial Stability Committee allow the early identification of potential sources of risk in the Polish financial system. It should be emphasised that financial stability in Poland depends mainly on ensuring the safe and stable functioning of the banks, whose assets

account for 70% of the assets of the financial system. In 2019 the Polish banking system was characterised by high resilience thanks to the capital accumulated over the recent years and low leverage ratio.

I would like to underline that it would not be possible for NBP to conduct effective monetary policy if Poland did not have its own currency. Last year's 100th anniversary of adopting the name "złoty" for the Polish national currency was a perfect opportunity to communicate the significance of having its own currency for the Polish economy. On this occasion, Narodowy Bank Polski prepared numerous publications and educational material on the role of the zloty in the economy and the social development of Poland and was the co-organiser of the conference entitled "The zloty, the euro and the case of Poland" attended by representatives of politics, economics and science.

Finally, I am pleased to inform you that in 2019 Narodowy Bank Polski made a profit of PLN 7.8 billion, which was possible thanks to the effective measures taken by NBP, including a sound investment of foreign exchange reserves. In accordance with the applicable regulations, 95% of this amount, i.e. PLN 7.4 billion, was paid into the state budget. These funds will support the Polish economy and contribute to mitigating the economic fall-out from the Covid-19 pandemic.

I encourage you to read this report summarising the activities of Narodowy Bank Polski in 2019. I hope that it will serve as an interesting and valuable source of information about the tasks performed by our bank.



MONETARY POLICY COUNCIL

Chairman

Adam Glapiński

Members

Grażyna Ancyparowicz

Eugeniusz Gatnar

Łukasz Hardt

Cezary Kochalski

Jerzy Kropiwnicki

Eryk Łon

Jerzy Osiatyński

Rafał Sura

Kamil Zubelewicz

Jerzy Żyżyński

NBP MANAGEMENT BOARD

Chairman

Adam Glapiński

Vice President, First Deputy President of NBP

Piotr Wiesiołek

Vice President of NBP

Anna Trzecińska

Members

Jacek Bartkiewicz

Teresa Czerwińska

Andrzej Kaźmierczak

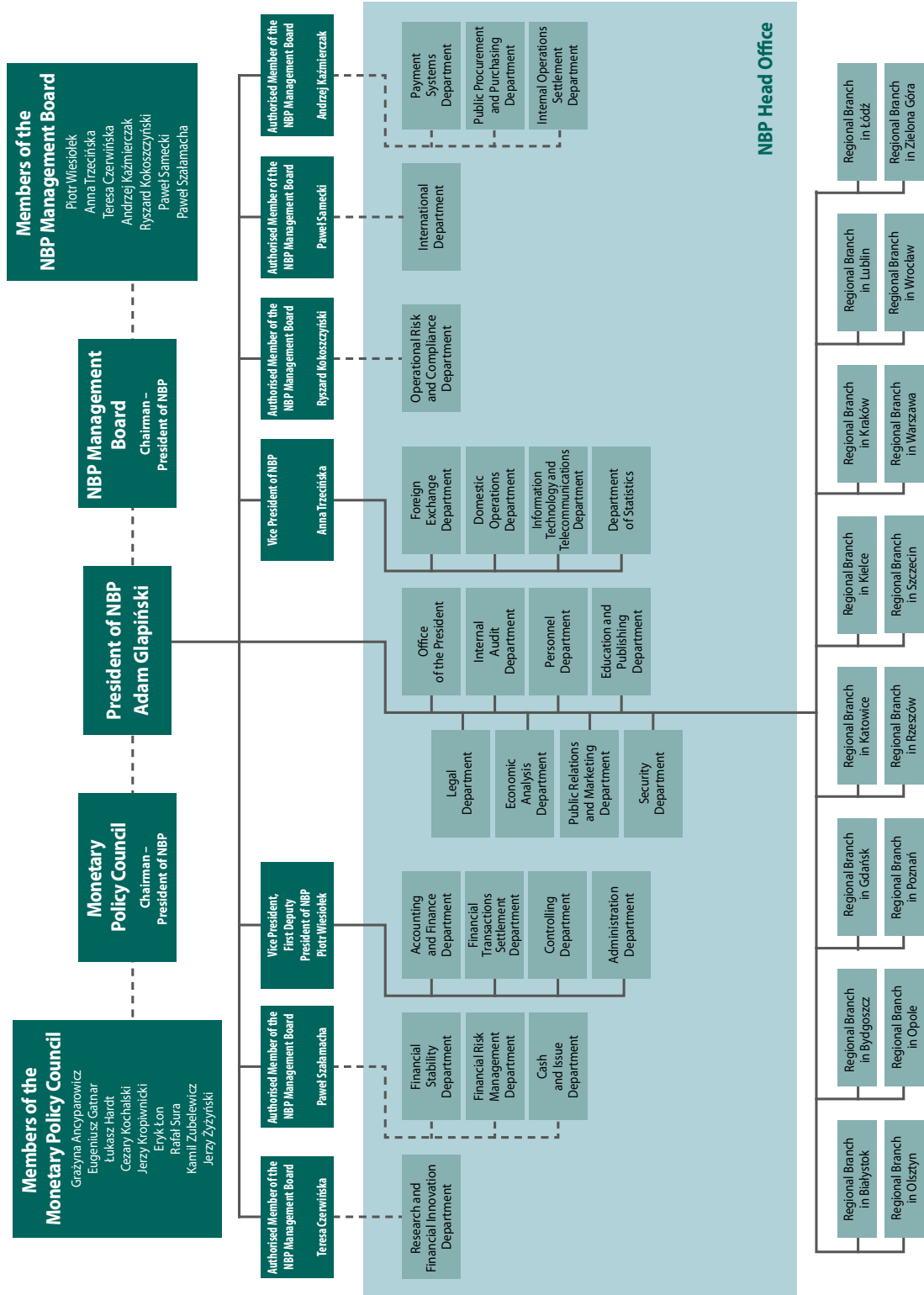
Ryszard Kokoszczyński

Paweł Samecki

Paweł Szalamacha

- On 21 December 2019 Mr Cezary Kochalski was appointed a member of the MPC.
- On 20 December 2019 the term of office of an MPC member, Mr Jerzy Osiatyński, came to an end.
- On 2 April 2019 the term of office of a member of the NBP Management Board, Mr Jacek Bartkiewicz, came to an end.
- On 4 June 2019 Ms Teresa Czerwińska was appointed as a member of the NBP Management Board.
- On 17 February 2020 Mr Paweł Samecki ceased to be a member of the NBP Management Board as his term of office came to an end.
- On 29 February 2020 Ms Teresa Czerwińska ceased to be a member of the NBP Management Board (she was released from her duties following her resignation).
- On 1 March 2020 Mr Piotr Pogonowski was appointed as a member of the NBP Management Board.
- On 7 March 2020 Mr Piotr Wiesiołek ceased to be a member of the NBP Management Board and Vice President, First Deputy President of NBP as his term of office came to an end.
- On 8 March 2020 Ms Marta Kightley was appointed as a Member of the NBP Management Board and Vice President, First Deputy President of NBP.

Organisation Chart of Narodowy Bank Polski as at 31 December 2019



Summary



Summary

1. In accordance with Article 227(1) of the Constitution of the Republic of Poland, “The central bank of the State shall be Narodowy Bank Polski. It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. Narodowy Bank Polski shall be responsible for the value of Polish currency”. The basic responsibilities of NBP are stipulated in the Act of 29 August 1997 on Narodowy Bank Polski and in the Banking Act of 29 August 1997, as well as in the Treaty on the Functioning of the European Union and in the Statute of the European System of Central Banks and of the European Central Bank. In 2019, NBP conducted its activities pursuant to the *Monetary Policy Guidelines for 2019* and *Narodowy Bank Polski Plan of Activity for 2019–2021*.
2. The *Report* presents the implementation of the statutory responsibilities of NBP in 2019 in the following areas: monetary policy, pursuit of financial system stability, issue of currency, foreign exchange reserves management, foreign exchange activities, the payment system, services to the State Treasury, analysis and research, statistics, education and information and international cooperation. The *Report* also presents the Bank’s legislative activity and its internal development as well as the financial statements of NBP as of 31 December 2019, together with the independent auditor’s report on the annual 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 2019, the NBP organisational structure comprised the Head Office and 16 organisational units.
4. In 2019, monetary policy was conducted in line with *Monetary Policy Guidelines for 2019*. As in previous years, the main objective 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 direct inflation targeting strategy. 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 2019, the economic situation in Poland was fairly good, yet the rate of GDP growth was below the previous year’s level (4.1% in 2019 compared to 5.3% in 2018). The main drivers of growth included growing consumption – supported by rising employment and wages, low unemployment as well as good consumer sentiment and the disbursement of social benefits – although its growth slowed down towards the end of the year. This was accompanied by further investment growth, albeit gross fixed capital formation in 2019 was slightly lower than in 2018. Consumer price growth in 2019 amounted to, in average annual terms, 2.3% and was consistent with the medium-term inflation target. This was accompanied by moderate core inflation. In 2019, inflation net of food and energy prices stood, in average annual terms, at 2.0%. At the same time, no macroeconomic imbalances were building up in the economy. In particular, the growth in lending to the non-financial sector in 2019 was below nominal GDP growth (lending growth amounted to 5.8%, while nominal GDP growth stood at 7.2%). As a result, the ratio of non-financial sector loan debt

to GDP declined. In addition, in 2019 the trade surplus increased, as did the positive combined current and capital account balance. As a result, the foreign debt to GDP ratio decreased. Against this background, the zloty exchange rate was relatively stable. In view of the above conditions, the Council kept the NBP interest rates unchanged in 2019, including the NBP reference rate at 1.5%. The stabilization of the NBP interest rates was conducive to maintaining price stability and keeping the Polish economy on a sustainable growth path as well as maintaining macroeconomic balance.

5. In pursuing its monetary policy in 2019, Narodowy Bank Polski employed the range of instruments adopted by the Monetary Policy Council in the *Monetary Policy Guidelines for 2019*. The NBP reference interest rate was the main interest rate of Narodowy Bank Polski. This rate determined the yields of open market operations by influencing the interest on short-term money market instruments. The operational target of monetary policy was to keep the POLONIA rate, which reflects the weighted average interest on unsecured overnight deposits, running close to the NBP reference rate. In 2019, the average absolute deviation of the index from the NBP reference rate was 14 bps. Open market operations were the main instrument that NBP employed to achieve the operational target of its monetary policy. By using these, the central bank strove to ensure optimal liquidity conditions in the banking sector from the point of view of the operational target. NBP carried out main market operations on a regular basis, once a week, in the form of the issuance of NBP bills with a 7-day maturity (by using these operations, the central bank absorbed most of the funds in the banking sector in excess of the level of the required reserve requirement). In turn, fine-tuning operations served to balance liquidity conditions in the banking sector on an *ad hoc* basis. At the same time, the attainment of the monetary policy operational target was supported by the reserve requirement system. The averaged nature of the reserve requirement system contributed to stabilisation of short-term market interest rates, giving the entities subject to the minimum reserve requirement the freedom to decide on the amount of funds kept at accounts at the central bank (provided that the funds accumulated at the central bank at NBP are at the level not lower than the required reserve level, on average during the required reserve maintenance period). At the same time, the obligation to maintain the required reserve limited the volume of open market operations carried out by the central bank to absorb the excess liquidity. Banks also had the possibility to replenish their liquidity shortages as well as deposit surpluses of funds at the central bank, making use of the standing (lending and deposit) facilities. Alongside the reserve requirement system, these instruments played a complementary role in relation to open market operations in the pursuit of the operational target of monetary policy. Yields on deposits and loans (the NBP deposit rate and the Lombard rate) determined the range of fluctuations for the interest rate of unsecured overnight deposits placed in the interbank market.
6. The level of short-term liquidity in the banking sector, measured as the averaged annualised balance of operations carried out by NBP (the total of money market bills issued by NBP and standing facilities) in 2019 amounted to PLN 81,518 million. Compared to the average level in 2018, there was a decrease in liquidity of PLN 8,648 million. In 2019, the average issue of NBP bills amounted to PLN 80,393 million. Of this amount, 97.8% or PLN 78,662 million were bills sold under main open market operations, while fine-tuning operations accounted for PLN 1,732 million. The average level of standing facilities amounted to PLN 1,125 million. The increase in the level of currency in

circulation was the main source of downward pressure on the level of banking sector liquidity in 2019. The increase in liquidity was mainly due to the purchase of foreign currency by NBP being higher than the sale of foreign currency.

7. In accordance with Article 3(2)(6) of the Act on Narodowy Bank Polski, the responsibilities of NBP shall include “establishing the necessary conditions for the development of the banking system”. The Polish central bank performs this responsibility on an ongoing basis by acting to ensure stable conditions for the functioning of banks and the whole financial system and also by maintaining a low level of inflation. In 2019, NBP continued to undertake activities aimed at developing the payment system and safeguarding its smooth functioning. Moreover, the Bank participated in developing legal provisions on the banking sector, conducted analysis and research on the national financial system and cooperated with the Polish Bank Association.
8. In 2019, the activities for the stability of the financial system consisted in the regular research and analysis of financial system stability and domestic financial system development. The results of the research were presented in periodical publications. In 2019, NBP performed its statutory obligations by organising the work of the Financial Stability Committee for macroprudential supervision (FSC-M) and providing analytical and research services to the Committee. NBP was also involved in FSC measures related to crisis management. The central bank cooperated with institutions that form the financial safety net, i.e. the Ministry of Finance (MF), the Polish Financial Supervision Authority (KNF) and the Bank Guarantee Fund (BFG). Moreover, NBP conducted analytical work on financial processes and interdependencies of the financial system and the economy and on the operationalisation of macroprudential policy as well as cooperated with European institutions to reduce systemic risk.
9. The main goal of currency issue by NBP was to ensure the safety and smoothness of cash transactions. The value of currency in circulation (including bank vault cash) rose by 8.8% to amount to PLN 238.8 billion at the end of December 2019. In 2019, NBP issued the following collector items: 14.6 thousand pieces of gold coins, 367.5 thousand pieces of silver coins and 55 thousand pieces of collector notes, including banknotes commemorating important events connected with the 100th Anniversary of Regaining Independence by Poland. Moreover, NBP put into circulation another banknote with a new security feature against soiling (with a nominal value of PLN 100), worked on putting into circulation coins struck from a modified alloy and continued to introduce measures aimed at streamlining domestic cash transactions.
10. In managing its foreign exchange reserves, NBP seeks to ensure the safety and necessary liquidity of the invested funds. At the same time, while observing these criteria, it also undertakes measures aimed at raising the yield on the reserves. In 2019, the income on investment activity related to the management of foreign exchange reserves, excluding realised and unrealised exchange rate differences, amounted to PLN 7.6 billion. Seeking to strengthen Poland’s financial security in 2019, the NBP Management Board took the decision to increase NBP’s gold holdings by 100 tons (to 228.6 tons) and to repatriate 100 tons of gold from the Bank of England to NBP vaults in Poland.
11. Foreign exchange activity involved maintaining a register of bureaux de change, issuing decisions on foreign exchange matters and carrying out statutory inspections. In 2019,

a total of 1,366 inspections relating to foreign exchange matters were carried out and 35 decisions on foreign exchange matters were issued. As at 31 December 2019, a total of 4,844 foreign exchange bureaux were active in Poland.

12. The activities of NBP with respect to the payment system consisted mainly in the operation of the payment systems and the performance of interbank settlements, the organisation of monetary settlements, and the oversight of the payment system infrastructure. In 2019, NBP initiated legal changes aimed at ensuring a more complete regulation of the legal status of cash acceptance, introduced changes to the SORBNET2 system to improve its operation, started work related to the consolidation of the TARGET2 system with the TARGET2-Securities platform (T2S) and released the results of a research project on the costs of payments instruments on the Polish market. The SKARBNET4 system operated by NBP gained positive assessment for compliance with European regulations.
13. The provision of bank services to the State Budget by NBP contributed to ensuring the safety and smoothness of settlements of the public finance sector. As at 31 December 2019, NBP operated 23,127 accounts for 2,956 clients. NBP implemented changes in the third party substitution cash service aimed at eliminating the use of cheques by NBP account holders by the end of 2019 and carried out work on launching a so-called joint account for collecting tax and non-tax claims of the State Budget operated through a new B2B channel using micro-accounts. Narodowy Bank Polski handled the State Budget liabilities and claims and trade in Treasury securities and cooperated with the Ministry of Finance under the framework of the Public Debt Management Committee.
14. In 2019, the most important economic research on macroeconomic stability conducted by NBP focused on monetary policy, including monetary policy transmission mechanism, price-setting processes, prices and inflation, macroeconomic forecasting, the fiscal situation and the situation of the economy. Forecasting tools were enhanced (in particular the NECMOD and the Soe-PL models) and numerous modelling exercises were executed. Their results were used in the decision-making process by the NBP Management Board and the Monetary Policy Council. Ten scientific conferences (including nine international ones) and twenty six open scientific seminars were organised in 2019. In that year, twelve academic papers by NBP staff were published in journals of the so-called Philadelphia list.¹
15. In 2019, NBP performed statistical tasks consisting in the collection of data to be reported, above all, from financial sector entities and, to a lesser degree, from non-financial entities. In 2019, NBP continued work aimed to adjust prudential statistics to the requirements and deadlines of the EBA project EUCLID, completed modification of the IT systems used to gather and process investment fund data (to bring them up to date with the amended legal regulations) and developed the methodology as well as extended the scope of research into migration processes.
16. In 2019, as part of educational activities carried out in 2019 NBP participated in the implementation of 235 projects across the country. The offer of the Sławomir

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 database.

S. Skrzypek NBP Money Centre was extended to include new topics and forms of communication. NBP continued to promote the Centre which was visited by nearly 78 thousand persons. NBP carried out information campaigns on the 100th anniversary of giving the name złoty to the national currency and on the increase in NBP's strategic gold reserves and repatriation of 100 tons of gold from the Bank of England.

17. In 2019, NBP participated in the work of the Permanent Committee of the Council of Ministers, the Committees on European Affairs and other inter-departmental bodies and government bodies by issuing opinions on bills relating to economic policy and the banking system. As part of its cooperation with the European Central Bank (ECB), Narodowy Bank Polski took part in issuing opinions on ECB's draft positions to draft acts of the EU and of the EU member states. The drafts concerned in particular financial supervision, strengthening financial stability as well as financial instruments.
18. In 2018, NBP representatives participated in the work of the following EU bodies: the ECB General Council, the ESRB General Board, the ESCB and ESRB committees and working groups, and the ESRB, the EBA, the ECOFIN Council (at informal meetings), and the committees and working groups of the Council of the European Union and the European Commission. The most important items on the agenda included completion of the banking union, the creation of a common safety mechanism to the Single Resolution Fund and the deepening of the capital markets union. In 2019, NBP cooperated with international economic and financial organisations, including the World Bank Group, the International Monetary Fund (IMF), the European Bank for Reconstruction and Development (EBRD) and the Bank for International Settlements (BIS). In 2019, NBP expanded the relations with central banks and other international institutions and strengthened NBP's international position by organising international conferences and participating in international assistance projects. In 2019 NBP completed one such project – the twinning cooperation project for the National Bank of the Republic of Belarus.
19. In 2019, the average employment level at NBP was 32 (thirty two) full-time posts higher than in 2018 and amounted to 3,312 full-time posts. This increase was due to the broader scope of NBP's tasks resulting from legal, organization and technical changes.
20. In accordance with Article 69(1) of the Act on Narodowy Bank Polski the *Financial Statements of Narodowy Bank Polski as at 31 December 2019* were reviewed by a certified auditor appointed by the Monetary Policy Council. The *Financial Statements of Narodowy Bank Polski as at 31 December 2019* and the *Auditor's report on the financial statements* constitute Appendix 4.
21. The financial result of NBP as at the end of 2019 amounted to PLN 7.8 billion. The following factors affected the result: the positive result on the management of foreign exchange reserves (+PLN 7.6 billion), the positive result from exchange rate differences (+PLN 5.6 billion), the costs of the monetary policy conducted by NBP (-PLN 1.4 billion), operating expenses and depreciation (-PLN 1.2 billion), and expenses on the provision against the foreign exchange risk of the zloty (-PLN 2.8 billion) i.e. the obligation arising from the Act on NBP.

Chapter 1

Governing bodies of NBP



Governing bodies of NBP

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

1.1 President of Narodowy Bank Polski

In 2019, as part of his responsibilities, the President of Narodowy Bank Polski chaired the meetings of the Monetary Policy Council and the NBP Management Board as well as the Financial Stability Committee in its macroprudential capacity. Additionally, while representing Narodowy Bank Polski and the Republic of Poland, the President of NBP attended (or was represented in) the following meetings of international banking and financial institutions:

- meetings of the General Council of the European Central Bank,
- the annual meeting of the Board of Governors of the European Bank for Reconstruction and Development,
- meetings of the Board of Governors of the World Bank and the International Monetary Fund,
- informal sessions of the ECOFIN,
- meetings of the General Board of the ESRB,
- meetings of the Governors of the Bank for International Settlements.

In 2019, the President of NBP issued 36 ordinances concerning, in particular, the issue of banknotes and coins, the manner to assign numbers to banks and bank accounts, the method and procedure for counting, sorting, packing and marking banknotes and coins, and the performance of activities related to supplying banks with such notes and coins. Moreover, the President of NBP issued 3 announcements: 2 containing uniform texts of legal acts issued by the governing bodies of NBP, and an announcement concerning the balance sheet and the profit and loss account of Narodowy Bank Polski for 2018.

Furthermore, 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 2019, the Monetary Policy Council acted in accordance with the *Monetary Policy Guidelines for 2019*. In 2019, the MPC held 23 meetings (including 11 decision-making meetings), adopting 8 normative resolutions and one non-normative resolution. MPC resolutions were published in *Monitor Polski (Official Gazette)* and *Dziennik Urzędowy Narodowego Banku Polskiego (Official Journal of Narodowy Bank Polski)*.

In 2019, the Monetary Policy Council did not adopt any resolutions on the reference rate, the interest rate on refinancing loans, the interest rate on term deposits or the rediscount rate on the bills of exchange at Narodowy Bank Polski (Table 1.1). Neither did it adopt any

resolutions on the required reserve ratio for banks, credit unions and the National Association of Credit Unions or the remuneration on the required reserve (Tables 1.1 and 1.2).

Table 1.1 NBP interest rates at the end of 2019*

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

* On 18 March 2020 (the effective date) the MPC reduced the reference rate to 1.00%, the Lombard rate to 1.50%, the rediscount rate to 1.05%, while keeping the deposit rate at the previous level (0.50%). At the same time, the MPC set the level of the discount rate at 1.10%. The above decision was made on 17 March 2020. Furthermore, on 9 April 2020 (the effective date) the MPC lowered the reference rate to 0.50%, the Lombard rate to 1.00%, the deposit rate to 0.00%, rediscount rate to 0.55%, and the discount rate to 0.60%. The above decision was made on 8 April 2020.

Source: NBP data.

Table 1.2 Required reserve ratios and the remuneration on the required reserve balances as at the end of 2019*

Required reserve ratio / remuneration of the required reserves	in %
The required reserve ratio on funds in Polish zloty and funds in foreign currency deposited on bank accounts and on funds received in respect of issue of securities	3.50
The required reserve ratio on funds received from repo and sell-buy-back transactions, as well as funds received for the duration of at least 2 years	0.00
The remuneration on the required reserve balances deposited on current accounts or reserve requirement accounts by banks, credit unions and the National Association of Credit Unions	0.50

* On 30 April 2020 (the effective date) the MPC reduced the ratio of required reserves on the zloty and foreign exchange funds deposited on bank accounts and on funds deriving from the issue of securities to 0.50%, while at the same time raising the remuneration on the required reserves to the level of the reference rate, which determines the interest on the basic open market operations conducted by NBP. The above decision was made on 17 March 2020.

Source: NBP data.

The resolutions adopted by the MPC in 2019 concerned:

- the approval of the annual financial statement made as at 31 December 2018,
- the approval of the *Report on Monetary Policy Implementation in 2018*,
- the evaluation of the activities of the NBP Management Board regarding the implementation of the monetary policy guidelines for 2018,
- the approval of the *Report on the Activities on NBP Operations in 2019*,
- the setting of the monetary policy guidelines for 2020,
- principles for the creation and resolution of provisions against the foreign exchange risk at Narodowy Bank Polski,
- amendments to the resolution on the principles concerning accounts, structure of assets and liabilities on the balance sheet and on the profit and loss account of Narodowy Bank Polski,
- the approval of the *Financial Plan of Narodowy Bank Polski for 2020*,
- the choice of auditor to examine the annual financial statements of Narodowy Bank Polski in 2019 and 2020.

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

- the *Balance of Payments of the Republic of Poland* for 2018 Q3 and Q4 and for 2019 Q1 and Q2,
- the *International Investment Position of Poland in 2018*,
- the *Forecast of the Balance of Payments of the Republic of Poland for 2020*,
- the *Opinion on the 2020 Draft Budget Act, adopted by the Council of Ministers on 24 September 2020*.

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

In 2019, members of the MPC participated in:

- a meeting with the representatives of the Polish Financial Supervision Authority to discuss the *Report on the condition of Polish banks in 2018*,
- meetings with market analysts and investors,
- conferences and seminars organised by NBP, international institutions and central banks.

1.3 Management Board of Narodowy Bank Polski

Pursuant to the Act on Narodowy Bank Polski, the activity of NBP is directed by its Management Board. The Management Board adopts resolutions on matters which are not the exclusive competence of other bodies of NBP and implements the MPC-adopted resolutions. In 2019, the NBP Management Board performed its basic responsibilities in accordance with the *Monetary Policy Guidelines for 2019, Narodowy Bank Polski Plan of Activity for 2019–2021* and the *Financial Plan of Narodowy Bank Polski for 2019*.

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

- inflation and GDP projections,
- current macroeconomic developments in Poland, including the path of inflation processes, the position of public finance, the economic situation of enterprises and households, the developments in the labour, real estate, financial, credit and foreign exchange markets,
- current developments in the world financial markets, including the euro area financial markets and the financial markets of Central and Eastern European countries,
- financial system stability in Poland, including the assessment of the functioning of the banking system and the outlook for its development,
- banking sector liquidity and monetary policy instruments,
- the situation in the interbank market and open market operations,
- principles for the creation and resolution of provisions against the foreign exchange risk of the zloty at NBP.

Moreover, the NBP Management Board discussed topics concerning: the issue of currency, the management of official reserves, including an increase in strategic gold reserves held by NBP and the repatriation of 100 tons of gold from the Bank of England, the functioning of the Polish payment system, and NBP's research and analytical activity.

In 2019, the NBP Management Board held 51 meetings. It adopted 82 resolutions (including: 54 normative acts and 28 non-normative acts) and 165 management resolutions.¹

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

- eligibility criteria for domestic banks, subsidiaries of foreign banks and foreign credit institutions to participate in the open market operations conducted by Narodowy Bank Polski,
- 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,
- cash-vault operations at Narodowy Bank Polski,
- the rules of maintenance by Narodowy Bank Polski of bank accounts and model bank account agreements,
- the execution by Narodowy Bank Polski of foreign currency and domestic currency payment orders and cheque operations in cross-border and domestic transactions, as well as purchases and sales of foreign currencies,
- the procedure and detailed rules for banks submitting to Narodowy Bank Polski the data necessary for determining monetary policy and for the periodic assessments of the monetary situation of the state, as well as the assessment of the financial situation of banks and the risks for the banking sector,
- appointment of a Council for cash transactions and definition of its mode of operation,
- bank fees and commissions charged by NBP,
- the organisational rules of NBP.

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

- the launch by NBP and 17 other central banks of the European System of Central Banks and the European Central Bank of the European Commission's programme of technical assistance to the central banks and financial institutions of the Western Balkans,
- the participation of NBP, as an institution cooperating with the Financial Supervision Authority (UKNF), in the implementation of the twinning project for the benefit of the National Bank of Georgia,
- the signing by NBP of an agreement with the European Central Bank, specifying the scope of the ECB's European Culture Days 2020 devoted to Poland,
- adoption of the amended *Narodowy Bank Polski payment system oversight policy*,
- the publication of the report *Cost of payment instruments in the Polish market. Final Report from the NBP study*,
- the approval to launch of the project consolidation T2-T2S,
- the adoption of the study *Model of cooperative banking in Poland – desirable directions of changes*,
- the approval to extend until the end of 2020 of the agreement for a bilateral loan concluded between NBP and IMF.

In addition, in 2019 the NBP Management Board prepared the NBP annual financial statements for 2018.²

¹ In accordance with Article 53 and 54 of the Act on Narodowy Bank Polski of 29 August 1997 (Journal of Laws of 2019, item 1810), resolutions of the Management Board of Narodowy Bank Polski constituting normative acts are published in the Official Gazette or in the Official Journal of Narodowy Bank Polski.

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

1.4 Narodowy Bank Polski Plan of Activity

In 2019, the *Narodowy Bank Polski Plan of Activity for 2019–2021*, adopted by the NBP Management Board on 26 October 2017, was implemented. The *Plan* sets out NBP's goals for the forthcoming years and tasks aimed at their implementation.

In accordance with the rules for planning activity at NBP, the NBP Management Board adopted the *Narodowy Bank Polski Plan of Activity for 2010–2022*, effective as of 1 January 2020.

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

The *Report on Monetary Policy in 2019* is accompanied by the appendices presenting selected macroeconomic and financial data, as well as by *Minutes of the Monetary Policy Council decision-making meetings*² and *Voting records of the Monetary Policy Council members on motions and resolutions* in the year the *Report* encompasses.

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

2.1 Monetary policy strategy in 2019

In 2019, the Monetary Policy Council, hereinafter referred to as “the Council”, conducted monetary policy in line with *Monetary Policy Guidelines for 2019*, adopted in September 2018. As in previous years, the main objective of monetary policy was to maintain price stability while supporting sustainable economic growth and financial system stability. This way, the Council pursued the basic objectives of Narodowy Bank Polski set out in the Constitution of the Republic of Poland (Journal of Laws of 1997, item 483, as amended) and in the Act on Narodowy Bank Polski of 29 August 1997 (Journal of Laws of 2019, item 1810 and of 2020, item 568). 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”. Article 3 Section 1 in the Act on Narodowy Bank Polski, hereinafter referred to as “NBP”, provides 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 2019* adopted by the Monetary Policy Council at its meeting on 20 May 2020. 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), Articles 23–24 and the provisions of Chapter 6 of the Act on Narodowy Bank Polski.

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 on the NBP website.

The Council strives to ensure price stability by using a medium-term inflation-targeting regime. Since 2004, the Council has pursued a medium-term inflation target of 2.5%, with a symmetrical band for deviations of ± 1 percentage point. Inflation-targeting countries report lower inflation, on average, than non-inflation targeters.

From 2004 until the end of 2019, the average inflation rate in Poland amounted to 2.0%, thus it was close to 2.5% and remained within the symmetrical tolerance band, although in some years price growth strayed outside the band. Furthermore, economic growth has been relatively stable over the past few years and close to its long-term trend, with no macroeconomic imbalances building up in the economy. These developments indicate that inflation targeting has been effective in ensuring long-term price stability, while at the same time supporting sustainable economic growth.

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

The Council's monetary policy strategy assumes flexibility of the instruments applied. This means that the monetary policy instruments used by NBP may be adapted to the nature of disturbances observed in the economy. The flexible use of monetary policy instruments is conducive to effective functioning of the transmission mechanism as well as to macroeconomic and financial stability.

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

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

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

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

2.2 Monetary policy and macroeconomic developments in 2019

In 2019, monetary policy in Poland was conducted amid relatively low global economic growth, in particular in the euro area. This was accompanied by a marked decline in global trade growth and the slowdown in activity in the industrial sector. At the same time, global inflation remained moderate, while in the euro area it was low, running significantly below 2%. Towards the end of 2019, the pace of price growth increased significantly in many economies, particularly in emerging market economies. This was mainly due to food price growth, largely as a result of rising pork prices in the wake of the African swine fever (ASF) epidemic, mainly in China.

Amid moderate inflation and relatively low economic growth, the major central banks softened their monetary policy rhetoric in the first half of 2019, and in the second half of the year they loosened their monetary policy. In particular, the US Federal Reserve (hereinafter referred to as “the Fed”) lowered interest rates and began to purchase Treasury bills as well as started additional repo operations, while the European Central Bank (ECB) decreased the deposit facility rate further below zero and restarted its asset purchase programme. Amid these conditions, yields on long-term bonds declined and stock indices rose in the developed economies, reaching their all-time levels in some of the developed markets.

In Poland, economic conditions were good in 2019, although GDP growth was lower than in the previous year (4.1% in 2019 compared to 5.3% in 2018). Growth continued to be driven mainly by rising consumption – supported by increasing employment and wages, low unemployment as well as strong consumer confidence and disbursement of social benefits – although towards the end of the year consumption growth slowed down. This was accompanied by a further increase in investment, although growth in gross fixed capital formation was slightly lower in 2019 than in 2018. This came on the back of the decrease in public investment, resulting mainly from the fall in investment expenditure of local government units after its robust growth in 2018 related to, among others, the implementation of numerous investment projects before the local government elections. At the same time, the scale of the slowdown in growth in fixed capital formation was curbed by the marked acceleration in corporate investment amid high capacity utilisation and the continued favourable economic situation in industry. The foreign trade balance also had a positive contribution to GDP growth in 2019, which was a result of the weaker decline in exports than imports, despite the weakened economic conditions in the immediate environment of the Polish economy.

In 2019 consumer price growth amounted to 2.3%, in annual average terms, and was consistent with the medium-term inflation target (2.5% with a symmetrical band for deviations of ± 1 percentage point). This was accompanied by moderate core inflation. In 2019, inflation net of food and energy prices stood, on average, at 2.0%.

At the same time, no macroeconomic imbalances were building up in the economy. In particular, in 2019 growth in lending to the non-financial sector stood below nominal

GDP growth (lending growth amounted to 5.8%, while nominal GDP growth stood at 7.2%). As a result, the ratio of outstanding loan portfolio of the non-financial sector debt to GDP declined. In addition, in 2019 the trade surplus increased, as did the positive combined current and capital account balance. As a result, foreign debt in relation to GDP decreased. Against this background, the zloty exchange rate was relatively stable.

In view of the above conditions, the Council kept the NBP interest rates unchanged in 2019, including the reference rate at 1.5%. The stabilization of the NBP interest rates was conducive to maintaining price stability and keeping the Polish economy on a sustainable growth path as well as preserving macroeconomic balance.

Similarly to previous years, in 2019 communication with the public played an important role in the conduct of monetary policy. This involved the Council informing the public about its decisions and presenting an assessment of economic developments behind them. The key communication instruments applied in 2019 included the cyclical publications: *Information from the Meeting of the Monetary Policy Council* (and the accompanying press conferences following the Council meetings), *Minutes of the Monetary Policy Council decision-making meetings*,³ *Inflation Reports*, as well as *Report on Monetary Policy in 2018* and *Monetary Policy Guidelines for 2020*.

The most important developments motivating the Council's decisions in 2019, divided into the six-month periods, are presented below.

In the first half of 2019, the GDP growth rate remained relatively low in many economies around the world. At the same time, uncertainty persisted about the global outlook, partly due to the changes in trade policy of the major countries of the world. Amid these conditions, global industrial activity weakened; however, the economic situation in the service sector remained favourable. In the euro area, including in Germany, economic activity growth remained subdued in the first half of 2019. GDP growth was slowed down by the weak economic conditions in the industrial sector. By contrast, the continued growth in consumer demand, supported by rising employment and wages, as well as a decrease in the tax burden and an increase in social transfers to households in some of the major economies in the euro area, had a stabilising effect on economic growth. The favourable conditions for consumption growth were conducive to maintaining the good situation in the services sector. In turn, economic conditions in the United States remained good in the first half of 2019 due to the favourable – from the point of view of employees – situation in the labour market. However, in China economic activity growth gradually slowed down in 2019, despite a temporary stabilisation of GDP growth in 2019 Q1 due to the government's expansionary fiscal policy.

In the first half of 2019, global price growth remained moderate, despite a marked increase in the prices of some food products. In particular, pork prices increased substantially as a result of the spread of the ASF epidemic, which significantly reduced the supply of pork around the world. In turn, despite growth in the first months of 2019, global oil prices were lower than in the first half of 2018. Moderate price growth in the global economy was the result of the persistence of low inflation in some of the advanced economies, amid faster price

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 Council decisions on interest rates at its successive meetings in 2019.

growth in emerging market economies. In particular, low inflation persisted in the euro area, where HICP inflation stood at 1.4%, in the first half of 2019, while core inflation (net of food, energy, alcohol and tobacco prices) ran at 1.0%.

Faced with the persistence of relatively low GDP growth and moderate inflation in many economies, the major central banks softened their monetary policy rhetoric in the first half of 2019. The ECB kept interest rates close to zero, including the deposit facility rate below zero, and fully reinvested the principal payments from maturing securities purchased under the asset purchase programme. At the same time, the ECB extended the previously signalled period of keeping interest rates at the current level. In turn, after the interest rate hikes in 2018, the Fed stabilised interest rates in the first half of 2019 and indicated the possibility of cutting them. At the same time, the Fed slowed down the process of reducing the size of its balance sheet and vowed to end it in the second half of 2019.

The softened rhetoric of the major central banks in the first half of 2019 contributed to a fall in government bond yields worldwide, including in Poland, and was conducive to a significant rise in stock prices in the advanced economies after their fall at the end of 2018. At the same time, the exchange rates of currencies of many emerging economies, including the zloty, were relatively stable against the US dollar.

In Poland, good economic conditions continued in the first half of 2019, although the growth rate was lower than in previous quarters (GDP growth in the first half of 2019 ran at 4.7% y/y). The growth in economic activity was supported by rising consumption driven by increasing employment and wages, very strong consumer confidence and disbursement of social benefits. The continued rise in employment was accompanied by a further decline in the unemployment rate, which was running at a historic low. Another important driver of GDP growth was rising investment, particularly corporate investment, which was supported by continued strong domestic demand amid high capacity utilisation. At the same time, the deterioration in manufacturing sentiment and heightened uncertainty about further growth in activity in the manufacturing sector could have limited corporate investment. Net exports also made a positive contribution to GDP growth, although growth in foreign trade turnover slowed down amid weaker economic growth in the external environment of the Polish economy. At the same time, after foreign sales to non-euro area countries picked up, export growth slowed down to a lesser extent than import growth. This helped the current account (in relation to GDP) to remain positive. The combined current and capital account balance was also positive, which indicated a high degree of external balance. At the same time, there were no clear signs of significant macroeconomic imbalances building up in the economy: the growth rate of lending to the non-financial sector remained close to the rate of nominal GDP growth, though slightly lower. In the first half of 2019 uncertainty for domestic economic conditions stemmed mainly from the scale and sustainability of the slowdown in Poland's main trading partners as well as the strength of its transmission to the Polish economy.

In Poland, CPI inflation rate was gradually rising in the first half of 2019 from the low level observed at the beginning of the year to 2.6%, i.e. very close to 2.5%, in June. The increase in inflation in this period was primarily due to the rise in food prices, mainly of pork – in the wake of the spread of ASF epidemic around the world – and of vegetables as a result of drought. At the same time, core inflation (excluding food and energy prices) was gradually rising (on average, it stood at 1.4% in the first half of 2019), boosted by the increase in services price growth amid the continued favourable situation of Polish consumers.

In view of the above conditions, in particular, favourable economic conditions continued amid moderate price growth and the absence of macroeconomic imbalances, the Council kept the NBP interest rates unchanged in the first half of 2019, including the reference rate at 1.5%. This decision was also warranted by the forecasts, including the March inflation and GDP projections, which pointed to a gradual slowdown in GDP growth in the subsequent quarters amid moderate inflation, which was to run close to the inflation target over the monetary policy transmission horizon.

In the second half of 2019, the growth of global economic activity growth remained low, and was accompanied by a deterioration in the global economic outlook. In the euro area, economic conditions in industry remained weak, and towards the end of the year the services sector started to see signs of deteriorating sentiment. A particularly unfavourable situation persisted in Germany, where the fall in industrial output in the second half of 2019 was accompanied by signs of slowing activity in the services sector and a fall in employment growth. In the United States, the economic situation continued to be relatively favourable compared to other advanced economies; however, in the second half of 2019, the growth rate of economic activity in the United States – as well as in China – declined somewhat compared to the first half of the year.

Against the backdrop of still subdued economic conditions in many economies, global inflation remained moderate in the second half of 2019, despite further growth in food prices, including pork prices, following the spread of the ASF epidemic. In the euro area, HICP inflation remained low in the second half of 2019 (1.0% on average), despite a slight increase in core inflation towards the end of the year (in the second half of 2019 it ran at 1.1%, on average).

The deterioration in the global economic outlook prompted the major central banks to loosen monetary policy in the second half of 2019. The ECB decreased its deposit rate to a more negative level (-0.50%), restarted its asset purchase programme, and once again extended the previously signalled period of keeping interest rates at the current level. At the same time, the Fed cut interest rates three times in the second half of 2019 (the range for the Fed funds rate was lowered by a total of 0.75 percentage points to 1.50–1.75%) and, in response to disturbances in the US money market, it began purchasing Treasury bills and launched additional repo operations.

The loosening of monetary policy by the major central banks supported a further rise in stock prices which reached record levels in some developed markets. This was accompanied by a stabilisation of yields on long-term government bonds in many economies, including in Poland, at very low levels. At the same time, the exchange rates of currencies of emerging market economies, including of the zloty, remained relatively stable against the US dollar.

In Poland, favourable economic conditions continued in the second half of 2019, although GDP growth declined in the wake of the slowdown in the external environment of the Polish economy (GDP growth in Poland was 3.6% in the second half of 2019). Consumer demand remained the main driver of growth and continued to be supported by the favourable situation of employees in the labour market, strong consumer confidence and disbursement of social benefits. At the same time, real consumption growth in 2019 Q4 declined somewhat, which may have been due to a certain deterioration in household sentiment and higher price growth than at the beginning of 2019. This was accompanied

by a slight decline in employment growth in the enterprise sector along with relatively stable nominal wage growth. Investment also continued to grow in the second half of 2019, although at a slower pace. This was due to a decrease in public investment, resulting mainly from the fall in investment expenditure of local government units after its robust growth in 2018 related, among others, to the implementation of numerous investment projects before the local government elections. At the same time, corporate investment continued to grow. Growth in lending to the non-financial sector remained relatively stable and ran below nominal GDP growth. As a result, the ratio of outstanding loan portfolio to the non-financial sector debt to GDP declined to approx. 50%. Amid a weakening of global trade, Polish import and export growth rates decreased once again. At the same time, the geographical diversification of the recipients of Polish products helped the export growth rate to remain higher than the import growth rate, and the positive contribution of net exports to GDP growth increased. As a result, the balance of the current account remained positive. At the same time, uncertainty remained about the strength and sustainability of the impact of the slowdown in Poland's main trading partners on the economic situation in Poland.

During most of the second half of 2019, the price growth rate in Poland was running close to 2.5% (inflation was at 2.8%, on average, in the second half of 2019). In December, inflation rose to 3.4%, which was mainly the result of supply-side and regulatory factors. Price growth was therefore largely driven by factors beyond the direct impact of domestic monetary policy, whose effects on inflation was judged to be temporary. Inflation increased, in particular, on the back of the limited supply of pork around the world related to the spread of the ASF epidemic, which translated into higher growth in prices of unprocessed food. Annual growth in fuel prices also rose in December, which was the result of the base effect (reflecting the significant fall in global oil prices at the end of 2018 and their stabilisation in the second half of 2019). At the same time, growth in administered prices – including waste disposal fees – increased, which, together with continued robust domestic economic conditions, contributed to an increase in core inflation (in December it stood at 3.1%, while it was running at an average of 2.5% in the second half of the year).

In view of the information incoming in the second half of 2019, the Council kept the NBP interest rates unchanged, including the reference rate at 1.5%. In the assessment of the Council, the stabilisation of interest rates was warranted by continued favourable economic conditions amid heightened uncertainty about the scale and sustainability of the slowdown abroad as well as its impact on domestic economic activity. At the same time, for most of the analysed period inflation remained at a moderate level. Its increase in December 2019 as well as the forecast that it would remain at an elevated level in 2020 Q1 were the result of supply-side and regulatory factors, i.e. factors beyond the direct impact of domestic monetary policy. In addition, the forecasts indicated that after the impact of these factors faded, inflation would decrease to run at the NBP inflation target over the monetary policy transmission horizon.

2.3 Monetary policy instruments in 2019

In 2019, NBP employed the range of instruments adopted by the Monetary Policy Council in the *Monetary Policy Guidelines for 2019*.

Liquidity of the banking sector in 2019

In 2019, NBP pursued monetary policy amid a liquidity surplus prevailing in the banking sector.⁴ The level of excess liquidity averaged PLN 81,518 million,⁵ and was PLN 8,648 million, i.e. 9.6%, lower than in 2018.

The average level of surplus liquidity in December 2019 stood at PLN 86,330 million and was PLN 295 million (0.3%) lower than in December 2018.

The key factors affecting banking sector liquidity in 2019 were changes in the level of currency in circulation and foreign currency transactions conducted between NBP and the Ministry of Finance. The first of the above-mentioned factors caused a decline of PLN 20,872 million in banking sector liquidity over the year. On the other hand, the surplus of foreign currency purchases by NBP over their sale increased the liquidity by an average of PLN 29,933 million.

NBP interest rates

The NBP interest rates were the key instrument of monetary policy in 2019.

By determining the yield on open market operations, the NBP reference rate influenced the level of short-term market interest rates.

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

Open market operations

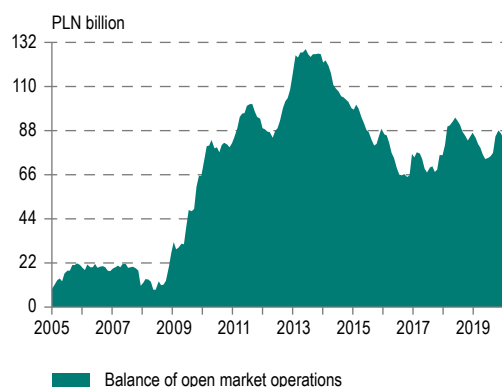
In 2019, the operational target of the NBP monetary policy was to keep the POLONIA rate⁶ close to the NBP reference rate. This was achieved mainly by means of open market operations, carried out on the initiative of the central bank. The central bank employed these instruments to manage the liquidity of the banking sector. The implementation of the operational target of monetary policy was supported by the required reserve system and the standing facilities provided by the central bank.

By using the main open market operations, the central bank strove to ensure balanced liquidity conditions in the banking sector. At the same time, the yields on 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).

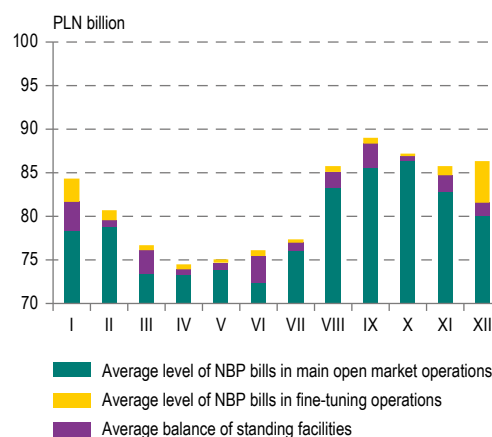
⁴ The liquidity surplus of the banking sector are the funds held by the banking sector in excess of the required reserve. Liquidity surplus is measured by the combined balance of the NBP open market operations and standing facility operations.

⁵ During the required reserve maintenance period.

⁶ The POLONIA rate (Polish Overnight Index Average) is determined as the average (weighted by the volume of the individual transactions) of the interest rates on unsecured interbank deposits concluded for the "overnight" term on a given working day until 4.30 p.m.

Figure 2.1 Average monthly balance of open market operations 2005–2019

Source: NBP data.

Figure 2.2 Liquidity absorbing instruments in the respective months of 2019

Source: NBP data.

In 2019, the main open market operations were carried out on a regular weekly basis, in the form of issuance of NBP bills usually with a 7-day maturity.⁷ By using the main open market operations, the central bank absorbed most of the surplus liquidity in the banking sector. In 2019, the average volume of the NBP bills categorised as the main open market operations amounted to PLN 78,662 million and was PLN 8,475 million lower than in 2018.

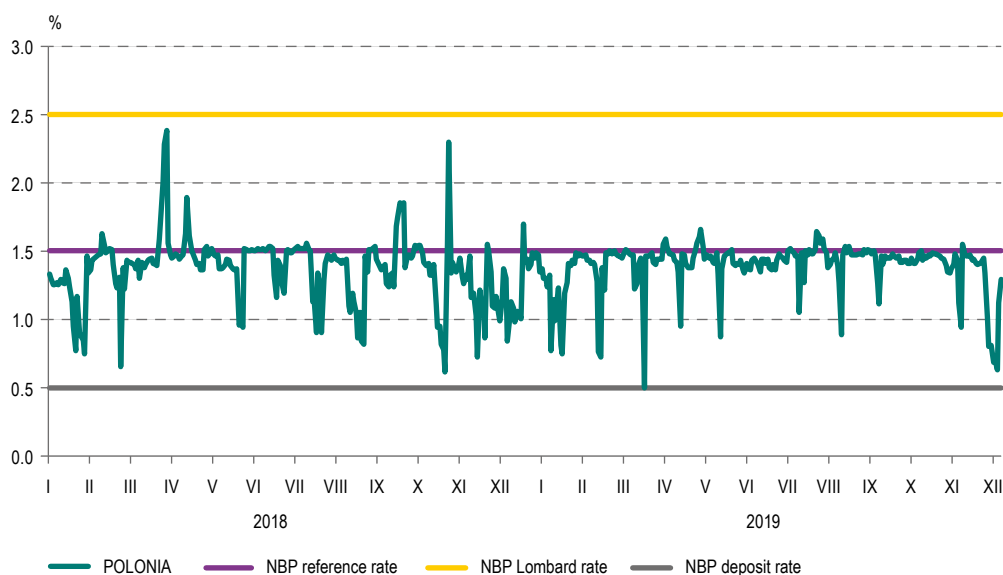
In addition to the main open market operations, in 2019 NBP also conducted fine-tuning open market operations which played a complementary role in implementing the operational target of monetary policy. The reason why the central bank employed them was that it sought to ensure conditions in the interbank market which would support the implementation of the operational target of monetary policy. Yields on the individual fine-tuning operations were equal to the NBP reference rate, and they affected the price of money in the interbank market in a similar manner to the main operations.

In 2019, NBP carried out 12 fine-tuning operations on the last day of the required reserve maintenance periods. In addition, the central bank conducted 4 fine-tuning operations during the required reserve maintenance periods. Under the fine-tuning operations, NBP bills were issued with maturities of 1 day, 2 and 3 days. The average size of this category of operations in 2019 amounted to PLN 1,732 million and was PLN 73 million higher than in 2018.

In 2019, the average absolute deviation of the POLONIA rate from the NBP reference rate was 14 bps, compared to 21 bps in 2018.⁸

⁷ Operations conducted on 26 April and 25 October (6-day maturity) and on 2 May and 31 October (8-day maturity) were an exception.

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

Figure 2.3 NBP interest rates and the POLONIA rate in 2018–2019

Source: NBP data.

Reserve requirement

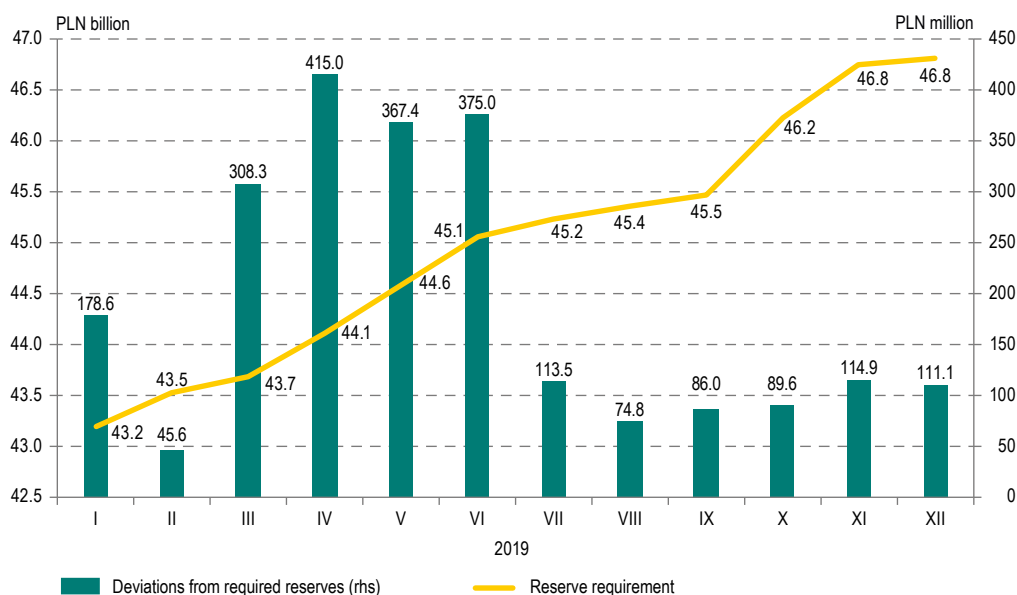
The required reserve system supported the implementation of the operational target of monetary policy, thus contributing to the stability of short-term market interest rates. The averaged character of the required reserve system enabled entities to decide on the amount of holdings accumulated at the central bank in the respective days of the required reserve maintenance period, provided that the average holdings at NBP were at least equal to the required reserve level. At the same time, the obligation to maintain the required reserve limited the scale of the NBP open market operations necessary to absorb the excess liquidity prevailing in the banking sector in 2019.

In 2019, the following entities were subject to the reserve requirement: banks, branches of credit institutions, branches of foreign banks active in Poland, credit unions and the National Association of Cooperative Savings and Credit Unions.

In 2019, the basic reserve requirement ratio amounted to 3.5% on all liabilities constituting the basis for the required reserve computation, except for funds received from the sale of securities in repo and sell buy-back transactions, and funds obtained for the term of 2 years or more, on which the reserve requirement ratio stood at 0.0%.

The remuneration on the required reserve funds was 0.5% in 2019.

The amount of required reserves as at 31 December 2019 stood at PLN 46,845 million, including the required reserve of commercial banks and cooperative banks of PLN 46,630 million and the required reserves of credit unions and the National Association of Cooperative Savings and Credit Unions of PLN 215 million. The total amount of the required reserve was PLN 3,651 million higher than on 31 December 2018, which represents an increase of 8.5%.

Figure 2.4 Changes in required reserves level and deviations from the reserve requirement in 2019

Source: NBP data.

The main factor responsible for the upward change in the discussed item in 2019 was the rising deposits of the banking sector, on which the required reserve was calculated. A factor with a downward effect on the required reserve levels was the exemption by the NBP Management Board of 4 commercial banks and 2 cooperative banks from the obligation to maintain the required reserve.

In all the required reserve maintenance periods of 2019, entities' average holdings at NBP remained slightly above the required level. The average funds in excess of the required reserve holdings in 2019 amounted to PLN 190 million, i.e. 0.42% of the average level of the required reserves. At the same time, there were 3 instances of failure to maintain the required reserve level by 3 commercial banks.

Standing facilities

Standing facilities (overnight deposit and Lombard credit) acted as an instrument for stabilising the level of liquidity in the banking sector and the scale of the fluctuations of the interbank market rates. These operations were conducted at the initiative of banks, which used them to supplement their liquidity needs for the term of one 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 ceiling of overnight rate fluctuations in the interbank market. The overnight deposit rate, in turn, provided the floor for these fluctuations.

In 2019, like in previous years, banks used Lombard credit only occasionally. In 2019, the total drawing on this credit was PLN 7.6 million and was over 7 times lower than the amount

drawn in 2018 (PLN 57.4 million). The average daily use of Lombard credit stood at PLN 0.02 million (compared to PLN 0.2 million in 2018).

In 2019, banks placed overnight deposits totalling PLN 410,477.9 million at NBP (calculated for the period of their holding). This amount was 17.5% lower than the deposits lodged in the previous year. The average daily level of overnight deposits stood at PLN 1,124.6 million compared to PLN 1,370.4 million in 2018. The highest amounts were lodged in the form of overnight deposits in the last days of the required reserve maintenance periods.

Foreign exchange swaps

By using a foreign exchange swap, NBP may 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 2019, the central bank did not conduct 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 2019, the central bank did not conduct any such operations.

Chapter 3

Financial system



Financial system¹

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

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

3.1 Macroprudential supervision

In 2019, NBP implemented the tasks arising from the Act on Narodowy Bank Polski on providing support to the Financial Stability Committee as the competent authority for macroprudential supervision (FSC-M) in Poland. Eight meetings of the Committee were held in 2019.

As part of FSC-M work in 2019 Narodowy Bank Polski:

- Prepared and provided analyses, studies and opinions on the identification and assessment of systemic risk, nationally and internationally, including its regular reports: *Financial Stability Report* (twice a year) and *Macroeconomic Stability of the Polish Economy* (once a year) and *Polish Payment System Oversight Report* (once a year).²
- Prepared the analyses that provide the content-related basis for the FSC-M to formulate proposals of action aimed at mitigating systemic risk, including statements and recommendations of the Committee on the countercyclical buffer, the systemic risk buffer and on reforming the WIBOR reference rates as part of the adjustment to the BMR requirements.³
- Continued to implement the FSC-M recommendation on extending the scope of available data on the real estate market. The recommendation aims to close systemic risk data gaps.⁴
- Communicated the work of the Committee to the public and supervised entities via the website on macroprudential supervision.

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

² See Chapter 7 *Payment system oriented activities*.

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (OJ L 171/2016).

⁴ The FSC-M addressed the recommendation to NBP on ensuring availability of data and information on the real estate market (following the 2016 recommendation of the ESRB on the matter to all EU member states).

- Cooperated, on behalf of the Committee, with EU bodies and institutions as well as with macroprudential supervision authorities of other countries. Most specifically, on behalf of the FSC-M, it took action aimed at implementing European Systemic Risk Board recommendations.

As in previous years, an NBP representative chaired the work of the permanent working expert group established by the Committee. In 2019, the working group – using mainly materials prepared by NBP – dealt with issues which were the subject of the FSC’s work, including work on the level of the systemic risk buffer,⁵ preparations to adjust the domestic money market reference rates to the BMR requirements and preparation of the draft opinion on the identification of other systemically important institutions (OSIIs).⁶ Moreover, the group also drafted *Macroprudential policy strategy* for the FSC-M.

The NBP President – acting as Chairperson of the FSC-M – submitted to the Sejm (the Polish Parliament) the Annual Report on Macroprudential Supervision Activity of the Financial Stability Committee 2017.⁷ The report is available on the NBP website.

3.2 Cooperation with financial safety net institutions

In 2019, Narodowy Bank Polski participated in FSC work in its crisis management capacity (FSC-C). Fifteen meetings of the FSC-C were held during the year. The FSC-C discussed the economic and financial condition of commercial and cooperative banks and action aimed at preserving financial stability.

NBP’s task consists, in particular, in presenting opinions to the FSC-C on the impact on banking sector liquidity of an institution whose present or projected financial situation may jeopardise its future operation.⁸

Narodowy Bank Polski also issued opinions on drafts of Polish and EU regulations on financial institutions and markets as well as the financial infrastructure.

NBP’s cooperation with financial safety net institutions also included the following:

- membership of an NBP Management Board member delegated by the President of NBP in the Polish Financial Supervision Authority (KNF)⁹ and membership of two

⁵ Pursuant to Article 50(7) of the Act of 5 August 2015 on Macroprudential Supervision of the Financial System and Crisis Management (Journal of Laws 2019, item 483) a draft opinion is submitted to the Ministry of Finance. At least once every 2 years, the Minister of Finance assesses the adequacy of the systemic risk buffer, taking into account the FSC-M recommendation.

⁶ O-SII, which stands for other systemically important institution, is an entity which is not a global systemically important institution, but which can – due to its size, value, linkages or business model – create a risk to the stability of the financial system of a given country. The FSC-M issues an opinion which is annually sought by the KNF.

⁷ Pursuant to Article 9(2) of the Act of 5 August 2015 on Macroprudential Supervision of the Financial System and Crisis Management.

⁸ Pursuant to Article 6(3)(1) of the Act on Macroprudential Supervision of the Financial System and Crisis Management.

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

- representatives delegated by the President of NBP in the Bank Guarantee Fund (BFG) Council,¹⁰
- interaction with the Office of the Polish Financial Supervision Authority (UKNF) and the Bank Guarantee Fund – under the statutory authorisations regarding the rules for submitting information.¹¹

3.3 Financial system analytical and research activities

In 2019, numerous financial stability and financial system development issues were researched at NBP. As NBP has the mandate to regulate the liquidity and refinancing of banks, it also analysed the position of individual banks. The results of key studies were presented to the FSC and the UKNF. Some of them were published as regular reports:

- *Financial Stability Report*. The analyses have shown that the Polish financial system was functioning in a stable manner and that risks to its stability were moderate. The findings were confirmed by the results of stress tests – the majority of banks would be able to absorb the consequences of strong shocks. The vulnerable areas were: the condition of some credit institutions (amid observed weakening of the profitability of the banking sector) and the portfolio of foreign currency housing loans (related to the materialisation of legal risk). The growing portfolio of high-value consumer loans with long maturities and housing loans (in the context of a pick-up in the real estate market) also needs to be monitored.
- *Financial System in Poland 2018*. The report presents trends and barriers to the development of financial markets and institutions active in Poland. At the end of 2018, the assets of financial institutions amounted to PLN 2.72 trillion, which represents a 3.6% increase on the 2017 figure. The increase concentrated in the banking sector and factoring and leasing companies, as assets of other financial institutions decreased. The ratio of assets of financial institutions to GDP at the end of 2018 was 128.7% and declined compared to the end of 2017. The banking sector maintained the largest share in assets (approx. 90% of GDP). The level of domestic financial system development is not uniform. Compared to other developed countries, financial institutions, including the banking sector, are much better developed. On the other hand, financial markets are developing at a relatively slower pace.
- *The level of the countercyclical capital buffer in Poland*. The analytical studies have shown that the credit gap (i.e. the deviation in the ratio of non-financial sector credit to GDP from the long-term trend) remained negative. The pace of credit growth neither created imbalances in the economy and the financial system, nor impeded economic growth.
- *Senior loan officer opinion survey on bank lending practices and credit conditions*.¹² In 2019, banks tightened their lending policy for most of the offered credit categories, i.e. loans

¹⁰ Pursuant to Article 7(4)(2) of the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution (Journal of Laws 2019, item 795, as amended).

¹¹ Pursuant to Article 17(1) of the Act on Financial Market Supervision and Article 328(2) of the Act of 10 June 2016 on the Bank Guarantee Fund.

¹² This study is based on a quarterly questionnaire survey addressed to chairpersons of the credit committees of commercial banks.

to small and medium-sized enterprises (SMEs), housing loans and consumer loans to households. Changes in lending policy were accompanied by a moderate rise in demand for loans to households.

Moreover, NBP conducted research aimed at increasing knowledge about financial processes and interdependencies between the financial system and the economy and about the operationalisation of macroprudential policy. The research projects concerned, among others:

- forecasting the growth rate and quality of credit to the non-financial sector,
- the relationship between the level of the banking sector’s capital and long-term economic growth,
- the development of technological innovation in the financial system and its impact on the system as well as banks’ expenditure on investments in new technologies,
- initiatives in the area of digital assets.

3.4 International cooperation for financial stability

In 2019, Narodowy Bank Polski cooperated with EU institutions responsible for the assessment of systemic risk and counteracting against risk build-up. The President of NBP is a member of the General Board of the European Systemic Risk Board. NBP representatives participated in the work of the ESRB on the real estate market, CCP-associated risk, Brexit-related risk, assessment of the efficiency of macroprudential policy, methods of counteracting impaired loan growth in the EU to a systemically significant level, stress tests, and in the preparation of the ESRB recommendation on branches of credit institutions.¹³

Also in 2019:

- NBP representatives participated in the work of the Board of Supervisors of the European Banking Authority (EBA), of the European Bank Coordination (“Vienna”) Initiative and the Regional Consultative Group for Europe of the Financial Stability Board (FSB).
- NBP again participated in the *Triennial Central Bank Survey of Foreign Exchange and OTC Derivatives Market Activity*. This survey on domestic and global market’s development is carried out by the Bank for International Settlements (BIS). The results of the survey have been published on the NBP website.

3.5 NBP operational activities aimed at maintaining financial stability

At the end of 2019, six banks which were implementing recovery proceedings or recovery plans (including two cooperative banks) were exempted (in whole or in part) from the obligation to maintain the required reserve.

¹³ Recommendation of the European Systemic Risk Board of 26 September 2019 on exchange and collection of information for macroprudential purposes on branches of credit institutions having their head office in another Member State or in a third country (ESRB/2019/18).

In 2019, no need arose to provide liquidity support to commercial banks in the form of refinancing loans pursuant to Article 3(2)(6a) and Article 42(1) of the Act on Narodowy Bank Polski. Loans extended in 2018 were repaid in 2019, in line with the provisions of credit agreements.

Highlights of 2019:

- participation in the work of the FSC-M and FSC-C, including the extensive use of NBP-prepared analyses and studies in the decision-making of the FSC-M,
- analytical work conducted with the aim of increasing knowledge about financial processes and interdependencies of the financial system and the economy, and about the operationalisation of macroprudential policy,
- cooperation with European institutions to counteract the build-up of systemic risk.

Chapter 4

The issue of currency



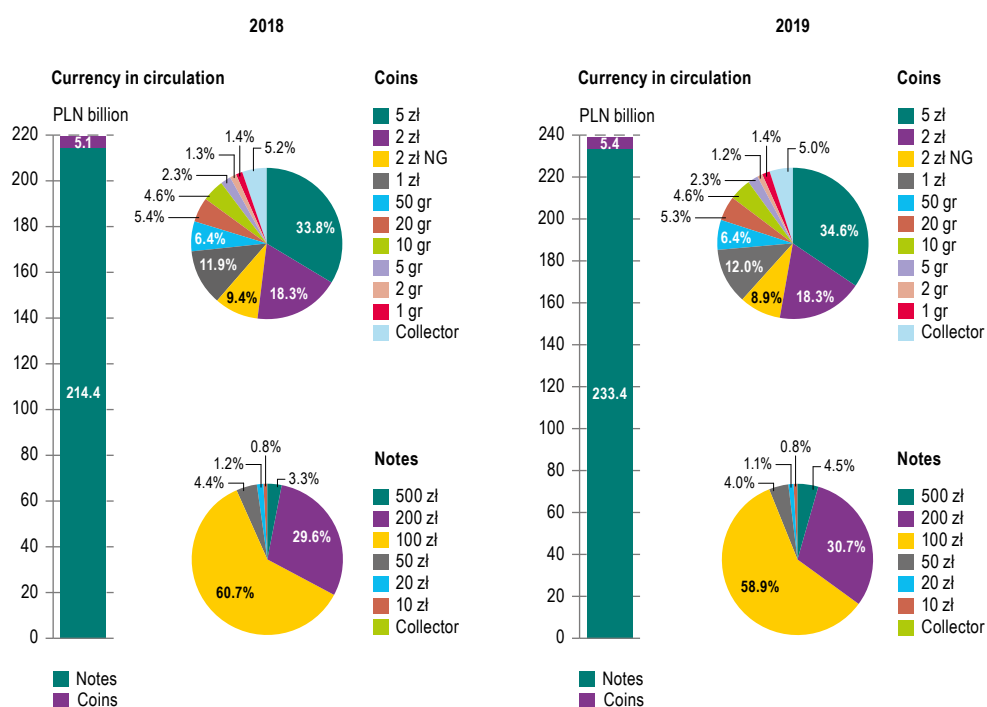
The issue of currency¹

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

4.1 Currency in circulation

The value of currency in circulation (including bank vault cash), as at 31 December 2019, amounted to PLN 238.8 billion. This represents an increase in the value of currency by 19.3 billion, i.e. 8.8%, compared to 31 December 2018. The nominal structure of the currency in circulation as at the end of 2018 and 2019 is presented in Figure 4.1.

Figure 4.1 The denomination breakdown of currency in circulation as at end-2018 and end-2019



Source: NBP data.

In 2019, manufacturers of legal tender delivered to NBP 314,135.2 thousand pieces of notes and 1,044,177.7 thousand pieces of coins. This means that in relation to the deliveries in 2018 (236,820.2 thousand pieces of notes and 1,122,866.8 thousand pieces of coins), the number of notes increased by 32.6%, and the number of coins decreased by 7.0%.

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

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 2019, under 26 topics of commemorative coins NBP issued 14.62 thousand pieces of gold coins, 367.5 thousand pieces of silver collector coins and 55 thousand collector notes (in 2018, 6.7 thousand gold coins, 223.42 thousand silver coins and 50 thousand collector notes). In 2019, a total of 49 types of collector coins and a collector note were issued.

In 2019, the Bank continued to commemorate important events related to the 100th anniversary of regaining independence by Poland. On this occasion the following collector coins and notes were issued: *One Hundred Years of the Złoty, Legislative Sejm of 1919–1922, 100th Anniversary of the National Flag of Poland, 100th Anniversary of Polish Military Aviation, 100th Anniversary of the Signing of the State Archives Decree.*

In 2019, on top of the above, the following were issued: a gold-bar-shaped gold coin on the occasion of bringing to Poland a hundred tons of gold forming part of NBP reserve assets and silver and gold coins of 1 gr, 2 gr, 5 gr, 10 gr, 20 gr, 50 gr and 1 zł, 2 zł and 5 zł denominations issued on the occasion of the centenary of the establishment of the złoty as the currency of Poland.

In 2019, Narodowy Bank Polski also put into circulation gold bullion coins *White-tailed Eagle – 100th Anniversary of Regaining Independence by Poland* with the face values of 500 zł, 100 zł, and 50 zł, as well as 5zł coins with commemorative images, in a general circulation standard, of the series *Discover Poland*.²

4.3 The functioning of the currency circulation and activities aimed at streamlining cash transactions

In 2019, among others, the following activities related with the functioning of currency circulation were carried out:

- A 100 zł banknote was introduced into circulation in which a transparent protective surface is used to provide protection against soiling. It is yet another note (following 10 zł, 20 zł and 50 zł notes) in which this protective technique was used.
- Work continued aimed at putting into circulation (as from January 2020) coins with face values from 10 gr to 1 zł with the use of another material. The change will allow for savings in the area of issue of currency.
- Due to wear and tear or loss of counterfeit protection features 181.3 million pieces of notes and coins were not qualified as fit for further circulation, including: 177.1 million pieces

² Under the themes *Zabytki Fromborka* [The Monuments of Frombork] and *Kopiec Wyzwolenia* [The Liberation Mound]; a total of 2.4 million pieces of coins.

of notes and 4.2 million pieces of coins (in 2018 – 189.9 million pieces, including 185.0 million pieces of notes and 4.9 million pieces of coins).

- Banks were supplied with notes and coins. In 2019 commercial banks and entities which are authorised by law to withdraw and lodge Polish currency notes and coins from/in NBP lodged PLN 184.2 billion (PLN 177.6 billion in 2018), and withdrew PLN 203.5 billion (PLN 198.4 billion in 2018), of which PLN 95.5 billion in the deposit system (PLN 99.2 billion in 2018), and PLN 108.0 billion in the main system (in 2018 PLN 99.2 billion).³

Moreover, in 2019 NBP continued preparing interested entities to changes introduced by Regulation 19/2016 of the President of NBP,⁴ aimed at streamlining cash transactions. They concern, in particular:

- the obligation of machine counting, sorting and checking the authenticity of banknotes in the case of notes to be used in client-operated equipment (e.g. ATMs) – since 1 January 2020,
- introduction of a 10-percent maximum limit on manual counting, sorting and authenticity checking of banknotes – since 1 January 2021,
- introduction of bar codes on packages of notes and coins in NBP.

In 2019, NBP published on its website *Raport o obrocie gotówkowym w Polsce w 2018 r.* [A Report on Cash Transactions in Poland in 2018 (Polish version only)] containing information on the functioning of the domestic system of cash transactions.

4.4 Counterfeit of Polish currency

In 2019, the number of disclosed counterfeit Polish currency notes and coins increased as compared with 2018. The number of counterfeit banknotes increased (from 5601 to 6467), whereas the number of counterfeit coins declined (from 825 to 718).

The total number of counterfeit banknotes and coins per million of currency pieces in circulation⁵ remained low and amounted to 1.91 pieces, (1.83 in 2018, 1.91 in 2017).

The persistently low level of counterfeits is associated with the increased number of circulating modernised banknotes and the rising awareness of the public about currency security features, which is a result of NBP's educational activities.

Data on the number of counterfeit notes and coins disclosed in 2016–2019 are shown in Table 4.1.

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

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

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

Table 4.1 The number of counterfeit Polish notes and coins disclosed in the years 2016–2019

Counterfeits	2016	2017	2018	2019
Banknotes	6,919	5,156	5,601	6,467
Coins	1,490	1,273	825	718
Total	8,409	6,429	6,426	7,185

Source: NBP data.

Highlights of 2019:

- putting into circulation another banknote with new protection against soiling,
- work on putting into circulation coins struck from a modified alloy,
- continuation of changes aimed at streamlining domestic cash transactions.

Chapter 5

Foreign exchange reserves management



Foreign exchange reserves management¹

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

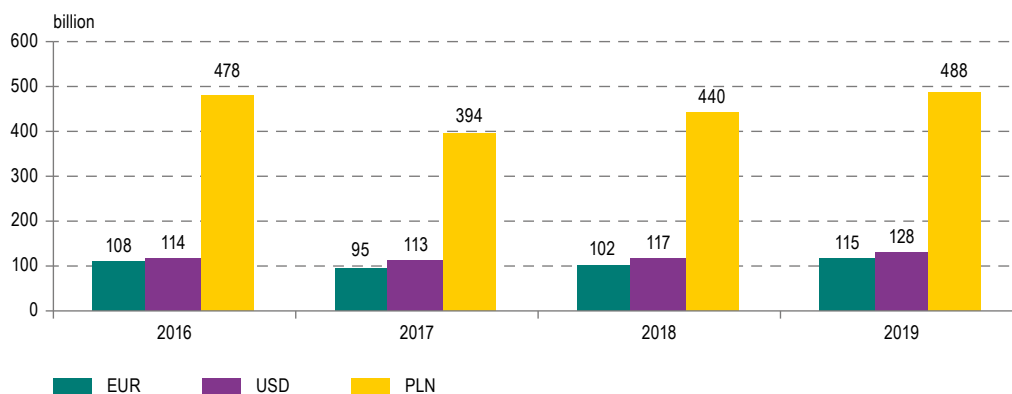
5.1 Level of the official reserve assets

In 2019, the NBP official reserve assets² increased:

- in euro terms by EUR 12.2 billion (12.0%) to EUR 114.5 billion,
- in dollar terms by USD 11.4 billion (9.8%) to USD 128.4 billion,
- in zloty terms by PLN 47.9 billion (10.9%) to PLN 487.6 billion.

The increase in the official reserve assets was primarily driven by a positive balance of external cash flows, income earned on investment of foreign exchange reserves and changes in the exchange rates.

Figure 5.1 Official reserve assets in 2016–2019 (as at the end of a given year)



Source: NBP data.

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

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

5.2 Foreign currency reserves management strategy³

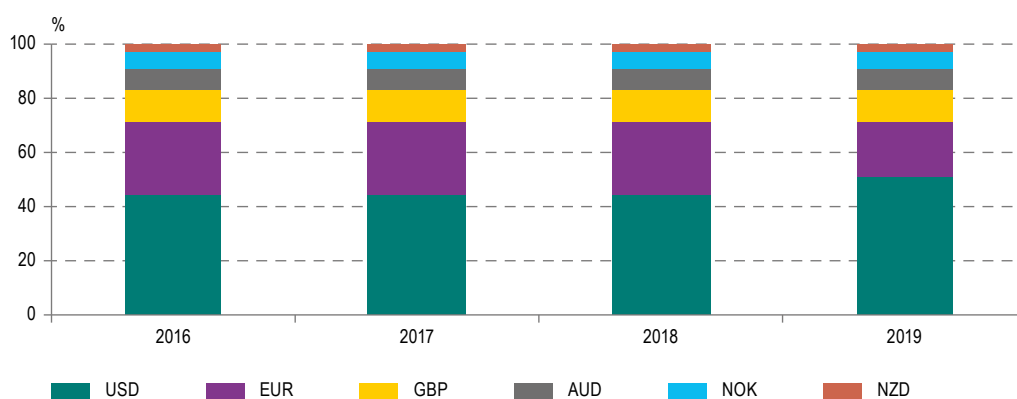
Ensuring the safety of the invested funds and their adequate liquidity is the priority in foreign exchange reserves management. While observing these criteria, Narodowy Bank Polski also undertakes measures to raise the yield on the reserves.

Seeking to strengthen Poland's financial security in 2019, the NBP Management Board considering the market conditions and the level of foreign currency reserves took the strategic decision to increase NBP's gold holdings by 100 tons (to 228.6 tons). The purchase of gold resulted in an increase in share in the NBP official reserve assets to 8.7% at the end of 2019 (compared to 4.5% at the end of 2018).

Such a substantial increase in the gold holdings made the NBP Management Board take the decision on the diversification of gold storage facilities. In 2019, almost half of the holding, i.e. 100 tons, was repatriated from the Bank of England to NBP vaults in Poland. Central banks often use diversification of gold storage facilities in risk management.

At the same time, taking into account analyses of the global macroeconomic outlook, forecasts of developments of the global financial markets and results of the optimisation and simulation analysis, the NBP Management Board took the decision to change the currency composition of the strategic benchmark (increasing investments in USD and reducing the share of EUR), which positively affected the rate of return on reserves. After the change, the currency composition is 51% USD, 20% EUR, 12% GBP, 8% AUD, 6% NOK and 3% NZD. On the other hand, the modified duration⁴ of the strategic benchmark was maintained at the level close to the benchmark applicable in 2018 (2.1).

Figure 5.2 Currency composition of reserves in 2016–2019 (as at the end of a given year)



Source: NBP data.

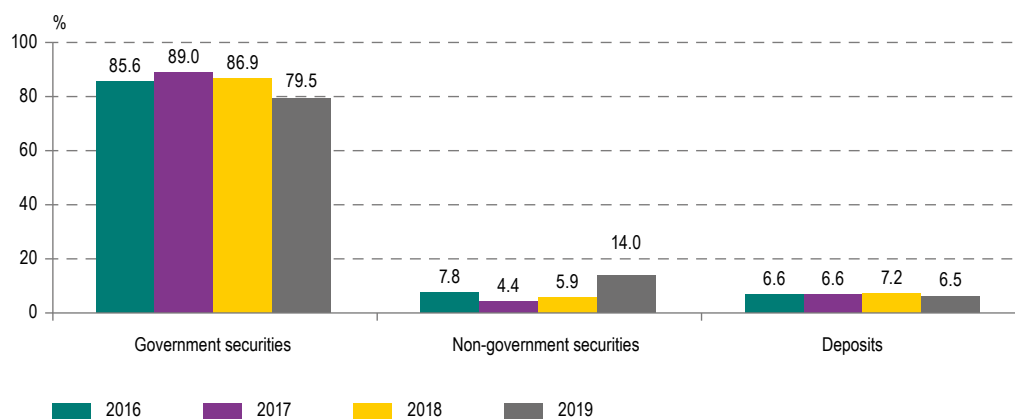
The major part of the foreign exchange reserves is invested in the government securities of the countries with a high rating, i.e. securities characterised by the highest degree of security and liquidity. In order to raise the yield on reserves, in 2019 investments in non-government

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.

securities increased (Figure 5.2), mainly in securities issued by European government agencies. A small part of the reserves is invested in corporate bonds in USD and is also held as short-term deposits at banks with high creditworthiness. Moreover, futures contracts are used for modified duration management of investment portfolios.

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



Source: NBP data.

5.3 Financial risk management in the process of foreign exchange reserves management

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

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

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

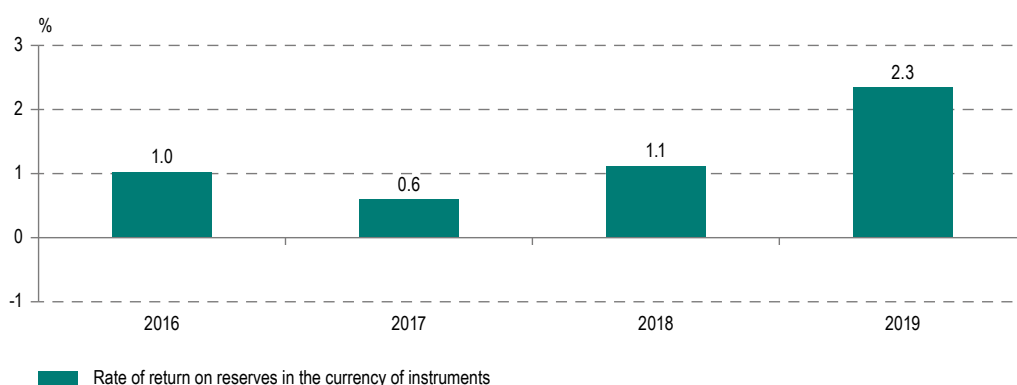
Source: NBP data.

5.4 Rate of return on foreign exchange reserves⁵

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

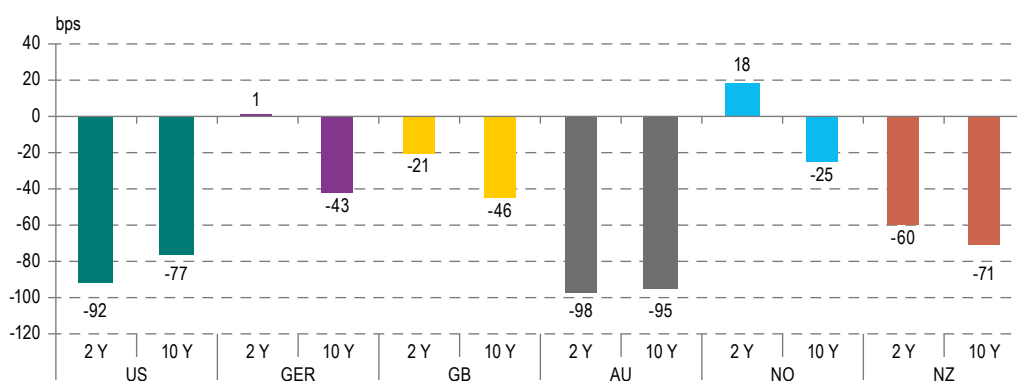
In 2019, the rate of return on the foreign currency reserves, denominated in the currency of instruments,⁶ was 2.3%, i.e. 1.2 percentage points more than in 2018. The highest level of the return on reserves in recent years was associated with a decline in yields (or a rise in the prices) of government securities in all markets (Figures 5.4 and 5.5).

Figure 5.4 Return on the NBP foreign currency reserves excluding the impact of exchange rate fluctuations in 2016–2019



Source: NBP data.

Figure 5.5 Fluctuations in yields on 2-year and 10-year government securities in major markets in 2019



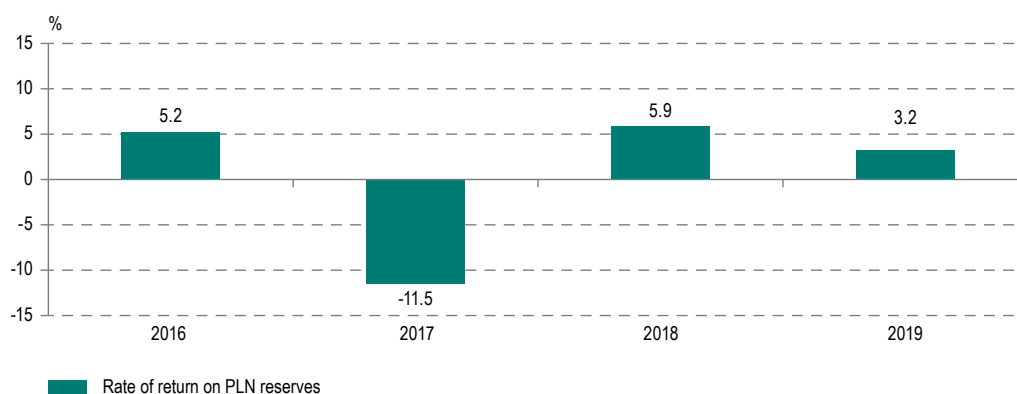
Source: NBP data.

⁵ Foreign currency reserves correspond to foreign exchange reserves excluding gold.

⁶ The rate of return on foreign currency reserves in the currency of individual investment portfolios is calculated on the basis of daily fluctuations in the market value of instruments.

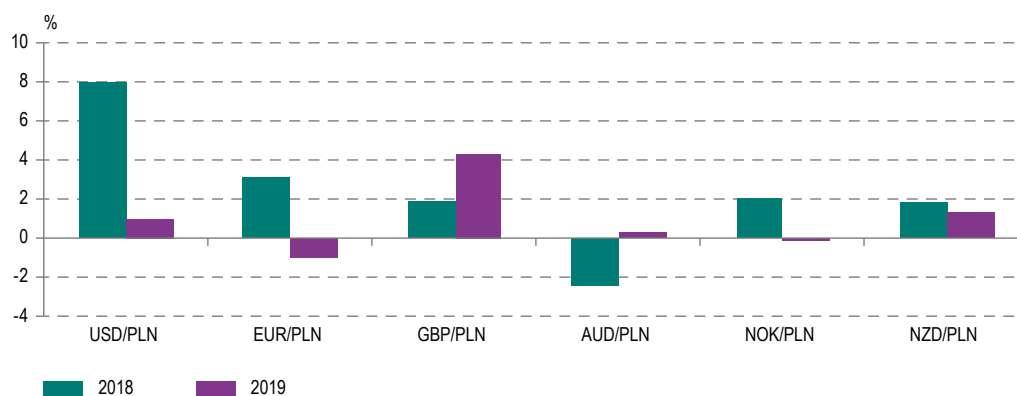
In 2019, the rate of return on the reserves calculated in PLN⁷ amounted to 3.2% (Figure 5.6), which was associated with a depreciation of PLN against most of the reserve currencies⁸ (Figure 5.7). The major factor stimulating the appreciation of the reserve currencies against PLN, especially in 2019 Q3, was the deterioration of investor attitude to the currencies of emerging economies amid higher global risk aversion related to the US-China trade war and growing concerns about the global growth prospects.

Figure 5.6 Rate of return on the NBP foreign currency reserves (including the impact of exchange rate fluctuations) in 2016–2019



Source: NBP data.

Figure 5.7 Fluctuations in the exchange rates of major reserve currencies in relation to PLN in 2018 and 2019



Source: NBP data.

⁷ 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.

⁸ An increase in the exchange rates: GBP/PLN by 4.3%, NZD/PLN by 1.3%, USD/PLN by 1.0% and AUD/PLN by 0.3%; a decline in the exchange rates of EUR/PLN by 1.0% and NOK/PLN by 0.1% (NBP middle exchange rates).

5.5 Investment income

In 2019, the income on investment related to foreign exchange reserves management, excluding realised and unrealised exchange rate effects, amounted to PLN 7.6 billion (compared to PLN 3.0 billion in 2018). This was mainly due to a positive net result on interest, discount and premium on securities and deposits in the amount of PLN 4.8 billion and a positive net result on transactions in securities in the amount of PLN 3.2 billion.

In 2019, realised foreign exchange gains amounted to PLN 5.7 billion, whereas unrealised foreign exchange losses amounted to PLN 0.1 billion.⁹

Highlights of 2019:

- increasing the NBP gold holdings by 100 tons and repatriation of the newly purchased gold,
- changes in the currency and investment composition of reserves, which contributes to raising the yield on the reserves.

⁹ According to the NBP accounting principles, unrealised foreign exchange gains do not affect the NBP profit and loss account but are recognised as liabilities on the NBP balance sheet. In contrast, unrealised foreign exchange losses diminish the NBP financial result, similarly as realised foreign exchange losses.

Chapter 6

Foreign exchange reserves management



Foreign exchange activity¹

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

6.1 Register of bureaux de change

In 2019, 827 entries were made to the register of bureaux de change (as compared to 779 in 2018), of which 150 concerned new entities (as compared to 138 in 2018) and the remainder regarded the deletion of entities or data updates in the register.

As at 31 December 2019, 4,844 bureaux de change were active in Poland (as at 31 December 2018 – 4,873).

6.2 Foreign exchange-related decisions

In 2019, a total of 35 decisions on foreign exchange were issued, including 23 permits and 12 other decisions (28 decisions on foreign exchange were issued in 2018).

Authorisations were granted for the waiver of restrictions on foreign exchange transactions with non-residents from countries that are not members of the EU, the OECD and the EEA. The decisions were related to an increase in the amount transferred abroad, prolongation of the validity of authorisations and discontinuation of proceedings due to their being groundless.

6.3 Foreign exchange control

Foreign exchange control by the President of NBP in 2019 included inspections of residents who were subject to the mandatory transfer to NBP of data necessary for the compilation of balance of payments and international investment position statistics, and inspections of operators of bureaux de change.

¹ Tasks in this field are performed pursuant to Article 3(2)(3) and Article 52(2) of the Act on Narodowy Bank Polski, Article 130(2)(1)(a) of the Act of 1 March 2018 on Counteracting Money Laundering and Terrorism Financing (Journal of Laws of 2018, item 1115 as amended) and the provisions of the Act of 27 July 2002 the Foreign Exchange Law (Journal of Laws of 2019, item 160).

In 2019, a total of 1,366 inspections were carried out (in 2018 1,415), including:

- 568 inspections concerning the performance of the reporting obligation for compiling balance of payments statistics (in 2018 – 1,011),
- 797 inspections of bureau de change activity (in – 2018 402),
- 1 inspection of the use of an individual foreign exchange authorisation (in 2018 – 2).

Irregularities were reported in the course of 565 inspections, i.e. 41% of all the inspections (in 2018 – 35%), including during:

- 246 inspections of the performance of the reporting obligation for the purposes of balance of payments statistics (in 2018 – 353),
- 319 inspections of bureau de change activity (in 2018 – 142).

After such irregularities were found, post-inspection recommendations were submitted to the managers of the inspected units. In one case of a gross violation of the rules of conduct of bureau de change activity, the decision was issued to prohibit the entrepreneur from pursuing currency exchange business and deleting the entrepreneur from the register of bureaux de change. Six decisions were also issued to impose a financial penalty in connection with the non-fulfilment by the operators of the bureaux of responsibilities laid down by the Act on Counteracting Money Laundering and Terrorism Financing.

Narodowy Bank Polski notified the competent financial authorities of 577 cases of violation of legal provisions. Having conducted the appropriate proceedings, tax offices and customs and tax offices informed NBP of penalties imposed on 95 bureaux de change, 204 cases of submission of the so-called active repentance² and 2 cases of voluntary submission to liability. The results of all the inspections for compliance by entrepreneurs pursuing currency exchange business of responsibilities laid down in the Act on Counteracting Money Laundering and Terrorism Financing were delivered to the General Inspector of Financial Information.

Inspections carried out by NBP ensure that:

- foreign exchange trading in bureaux de change is compliant with the rules of conduct of regulated activity,
- responsibilities in the area of counteracting money laundering and terrorism financing are properly fulfilled,
- data provided by reporting entities for the purposes of BoP statistics are compliant with source documents.

Highlights of 2019:

- 1,366 foreign exchange inspections performed,
- 35 foreign exchange decisions issued.

² Pursuant to Article 16(1) of the Act of 10 September 1999 – Penal Fiscal Code (Journal of Laws of 2018, item 19, as amended), the offender who, after committing the offence, notified the prosecution authority thereof, disclosing the significant circumstances of such an act, in particular, persons cooperating in its commitment, shall not be subject to punishment for fiscal crime or fiscal offence.

Chapter 7

Payment system-oriented activities



Payment system-oriented activities¹

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

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

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

7.1 Performance of operational tasks

7.1.1 Operation of accounts in SORBNET2 system

The SORBNET2 system is an RTGS (Real-Time Gross Settlement) payment system in which current accounts of banks are operated and the interbank settlement of zloty-denominated payments are performed. In an RTGS system, payment orders are executed in line with the gross settlement principle (processing of single orders, without their mutual off setting) and in accordance with the rule of real time settlement (processing of orders on an on-going basis during the day, instead of at predetermined hours).

As at 31 December 2019, accounts operated in the SORBNET2 system included zloty current accounts of 44 banks (in 2018 – 44), the current account of Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa (National Association of Cooperative Savings and Credit Unions), as well as accounts for Krajowa Izba Rozliczeniowa (National Clearing House, KIR SA), Krajowy Depozyt Papierów Wartościowych (Central Securities Depository of Poland, KDPW SA) and the clearing house KDPW_CCP SA. In 2019, two current accounts were opened² and two were closed.³

In 2019, about 4.4 million payment orders were executed in the SORBNET2 system (in 2018 4.3 million) totalling PLN 79.3 trillion (in 2018 PLN 77.9 trillion). This represents an increase of 144 thousand (3.4%) in the number of executed payment orders and a rise of PLN 1.4 trillion (1.8%) compared to 2018. The average value of a single payment order in 2019 was PLN 18 million (in 2018 PLN 18.3 million) and decreased by 1.5% as compared to the previous year.

¹ Tasks in this area are performed pursuant to Article 3(2)(1), (6) and (6a) of the Act on Narodowy Bank Polski and the Act of 24 August 2001 on Settlement Finality in Payment and Securities Settlement Systems and the Rules of Oversight of these Systems (Journal of Laws of 2019, item 212).

² On 18 February 2019, a current account was opened for Bank of China (Luxembourg) SA Spółka Akcyjna Oddział w Polsce. On 30 September 2019, a current account for Bank Spółdzielczy Rzemiosła w Krakowie was opened.

³ On 18 February 2019, a current account of RBS Bank (Polska) SA was closed. On 30 September, a current account of Euro Bank SA was closed following the bank's merger with Bank Millennium SA.

7.1.2 Operation of accounts in the TARGET2-NBP system

The TARGET2-NBP system is a Polish component of the TARGET2 system Pan-European RTGS system used for settlements of euro-denominated payments. As at 31 December 2019, the TARGET2-NBP system operated accounts in euro for 20 participants: NBP, KIR SA, KDPW SA and KDPW_CCP SA and 16 commercial banks (at the end of 2018 – for 17 banks).⁴

In 2019, a total of 1.7 million transactions were carried out in the TARGET2-NBP system, totalling EUR 1.7 trillion. As compared to 2018, the number of completed transactions increased by 51.3 thousand (3.2%), and their total value grew by EUR 267.8 billion (i.e. 18.5%). The average value of a single transaction amounted to EUR 1.0 million and increased by 14.9% as compared to 2018.

7.2 Policy measures and development of the payment system

7.2.1 Regulatory, standardisation and research activities

In 2019, as part of regulatory activities relating to the payment system:

- The President of Narodowy Bank Polski issued an ordinance aimed at clarifying the rules of dealing with sort codes and bank account numbers in the event of the use of a resolution instrument for banks which are at risk of insolvency.⁵
- NBP participated in legislative work relating to:
 - more complete regulation of the legal status of cash acceptance in the territory of the Republic of Poland NBP proposed legislative amendments aimed at guaranteeing consumers the right to choose a convenient payment method,⁶
 - the provisions on the method of creating, recording, transferring, storing and securing documents related to banking activities, prepared on digital data carriers,⁷
 - increasing the use of the payment systems for transferring social security contributions to include in it all payment systems within the meaning of the Act on Settlement Finality in Payment and Securities Settlement Systems and the Rules of Oversight of these Systems.⁸

In 2019, NBP drafted the PN-ISO/IEC 7064:2019 standard published by the Polish Committee for Standardisation (Polski Komitet Normalizacyjny): Information Technology – Security Techniques – Check Character System. The standard is applied, among other things, for determining and checking the check characters of payment account numbers, which

⁴ On 8 November 2019, a current account of BNP Paribas Bank Polska SA was closed.

⁵ The Ordinance No. 22/2019 of the President of Narodowy Bank Polski of 22 July 2019 amending the ordinance on the manner of numbering banks and bank accounts (Official Journal of Narodowy Bank Polski, item 7). The consolidated text of the ordinance was promulgated in the Notice of the President of Narodowy Bank Polski of 30 August 2019 on the promulgation of the consolidated text of the ordinance on the manner of numbering banks and bank accounts (Official Journal of Narodowy Bank Polski, item 9).

⁶ The draft act on amending certain acts in connection with the development of non-cash payments (UD329; KRM-10-26-18).

⁷ The draft Regulation of the Council of Ministers on documents related to banking activities, prepared on digital data carriers (RD35; KRM-110-8-20).

⁸ The Act of 12 December 2019 on amending the Act on the Social Insurance System and the Act on the National Revenue Administration (Journal of Laws of 2019, item 2550).

contributes to eliminating the possibility of entering the wrong number in the bank transaction systems.

In 2019, NBP published on its website a report presenting the results of a research project carried out in 2015–2018 on the costs of payment instruments on the Polish market.

7.2.2 Development of domestic large-value payment systems

In 2019, the following activities were undertaken with the purpose of developing domestic large-value payment systems:

- functional and technological changes were made to the SORBNET2 system in order to improve its operation,
- work commenced on NBP's participation in the ECB-coordinated consolidation of the TARGET2 system with the TARGET2-Securities platform (T2S). The aim of the consolidation is to launch in 2021 a new RTGS system in euro. All central banks participating in the TARGET2 system and participants in the national components of the TARGET2 system were also involved in the work. In 2019, NBP carried out analyses of business, functional and IT requirements related to the implementation of the new system.

7.2.3 SEPA scheme

In 2019, NBP continued to provide intermediation services in accessing the pan-European clearing house STEP2 for interested banks, enabling them to settle cross-border credit transfers in euro in the SEPA Credit Transfer (SCT) scheme.⁹

7.2.4 Payment System Council activity

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

In 2019, the Council primarily discussed the following issues:

- the scope of activities for the development of the Polish market of prepaid cards and electronic money instruments,
- the launch of instant payment settlements in euro, a service planned by KIR SA,
- the rationale for implementation in selected payment systems of a new messaging standard compliant with the ISO 20022 (ISO 20022: Financial services – Universal financial industry message scheme),
- results of the implementation of the Cashless Poland programme,
- the scope of implementation by Polish banks of the directive on payment services in the internal market (PSD2), including the rate of use of the Polish API communication

⁹ At the end of 2019, 18 banks used these intermediation services.

interface standard (a solution enabling third parties to provide services on the basis of access to clients' payment accounts),

- the plans to develop a clearing and settlement system operated by KDPW capital group in connection with regulatory change and market needs,
- the work by KIR SA on the widespread use of electronic identification and trust services in the commercial and public sectors.

7.3 Oversight of payment system infrastructure

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

In 2019, the following sectors of the payment system were covered by the NBP oversight activities:

- Payment systems. The NBP President issued 6 decisions authorising modifications to the rules of operation of payment systems. NBP carried out activities linked to the preparation of assessment of the Elixir payment system operated by KIR SA.
- Payment schemes. The NBP President issued 1 authorisation to operate a payment scheme in the territory of Poland, and 6 authorisations to introduce changes in the principles of operation of payment schemes. Assessment started on the principles of operation of Visa Europe and Mastercard payment schemes (payment card systems) for their compliance with the EU regulations regarding the separation of transaction processing entities.¹⁰
- Payment service of acquiring (an intermediary service in authorising non-cash payments). The President of NBP, at the request of the KNF, issued 1 opinion on the provision of such service.
- Securities settlement and clearing systems. The President of NBP, at the request of the KNF, issued 9 opinions on changes in the rules of procedure specifying the principles of the operation of the securities settlement and clearing systems. The NBP representatives participated in the work of the oversight college which issued a positive opinion on the KDPW_CCP SA application to extend its operating authorisation to include the settlement and clearing of the sale transaction of the CO2 emission allowances. The representatives also cooperated with the KNF in the examination of the KDPW SA application for an authorisation to act as a central securities depository. The review of the implementation of the recommendations from the final assessment report on

¹⁰ Commission delegated regulation (EU) 2018/72 of 4 October 2017 supplementing Regulation (EU) 2015/751 of the European Parliament and of the Council on interchange fees for card-based payment transactions with regard to regulatory technical standards establishing the requirements to be complied with by payment card schemes and processing entities to ensure the application of independence requirements in terms of accounting, organisation and decision-making (OJ EU L 13 of 18 January 2018), issued as an implementing act to the Regulation on interchange fees in relation to card-based payment transactions.

the SKARBNET4 system's compliance with the CSDR requirements ended with positive result.¹¹

In addition to that:

- Narodowy Bank Polski continued¹² to test the cyber resilience of the Polish payment system. The ECB-coordinated tests covered the systemically relevant payment systems: SORBNET2 and Elixir, the SKARBNET4 securities clearing system and securities settlement and clearing systems operated by the KDPW Group.
- The NBP Management Board adopted an updated document entitled: *Narodowy Bank Polski payment system oversight policy*. The main change was the recognition by NBP of the ESCB cyber resilience requirements for financial market infrastructures¹³ as a complementary guidance used in the oversight of the payment systems.
- The NBP Management Board adopted *Polish Payment System Oversight Report for 2018*, which is a collective study on the payment market infrastructure overseen by NBP and oversight measures taken by NBP. In accordance of the NBP Management Board decision the report will be made periodically available to the Financial Stability Committee for macroprudential supervision.

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

In 2019, NBP held listed and unlisted shares in the following domestic entities:¹⁴

- KDPW SA, with its registered office in Warsaw, which is the central institution responsible for operating the deposit and settlement system in the scope of financial instrument trading in Poland; KDWP SA holds 100% of the shares of KDPW_CCP SA which operates systems of settlement of transactions in financial instruments;
- KIR SA, with its registered office in Warsaw, which is the key institution on the domestic market of payments clearing;
- Bazy i Systemy Bankowe sp. z o.o. (Bank Databases and Systems, Ltd), with its registered office in Bydgoszcz, which is 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 Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (OJ L 257 of 28 August 2014, p. 1).

¹² The first edition of the test took place in 2018.

¹³ *Cyber resilience oversight expectations for financial market infrastructures*, ECB, December 2018.

¹⁴ In accordance with Article 5(2) of the Act of 29 August 1997 on Narodowy Bank Polski, NBP may hold shares or participating interests in other legal persons that provide services to financial institutions or the State Treasury or are relevant for NBP in terms of acting to sustain the stability of Poland's financial system.

Table 7.1 Specification of stocks and shares held by NBP in Polish commercial law companies, as at 31 December 2019

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

Source: NBP data.

Highlights of 2019:

- Narodowy Bank Polski initiates legal changes aimed at more complete regulation of the legal status of cash acceptance,
- implementation of changes improving the operation of the SORBNET2 system,
- commencement of work on the consolidation of the TARGET2 system with the T2S platform,
- release of the results of a research project on the costs of payments instruments on the Polish market,
- positive assessment of the compliance of the SKARBNET4 system operation principles with the provisions of the CSDR.

Chapter 8

Services to the State Treasury



Services to the State Treasury¹

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

8.1 Bank accounts operated by NBP

In 2019, NBP operated bank accounts referred to in Article 196 of the Public Finances Act of 27 August 2009, including, in particular, the central current account of the State Budget, as well as current and auxiliary accounts of budgetary entities and offices providing services to tax authorities, including so called joint accounts for collecting certain types of tax and non-tax revenues of the state budget. Moreover, pursuant to Article 51(1)(4) of the Act on Narodowy Bank Polski, NBP operated accounts of other legal persons.

Narodowy Bank Polski operated accounts in PLN and foreign currencies, including accounts used to handling funds coming from the EU budget. NBP also maintained term deposit accounts in PLN and foreign currencies. As at 31 December 2019, NBP provided services for 2956 customers (in 2018 – 2969) for whom regional branches operated 23 127 accounts, including 8594 VAT accounts (in 2018 – 22 810 and 8445, respectively), of which 5172 accounts were handled under the third party substitution cash service (in 2018 – 6279 accounts).²

8.1.1 Operating bank accounts

Narodowy Bank Polski performed operations on State Budget accounts – in non-cash form, mainly through the NBP electronic banking system and B2B cross-system interface, as well as in cash form. The B2B interface, which provides account holders with a technologically advanced method of communication with NBP and ensures high security of transmitted data, was used in the handling of bank accounts of strategic importance for the State Budget (i.e. central current account of the State Budget, contribution payment account for the Social Insurance Institution, account for payments of taxes).

The number of operations processed in the NBP IT system used for handling the State Budget's bank accounts is systematically increasing. In 2019, 136.4 million operations were carried out (in 2018 – 131.4 million). Centralisation processes in the public administration observed in recent years and related to the closing of selected bank accounts and the transfer of settlements to the so-called joint accounts, for which micro-accounts are often used (i.a. individual accounts for contribution payments to the Social Security Institution), do not affect the number of transactions.

¹ Tasks in this area are performed pursuant to Article 3(2)(4) and Articles 49, 51 and 52 of the Act of 27 August 2009 on Narodowy Bank Polski, the Public Finances Act of 27 August 2009 (Journal of Laws 2019, item 869, as amended) and the Act of 29 August 1997 – the Banking Law (Journal of Laws of 2019, item 2357).

² The third party substitution cash service is provided to the account holders based outside the city where the NBP regional branch is located.

Furthermore, 2019 saw:

- Continued modernisation of IT systems supporting banking service provided to the State Budget, introduction of new functions tailored to the needs of the account holders;
- Changes in the third party substitution cash service aimed at eliminating the use of cheques by NBP account holders by the end of 2019. Promotion of other recently implemented services, i.e. payment cards and electronic withdrawal of cash;
- As part of changes initiated by the Ministry of Finance in the collection and redistribution of PIT, CIT and VAT taxes, work on launching a so-called joint account for collecting tax and non-tax claims of the State Budget operated through a new B2B channel using micro-accounts, including individual tax micro-accounts.³

8.2 Handling international liabilities and claims of the State Budget

Pursuant to the agency agreement concluded with the Minister of Development and Finance on 18 November 2016, in 2019, Narodowy Bank Polski handled the State Budget liabilities and claims arising from:

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

While acting as a depositary for the World Bank Group, NBP administered 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 the 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 2019, the following auctions were organised:

- 6 Treasury bonds sale auctions. The total supply amounted to PLN 37.0 billion, the total amount bid was PLN 62.4 billion, bonds worth PLN 39.7 billion were allotted, including additional sale amounting to PLN 2.8 billion. The majority of bonds offered by the Ministry of Finance were fixed-rate bonds; their amount allotted constituted 53.7% of the total amount allotted;

³ Act of 4 July 2019 amending the act on tax on goods and services and some other acts (Journal of Laws of 2019, item 1520).

- 15 Treasury bond swap auctions where the Ministry of Finance redeemed bonds worth PLN 77.0 billion and allotted bonds worth PLN 77.7 billion. The value of purchase of bonds for cash amounted to PLN 45.5 million; fixed-rate bonds represented the biggest share (49.9%) of bonds allotted at auctions.

In 2019, 1 redemption auction of US dollar-denominated Treasury bonds was organised: the supply amounted to USD 400 million, bid – to USD 309.6 million and redemption – to USD 279.5 million.

8.3.2 Treasury Securities Dealer System (DSPW)

In 2019, as in previous years, NBP performed tasks associated with the Treasury Securities Dealer System (System Dealerów Skarbowych Papierów Wartościowych, DSPW).⁴ Under the agreement concluded with the Ministry of Finance, Narodowy Bank Polski:

- supplied the Ministry of Finance with data used for the preparation of assessments of the activities of the DSPW banks,
- acted as the organiser of Treasury securities fixing.⁵

8.4 Co-operation with the Ministry of Finance within the Public Debt Management Committee

In 2019, NBP co-operated with the Ministry of Finance within the Public Debt Management Committee. The objective of the co-operation is the exchange of the information used to harmonise the public debt management policy (of the Ministry of Finance) with NBP's monetary and foreign exchange policies.

Highlights of 2019:

- implementation of organisational changes eliminating the use of cheques by the NBP account holders, at the end of 2019;
- carrying out work on launching the so-called joint account for collecting tax and non-tax claims of the State Budget, operated with the use of micro-accounts;
- organisation of 22 Treasury securities sale, redemption and swap auctions.

⁴ The main aim of the system is to identify primary dealers. This is a group of banks which in return for a privilege of exclusive submission of bids at the Treasury securities (Polish: *skarbowe papiery wartościowe*, SPW) auctions and exclusiveness or privilege in concluding individual transactions with the Minister of Finance are obliged to participate, on a regular basis, in SPW sale auctions, SPW fixings, SPW quoting (in particular, in the issue of the benchmark Treasury securities on the electronic market), undertake actions aimed at expanding the SPW investor base, fulfil the obligations arising from their participation in depository systems in a reliable manner, and promote the SPW market. Those actions are aimed at the implementation of the public finance sector debt management strategy, in particular, the enhancement of the liquidity, efficiency and transparency of the SPW market.

⁵ Acting as an organiser of SPW fixing, NBP defines its rules, in agreement with the Minister of Finance (the issuer) and BondSpot SA (the proxy), as well as provides the general supervision of SPW fixing (para. 2 item 3 of the fixing regulations).

Chapter 9

Analytical and research activities



Analytical and research activities¹

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

Below, we present the most important analytical and research works and activities performed in 2019 concerning macroeconomic stability,² including price stability, broken down into major thematic groups.

9.1 Analyses and research concerning monetary policy

- The monetary policy of major central banks and its potential impact on the Polish economy was monitored and analysed. In particular, it was examined how quantitative easing applied by these banks affects capital flows to Poland.
- NBP research staff conducted studies into the monetary policy transmission mechanism, including: the importance of bank credit and other factors affecting this mechanism (e.g. the impact of the exchange rate on exports and the impact of monetary policy on the labour market). The applied research methodology was also developed, with particular focus on the tools enabling the assessment of changes in the monetary policy transmission mechanism over time (the results of the work are presented in the report entitled *Monetary Transmission Mechanism in Poland. What do we know in 2019?*).
- The significance of the following economic factors was investigated in the monetary policy context: demographic and migration processes, business behaviour and labour market balance, risk-taking by households. The redistribution effects of conventional and non-conventional monetary policy were also analysed.
- NBP staff conducted studies on how the type of leverage used by banks affects the response of the economy to interest rate changes and how wealth and income inequalities between households affect the interaction between monetary and fiscal policy.

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

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

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

- Short-term forecasts of the price index of consumer goods and services and its components were drawn up.
- Analytical and research work was conducted on: core inflation measures, price rigidity in the Polish economy and the use of data from internet shops to forecast inflation, the causes of inflation running at relatively low levels and the impact of the structure of the retail market and its changes on prices.
- A study analysed the consistency of responses given by Polish and Finnish consumers to quantitative and qualitative questions about expected price changes.
- Based on survey data, it was examined how consumers in Poland formed assessments of current inflation.

9.3 Macroeconomic forecasting and the development of prognostic models

- Regular inflation and GDP projections were drawn up, along with short-term forecasts of GDP and its components used for the assessment of macroeconomic stability and the stability of the financial sector.
- As an input to ECB forecasts and reports, NBP provided, on a regular basis, detailed information on Poland's short- and medium-term growth and inflation prospects.
- Work was performed on the extension and modification of the NECMOD model in order to, among others, factor in the increased role of the financial sector in the economy (a module reflecting enterprise financing patterns, a module for consumer and housing loans to households), take full account of the impact of immigration (mainly from Ukraine) on the model variables, and verify the simulation properties of the model.
- A modified and updated version of the (SoePL-2018) macroeconomic model was developed.

9.4 Analyses and studies of the fiscal situation

- NBP performed analyses and forecasts of the following: the position of the state budget and the whole of the general government sector, the restrictiveness of fiscal policy and its impact on the economy, the use of funds from the European Union budget and their impact on the main macroeconomic aggregates.
- The following relationships were examined: the link between demographic and migration processes and the social insurance system as well as fiscal stability in Poland and in the European Union; between expansionary fiscal policy and the situation in the labour market and the magnitude of the government expenditure multiplier, between wealth and income inequalities and the size of the government expenditure multiplier.

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

- NBP analysed, on a regular basis, the external relations of the Polish economy and its price and cost competitiveness, as well as the degree of Polish currency misalignment.
- The network of trade links within global value added chains between Poland and selected trading partners was analysed, along with the structural determinants of the current account balance of the Polish economy. NBP research staff developed tools used in short-term forecasting of activity in the external environment of the Polish economy.
- The economic situation and economic policies of selected countries was analysed, including those of major world economies and countries of Central and Eastern Europe.
- NBP staff forecasted macro-financial variables used in the management of foreign exchange reserves in selected world economies and assessed the economic outlook for the countries where the NBP invests foreign currency reserves.
- A study of the uncovered interest rate parity in emerging and developed economies was completed.
- A study was conducted, investigating how quantitative easing by major central banks was affecting small open economies.

9.6 Analyses and studies of the real sector of the economy

9.6.1 Analyses and studies of the economic situation of households

- NBP regularly analysed the financial situation of the household sector in terms of the sources of income, consumption expenditure and savings, consumer climate, and changes in the levels of assets and liabilities.
- The following issues were also investigated: household wealth in Poland against the background of European countries, the impact of socio-economic factors on households' perceptions of inflation (based on consumer sentiment surveys conducted by Statistics Poland /GUS/), cyclical connections between consumer sentiment and economic conditions in the corporate sector, as well as the impact of flexible working time on the monetary transmission mechanism.

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

- Analyses of the impact of economic immigration (mainly from Ukraine) on the labour market and economic growth in Poland were conducted.

- NBP research staff assessed the influence of production automation and global advancement of the digital economy on the Polish economy, along with the extent to which the Polish economy is prepared for an influx of digital technologies.
- The situation on the labour market was analysed on a cyclical basis.

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

- The quarterly *NBP Quick Monitoring Survey* studies continued, covering companies' decisions on level of output, employment, investment, as well as their financial and pricing decisions and relations with the banking system. NBP staff worked on tools to shorten the analytical cycle for the survey data.
- A survey entitled *Annual NBP Survey* was conducted, concerning factors influencing the condition of the enterprise sector, including the possibility of further diversification of export markets of Polish companies the sensitivity of enterprises to demand-side and cost disturbances was also analysed, including the impact of such events on product prices.
- The survey of microenterprises in Poland continued, focusing on issues relevant from the monetary policy perspective. The study included the analysis of wage policy and its impact on prices and costs.
- Research was conducted into developments in monopoly margins in the Polish economy and their evolution over time, including on how margin declines are linked to globalization processes and integration with global supply networks.

9.6.4 Analysis and research of the real estate market

- NBP staff conducted periodical analyses of the situation and prices in the residential and commercial real estate market. This included the calculation of the hedonic index of rents in the office and commercial markets of selected cities.
- Surveys of development companies were carried out; the activity of large, medium and WSE-listed companies on the real estate market was analysed, as was the impact of the situation of producers and wholesalers of construction materials and construction firms on the supply of dwellings.
- NBP published the quarterly *Information on home prices and the situation in the residential and commercial real estate market* and the *Report on the situation in the residential and commercial real estate market in 2018*.

9.7 Research papers by NBP staff

Publication of results of research conducted by NBP staff enables a scientific verification of its quality and methodological correctness by making them available for the assessment by national and foreign experts and the peer review process.

In 2019, recognized national and international scientific journals published 49 research papers by NBP employees, including 8 in Polish and 41 in English. Twenty-one publications were posted on the ISI Master Journal list (see Appendix 2).

9.8 Scientific conferences and workshops organised by NBP

In 2019, NBP organized 10 scientific conferences (including 9 international ones), which were attended by central bankers and scholars with significant scientific achievements:

- 15 February 2019: *Challenges of Interactions between Macroprudential and Other Policies*. The conference was organised by NBP in cooperation with SUERF (The European Money and Finance Forum). It was devoted to macroprudential policy, in particular the instruments facilitating its design and implementation, and addressed to the interconnections between macroprudential policy and monetary, fiscal and microprudential policies.
- 21–22 March 2019: *Challenges in Understanding the Monetary Transmission Mechanism*. The conference, organised by NBP jointly with Euro Area Business Cycle Network (EABCN), was devoted to the monetary policy transmission mechanism.
- 12 April 2019: *Produktywność gospodarki: uwarunkowania, determinanty, perspektywy*. [Productivity of the economy: background, determinants, perspectives]. The conference was organised jointly with the Association of Polish Economists and the University of Wrocław. The speakers presented findings of their latest research on key issues concerning the determinants of factor productivity, both at the macro- and microeconomic levels.
- 23–24 May 2019: *Annual Research Conference Central Bank Communications: from Mystery to Transparency*. This was the fourth conference organised by NBP in cooperation with the National Bank of Ukraine. The debate was devoted to problems of central bank communications.
- 6–7 June 2019: *Household Finance and Consumption Network Meeting*. This was a meeting of the research group on household finance analyses and surveys organised in cooperation with the European Central Bank. Speakers presented their the latest works on household finance in countries participating in the Household Finance and Consumption Network (HFCN), including Poland.
- 8–12 July 2019: *8 NBP Summer Workshop*. This was the annual meeting of economists devoted to macroeconomic and financial issues.
- 11–13 September 2019: *Metropolises and Peripheries of CEE Countries: New Challenges for UE, National and Regional Policies*. The conference was organised by the Maria Curie-

-Skłodowska University, the Regional Studies Organisation (RSA) and NBP. The conference concerned economic, social and political challenges related to the functioning of metropolitan and peripheral areas in Central and Eastern Europe.

- 25 October 2019: *Monetary Policies in the New European Setting* – 9th conference of the *Conference on the Future of the European Economy (CoFEE)* cycle. The conference discussed the impact of global and European factors on the situation of Central and Eastern European countries and the criteria for establishing an appropriate monetary policy for the region.
- 25–26 November 2019: *NBP Workshop on Forecasting*. During the 6th edition of the workshop the methods used to forecast major macroeconomic variables in central banks and other forecasting institutions were discussed.
- 4–6 December 2019: *Recent trends in the real estate market and its analysis, 2019 edition*. This international conference was organised in cooperation with the Warsaw School of Economics. The meeting addressed current issues in the field of real estate market analysis from the central bank perspective.

Moreover, 26 open scientific seminar were organised. They addressed various issues of monetary policy, the functioning of the economy, the financial system and other economic policy issues. The list of seminars is presented in Appendix 2.

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

In 2019, as part of cooperation with the scientific community, central banks and international institutions:

- Research projects were conducted with the National Bank of Ukraine and the Bank of Morocco (NBP technical assistance programme).
- As part of the cyclical NBP Visiting Researcher Program, NBP hosted 6 researchers, all of whom presented the results of their research during scientific seminars.
- Reports were approved from 3 research projects completed within the framework of competitions for NBP research projects designed, to be carried out by NBP staff and persons from outside NBP.
- Representatives of Narodowy Bank Polski participated in the work of ESCB working groups, EU bodies and other national and international institutions on issues and projects related to the main areas of NBP research and analytical work.

Highlights of 2019:

- analyses concerning the economic situation in the Poland and its external environment for the needs of the NBP Management Board and the Monetary Policy Council,
- improvement of forecasting tools, in particular extension of the NECMOD and Soe-PL models,
- publication of 49 research papers by NBP staff, including 12 in journals from the ISI Master Journal list,
- organisation of 10 international scientific conferences (including 9 international ones) and 21 scientific seminars open to the public.

Chapter 10

Statistics



Statistics¹

Narodowy Bank Polski is Poland's key institution that conducts statistical research. The Bank's statistical research relates primarily to financial sector activities as well as the broadly understood external relations. The data and information collected by NBP are used for the implementation of monetary policy, risk monitoring in the financial sector and studies of financial stability and macroprudential analysis.

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

10.1 Core tasks with respect to statistics

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

In 2019, NBP continued the ongoing provision of statistical compilations, analytical materials and publications addressed to both internal recipients at the bank and external audiences. The most important of those include:

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

Statistical information was submitted, among others, to national institutions, such as the Sejm (Parliament) of the Republic of Poland, the Council of Ministers, Statistics Poland, the Bank Guarantee Fund (BFG), UKNF, the Polish Bank Association and academic establishments.

¹ Tasks in this area are performed pursuant to Article 3(2)(7), Article 17(4)(13) and Article 23 of the Act of 29 August on Narodowy Bank Polski and the Act of 29 June 1995 on Public Statistics (Journal of Laws of 2018, item 649, as amended).

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

In 2019, NBP developed tools for statistical data visualisation and imaging, and built infrastructure for monitoring statistical sources and supporting analytical work.

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

In 2019, NBP continued to cooperate with international institutions in the area of statistics, above all with the ECB, the European Commission (Eurostat), the Committee on Monetary, Financial and Balance of Payment Statistics (CMFB), the European Banking Authority (EBA) and the European Systemic Risk Board (ESRB).

10.2.1 Monetary and financial statistics

In 2019, NBP provided the ECB with harmonised monthly and quarterly data on the aggregated balance sheet of monetary financial institutions (MFIs) as well as monthly interest rate statistics, monthly and quarterly data on assets and liabilities of investment funds, annual data on the statistics of insurance institutions and data required by the Register of Institutions and Affiliates Data (RIAD).²

Moreover, in 2019 NBP:

- Started to gather and process investment fund data, in line with the scope and procedure laid down in the amended provisions of law (from 1 January 2019).³ The Bank introduced modifications to the IT systems to improve gathering and processing new investment fund data. Moreover, it also participated in legislative work⁴ which resulted in investment funds being obliged to submit Employee Capital Plan data.
- Participated in the activities of the ECB Working Group on Monetary and Financial Statistics on amending European provisions on monetary statistics,⁵ payment statistics,⁶ the assets and liabilities of investment funds;⁷ on the survey of availability of data on the sector

² Register of Institutions and Affiliates Data (RIAD).

³ Regulation of the Minister of Development of 21 September 2017 on the manner, detailed scope and dates for submission to Narodowy Bank Polski of data required in the development of monetary policy, periodic assessments of the country's financial position and systemic risk analysis (Journal of Laws of 2017, item 1803, as amended).

⁴ Regulation of the Minister of Finance, Investment and Development of 6 November 2019 amending the Regulation on the manner, detailed scope and dates for submission to Narodowy Bank Polski of data required in the development of monetary policy, periodic assessments of the country's financial position and systemic risk analysis (Journal of Laws of 2019, item 2187).

⁵ Regulation (EU) No. 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33).

⁶ Regulation (EU) No. 1409/2013 of the European Central Bank of 28 November 2013 on payment statistics (ECB/2013/43).

⁷ Regulation (EU) No. 1073/2013 of the European Central Bank of 18 October 2013 concerning statistics on the assets and liabilities of investment funds (recast) (ECB/2013/38).

of captive financial institutions and money lenders and on developing the Integrated Reporting Framework for banks.

- Contributed to the work of the Working Group on Analytical Credit Datasets WG AnaCredit and the NEWS1 Expert Group at the ECB. The work concerned the launch of the individual credit exposure data transmission system, development of data quality indices, examination of methodological issues reported by banks and further work on ensuring comparability of AnaCredit statistics with balance sheet statistics (BSI) and interest rate statistics.⁸
- Participated in the work of the RIAD Hub Network: contributed to the work on data harmonisation in the RIAD and CSDB (Centralised Securities Database) systems, continued to feed the RIAD with reference data of securities issuers and cooperated with the ECB on expanding the system to include borrowers with foreign exposure. In 2019, NBP submitted to the ECB harmonised reference data on financial institutions (MFIs, investment funds, insurance institutions and institutions of significance to the payment system) and data on selected non-financial entities.

10.2.2 Prudential statistics

In the area of prudential statistics, in 2019 NBP:

- Worked on implementation of the XBRL taxonomy, developed by the EBA for all prudential reports laid down in the Commission Implementing Regulation (EU) No. 680/2014, into the national reporting process. The changes are mainly technological and are prompted by the need to adjust the national reporting process to changes planned at the European level, i.e. the EBA project EUCLID, due to take effect in 2021.
- Participated in the activities of the ECB working groups: the Working Group on Supervisory Statistics and the Expert Group on Data Quality.
- Participated in the activities of the EBA working groups:⁹ the Standing Committee on Accounting, Reporting and Auditing (SCARA) and the Standing Committee on Regulation and Policy.
- Continued to submit to the ECB reports relating to financial reporting and capital adequacy (consolidated banking data, CBD).

10.2.3 Statistics of the balance of payments and the international investment

In 2019, NBP:

- Continued to carry out research into migration processes. The situation of Poles working outside Poland was studied, including the impact of the planned Brexit on their economic

⁸ As part of the expert team set up in cooperation with the Working Group on Monetary and Financial Statistics (WG MFS).

⁹ Including as part of working subgroups.

condition. Another study concerned Ukrainians who work in Poland (the Wrocław and Bydgoszcz metropolitan areas). At the same time, work started on extending the scope of the study to include all voivodeships in order to acquire information on the impact of migration on local labour markets, sectors in which immigrants were employed and on macroeconomic processes. The outcomes of the studies were published in dedicated reports.

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

10.2.4 Other statistics

- Financial account statistics. NBP submitted quarterly and annual financial accounts to the ECB and Eurostat, respectively; participated in the Working Group on Financial Accounts and in the work of EU institutions on ensuring the quality of data used in the EU procedure of macroeconomic imbalances.
- General government sector statistics. In 2019, NBP submitted to the ECB annual data on the statistics of the sector. NBP participated in the activities of the Working Group on General Government Statistics appointed by the President of Statistics Poland as well as in the work of the Working Group on Government Finance Statistics.
- Real sector statistics. NBP continued to cooperate with the BACH Working Group. A publication was prepared on the technological advancement of non-financial enterprises in selected European countries. Work was also completed on the visualisation tool for data from the BACH database. As part of NBP's participation in the Risk Assessment Working Group, a methodology was developed for micro stress-testing. This methodology helps to examine the financial stability of the sector of commercial banks from the point of view of credit risk that may arise from their relationships with non-financial enterprises.
- Statistics on securities investment. NBP developed tools for managing the quality of data on securities characteristics and participated in the ECB Working Group on Securities Statistics.

Highlights of 2019:

- further adjustment of prudential statistics to the requirements and deadlines of the EBA project EUCLID,
- completion of the work on modifications to the IT systems used to gather and process investment fund data in order to bring them up to date with the amended legal regulations,
- development of the methodology of research into the impact of migration processes on the BoP and the labour market and extension of the scope of the research.

Chapter 11

Education and information



Education and information

The educational activity of NBP relates to the tasks specified in Article 59 of the Act on Narodowy Bank Polski, according to which the central bank carries out publishing and promotional activities. As part of these, the bank runs projects which aim to communicate its activity and to raise public awareness about the operating principles 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 the operating principles of the financial market, develop attitudes that are conducive to its stability and growth, enhance knowledge of economic issues, including the knowledge of the role and mission of a central bank, as well to promote entrepreneurship, counteract financial exclusion and popularise knowledge about economic heritage, the history of money and new trends in economics.

In 2019, NBP organised new editions of competitions for dissertations on economic subjects: the NBP President Award competition for the best MA dissertation in economic sciences¹ and the competition for the best essay in this area targeted at young people.² The winners were also announced for the 3rd edition of the Competition for the NBP President Award for outstanding book publications in banking, money and finance.

Also in 2019, NBP organised two grant competitions for primary and middle schools (entitled *The Polish ZŁOTY is 100 years old!*, where financial support was granted to 102 of the most interesting educational initiatives), and for universities (*Universities to Schools about Finance with NBP*, in which 17 projects received an honourable mention³).

In all voivodship capitals, NBP conducted free teacher training sessions on innovative economic education, with attendance at 351.

In 2019, NBP provided funding to educational projects addressed at various social groups, including schools,⁴ universities, senior citizens and persons at risk of financial exclusion. NBP's decisions on sponsoring the educational projects were preceded by a verification process comprising several stages. Projects with a value exceeding PLN 30,000 were assessed by the Council for Economic Education, an opinion-providing and advisory body at the Management Board of NBP.⁵ Projects with a value below PLN 30,000 were evaluated by

¹ NBP received 53 submissions for the competition.

² The topic for the paper for primary school 7th and 8th formers and for middle school was: *'We protect the value of money' is a motto of Narodowy Bank Polski. What does it mean and why is it so important?*. There were 259 submissions for the competition.

³ The beneficiaries of the projects submitted for the competition are primary school 7th and 8th formers and middle school students.

⁴ Almost 140,000 students and over 4,700 teachers participated in the activities.

⁵ It comprises representatives of social and professional communities associated with education and research activity, social communication and financial policy.

the NBP Commission for the Support of Social Educational Initiatives. In total, 235 projects were funded (38 projects endorsed by the Council, 114 projects endorsed by the Commission as well as 83 projects under a grant competition for schools).

All educational projects completed in 2019 were evaluated. The evaluation is carried out by NBP staff and external research agencies selected under a tendering procedure. An important role in this process is also played by the Council for Economic Education and the Commission for the Support of Social Educational Initiatives. The bodies formulate conclusions and recommendations that provide the basis for the evaluation of the submissions.

In 2019, NBP joined the periodical International Survey of Adult Financial Literacy Competencies organised under the OECD/INFE.

11.1.2 Sławomir S. Skrzypek NBP Money Centre

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

In 2019, the Centre received almost 76,000 visitors (compared to 68,000 in 2018), most of them school groups. With regard to individual visitors, a rise was seen in the share of families with children, persons with various forms of disability as well as Russian- and Ukrainian-speaking persons.

In 2019, the activity of the NBP Money Centre included, among others:

- Inauguration of a series of lectures: on Poland's economic history, in cooperation with the monthly science and history magazine *Mówią Wieki*, and on numismatics, in cooperation with the Polish Numismatic Society.
- An exhibition was opened of collector coins issued by NBP in 1995–2018, including coins and sets of coins struck to mark the 100th Anniversary of Regaining Independence by Poland and One Hundred Years of the Złoty, the series *Treasures of King Stanisław August* and coins commemorating Pope John Paul II.
- The Money Centre's offer was extended to include the following: a museum educational game and workshops on banknote production (for families), new thematic classes for students and new teaching aids for teachers, audio guides in Polish and English as well as information materials in Russian and Ukrainian.
- Action was taken to bring new phenomena in the economy (e.g. development of mobile payments, FinTech) in the exhibition.

- New exhibits were acquired⁶ and restoration work was done on 144 cultural objects kept by NBP.⁷

11.2 Information and promotion

11.2.1 Information and promotion campaigns

In 2019, Narodowy Bank Polski organised information campaigns on:

- 100th anniversary of giving the name złoty to the national currency – NBP promoted the anniversary and communicated the importance of having a national currency to the public,
- the decision of the Management Board of Narodowy Bank Polski to increase Poland's strategic gold reserves and to repatriate 100 tons of gold from the Bank of England (TV, press and internet campaigns and promotional events),
- the function and importance of a central bank for Poland and its economy (the *My NBP* campaign, conducted as TV and internet promotion via the thematic website, and other promotional events).

11.2.2 Information and promotion activities

In 2019, NBP's information and promotion activities included:

- spreading knowledge of the central bank via 16 NBP regional branches – 22 events were held, with attendance of over 100,000,
- promoting collector coins and banknotes,
- promoting NBP's educational activity,
- spreading knowledge about the Sławomir S. Skrzypek NBP Money Centre's offer.

11.2.3 Presentation of NBP's activity on the Internet

In 2019:

- NBP continued to operate its website, along with its other on-line services. The number of visits on the NBP.pl site in 2019 remained roughly unchanged (almost 105 million compared to 105.5 million in 2018). In 2019, the *Obserwator Finansowy* sites were visited 1.9 million times, which represents a rise on the 2018 figure, when they were visited 1.5 million times).
- NBP internet channels were operated (including NBPTV on YouTube). 93 videos were posted (in 2018 – 143, in 2017 – 81), attracting 4.7 thousand subscriptions and 3.1 million viewings.

⁶ A silver coin-decorated chalice dedicated to Rudolf Modrzejewski, the preeminent designer of suspension bridges of the early 20th century, a Persian gold coin (known as the daric) dated to the 5th century B.C., a 13th-century medieval gold florin, an 18th century beam balance.

⁷ Among others, 20 works of art from the NBP collection, 70 Chinese coins, two 19th-century post boxes, a silver tankard decorated with Polish medals and coins dating back to ca. 1721 and a silver chalice decorated with 19th-century Prussian thalers struck in Berlin after 1871.

- In 2019, over 654,000 NBP tweets were viewed by Twitter users, and the number of Facebook followers was 31.6 thousand.
- NBP continued live coverage (streaming with simultaneous interpretation) of the MPC press conferences, presentations of inflation projections and selected conferences, both domestic and international, organised by NBP.

11.2.4 Liaising with the media and market analysts

While liaising with the media and market analysts in 2019, NBP:

- informed the public of its reports and analyses, including reports on monetary policy, the financial system (macroprudential supervision, in particular), the payment system and on the macroeconomic situation,
- presented its current activity, among others, on monetary policy implementation, issuance of the currency (collector coins and banknotes) and educational activity of the central bank,
- organised press briefings and conferences, including those following the MPC meetings and the publication of key NBP reports,
- corresponded with journalists by answering their questions on NBP's activity,
- organised the 17th edition of the Władysław Grabski Prize competition.

11.3 Publishing and Library

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

In 2019 a number of publications were released, including among others: *Annual Report*, *NBP Plan of Activity*, *Report on NBP Operations*, *Monetary Policy Guidelines*, *Report on Monetary Policy Implementation*, *Balance of Payments of the Republic of Poland*, *Inflation Report*, *Financial System in Poland*, *Financial Stability Reports*, *Report on Banking Sector Liquidity and Monetary Policy Instruments of Narodowy Bank Polski*, *Information on home prices and the situation in the housing and commercial real estate market in Poland*, *International Investment Position*, *Report on Systemic Oversight of the Polish Payment*, *Inward Direct Investment in Poland and Polish Outward Direct Investment*, *Report on Cash Transactions in Poland*, *The situation in local residential real estate markets in Poland*, *Information Bulletin* (a statistical monthly), *Bank i Kredyt* (Bank and Credit, a scientific journal), *Materiały i Studia* (published in Polish), *NBP Working Paper* (published in English),⁸ *Review of European Issues* (quarterly summaries of the *ECB Economic Bulletin* in Polish), *Bankoteka* (an educational journal of the NBP Money Centre, a quarterly in Polish, English and Russian).

Narodowy Bank Polski runs the NBP Central Library, which is a scientific library, in its Head Office building. It houses one of the biggest collections of publications relating to economic sciences, specifically banking, finance and management. In 2019, the NBP Central Library

⁸ A detailed list of publications of *Materiały i Studia* and *NBP Working Paper* series issued in 2019 is contained in Appendix 2.

was visited by approx. 7,000 readers. A total of approx. 16,000 books and periodicals were lent. The NBP Central Library collection comprises over 151,700 book volumes (in 2019, the collection expanded by over 2,500 items).

11.4 Petitions, complaints, requests and letters

In 2019 NBP handled a total of 3,261 queries (3,586 in 2018), of which 3,032 were in the form of letters (3,390 in 2018), and 229 complains and requests (196 in 2018), of which 151 were requests for public information. Out of these, 3,189 were handled directly at NBP, while the remaining 72 were referred to the appropriate banks and other institutions, in line with their remit.

As in previous years, the matters handled by NBP concerned: historical information about banks and financial institutions, indication of the legal successors of liquidated banks, banks' activity, interpretation of legal regulations as well as cash-handling issues and collector issues, HR and social issues, requests for NBP's patronage, statistical information, current matters relating to NBP's activity, information on NBP monetary policy and FX loans.

Highlights of 2019:

- participation in 235 economic education projects carried out in Poland,
- expansion of the Sławomir S. Skrzypek NBP Money Centre's offer to include new topics and forms of communication, promotion of the Money Centre's activity,
- information campaigns on, among others, the 100th anniversary of giving the name złoty to the national currency, on the increase in NBP's strategic gold reserves and repatriation of 100 tons of gold from the Bank of England.

Chapter 12

Legislative activity



Legislative activity¹

12.1 Legislation by the NBP governing bodies

In 2019, the governing bodies of NBP issued 130 legal acts, including 39 by the President of NBP, nine by the Monetary Policy Council, and 82 by the Management Board of NBP.

Out of the legal acts issued by the governing bodies of NBP in 2019, 33² were promulgated in Monitor Polski (the Official Gazette of the Republic of Poland) and 17 in the Official Journal of Narodowy Bank Polski.

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

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

In 2019, NBP received:

- 1,002 documents sent as part of the work of the Standing Committee of the Council of Ministers, including 223 bills, for which 16 opinions (NBP positions) were drawn up,
- 116 documents sent as part of inter-ministerial consultations, including 24 bills and 92 draft regulations, for which 73 opinions (NBP positions) were drawn up,
- 75 bills from the Chancellery of the Sejm, the Chancellery of the Senate and the Chancellery of the President of the Republic of Poland; for each of them NBP presented a position,
- 22 draft legal acts sent as part of the work of the Committee for European Affairs, for which two opinions (NBP positions) were drawn up.

In 2019, NBP representatives participated in 12 consultative conferences, three sessions of legal committees, as well as in 18 meetings of Sejm and Senate committees and subcommittees.

The most important draft legal acts on which NBP issued opinions in 2019, 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 21 February 2019 Amending Certain Acts in Connection with Ensuring Compliance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of

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

² Including two ordinances of the President of NBP signed on 18 December 2018.

- personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (Journal of Laws of 2019, item 730),
- the Act of 15 March 2019 Amending the Act on Financial Market Supervision and Some Other Acts (Journal of Laws of 2019, item 875),
 - the Act of 19 July 2019 Amending Certain Acts in Order to Limit Payment Backlogs (Journal of Laws of 2019, item 1649),
 - the Act of 30 August 2019 Amending the Act – Code of Commercial Companies and Some Other Acts (Journal of Laws of 2019, item 1798),
 - the Act of 30 August 2019 Amending the Act – Bankruptcy Law and Some Other Acts (Journal of Laws 2019, item 1802),
 - the Act of 11 September 2019 – Public Procurement Law (Journal of Laws of 2019, item 2019),
 - the Act of 11 September 2019 – Provisions Introducing the Public Procurement Law (Journal of Laws of 2019, item 2020),
 - the Act of 16 October 2019 Amending the Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies, and Some Other Acts (Journal of Laws of 2019, item 2217);
- bills:
 - deputy's Bill amending the Act – Civil Code (Sejm printed matter No. 1198 – 8th parliamentary term),
 - government Bill amending Certain Acts in Connection with Transferring Funds from Open Pension Funds to Individual Retirement Accounts (Sejm printed matter No. 114 – 9th parliamentary term),
 - government Bill amending the Financial Market Supervision Act and Some Other Acts,
 - government Bill on Transparency in Public Life,
 - government Bill amending Certain Acts in Connection with the Development of Cashless Payments.

In 2019, NBP participated in the work of the Committee of European Affairs, in particular, by issuing opinions on selected draft national legislation referred to in items 12.2 and 12.3.

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

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

12.3 Draft legislation related to the operation of the banking system

Narodowy Bank Polski issued opinions on:

- bills which subsequently became:

- the Act of 17 January 2019 Amending the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution and Some Other Acts (Journal of Laws of 2019, item 326),
 - the Act of 22 February 2019 Amending the Act on Limitation on Conducting Business Activity by Persons Performing Public Functions and the Act on Narodowy Bank Polski (Journal of Laws of 2019, item 371),
 - the Act of 4 July 2019 Amending the Act on Support to Home Loan Borrowers in a Difficult Financial Situation and Some Other Acts (Journal of Laws of 2019, item 1358),
 - the Act of 16 October 2019 Amending the Act on Counteracting Money Laundering and Terrorist Financing (Journal of Laws of 2019, item 2088);
- bills:
- government Bill amending the Act – Banking Law and Some Other Acts (Sejm printed matter No. 706 – 8th parliamentary term),
 - government Bill amending Certain Acts in Order to Counteract Usury (Sejm printed matter No. 3600 – 8th parliamentary term).

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

In 2019, NBP participated in assessing 42 proposals for legislative acts (Community laws and national legislation of the EU Member States) on which the ECB issued opinions.³

The ECB opinions on draft Community laws related to:

- a Regulation on a governance framework for the budgetary instrument for convergence and competitiveness for the euro area,
- a proposal for the Council Decision on the conclusion of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community,
- the Council recommendations on the appointment of the ECB President and Members of the ECB Executive Board.

Consultations also concerned numerous national draft acts of the EU Member States, including the Polish bill amending the Act – Banking Law Introducing Limitations on Disposal of Mortgage Liabilities. They regulated, among other things, issues relating to financial supervision, strengthening financial stability, the introduction of macroprudential tools, the security of network and IT systems and the counteracting of money laundering.

³ According to the provisions of the Treaty on the Functioning of the European Union and the Statutes of the ESCB and the ECB, the tasks conferred upon the ECB include issuing opinions on Member State and Community level draft legislative acts concerning the issue of currency, legal tenders, the status and activities of national central banks, monetary statistics, payment systems and financial institutions.

Highlights in 2019:

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

Chapter 13

International activity



International activity¹

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

In 2019, NBP representatives participated in the activities of EU bodies, including the General Council of the ECB, the General Council of the ESRB, committees and working groups of the ESCB and ESRB, the Council of ECOFIN (informal meetings), and committees and working groups of the Council of the European Union and the European Commission. The key activities focused on completing the creation of the banking union (including amending the Bank Recovery and Resolution Directive, the Regulation on the Single Resolution Mechanism and the Capital Requirements Directive). They also worked on the creation of a common safety mechanism to the Single Resolution Fund (SRF) and the deepening of the capital markets union.

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

13.1.1 Cooperation within the European System of Central Banks

NBP representatives participated in the work of the ESCB to the extent resulting from the status of the central bank of a Member State which remains outside the euro area. They also took part in the quarterly meetings of the ECB General Council (one of the ECB's decision-making bodies) and in the work of the ESCB committees.

The ECB General Council's meetings primarily addressed issues relating to the macroeconomic situation of the EU Member States and the situation in financial markets (including the impact of digitisation on these markets), monetary policy of the countries outside the euro area, the impact of exchange rate fluctuations on prices and the monitoring of central bank activities with regard to the prohibition of financing of the public sector with central bank funds² and prohibition of privileged access.³

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

- the macroeconomic conditions in the EU countries,
- the consolidation of the TARGET2 system with the securities settlement platform T2S,
- instant payments and the digital central bank currency,
- access to payment systems for non-bank entities,
- the creation of the integrated reporting system AnaCredit (a database of individual bank loans in the euro area),
- cybersecurity and euro banknote counterfeiting,

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

² 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 preparations for Brexit and its effects on the economic situation of the EU and on the ESCB (modification of the ECB capital key and the ERM II agreement).

In 2019, NBP representatives participated in 314 visits to central banks and the ECB, and in 98 visits to other European institutions (in 2018, 318 and 93, respectively).

13.1.2 Collaboration with other EU bodies

In 2019, NBP representatives participated, directly or indirectly, in the activities of the following EU bodies:

- the Council of ECOFIN (informal meetings),
- the Economic and Financial Committee (EFC) of the Council of the EU; in 2019, NBP together with the Ministry of Finance organised the annual off-site meeting of the EFC for the first time;
- working groups of the Council of the EU and the European Commission.

13.2 Collaboration with international economic and financial institutions

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

In 2019, 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 2019, NBP representatives met with the members of the OECD Secretariat's mission responsible for the preparation of the 16th Economic Survey of Poland. The topics discussed were the current economic situation, monetary policy and stability of the financial system in Poland.

13.2.2 The World Bank Group (WBG)

As part of cooperation with the World Bank Group (WBG), representatives of NBP⁴ participated in:

- the Spring and Annual Meetings of the Boards of Governors of the WB and the IMF in Washington,
- negotiations for the 19th Replenishment of the International Development Association (IDA⁵),
- cooperation with the public administration on preparing Poland's positions on matters associated with the WBG activity and preparations for the assumption (from November 2020) of the office of Executive Director at the World Bank by a representative of Poland.

In addition, in 2019 NBP organised the presentation of the World Bank report entitled "January 2019. Global Economic Prospects".

⁴ The President of NBP acts in the capacity of the Governor of the Republic of Poland at the World Bank.

⁵ IDA is a unit of the WBG specialising in providing development assistance to the world's poorest countries.

13.2.3 The International Monetary Fund (IMF)

In 2019, as part of cooperation with the IMF, NBP participated in meetings with IMF representatives during their visits to Warsaw (in July and December) and in issuing opinions on documents assessed by the Executive Board of the IMF.

In 2019, the comprehensive review of the stability of the financial system in Poland (Financial Sector Assessment Programme, FSAP⁶) – conducted by the IMF and the World Bank – was completed. NBP took part in the work on this review.

In addition, in 2019 NBP, under the temporary increase of the IMF financial resources, continued the following activities:

- standing ready to extend to the IMF an interest-bearing loan up to the amount corresponding to SDR 1.29 billion – as a member of New Arrangements to Borrow (NAB); NBP will remain a member of NAB until November 2022;
- acting as a signatory of the bilateral loan agreement with the IMF for the amount of EUR 6.27 billion; the agreement has been extended by one more year, with NBP's consent,⁷ and is effective until the end of 2020.

The funds made available by NBP to the IMF both under NAB and the bilateral loan agreement will retain their status as official foreign reserves. So far, the IMF has not used the funds provided under the bilateral loan. Under NAB, as at the end of 2019 the IMF had used the amount corresponding to SDR 66.3 million.⁸

13.2.4 The European Bank for Reconstruction and Development (EBRD)

In 2019:

- NBP representatives participated in the 28th Annual Meeting of the EBRD Board of Governors,
- NBP,⁹ in cooperation with the public administration, participated in consultations concerning the multiannual strategic plan of the EBRD (Strategic and Capital Framework 2021–2025) and other documents considered at the meetings of the EBRD Board of Directors,
- NBP organised the presentation of the EBRD's report entitled *Transition Report 2018–2019: Work in Transition*.

13.2.5 The Bank for International Settlements (BIS), the International Bank for Economic Cooperation (IBEC) and the Asian Infrastructure Investment Bank (AIIB)

In 2019:

- NBP representatives participated in six Governors' meetings of BIS; in 2019, Narodowy Bank Polski, as a shareholder of BIS, received a dividend amounting to SDR 1.96 million;

⁶ The cooperation between the IMF and NBP under the FSAP continued throughout 2018.

⁷ Decision of the NBP Management Board of May 2019.

⁸ In 2011–2019 NBP granted loans to the IMF under NAB in the total amount of SDR 451.2 million and received the repayment of the loan in the total amount of SDR 384.9 million.

⁹ The President of NBP acts in the capacity of the Governor of the Republic of Poland at the EBRD.

- representatives of NBP, together with representatives of the Ministry of Finance, participated in meetings of the IBEC Council and working meetings related to the current activities of the bank;
- NBP continued cooperation with the Ministry of Finance in formulating Poland's position concerning the activity of the Asian Infrastructure Investment Bank (AIIB);¹⁰ NBP representatives participated in the Annual Meeting of the AIIB in Luxembourg.

13.2.6 Other activities on the international arena

In 2019, NBP organised 18 international conferences (in 2018–2019), on its own or in cooperation with other central banks, domestic and international financial institutions (besides conferences discussed in other chapters of the Report), as well as numerous meetings of working groups and EU bodies, and presentations of reports of international financial institutions, including:

- on 11 March 2019 – the presentation of the European Investment Bank report entitled *2018/19 Investment Report. Retooling Europe's Economy*;
- on 29–31 May 2019 – a conference entitled *Shaping a New Reality of Cash*;
- on 16 September 2019 – a seminar organised by NBP and Bruegel entitled *Climate Change and the Role of Central Banks*;
- on 3–5 October 2019 – the 2nd edition of the conference organised by NBP, Magyar Nemzeti Bank and the Official Monetary and Financial Institutions Forum (OMFIF) entitled *High-level Conference on the Successes and Challenges in the CEE Region*;
- on 11–13 December 2019 – a conference entitled *Financial Reporting and Auditing: Meeting the Information Users' Needs* (in cooperation with the Cracow University of Economics and Kozminski University).

In 2019, in the framework of the technical cooperation of Narodowy Bank Polski with central banks from countries in economic transition, NBP implemented a total of 84 projects with 232 participants from 29 institutions, including:

- 20 study visits and one traineeship at NBP,
- 56 expert visits at other central banks,
- four seminars devoted to cash turnover, counteracting money laundering and terrorist financing, monetary policy communication and payment system,
- three workshops related to cash transport, financial risk management and the organisation of international conferences by NBP.

In addition, NBP continued its bilateral cooperation with the central banks of Belarus and Ukraine and international assistance projects (such as the completed twinning project for the National Bank of the Republic of Belarus, the ongoing twinning project for the National Bank of Georgia and the European Commission's support programme for the central banks of the Western Balkan countries).¹¹

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

¹¹ As part of the project for Belarus, 30 expert missions and two traineeships at NBP were organised; as part of the project for Georgia – 15 expert missions, and as part of the project for the Western Balkans – 12 missions were organised.

Moreover, NBP employees represented Narodowy Bank Polski during international visits (international conferences: in 2019 – 120 visits, in 2018 – 133 visits, and visits to international institutions: in 2019 – 70, in 2018 – 100).

Highlights of 2019:

- participation in the work of EU bodies on completing the establishment of the banking union, the creation of a common safety mechanism to the Single Resolution Fund and the deepening of the capital markets union,
- expanding the relations with central banks and other international institutions and strengthening NBP's international position by organising international conferences and participating in international assistance projects,
- completion of the twinning project for the National Bank of the Republic of Belarus.

Chapter 14

Internal development of NBP



Internal development of NBP

14.1 Human resources management

14.1.1 NBP headcount

In 2019, the average headcount at NBP amounted to 3,312 full-time posts and was by 32 posts higher than in 2018. This increase was due, among others, to the amendments in legal provisions (enhancement of NBP supervisory prerogatives), organizational changes and the development and servicing of new ICT systems.

Expenses related to the remuneration of employees, along with the related social contributions, were 4.1% higher in 2019 than in 2018 and, including provisions for future liabilities to employees, they went up by 5.6%.

The change in the NBP average headcount in 2016–2019 is presented in Table 14.1.

Table 14.1. Change in the NBP average head count in 2016–2019

Specification	2016	2017	2018	2019	2019–2018
Total	3 296	3 281	3 280	3 312	32
Head Office	1 934	1 949	1 950	1 983	33
Regional branches	1 362	1 332	1 330	1 329	-1

Source: NBP data.

14.1.2 Developing NBP staff qualifications

The purpose of the NBP training activity is to ensure competence and efficiency of the staff. In 2019, every employee participated, on average, in 2.6 training events (in 2018 – 3). The evaluation by NBP of the effectiveness of training sessions stayed at the level from the previous year and stood at 4.8 (on a scale from 1 to 5).

In 2019, training events within the European System of Central Banks were organised, the NBP Management Development Programme was continued, and measures to support new employee adaptation were undertaken. Internships for 15 students of Polish and foreign universities preparing their theses in finance and banking were also organised.

14.2 Organizational changes

As of 12 November 2019 the Economic Research Department in Narodowy Bank Polski was transformed into the Research and Financial Innovation Department while the Financial Innovation Department was dissolved. The main tasks of the new department include research and formulation of forecasts related to strategic economic problems and financial innovations.

14.3 Operational risk management

In 2019, NBP continued actions aimed at minimizing the probability of the materialization of events disrupting the implementation of the Bank's tasks, resulting in financial losses or deteriorating NBP's reputation. Current and future threats to the Bank were monitored and identified. The promotion of attitudes corresponding to standards described in the *Code of Ethics for NBP Employees* was also continued.

14.4 Investment activities

In 2019, expenditure on investment purchases of NBP amounted to PLN 78.0 million (also PLN 78.0 million in 2018). Main areas of investment activities in NBP included ICT, construction and security systems.

The ICT investment in 2019 involved the implementation of new or upgrade of the existing server and network infrastructure, the adjustment of transaction systems to changes in legal provisions, the implementation of new or upgrade of the existing IT systems and applications, cyber security systems, and purchase of computers. The most important construction investments included the modernisation of NBP regional branches. The most important security investments included the purchase of specialised vehicles for the protection of transport of valuables and the continuation of the programme of modernisation of technical security systems at NBP.

14.5 IT support for the banking system and NBP

The most important activities in the IT area performed in 2019 included:

- preparing NBP for meeting amended requirements with respect to the servicing of tax collection (e.g. expansion of the ZSK-C/O system, modification of the interface software, launch of a new communication channel with the MF),
- implementation of a GS1 standard in the process of managing cash transactions in NBP,
- implementation of a System Supporting the Formulation of the Financial Plan with respect to currency reserve investment,
- completion of the Payment Statistics Database.

Moreover, other IT systems were upgraded in the following areas: payment system, monetary policy, foreign exchange rates, reporting and services to central government entities.

14.6 Internal audit

In 2019, 39 audits were conducted (in 2018 – 33 audits). The audits covered in particular the IT and security activities, cash-and-issue activity, foreign exchange activity, accounting and activities for the payment system. The management of operational risk, internal organisation, statistics and research were also audited.

The audit covered 19 departments of the NBP Head Office and 9 NBP regional branches. The audits resulted in instructions and recommendations aimed at removing irregularities, increasing the efficiency of operations and improving the organisational solutions applied.

14.7 Activity of NBP regional branches

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

In 2019, the regional branches:

- participated in analytical research in the area of statistics and foreign exchange, including surveys of enterprises and micro-enterprises, the real estate market, the labour market and migration;
- organised 18 conferences addressed to local governments, academic and scientific communities and entrepreneurs, the subject of which included the economy, finance, money and banking;
- participated in the organisation of numerous training courses, contests, exhibitions and other educational, promotional and information activities at NBP;
- introduced modifications in operating bank accounts related to statutory changes and new services being offered by NBP to account holders.

14.8 Safety and security

In 2019, activities aimed at ensuring and maintaining an adequate level of security at NBP were carried out, including:

- the expansion of the Security Operations Centre at NBP, including in the area of cooperation with other central banks, enhanced training of NBP staff, and others,
- introduction of the legal basis for the use of NBP advanced electronic signature and update of internal legal provisions concerning the GDPR,
- increasing the level of cryptographic security of NBP IT systems by modernising the DOCert system.

Highlights in 2019:

- upgrade of the existing IT systems and introduction of new ones,
- numerous activities in the domain of foreign exchange and statistics as well as educational and training activities carried out by NBP regional branches.

Appendix 1

Selected macroeconomic and financial data



Selected macroeconomic and financial data

Table A1. GDP and its components

	Current prices (PLN billion)	% GDP	Annual growth at previous year's prices (in %)													
			2019	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019			
													Q1	Q2	Q3	Q4
GDP	2 273.6	100.0	5.0	1.6	1.4	3.3	3.8	3.1	4.9	5.3	4.1	4.8	4.6	4.0	3.2	
Domestic demand	2 154.0	94.7	4.2	-0.5	-0.6	4.8	3.3	2.3	4.9	5.6	3.0	3.3	4.7	3.3	1.3	
Consumption	1 708.9	75.2	2.0	0.5	0.8	2.8	2.8	3.5	4.1	4.3	4.1	4.6	4.3	4.2	3.2	
Household consumption	1 283.4	56.5	3.3	0.8	0.3	2.6	3.0	3.9	4.5	4.2	3.9	3.9	4.4	3.9	3.3	
Capital formation	445.1	19.6	12.8	-3.9	-5.8	12.8	4.9	-2.0	7.9	10.6	-0.7	-3.3	6.3	-0.4	-3.6	
Gross fixed capital formation	422.8	18.6	8.8	-1.8	-1.1	10.0	6.1	-8.2	4.0	9.4	7.2	11.6	8.8	4.6	6.1	
Exports	1 267.5	55.8	7.9	4.6	6.1	6.7	7.7	8.8	9.5	7.0	4.7	8.5	3.6	4.9	2.0	
Imports	1 148.0	50.5	5.8	-0.3	1.7	10.0	6.6	7.6	9.8	7.6	2.7	5.9	3.6	3.5	-2.0	
Value added	1 998.1	87.9	5.0	1.7	1.5	3.3	3.7	3.0	4.8	5.3	4.1	4.7	4.6	4.0	3.2	
Industry	501.7	22.1	7.9	2.8	0.9	4.5	3.8	3.9	2.5	5.2	4.2	6.1	4.3	3.3	3.3	
Construction	153.7	6.8	13.5	-4.0	-5.0	9.0	6.4	-8.5	6.8	11.7	3.0	8.8	4.4	3.6	-1.5	
Market services and agriculture	1 053.9	46.4	3.4	2.6	2.9	2.3	3.7	4.9	6.3	5.4	4.2	3.7	5.0	4.4	3.7	
Non-market services	288.8	12.7	1.1	0.1	0.9	1.7	2.0	1.3	2.4	2.0	4.0	4.2	3.8	3.7	4.3	
Contribution to GDP growth at previous year's prices (in percentage points)																
Domestic demand	-	-	4.3	-0.5	-0.6	4.7	3.2	2.3	4.6	5.3	2.9	3.2	4.4	3.1	1.2	
Consumption	-	-	1.6	0.4	0.6	2.2	2.2	2.7	3.1	3.2	3.0	3.7	3.3	3.2	2.2	
Household consumption	-	-	2.0	0.5	0.2	1.5	1.8	2.3	2.6	2.4	2.2	2.4	2.5	2.3	1.6	
Capital formation	-	-	2.7	-0.9	-1.2	2.4	1.0	-0.4	1.5	2.1	-0.1	-0.5	1.1	-0.1	-1.0	
Gross fixed capital formation	-	-	1.8	-0.4	-0.2	1.9	1.2	-1.7	0.7	1.6	1.3	1.5	1.4	0.8	1.5	
Net exports	-	-	0.7	2.1	2.0	-1.4	0.6	0.8	0.3	0.0	1.2	1.6	0.2	0.9	2.0	
Contribution to GDP growth at previous year's prices (in percentage points)																
Industry	-	-	2.0	0.7	0.2	1.1	1.0	1.0	0.7	1.3	1.1	1.6	1.0	0.7	0.9	
Construction	-	-	1.1	-0.3	-0.4	0.7	0.5	-0.7	0.5	0.8	0.2	0.4	0.4	0.3	-0.1	
Market services and agriculture	-	-	1.7	1.3	1.5	1.2	1.9	2.5	3.3	2.9	2.2	1.9	2.7	2.4	1.8	
Non-market services	-	-	0.2	0.0	0.1	0.3	0.3	0.2	0.4	0.3	0.6	0.7	0.5	0.5	0.6	

Notes:

Non-market services and agriculture are covered by sections A, G–N and R–U of the PKD classification [Polish Classification of Economic Activity]: agriculture, transportation, financial and insurance activities, real estate activities, professional, scientific and technical activities, administration and support service activities, arts, entertainment and recreation, other service activity, activities of households and extraterritorial organisations and bodies.

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

Source: GUS data, NBP calculations.

Table A2. Annual growth in consumer goods and services prices and the contribution of the main price categories to CPI

	Weights in 2019, per cent	Change (y/y, per cent)														Average in 2019	Average in 2018
		2019															
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII				
CPI	100.0	0.7	1.2	1.7	2.2	2.4	2.6	2.9	2.9	2.6	2.5	2.6	3.4	2.3	1.6		
Core inflation	58.9	0.8	1.0	1.4	1.7	1.7	1.9	2.2	2.2	2.4	2.4	2.6	3.1	2.0	0.7		
Goods	31.3	0.0	0.0	0.3	0.2	0.4	0.4	0.6	0.4	0.4	0.5	0.4	0.7	0.4	0.0		
Services	27.6	1.7	2.2	2.6	3.5	3.1	3.7	4.0	4.1	4.6	4.6	5.1	5.9	3.8	1.5		
Food and non-alcoholic beverages	24.9	0.8	2.1	2.6	3.3	5.0	5.7	6.8	7.2	6.3	6.1	6.5	6.9	4.9	2.6		
Processed	13.6	1.6	2.2	2.5	2.2	2.7	2.8	2.9	2.7	2.8	2.7	2.6	2.8	2.5	3.0		
Unprocessed	11.2	0.0	2.0	2.7	4.6	7.8	9.2	11.5	12.8	10.7	10.3	11.3	12.0	7.8	2.1		
Meat	6.2	-0.2	0.4	0.6	4.1	6.2	6.0	6.7	6.8	6.8	8.0	9.2	12.8	5.6	1.7		
Vegetables	2.6	8.1	15.8	16.6	16.0	22.6	27.3	32.4	34.8	23.9	16.3	16.0	12.3	19.8	4.7		
Energy	16.2	0.2	0.7	1.4	2.2	0.8	0.4	-0.4	-1.1	-2.0	-2.8	-3.0	-1.2	-0.4	3.6		
Energy carriers	10.8	-1.8	-1.6	-1.3	-0.8	-0.8	-0.9	-1.0	-1.4	-1.6	-1.7	-1.8	-1.8	-1.4	1.6		
Fuels	5.4	4.7	5.8	7.3	8.6	4.1	3.0	0.7	-0.4	-2.7	-4.8	-5.4	0.0	1.6	7.8		
According to COICOP groups																	
Food and non-alcoholic beverages	24.9	0.8	2.1	2.6	3.3	5.0	5.7	6.8	7.2	6.3	6.1	6.5	6.9	4.9	2.6		
Alcoholic beverages and tobacco products	6.4	1.3	1.4	1.5	1.1	1.4	1.5	1.2	1.3	1.0	1.3	1.3	1.6	1.3	1.5		
Clothing and footwear	4.9	-3.0	-3.2	-2.4	-2.2	-1.9	-1.6	-1.5	-1.4	-1.2	-1.7	-1.8	-1.2	-1.9	-3.6		
Home maintenance and energy carriers	19.2	0.2	0.6	1.0	1.6	1.6	1.7	2.0	1.9	2.0	1.9	2.0	2.0	1.5	2.1		
Home equipment and household maintenance	5.7	0.9	0.6	1.1	1.0	1.1	0.7	0.8	0.7	0.5	0.8	0.3	0.4	0.7	0.7		
Health	5.1	2.6	2.6	2.9	3.0	3.1	3.1	3.7	3.6	3.9	4.0	3.1	3.2	3.2	2.0		
Transport	10.3	1.9	2.5	3.5	4.8	1.7	1.4	0.3	-0.2	-1.7	-3.0	-3.4	0.5	0.7	4.2		
Communications	4.2	-4.6	-2.4	-2.5	-1.9	-2.6	-1.5	-1.1	-0.7	0.9	1.0	3.7	4.3	-0.7	-1.8		
Recreation and culture	6.5	1.2	1.3	1.9	2.4	2.9	3.4	3.0	2.8	2.6	2.6	3.6	3.6	2.6	1.3		
Education	1.1	3.1	3.1	3.1	3.0	3.0	3.1	3.1	3.1	4.4	4.7	4.6	4.6	3.6	2.4		
Restaurants and hotels	6.2	3.3	3.4	3.6	3.8	4.1	4.1	4.4	4.7	5.2	5.3	5.3	5.4	4.4	3.0		
Miscellaneous goods and services	5.6	0.9	0.4	0.7	1.5	1.2	1.4	1.9	0.7	1.3	1.7	1.5	3.2	1.4	-0.5		
Contribution to CPI growth (in percentage points)																	
	Weights in 2019, per cent	Contribution to CPI growth (in percentage points)														Average in 2019	Average in 2018
		2019															
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII				
CPI	100.0	0.7	1.2	1.7	2.2	2.4	2.6	2.9	2.9	2.6	2.5	2.6	3.4	2.3	1.6		
Core inflation	58.9	0.5	0.6	0.8	1.0	1.0	1.1	1.3	1.3	1.4	1.4	1.5	1.8	1.1	0.4		
Goods	31.3	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.2	0.1	0.0		
Services	27.6	0.5	0.6	0.7	1.0	0.9	1.0	1.1	1.2	1.3	1.3	1.4	1.6	1.0	0.4		
Food and non-alcoholic beverages	24.9	0.2	0.5	0.7	0.8	1.3	1.4	1.7	1.8	1.6	1.5	1.6	1.7	1.2	0.6		
Processed	13.6	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4		
Unprocessed	11.2	0.0	0.2	0.3	0.5	0.9	1.0	1.3	1.4	1.2	1.1	1.2	1.3	0.9	0.2		
Meat	6.2	0.0	0.0	0.0	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.6	0.8	0.3	0.1		
Vegetables	2.6	0.2	0.4	0.4	0.4	0.6	0.7	0.8	0.8	0.6	0.4	0.4	0.4	0.5	0.1		
Energy	16.2	0.0	0.1	0.2	0.4	0.1	0.1	-0.1	-0.2	-0.3	-0.5	-0.5	-0.2	-0.1	0.6		
Energy carriers	10.8	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	0.2		
Fuels	5.4	0.2	0.3	0.4	0.4	0.2	0.2	0.0	0.0	-0.2	-0.3	-0.3	0.0	0.1	0.4		

Table A2. Annual growth in consumer goods and services prices and the contribution of the main price categories to CPI, cont'd

	Weights in 2019, per cent	According to COICOP groups														Average in 2019	Average in 2018
		2019															
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII				
Food and non-alcoholic beverages	24.9	0.2	0.5	0.7	0.8	1.3	1.4	1.7	1.8	1.6	1.5	1.6	1.7	1.2	0.6		
Alcoholic beverages and tobacco products	6.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1		
Clothing and footwear	4.9	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2		
Home maintenance and energy carriers	19.2	0.0	0.1	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4		
Home equipment and household maintenance	5.7	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Health	5.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1		
Transport	10.3	0.2	0.2	0.3	0.5	0.2	0.2	0.0	0.0	-0.2	-0.3	-0.4	0.1	0.1	0.4		
Communications	4.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.0	-0.1		
Recreation and culture	6.5	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1		
Education	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0		
Restaurants and hotels	6.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2		
Miscellaneous goods and services	5.6	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.1	0.0		

Note: core inflation as cited in the table is CPI net of food and energy prices.

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

Table A3. Balance of payments (PLN million)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current account	-81 394	-60 368	-20 923	-35 536	-10 102	-9 662	1 438	-21 711	10 623
Balance of trade in goods	-54 790	-34 128	-1 345	-13 634	9 326	12 834	6 100	-20 373	10 360
Balance of services	21 073	25 145	32 070	37 922	45 610	60 942	76 390	92 274	108 192
Balance of primary income	-50 811	-50 765	-49 900	-58 249	-61 408	-77 229	-80 471	-87 523	-100 121
Balance of secondary income	3 134	-620	-1 748	-1 575	-3 630	-6 209	-581	-6 089	-7 808
Capital account	30 618	35 711	37 857	41 990	42 510	19 471	25 002	44 605	45 461
Financial account	-80 227	-37 276	-18 676	-19 557	2 296	6 000	-9 861	7 222	38 070
Balance of direct investment	-40 631	-19 692	-13 311	-40 728	-38 666	-16 594	-28 833	-52 881	-42 980
Balance of portfolio investment	-50 222	-64 060	-398	7 639	11 865	-14 712	-17 940	15 833	47 480
Balance of other investment	-7 882	18 847	-5 781	11 654	29 644	-52 724	71 720	22 549	-1 635
Derivative financial instruments	525	-8 942	-2 200	-62	-3 663	762	-4 256	-4 841	-4 353
Official reserve assets	17 983	36 571	3 014	1 940	3 116	89 268	-30 552	26 562	39 558
Errors and omissions	-29 451	-12 619	-35 610	-26 011	-30 112	-3 809	-36 301	-15 672	-18 014

Source: NBP data.

Table A4. Selected external stability indicators

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current account balance/GDP(%)	-5.2	-3.7	-1.3	-2.1	-0.6	-0.5	0.1	-1.0	0.5
Current and capital account balance/ GDP (%)	-3.2	-1.5	1.0	0.4	1.8	0.5	1.3	1.1	2.5
Balance of trade in goods /GDP (%)	-2.2	-0.6	1.9	1.4	3.1	4.0	4.1	3.4	5.2
Official reserve assets in terms of monthly imports of goods and services	5.7	5.5	5.2	5.3	5.3	6.4	4.7	4.8	5.1
Foreign debt/GDP (%)	70.7	70.2	69.8	72.7	71.8	76.4	67.0	63.8	58.4
Net international investment position/GDP (%)	-62.4	-65.3	-68.9	-69.1	-62.1	-61.6	-61.2	-55.6	-49.8

Source: NBP and GUS data, NBP calculations.

Table A5. Monetary aggregates (as at the end of the year, PLN millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
M3	881 496.3	921 412.5	978 908.2	1 059 015.3	1 154 992.6	1 265 661.7	1 324 368.6	1 446 092.6	1 565 639.8
Repo operations	9 575.7	13 047.2	12 277.5	10 350.3	7 267.1	6 238.6	6 478.3	11 239.6	6 809.4
Issue of debt securities with original maturity of up to 2 years (inclusive)	7 850.4	8 028.6	6 285.8	4 112.0	2 466.7	3 211.1	5 042.9	6 619.8	6 187.4
Issue of shares/units in money market funds	324.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
M2	863 745.5	900 336.7	960 344.9	1 044 552.9	1 145 258.8	1 256 211.9	1 312 847.3	1 428 233.2	1 552 642.9
Deposits and other liabilities falling due within 2 years (inclusive)	395 692.9	415 523.7	404 509.6	438 270.2	453 134.4	440 907.8	406 472.7	415 880.1	397 775.6
Households	243 076.5	278 114.3	263 776.6	290 770.2	304 873.9	302 916.8	279 206.7	282 754.6	277 564.2
Other financial institutions	26 461.3	36 466.5	34 038.2	33 350.1	30 516.0	23 243.6	22 189.7	24 488.8	26 219.3
Non-financial corporations	113 821.1	88 526.2	94 028.7	101 639.4	103 365.4	99 234.4	88 269.4	87 585.7	82 834.0
Non-commercial institutions operating for the benefit of households	6 588.1	7 106.3	6 888.7	6 800.0	7 022.0	7 251.0	7 515.2	7 778.5	7 375.3
Local government institutions	4 706.7	4 708.1	4 644.8	4 526.3	5 633.5	5 886.8	6 046.3	4 562.1	3 242.8
Social security funds	1 039.2	602.3	1 132.7	1 184.4	1 723.7	2 375.3	3 245.3	8 710.3	540.0
M1	468 052.6	484 813.0	555 835.3	606 282.7	692 124.4	815 304.0	906 374.6	1 012 353.1	1 154 867.4
Cash in circulation (outside MFI vaults)	101 848.6	102 470.5	114 403.2	130 029.9	149 715.6	174 401.2	184 486.4	203 212.5	224 069.6
Current deposits and other current liabilities	366 204.0	382 342.5	441 432.1	476 252.7	542 408.9	640 902.8	721 888.2	809 140.6	930 797.8
Households	234 934.3	236 791.4	279 831.7	300 786.4	341 115.2	402 000.9	453 227.5	523 307.3	603 823.1
Other financial institutions	13 903.1	15 911.6	17 664.6	18 573.9	20 302.3	25 898.5	31 589.2	32 800.5	26 065.0
Non-financial corporations	89 472.2	99 252.8	112 497.1	124 239.3	145 975.4	169 753.0	187 138.6	199 721.7	233 408.9
Non-commercial institutions operating for the benefit of households	8 401.3	9 391.8	10 393.3	11 305.4	12 518.0	14 911.5	16 425.7	18 289.9	19 470.6
Local government institutions	18 586.0	19 775.1	19 658.6	19 494.2	18 867.8	25 254.6	26 743.6	27 722.3	33 936.7
Social security funds	907.1	1 219.8	1 386.7	1 853.5	3 630.2	3 084.2	6 763.5	7 298.9	14 093.5

MFI – monetary financial institutions.

Source: NBP data.

Table A6. Counterparts to money creation (as at the end of the year, PLN millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net foreign assets	140 162.3	169 184.6	142 994.5	172 946.6	187 102.8	234 208.5	232 528.1	290 278.0	344 764.6
Foreign assets	405 464.1	409 939.1	388 096.0	437 357.7	451 321.7	572 727.2	483 803.7	544 418.9	590 810.5
Foreign liabilities	265 301.8	240 754.5	245 101.5	264 411.1	264 218.9	338 518.7	251 275.6	254 140.9	246 046.0
Claims	887 890.8	910 052.1	947 800.1	1 017 017.1	1 089 010.6	1 137 243.4	1 175 788.5	1 264 010.1	1 325 100.5
Loans and other receivables	861 743.2	872 435.9	904 029.1	963 655.2	1 029 144.7	1 076 440.2	1 113 993.1	1 197 892.5	1 259 757.4
Households	536 970.6	538 120.1	562 379.9	593 272.7	632 523.3	665 062.0	676 361.6	723 232.7	766 545.2
Other financial institutions	27 291.4	34 566.2	42 992.1	53 346.3	58 344.0	58 546.2	65 781.9	74 182.1	83 724.1
Non-financial corporations	253 458.6	256 982.4	259 048.9	275 774.0	297 950.1	314 533.1	333 362.2	358 589.3	366 116.6
Non-commercial institutions operating for the benefit of households	4 177.3	4 846.9	5 306.5	5 682.8	6 067.6	6 484.7	6 946.3	7 296.2	7 621.0
Local government institutions	39 001.6	37 080.0	34 301.5	35 579.3	34 259.5	31 814.1	31 541.1	34 592.2	35 750.5
Social Security funds	843.7	840.2	0.2	0.2	0.2	0.1	0.1	0.0	0.0
Debt securities	19 043.0	28 681.1	33 385.0	41 985.3	47 228.9	48 019.9	47 501.7	47 609.7	46 938.5
Other financial institutions	694.6	1 004.9	761.0	1 713.1	2 358.9	3 958.6	3 496.3	3 499.9	3 164.5
Non-financial corporations	7 985.7	13 437.9	15 541.6	22 587.8	26 099.7	25 423.4	24 941.0	22 583.8	19 665.4
Local government institutions	10 362.6	14 238.3	17 082.4	17 684.4	18 770.3	18 637.8	19 064.4	21 526.0	24 108.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity and other shares/units in funds other than money market funds	7 104.6	8 935.1	10 386.0	11 376.6	12 637.0	12 783.4	14 293.7	18 507.9	18 404.6
Other financial institutions	4 496.0	5 914.9	6 554.1	8 970.8	10 381.5	10 601.5	12 070.3	15 675.8	15 857.0
Non-financial corporations	2 608.6	3 020.2	3 831.9	2 405.8	2 255.5	2 181.9	2 222.5	2 831.0	2 546.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.8

Table A6. Counterparts to money creation (as at the end of the year, PLN millions), cont'd

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net debt of central government institutions	121 624.2	108 380.1	145 336.6	168 872.5	201 343.4	253 371.3	268 824.0	275 697.1	310 226.3
Claims on central government institutions	167 531.4	160 909.4	182 792.4	224 408.6	239 787.4	311 159.4	321 398.1	346 352.2	383 746.5
Loans	964.3	809.8	780.6	701.4	1 141.7	961.4	1 010.9	1 042.6	1 127.2
Debt securities	130 577.6	119 192.3	138 615.3	180 803.9	193 333.2	259 586.2	267 215.9	293 297.0	331 138.5
Other	35 989.5	40 907.3	43 396.5	42 903.3	45 312.5	50 611.9	53 171.3	52 012.6	51 480.8
Liabilities to central government institutions	45 907.3	52 529.3	37 455.8	55 536.1	38 444.0	57 788.1	52 574.1	70 655.1	73 520.2
Long-term financial liabilities	299 094.8	295 938.4	293 509.9	336 408.6	359 605.4	389 983.8	374 962.7	407 306.0	438 524.0
Deposits and other liabilities falling due after 2 years (inclusive)	9 043.8	10 843.9	17 153.6	20 512.2	22 001.5	25 188.6	25 783.7	25 675.8	28 812.6
Households	4 065.0	4 571.5	10 066.8	13 756.4	16 552.1	19 838.8	21 344.1	21 836.1	25 362.1
Other financial institutions	3 007.2	4 103.6	5 485.3	5 851.1	4 623.8	4 452.1	3 482.7	2 938.6	2 540.8
Non-financial corporations	1 837.9	2 055.1	1 492.3	812.9	732.8	776.5	788.8	772.3	783.8
Non-commercial institutions operating for the benefit of households	123.0	95.5	78.8	64.4	68.1	102.1	144.1	100.3	100.3
Local government institutions	8.0	18.2	30.4	27.3	24.7	19.0	23.9	28.6	25.6
Social security funds	2.8	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Issue of debt securities with original maturity of 2 years or more	30 733.8	35 870.8	40 874.5	40 421.7	43 878.8	53 781.8	69 762.3	72 267.2	78 383.0
Capital and reserves	259 317.2	249 223.6	235 481.7	275 474.7	293 725.2	311 013.4	279 416.8	309 363.1	331 328.4
Fixed assets (net of financial assets)	42 662.6	45 159.9	48 473.7	50 382.0	51 475.1	52 609.9	53 221.1	54 777.4	62 007.1
Net balance of other items	-11 748.8	-15 425.9	-12 186.8	-13 794.3	-14 333.9	-21 787.7	-31 030.5	-31 363.9	-37 934.7

Source: NBP data.

Appendix 2

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 2019, NBP hosted 26 open-to-public academic seminars (the title of the seminar is followed by the name(s) and affiliation of the speaker(s)):

- *Domestic and Global Output Gaps as Inflation Drivers: What Does the Phillips Curve Tell?*, Richhild Moessner – Bank for International Settlements.
- *Polityka stabilizacji cen a przeciwdziałanie recesji. Dylematy współczesnej makroekonomii*, Jan L. Bednarczyk – Kazimierz Pulaski University of Technology and Humanities in Radom.
- *Crisis dynamics: the Case of Greece and Finland*, Katarina Juselius – University of Copenhagen.
- *Poznaj samego siebie: ryzyko i niepewność*, Tomasz Kopczewski – Faculty of Economic Sciences, University of Warsaw.
- *Czy globalizacja jest powiązana ze spadkiem marż w Polsce?*, Michał Gradzewicz, Jakub Mućk – Narodowy Bank Polski; Warsaw School of Economics.
- *Differences in Euro-Area Household Finances and their Relevance for Monetary Policy Transmission*, Winfried Koeniger – University of St. Gallen.
- *Optimal Monetary Policy and Liquidity with Heterogeneous Households*, Xavier Ragot – Sciences Po, Paris.
- *Model hardware-software: nowe ujęcie procesów produkcji, B+R i wzrostu w świecie ze sztuczną inteligencją*, Jakub Growiec – Warsaw School of Economics; Narodowy Bank Polski.
- *An Outline of the Theory of Growth and Crisis in a Financialized Economy*, Amit Bhaduri – Jawaharlal Nehru University.
- *Intertemporal Labor Supply Substitution? Evidence from the Swiss Income Tax Holidays*, Michael Siegenthaler – KOF Swiss Economic Institute.
- *Koszty instrumentów płatniczych na rynku polskim*, Karolina Przenajkowska – Narodowy Bank Polski.
- *Bought, Sold and Bought Again: the Impact of Complex Value Chains on Export Elasticities*, François de Soyres – World Bank.
- *The Source of Global Monetary Instability*, Robert Z. Aliber – University of Chicago Booth School of Business.
- *Wysokolewarowany wykup spółek a innowacyjność*, Monika Tarsalewska – Warsaw School of Economics, University of Exeter Business School.
- *Secular Stagnation? Growth, Asset Returns and Welfare in the Next Decades*, Alexander Ludwig – Goethe University.

- *The Credit-Creation Theory of Banking, the Central Bank and the Treasury: Reflections on MMT and QE*, Marc Lavoie – University of Ottawa; Université Paris 13 (CEPN).
- *Bayesian Structural VAR Models: a New Approach for Pprior Beliefs on Impulse Responses*, Michele Piffer – Queen Mary, University of London.
- *Exchange Rate Undershooting*, Gernot J. Mueller – University of Tübingen.
- *Ramsey Rules, Fiscal Policies, and Labor Shares in the United States: 1948–2018*, Paul McNelis – Fordham University.
- *Imigracja z Ukrainy i jej wkład do wzrostu polskiego PKB*, Paweł Strzelecki – Narodowy Bank Polski; Warsaw School of Economics.
- *The Nonlinear Effects of Fiscal Policy*, Pedro Brinca – Nova School of Business and Economics, Universidade Nova de Lisboa.
- *The Income Distributive Channel of Monetary Policy*, Louis-Philippe Rochon – Laurentian University, Canada.
- *The Dark Side of Bank Resolution: Counterparty Risk through Bail-in*, Wolf-Georg Ringe – Institute of Law and Economics, University of Hamburg.
- *How Does Bank Behaviour Affect Systemic Risk? An Adaptive Contagion Mapping Methodology*, Giovanni Covi – Bank of England.
- *Gravity without Apology: the Science of Elasticities, Distance, and Trade*, J. Peter Neary – Oxford University, CEPR, CESifo.
- *Ujemne naturalne stopy procentowe i stagnacja sekularna: wiele hałasu o nic?*, Leon Podkaminer – Vienna Institute for International Economic Studies.

In 2019, the following publications by NBP staff were included in the ISI Master Journal List:

- Justyna Brzezicka, Jacek Łaszek, Krzysztof Olszewski, Joanna Waszczuk, *Analysis of the filtering process and the ripple effect on the primary and secondary housing market in Warsaw, Poland*, “Land Use Policy”, vol. 88, 104098.
- Marcin Bielecki, Michał Brzoza-Brzezina, Marcin Kolasa, *Comment on “The limits of forward guidance” by Jeffrey R. Campbell, Filippo Ferroni, Jonas D.M. Fisher and Leonardo Melosi*, “Journal of Monetary Economics”, vol. 108, issue C, 135–139.
- Marcin Bielecki, Michał Brzoza-Brzezina, Marcin Kolasa, Krzysztof Makarski, *Could the boom-bust in the eurozone periphery have been prevented?*, “Journal of Common Market Studies”, vol. 57, issue 2, 336–352.
- Krzysztof Gajewski, Alejandro Jara, Yujin Kang, Junghwan Mok, David Moreno, Dobromił Serwa, *International spillovers of monetary policy: lessons from Chile, Korea, and Poland*, “Journal of International Money and Finance”, vol. 90, issue C, 175–186.
- Aleksandra Hałka, Agnieszka Leszczyńska-Paczesna, *Price convergence in the European Union – What has changed?*, “Economic Modelling”, vol. 79, issue C, 226–241.

- Aleksandra Hałka, Karol Szafranek, *Determinants of low inflation in an emerging, small open economy through the lens of aggregated and disaggregated approach*, “Emerging Markets Finance & Trade”, vol. 55, issue 13, 3094–3111.
- Alfred A. Haug, Tomasz Jędrzejowicz, Anna Sznajderska, *Monetary and fiscal transmission in Poland*, “Economic Modelling”, vol. 79, issue C, 15–27.
- Tomasz Łyziak, *Do global output gaps help forecast domestic inflation? Evidence from Philips curves for Poland*, “International Journal of Forecasting”, vol. 35, issue 3, 1032–1041.
- Jan Hagemeyer, Jakub Mućk, *Export-led growth and its determinants. Evidence from CEEC countries*, “The World Economy”, vol. 42, issue 7, 1994–2025.
- Natalia Nehrebecka, *Bank loans recovery rate in commercial banks: a case study of non-financial corporations*, “Proceedings of Rijeka Faculty of Economics: Journal of Economics and Business”, vol. 37, issue 1, 139–172.
- Małgorzata Iwanicz-Drozdowska, Paola Bongini, Paweł Smaga, Bartosz Witkowski, *The role of banks in CESEE countries: exploring non-standard determinants of economic growth*, “Post-Communist Economies”, vol. 31, issue 3, 349–382.
- Karol Szafranek, *Bagged neural networks for forecasting Polish (low) inflation*, “International Journal of Forecasting”, vol. 35, issue 3, 1042–1059.

In the series *Materiały i Studia*, the following papers were published in 2019:

- Zbigniew Korzeb, Paweł Kulpaka, Paweł Niedziółka, *Deoligopolizacja rynku agencji ratingowych oraz inne inicjatywy na rzecz poprawy jakości ratingów zewnętrznych w kontekście oddziaływania agencji ratingowych na stabilność finansową*.
- Sławomir Franek, Marta Postuła, *Pomiar siły instrumentów fiskalnych oraz ich skuteczność w poprawie stabilności finansów publicznych w krajach Unii Europejskiej*.
- Piotr Jaworski, Aleksander Kowalski, Kamil Liberadzki, Marcin Liberadzki, *Obligacje typu CoCo i bail-in jako instrumenty rekapitalizacji banków i zwiększenia stabilności finansowej*.

In 2019, the following papers were published in the *NBP Working Paper* series:

- Mariusz Kapuściński, Ilona Pietryka, *The impact of the excess reserves of the banking sector on interest rates and money supply in Poland*.
- Ewa Stanisławska, *Consumers’ perception of inflation in inflationary and deflationary environment*.
- Paweł Macias, Damian Stelmasiak, *Food inflation nowcasting with web scraped data*.
- Janusz Brzeszczyński, Jerzy Gajdka, Ali M. Kutan, *Evolution of the impact of the interest rates changes announced by Narodowy Bank Polski (NBP) on the financial markets in the high, medium and low level of interest rates environments in Poland*.
- Michał Gradzewicz, Jakub Mućk, *Globalization and the fall of markups*.

- Tomasz Chmielewski, Tomasz Łyziak, Ewa Stanisławska, *Risk-taking channel – does it operate in the Polish banking sector?*
- Beata K. Bierut, Piotr Dybka, *Institutional determinants of export competitiveness among the EU countries: evidence from Bayesian model averaging.*
- Kristina Bluwstein, Michał Brzoza-Brzezina, Paolo Gelain, Marcin Kolasa, *Multi-period loans, occasionally binding constraints and monetary policy: a quantitative evaluation.*
- Claus Brand, Marcin Bielecki, Adrian Penalver, *The natural rate of interest: estimates, drivers, and challenges to monetary policy.*
- Marcin Kolasa, Grzegorz Wesołowski, *International spillovers of quantitative easing.*
- Marcin Hołda, *Newspaper-based economic uncertainty indices for Poland.*
- Jakub Growiec, Peter McAdam, Jakub Mućk, *On the optimal labor income share.*
- Piotr Bańbuła, Arkadiusz Kotuła, Agnieszka Paluch, Mateusz Pipień, Piotr Wdowiński, *Optimal level of capital in the Polish banking sector.*
- Ewa Stanisławska, Maritta Paloviita, Tomasz Łyziak, *Assessing reliability of aggregated inflation views in the European Commission Consumer Survey.*
- Magda Ciżkowicz-Pękała, Witold Grostal, Joanna Niedźwiedzińska, Elżbieta Skrzyszewska-Paczek, Ewa Stawasz-Grabowska, Grzegorz Wesołowski, Piotr Żuk, *Three decades of inflation targeting.*
- Anna Sznajderska, Mariusz Kapuściński, *The spillover effects of Chinese economy on Southeast Asia and Oceania.*
- George A. Matysiak, Krzysztof Olszewski, *A panel analysis of Polish regional cities: residential price convergence in the primary market.*
- Ewa Wróbel, *How to measure lending policy stance of commercial banks?*
- Hubert Gabrisch, *The productivity puzzle and the Kaldor-Verdoorn law: the case of Central and Eastern Europe.*
- Marcin Kolasa, Michał Rubaszek, Małgorzata Walerych, *Are flexible working hours helpful in stabilizing unemployment?*
- Kamila Kuziemska-Pawlak, Jakub Mućk, *Structural current account benchmarks for the European Union countries: cross-section exploration.*
- Paweł Kopiec, *Household heterogeneity and the value of government spending multiplier.*

Appendix 3

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 2019 are presented below.

Date	Subject matter of motion or resolution	Voting of the MPC members	
		For	Against
29 April 2019	Resolution No. 1/2019 of the Monetary Policy Council of 29 April 2019 on approving the Annual Financial Statements of Narodowy Bank Polski prepared as of 31 December 2018	A. Glapiński G.M. Ancyparowicz E.M. Lon E.J. Osiatyński R. Sura J. Żyżyński	E. Gatnar Ł.J. Hardt J.J. Kropiwnicki K. Zubelewicz
14 May 2019	Resolution No. 2/2019 of the Monetary Policy Council of 14 May 2019 on approving the Report on Monetary Policy in 2018	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt E.M. Lon E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński	
		J.J. Kropiwnicki was absent.	
14 May 2019	Resolution No. 3/2019 of the Monetary Policy Council of 14 May 2019 on the evaluation of the activities of the NBP Management Board as regards the implementation of monetary policy guidelines for 2018	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt E.M. Lon E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński	
		J.J. Kropiwnicki was absent.	
24 May 2019	Resolution No. 4/2019 of the Monetary Policy Council of 24 May 2019 on approving the report on the operations of Narodowy Bank Polski in 2018	A. Glapiński G.M. Ancyparowicz E.M. Lon R. Sura J. Żyżyński	E. Gatnar Ł.J. Hardt E.J. Osiatyński K. Zubelewicz
		J.J. Kropiwnicki was absent.	
4 June 2019	Resolution No. 1/DRF/2019 of the Monetary Policy Council of 4 June 2019 on selecting a certified auditor to audit the Annual Financial Statements of Narodowy Bank Polski for the years 2019 and 2020	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt E.M. Lon R. Sura K. Zubelewicz J. Żyżyński	
		J.J. Kropiwnicki and E.J. Osiatyński 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
3 July 2019	Motion to raise the NBP interest rates by 0.25 percentage points MPC decision: Motion did not pass.	E. Gatnar K. Zubelewicz	A. Glapiński G.M. Ancyparowicz Ł.J. Hardt E.M. Łon E.J. Osiatyński R. Sura J. Żyżyński
		J.J. Kropiwnicki was absent.	
10 September 2019	Resolution No. 5/2019 of the Monetary Policy Council of 10 September 2019 on adopting monetary policy guidelines for 2020	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt E.M. Łon E.J. Osiatyński R. Sura J. Żyżyński	K. Zubelewicz
		J.J. Kropiwnicki was absent.	
11 September 2019	Motion to lower the NBP interest rates by 0.25 percentage points MPC decision: Motion did not pass.	E.M. Łon	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński
2 October 2019	Motion to lower the NBP interest rates by 0.25 percentage points MPC decision: Motion did not pass.	E.M. Łon	A. Glapiński G.M. Ancyparowicz Ł.J. Hardt J.J. Kropiwnicki E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński
		E. Gatnar was absent.	
5 November 2019	Resolution No. 6/2019 of the Monetary Policy Council of 5 November 2019 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński	
5 November 2019	Resolution No. 7/2019 of the Monetary Policy Council of 5 November 2019 amending the resolution on the accounting principles, format of balance sheet and the profit and loss of Narodowy Bank Polski	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński	

Appendix 3

Date	Subject matter of motion or resolution	Voting of the MPC members	
		For	Against
6 November 2019	Motion to lower the NBP interest rates by 0.25 percentage points MPC decision: Motion did not pass.	E.M. Łon	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński
3 December 2019	Resolution No. 8/2019 of the Monetary Policy Council of 3 December 2019 on approving the Financial Plan of Narodowy Bank Polski for 2020	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.M. Łon E.J. Osiatyński R. Sura J. Żyżyński	K. Zubelewicz
4 December 2019	Motion to lower the NBP interest rates by 0.25 percentage points MPC decision: Motion did not pass.	E.M. Łon	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt J.J. Kropiwnicki E.J. Osiatyński R. Sura K. Zubelewicz J. Żyżyński

Appendix 4

**Financial Statements
of Narodowy Bank Polski
as at 31 December 2019,
together with the Independent
Auditor's Report**



Balance Sheet of NBP as at 31 December 2019

Assets	Note	31.12.2019	31.12.2018
		<i>PLN thousand</i>	
1. Gold and gold receivables	1	42,518,790.2	19,928,317.3
2. Claims on non-residents denominated in foreign currency		445,195,431.8	419,868,025.9
2.1. <i>Receivables from the IMF</i>	2	5,271,036.0	4,819,450.5
2.2. <i>Balances with foreign institutions, securities, loans granted and other foreign assets</i>	3	439,924,395.8	415,048,575.4
3. Claims on residents denominated in foreign currency		0.0	0.0
4. Claims on non-residents denominated in domestic currency		0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency		0.0	0.0
5.1. <i>Main refinancing operations</i>		0.0	0.0
5.2. <i>Long-term refinancing operations</i>		0.0	0.0
5.3. <i>Fine-tuning operations</i>		0.0	0.0
5.4. <i>Structural operations</i>		0.0	0.0
5.5. <i>Marginal lending facilities</i>		0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	4	10.4	5,643,915.1
7. Securities of residents denominated in domestic currency		0.0	0.0
8. Claims on general government denominated in domestic currency		0.0	0.0
9. Items in course of settlement		0.0	0.0
10. Other assets		1,386,084.0	1,407,838.3
10.1. <i>Tangible and intangible fixed assets</i>	5	898,026.4	906,670.7
10.2. <i>Other financial assets</i>	6	272,163.0	271,165.9
10.3. <i>Off-balance-sheet instruments revaluation differences</i>	7	10,497.9	871.4
10.4. <i>Accruals and prepaid expenses</i>	8	31,299.8	35,007.8
10.5. <i>Sundry</i>	9	174,096.9	194,122.5
Total assets		489,100,316.4	446,848,096.6

Liabilities	Note	31.12.2019	31.12.2018
		PLN thousand	
1. Banknotes and coins in circulation	10	238,777,248.0	219,489,936.7
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	11	65,410,357.6	72,942,616.5
2.1. Current accounts (incl. the required minimum reserve accounts)		50,655,941.5	61,390,258.2
2.2. Deposit facilities		14,754,416.1	11,552,358.3
2.3. Fixed-interest deposits		0.0	0.0
2.4. Other monetary policy operations *		0.0	0.0
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	12	385,342.2	362,810.7
4. Liabilities due to issued securities denominated in domestic currency *	11	64,985,650.0	53,276,000.0
5. Liabilities to other residents denominated in domestic currency	13	9,346,735.8	7,273,508.0
5.1. Liabilities to general government		9,326,302.8	7,251,979.7
5.2. Other liabilities		20,433.0	21,528.3
6. Liabilities to non-residents denominated in domestic currency	14	2,266,129.9	2,605,986.1
7. Liabilities to residents denominated in foreign currency	15	22,356,217.5	25,100,108.6
8. Liabilities to non-residents denominated in foreign currency	16	43,665,689.7	37,886,502.4
9. Liabilities to the IMF	17	6,875,252.6	6,823,985.7
10. Items in course of settlement		0.0	0.0
11. Other liabilities		222,477.3	239,079.3
11.1. Off-balance-sheet instruments revaluation differences	18	6,356.5	23,787.0
11.2. Accruals and deferred income	19	144,302.7	142,056.0
11.3. Sundry	20	71,818.1	73,236.3
12. Provisions for future liabilities	21	165,628.8	145,368.3
13. Revaluation accounts	22	30,494,130.6	27,193,170.3
14. Capital and reserves	23	8,186,317.3	5,374,387.4
14.1. Statutory fund		1,500,000.0	1,500,000.0
14.2. Reserve fund		0.0	0.0
14.3. Reserves		6,686,317.3	3,874,387.4
15. Financial result	24	-4,036,860.9	-11,865,363.4
15.1. Financial result for the current year		7,828,502.5	0.0
15.2. Loss of previous years		-11,865,363.4	-11,865,363.4
Total liabilities		489,100,316.4	446,848,096.6

* In 2019 the balance of issued NBP monetary bills presented as at 31.12.2018 in item 2.4. *Other monetary policy operations* was moved to a newly separated item 4. *Liabilities due to issued securities denominated in domestic currency*. Detailed information is presented in Chapter 3. Changes in accounting principles. Comparative data were adjusted for the purposes of comparability.

Profit and Loss Account of NBP for the year ended 31 December 2019¹

	Note	2019	2018
		PLN thousand	
1. Net result on interest, discount and premium	28	3,293,959.8	2,558,165.1
1.1. Interest, discount and premium income		8,358,201.4	7,639,880.1
1.2. Interest, discount and premium expenses		-5,064,241.6	-5,081,715.0
2. Net result on financial operations*		5,621,395.0	-1,517,340.8
2.1. Net result on realised financial operations, of which:	29	8,789,558.1	3,391,503.1
- net result on realised foreign exchange gains/losses on transactions in foreign currency		5,733,405.1	4,363,115.3
- net result on realised price gains/losses		3,056,125.5	-972,057.6
2.2. Unrealised losses, of which:	30	-356,233.2	-1,034,456.5
- currency revaluation losses		-109,545.3	-835,517.7
- price revaluation losses		-246,687.9	-198,938.8
2.3. Impairment of financial assets		0.0	0.0
2.4. Net result on the adjustment of FX risk provision	31	-2,811,929.9	-3,874,387.4
3. Net result on fees and commissions		10,238.8	10,737.8
3.1. Fees and commissions income	32	49,565.6	44,780.8
3.2. Fees and commissions expenses	33	-39,326.8	-34,043.0
4. Income on shares and participating interests	34	23,372.2	14,703.6
5. Other income	35	97,704.1	87,289.2
A. Total net income		9,046,669.9	1,153,554.9
6. Salaries	36	-574,712.9	-543,992.4
7. Administrative expenses	37	-264,559.4	-251,810.4
8. Depreciation and amortisation expenses	38	-86,674.3	-85,736.3
9. Expenses on issue of banknotes and coins	39	-282,254.9	-260,891.9
10. Other expenses	35	-9,965.9	-11,123.9
B. Financial result for the current year	40	7,828,502.5	0.0

* In 2019 presentation of components of item 2. *Net result on financial operations* was changed. Detailed information is presented in Chapter 3. Changes in accounting principles.

¹ Starting from Financial statements of NBP as at 31 December 2019 the values of expenses are presented with a minus sign ("-"). Comparative data for 2018 were adjusted accordingly.

Notes

1. Introduction

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

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

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

- the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2019, item 1810), hereinafter referred to as the "Act on NBP",
- the Act of 29 August 1997 – Banking Law (Journal of Laws of 2019, item 2357),
- the Treaty on European Union and the Treaty on the Functioning of the European Union (consolidated texts: Official Journal of the EU 2016 C 202 of 7 June 2016, p. 1).

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

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

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

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

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

The composition of NBP bodies as at 31 December 2019 was as follows:

President of NBP

Adam Glapiński

Monetary Policy Council²

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

Management Board of NBP³

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>Teresa Czerwińska</i>	<i>Ryszard Kokoszczyński</i>	<i>Paweł Szalamacha</i>
	<i>Andrzej Kaźmierczak</i>	<i>Paweł Samecki</i>	

² On 20 December 2019 the office term of member of the Monetary Policy Council Mr Jerzy Osiatyński ended.

On 21 December 2019 Mr Cezary Kochalski was appointed member of the Monetary Policy Council.

³ On 2 April 2019 Jacek Bartkiewicz ceased to act as member of the Management Board of NBP (after his term of office ended).

On 4 June 2019 Teresa Czerwińska was appointed member of the Management Board of NBP.

On 17 February 2020 Paweł Samecki ceased to be member of the Management Board of NBP (after his term of office ended).

On 29 February 2020 Teresa Czerwińska ceased to be member of the Management Board (she was dismissed following her resignation from the position of member of the Management Board of NBP).

On 1 March 2020 Piotr Pogonowski was appointed member of the Management Board of NBP.

On 7 March 2020 Piotr Wiesiołek ceased to act as member of the Management Board of NBP, Vice President of NBP – First Deputy President of NBP (after his term of office ended).

On 8 March 2020 Marta Kightley was appointed member of the Management Board of NBP, Vice President of NBP – First Deputy President of NBP.

1.2. Legal basis of preparation of the financial statements

The financial statements of NBP as at 31 December 2019 were prepared by the Management Board of NBP in accordance with the following provisions:

- the Act on NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the Balance Sheet and the Profit and Loss Account of Narodowy Bank Polski (NBP Official Journal of 2020, item 1), hereinafter referred to as "Resolution No. 16/2003 of the MPC",
- Resolution No. 6/2019 of the Monetary Policy Council of 5 November 2019 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal, item 14), hereinafter referred to as "Resolution No. 6/2019 of the MPC",
- 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 2019 to 31 December 2019. Comparative data in the financial statements cover the calendar year from 1 January 2018 to 31 December 2018.

1.4. Certified auditor and its selection

The annual financial statements of NBP prepared as at 31 December 2019 are subject to audit and evaluation by the certified auditor KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., with its registered office in Warsaw. The certified auditor was appointed by the Monetary Policy Council, hereinafter referred to as the "MPC", in 2019 on the basis of 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 2018, item 1986, as amended), for a period of two years (audit of the financial statements for the years 2019 and 2020) with the option to extend the agreement for another two-year period (audit of the financial statements for the years 2021 and 2022).

1.5. Information on the adoption and approval of NBP financial statements for the year 2018

The annual financial statements of NBP prepared as at 31 December 2018 were adopted by the MPC by Resolution No. 1/2019 on 29 April 2019 (NBP Official Journal, item 2) and approved by the Council of Ministers by Resolution No. 63/2019 on 11 July 2019. The certified auditor in charge of

auditing the financial statements – KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
– issued an unmodified opinion on the audited financial statements.

In the financial statements prepared as at 31 December 2018, NBP recorded a net financial result amounting to zero. Therefore in 2019 NBP paid no contribution from profit to the State budget and made no allocation to NBP's reserve fund.

2. Description of significant accounting principles

2.1. Basic accounting principles

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

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

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

2.2. Going concern

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

2.3. Recognition of transactions in the accounting books

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

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

- foreign currencies and gold purchased or sold in a spot transaction or a forward transaction are recognised in the accounting books (on off-balance-sheet accounts) on the trade date,

- interest, discount and premium on assets and liabilities as well as on off-balance-sheet instruments are recognised in the Profit and Loss Account at the end of each operating day.⁴
- Securities purchased or sold in a spot transaction are recognised in NBP accounting books on the settlement date.

2.4. Valuation as at the balance sheet date

As at the balance sheet date, for gold, foreign currencies, securities purchased by NBP (except for securities held to maturity and non-marketable securities) and off-balance-sheet financial instruments⁵ the principle of 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*.

Gold conforming to London Good Delivery standard is valued according to the average market price for gold quoted in US dollars on the London Bullion Market.

Securities quoted in an active market⁶ are valued according to average market prices. For valuation of securities whose market value is not determined directly on the basis of prices, the rate of the yield curve for the respective type of securities bearing the same issuer credit rating is used.

Forward transactions in securities are valued by comparing the market price of securities with their price set in the agreement, discounted as at the settlement date of the spot transaction effective for the market prices on the valuation date.

Futures are valued on the basis of closing prices on the stock exchange.

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

After their balance-sheet value has been determined in original currency, assets, liabilities and off-balance-sheet financial instruments in foreign currencies have their value determined in domestic

⁴ 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 margins related to futures, which is recognised in the financial result on the payment date.

⁵ Off-balance-sheet items in foreign currency arising from foreign exchange forwards and foreign exchange swaps are valued at the average NBP exchange rate.

⁶ An active market is characterised by homogeneity of the traded instrument, the possibility to find buyers and sellers at any time and publicly available information on prices or the possibility to determine prices on the basis of publicly available information (in particular on the basis of the yield curve).

currency. In the valuation process, the average NBP exchange rates effective as at the balance sheet date are used.

For the valuation as at 31 December 2019, the prices/exchange rates announced on 31 December 2019 were used and for comparative data – those announced on 31 December 2018.

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

2.5.1. Gold

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

Assets and liabilities in gold, including spot transactions recognised on off-balance-sheet accounts and off-balance-sheet financial instruments in gold, constitute a holding of gold, for which the average cost is calculated. The average cost of gold holding, which is the average cost of purchasing an ounce of gold by NBP, is used to calculate income and expenses arising from the sale of gold (realised gains or losses on transactions in gold) 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 gold holdings 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 on transactions in foreign currencies) 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 are not netted with unrealised gains on any other holding of foreign currency. Unrealised losses recognised in the financial result on the balance sheet date change the average cost of a foreign currency holding.

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

2.5.3. Securities purchased by NBP

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

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

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

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

At the balance sheet date, marketable securities not classified as securities held to maturity are valued at the average market price or the yield curve 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. Reverse repo / repo transactions

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.

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.

The difference between the agreed purchasing and re-selling (selling and re-purchasing) price of securities that constitute a collateral of the reverse repo/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.

2.5.5. 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 set for 31 December 2019.

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

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

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

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

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

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

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

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

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

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

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

2.5.6. Shares and participating interests

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

2.5.7. Inventories

Inventories are recognised in NBP balance sheet assets at:

- purchase price – materials and goods, gold not conforming to international standards of purity and other precious metals,
- production cost – products.

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

2.5.8. Impairment of assets

Impairment of assets is determined as at 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.

2.5.9. 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 authorised entities,

- that have been withdrawn from circulation due to being worn out or damaged.

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

2.5.10. 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 amount 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.

2.5.11. Provisions for future liabilities

Provisions for future liabilities are recognised in the NBP accounting books when NBP is under an obligation arising from past events or from identified risk and when it is probable that the fulfilment of the obligation or the materialisation of the identified risk will reduce the economic benefits of NBP, and the amount of this obligation and the amount adequate to cover the identified risk can be measured reliably. Provisions are created and recognised as expense in the amount that would have to be paid not later than on the balance sheet date to fulfil the above-mentioned obligation or would be sufficient to cover the identified risk mentioned above.

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

2.5.12. 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.

2.5.13. 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 and released on the balance sheet date.

The provision is created and recognised as expense in the amount equal to half of the surplus of income on realised foreign exchange gains over realised and unrealised foreign exchange losses on foreign currencies recognised in the financial result for the financial year. The creation of the provision must not lead to a negative financial result of the financial year for NBP.

The provision is released – by recognising it as income – to cover unrealised currency revaluation losses arising from changes in the foreign exchange rate of the zloty, increased by the surplus of realised foreign exchange losses over realised foreign exchange gains, in the amount that could result in a loss.

The surplus of the created provision over the estimated value is released and recognised as income.

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 a spot transaction and the settlement date of a 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 by comparing the market price of the securities or the rate of the yield curve (where market prices are not available) with the agreed price, discounted as at the settlement date of the spot transaction. The rules for recognition of unrealised gains and losses are applied to revaluation gains and losses.

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

The result of transaction settlement is calculated:

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

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

2.5.17. Futures

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

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

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

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

2.6. Events after the balance sheet date

The Balance Sheet and the Profit and Loss Account take into account the events about which information was obtained after the balance sheet date and prior to the approval of the NBP annual financial statements, if such events materially influence their content and are adjusting events as at the balance sheet date.

3. Changes in accounting principles

Amendment to Resolution No. 16/2003 of the MPC

Changes in the accounting principles in 2019 were introduced by Resolution No. 7/2019 of the Monetary Policy Council of 5 November 2019 (NBP Official Journal, item 15) amending Resolution No. 16/2003 of the MPC. The changes were related to the extended definition of an active market and a market price as regards the sources of information used in valuation of securities quoted in an active market, not classified as held to maturity. The layout of the NBP Balance Sheet and NBP Profit and Loss Account was changed as regards presentation or names of certain items.

Changes in the definition of an active market and a market price

As regards the change in the definition of an active market, it was extended to include markets where prices are not publicly disclosed but can be determined based on publicly disclosed information.

As regards the change in the definition of a market price, a possibility was introduced, where in the case of securities quoted in an active market (not classified as held to maturity) and forward purchase or sale transactions in securities quoted in an active market for which prices are not available, the value set according to respective publicly disclosed yield curves could be regarded as a market price.

Changes in presentation

As regards changes in presentation:

- starting from Financial Statements of NBP as at 31 December 2019, the values of expenses are presented with a minus sign ("−"). Comparative data for 2018 were adjusted accordingly.
- in the Balance Sheet of NBP, a new item 4. *Liabilities due to issued securities denominated in domestic currency* was introduced; it presents the balance of item 2.4. *Other monetary policy operations* of the approved Financial Statements of NBP as at 31 December 2018. The balance of the item comprises liabilities due to issue of NBP monetary bills under main and fine-tuning

open market operations. Bearing in mind that not only monetary institutions can purchase NBP monetary bills, a new item separated in the balance sheet liabilities allowed for a more transparent presentation of the NBP liabilities due to issue of monetary bills (see Note 11). The new manner of presentation does not change the NBP total balance. The table below presents item 2. *Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency* and item 4. *Liabilities due to issued securities denominated in domestic currency* for 2018 from the approved Financial statements of NBP as at 31 December 2018 and comparative data.

Liabilities	Note	31.12.2018	31.12.2018
		(comparative data)	(approved financial statements)
PLN thousand			
[...]			
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	11	72,942,616.5	126,218,616.5
2.1. <i>Current accounts (incl. the required minimum reserve accounts)</i>		61,390,258.2	61,390,258.2
2.2. <i>Deposit facilities</i>		11,552,358.3	11,552,358.3
2.3. <i>Fixed-interest deposits</i>		0.0	0.0
2.4. <i>Other monetary policy operations</i>		0.0	53,276,000.0
[...]			
4. Liabilities due to issued securities denominated in domestic currency	11	53,276,000.0	-

- in the Profit and Loss account of NBP changes were introduced mainly in the presentation of the components of item 2. *Net result on financial operations*, instead of presenting:
 - separately the income and expenses on financial operations, the combined net result on realised financial operations was presented in the financial statements for 2019;
 - income and expenses on transfers related to risk provisions and write-downs on financial assets, their combined impact on financial result was presented in the financial statements for 2019, simultaneously separating the net result on write-downs on financial assets from the net result on adjustment of the provision against foreign exchange rate risk.

The new manner of presentation does not lead to a change in the net result on financial operations, and thereby to a change in the amount of financial result of NBP. The table below presents item 2. *Net result on financial operations* from the approved Financial statements of NBP as at 31 December 2018 and comparative data.

Profit and Loss Account	Note	2018 (comparative data)*	Profit and Loss Account	Note	2018 (approved Financial statements)
		PLN thousand			PLN thousand
2. Net result on financial operations		-1,517,340.8	2. Net result on financial operations		-1,517,340.8
2.1. Net result on realised financial operations	29	3,391,503.1	2.1. Income on financial operations	29	6,856,843.3
2.2. Unrealised losses	30	-1,034,456.5	2.2. Expenses on financial operations	29	3,465,340.2
2.3. Write-downs on financial assets		0.0	2.3. Unrealised losses	30	1,034,456.5
2.4. Net result on adjustment of the provision against foreign exchange rate risk	31	-3,874,387.4	2.4. Income on transfers from risk provisions and on reversal on write-downs on financial assets	31	0.0
			2.5. Expenses on transfers to risk provisions and on write-downs on financial assets	31	3,874,387.4

* Starting from Financial statements of NBP as at 31 December 2019, the values of expenses are presented with a minus sign ("–"). Comparative data for 2018 were adjusted accordingly.

Change in the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty

On 5 November 2019 the Monetary Policy Council adopted Resolution No. 6/2019 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal, item 14) replacing Resolution 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; see Chapter 9.1.4.). The changes mainly concerned:

- resignation from the minimum level of estimation of the provision⁷ – in connection with the adopted assumption of applying more conservative parameters of foreign exchange rate risk estimation,
- the sources of creation of the provision – the provision can be created in the maximum amount equal to half of the surplus of income on realised foreign exchange gains over realised and unrealised foreign exchange losses on foreign currencies recognised in the financial result for the financial year⁸; the principle was preserved that the creation of the provision must not lead to a negative financial result (a loss) of the financial year for NBP, and
- the conditions on which the provision is released – the provision is released to cover unrealised currency revaluation losses arising from changes in the foreign exchange rate of the zloty, increased by the surplus of realised foreign exchange losses over realised foreign exchange gains in the amount that could result in a loss (see Chapter 2.5.13).⁹

⁷ Equal to the amount of the uncovered accumulated loss of previous years that has arisen from changes in the foreign exchange rate of the zloty.

⁸ Until then the provision was created in the amount equal to the surplus of income over expenses.

⁹ So far the provision could be released exclusively to cover unrealised currency revaluation losses that could result in a loss.

The amended principles for creating and releasing the provision against the foreign exchange rate risk of the zloty may lead to a higher estimation of the amount of the provision with a simultaneous extension of its accumulation period.

4. Values based on professional estimates

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

The key area where NBP makes estimates is the calculation of the amount of the provision against the foreign exchange rate risk of the zloty. In accordance with Resolution No. 6/2019 of the MPC, 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 (see Chapter 9.1.4.).

Other areas in which NBP makes material 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.

5. Explanatory notes to Balance Sheet

Note 1 Gold and gold receivables

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Gold stored at NBP	19,499,160.2	757,567.8	18,741,592.4
Gold on accounts with foreign banks, of which	23,019,630.0	19,170,749.5	3,848,880.5
- current account in gold	10,813,438.9	2,265,651.6	8,547,787.3
- term deposits in gold	12,206,191.1	16,905,097.9	-4,698,906.8
Total	42,518,790.2	19,928,317.3	22,590,472.9
<i>of which gold revaluation differences</i>	17,794,911.6	11,875,428.3	5,919,483.3

		31.12.2019	31.12.2018	Change
Gold stored at NBP	thousands of ounces	3,371.2	157.2	3,214.0
	(tons)	(104.9)	(4.9)	(100.0)
Gold on accounts with foreign banks, of which	thousands of ounces	3,980.0	3,978.5	1.5
	(tons)	(123.7)	(123.7)	(0.0)
- current account in gold	thousands of ounces	1,869.6	470.2	1,399.4
	(tons)	(58.1)	(14.6)	(43.5)
- term deposits in gold	thousands of ounces	2,110.4	3,508.3	-1,397.9
	(tons)	(65.6)	(109.1)	(-43.5)
Total	thousands of ounces	7,351.2	4,135.7	3,215.5
	(tons)	(228.6)	(128.6)	(100.0)

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

Gold held at the Bank of England is:

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

The increase in the balance by 100.0 tons resulted from the purchase by NBP of gold in the interbank market in the first half of 2019. In the second half of 2019, 100.0 tons of gold were transported from the Bank of England to NBP.

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

Note 2 Receivables from the IMF

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Reserve tranche	3,337,230.8	2,673,540.0	663,690.8
Current account with the IMF	1,547,266.4	1,558,705.4	-11,439.0
Term deposit with the IMF	37,229.3	36,933.6	295.7
Loans extended to the IMF	349,309.5	550,271.5	-200,962.0
Total	5,271,036.0	4,819,450.5	451,585.5
<i>of which SDR currency revaluation differences</i>	<i>-273,875.0</i>	<i>-318,531.1</i>	<i>44,656.1</i>

<i>SDR thousand</i>	31.12.2019	31.12.2018	Change
Reserve tranche	634,092.9	512,054.7	122,038.2
Current account with the IMF	293,989.4	298,533.9	-4,544.5
Term deposit with the IMF	7,073.8	7,073.8	0.0
Loans extended to the IMF	66,370.8	105,391.8	-39,021.0
Total	1,001,526.9	923,054.2	78,472.7

The item comprises SDR-denominated:

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

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
<i>Member quota in the IMF</i>	<i>21,796,747.9</i>	<i>21,388,360.0</i>	<i>408,387.9</i>
<i>No.1 Account of the IMF</i>	<i>-18,459,517.1</i>	<i>-18,714,820.0</i>	<i>255,302.9</i>
Reserve tranche	3,337,230.8	2,673,540.0	663,690.8

<i>SDR thousand</i>	31.12.2019	31.12.2018	Change
<i>Member quota in the IMF</i>	<i>4,095,400.0</i>	<i>4,095,400.0</i>	<i>0.0</i>
<i>No. 1 Account of the IMF</i>	<i>-3,461,307.1</i>	<i>-3,583,345.3</i>	<i>122,038.2</i>
Reserve tranche	634,092.9	512,054.7	122,038.2

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

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

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

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

- current account with the IMF on which funds received under SDR allocation are maintained (see Note 17) and payments in SDR due to loans extended to the IMF under the New Arrangements to Borrow, hereinafter referred to as “NAB”, as well as settlements arising from interest and fees on balances and transactions related to the IMF are made,
- the non-interest bearing NBP term deposit in the PRG-HIPC Trust (Poverty Reduction and Growth – Heavily Indebted Poor Countries Initiative), administered by the IMF (see Note 41),
- loans in foreign currency extended to the IMF under the NAB (see Note 27).

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

The increase in the item in the original currency was due to an increase in reserve tranche, which was the result of:

- transactions under FTPs – payments in favour of IMF member countries made by the IMF from No. 1 Account of the IMF with NBP (SDR 122,000.0 thousand), and
- crediting No. 2 Account of the IMF (see Note 14) with funds coming from No. 1 Account of the IMF in the amount of SDR 38.2 thousand.

At the same time the change in the item in the original currency was due to:

- 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 38,900.0 thousand (see Note 27),
- a decrease in the current account with the IMF, as a result of settlements with the IMF arising from interest and fees (SDR 4,490.4 thousand).

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

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

PLN thousand	31.12.2019	31.12.2018	Change
Current accounts in foreign currency, of which*	9,259,141.9	10,290,650.8	-1,031,508.9
- current account with the ECB for settlements in TARGET2	3,507,926.5	3,370,499.9	137,426.6
Term deposits in foreign currency	32,168,428.6	37,477,995.2	-5,309,566.6
Reverse repo transactions in foreign currency	43,215,223.2	37,849,982.3	5,365,240.9
Securities denominated in foreign currency	354,961,158.9	329,190,814.2	25,770,344.7
Foreign banknotes and coins in stock	179,119.9	195,945.7	-16,825.8
Other claims in foreign currency, of which	141,323.3	43,187.2	98,136.1
- margins related to futures transactions denominated in foreign currency*	141,124.2	42,268.3	98,855.9
- interest on term deposits in gold	199.1	918.9	-719.8
Total	439,924,395.8	415,048,575.4	24,875,820.4
<i>of which</i>			
- currency revaluation differences	10,411,877.0	13,352,860.9	-2,940,983.9
- price revaluation differences	1,814,526.9	1,229,622.1	584,904.8

* In 2019 the balance of variation margins related to futures transactions denominated in foreign currency presented as at 31 December 2018 in item *Current accounts in foreign currency* was moved to item *Other claims in foreign currency – margins related to futures transactions denominated in foreign currency*, where only initial margins were presented so far. As at 31 December 2018, the balance of variation margins amounted to PLN 2,880.0 thousand.

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

- securities (discount securities and fixed-interest-rate securities) – all securities purchased by NBP are marketable securities; neither on 31 December 2019 nor on 31 December 2018 did NBP hold securities classified as held-to-maturity,
- term deposits,
- reverse repo transactions – under the NBP investment policy, these transactions are usually executed simultaneously with repo transactions¹⁰ (see Note 16).

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

¹⁰ As at 31 December 2019 securities for the value of PLN 42,593,876.7 thousand were used as collateral in repo transactions (PLN 37,647,868.8 thousand as at 31 December 2018).

31.12.2019						
<i>thousand units of original currency</i>	USD	EUR	GBP	AUD	NOK	NZD
Term deposits	515,400.0	2,638,681.5	155,200.0	174,400.0	29,350,529.6	1,977,145.4
Reverse repo transactions	6,982,225.8	493,686.1	2,594,163.2	613,419.9	0.0	0.0
Securities	49,937,405.5	17,269,891.4	8,968,740.6	11,278,386.1	24,371,403.7	2,501,789.9
Total	57,435,031.3	20,402,259.0	11,718,103.8	12,066,206.0	53,721,933.3	4,478,935.3

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

Change						
<i>thousand units of original currency</i>	USD	EUR	GBP	AUD	NOK	NZD
Term deposits	-91,100.0	-1,581,914.9	55,200.0	-126,000.0	1,861,082.5	437,904.6
Reverse repo transactions	1,273,037.2	-731,284.9	933,713.6	-578,733.2	0.0	0.0
Securities	9,085,924.3	-3,643,668.2	224,604.5	876,679.7	1,357,317.9	34,857.0
Total	10,267,861.5	-5,956,868.0	1,213,518.1	171,946.5	3,218,400.4	472,761.6

The change in the item in original currency was mainly driven by:

- the inflow of funds in foreign currency due to transactions by holders of accounts at NBP (see Note 11, Note 15 and Note 16);
- a positive result on the management of foreign currency reserves investment instruments and the effects of price revaluation (see Note 28 and Note 29 as well as Note 22 and Note 30);
- a change in the currency structure of the strategic benchmark in 2019, which resulted in an increased share of investment instruments in USD amid a decreased share of investment instruments in EUR (see Chapter 9.1.4.);
- purchase of gold (see Note 1);
- increase in the IMF financing under the FTP (see Note 2);
- a change in the investment in simultaneous reverse repo and repo transactions (see Note 16).

Additionally, the increase in the item resulted from currency revaluation(see Note 22 and Note 30).

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

PLN thousand	31.12.2019	31.12.2018	Change
Credit and loans extended in domestic currency	0.0	5,643,437.2	-5,643,437.2
Interest receivable for non-compliance with the obligation to maintain the required minimum reserve	0.0	420.9	-420.9
Other claims in domestic currency	10.4	57.0	-46.6
Total	10.4	5,643,915.1	-5,643,904.7

As at 31 December 2019 the item comprised claims due to settlements related to the deliveries of domestic coins and notes.

As at 31 December 2018 the item included mainly claims on domestic banks due to refinancing loans extended in another form specified by the Management Board of NBP which were fully repaid in the first quarter of 2019.

Note 5 Tangible and intangible fixed assets

Change in tangible fixed assets <i>(due to rounding, individual figures in the table may not add up to totals)</i>	2019				2018			
	Land, perpetual usufruct of land*, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total	Land, perpetual usufruct of land*, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total
<i>PLN thousand</i>								
Gross value as at the start of period	1,014,908.1	653,848.5	12,059.8	1,680,816.4	979,418.3	661,606.7	77,209.1	1,718,234.1
Increases	3,618.1	36,968.3	37,587.7	78,174.1	39,124.4	50,762.4	28,430.7	118,317.5
Decreases	-278.6	-39,232.5	-23,327.5	-62,838.6	-3,634.6	-58,520.6	-93,580.0	-155,735.2
Gross value at end of period	1,018,247.6	651,584.4	26,320.0	1,696,152.0	1,014,908.1	653,848.5	12,059.8	1,680,816.4
<i>of which fully depreciated</i>	2,423.2	233,842.8	0.0	236,266.0	2,423.2	220,103.2	0.0	222,526.4
Depreciation as at start of period	-425,840.9	-451,634.8	0.0	-877,475.7	-412,174.0	-461,931.7	0.0	-874,105.7
Increases	-14,099.9	-48,319.2	0.0	-62,419.1	-13,813.4	-47,656.7	0.0	-61,470.1
Decreases	278.6	38,428.7	0.0	38,707.4	146.5	57,953.6	0.0	58,100.1
Depreciation as at end of period	-439,662.1	-461,525.3	0.0	-901,187.5	-425,840.9	-451,634.8	0.0	-877,475.7
Impairment as at start of period	-272.9	-321.1	0.0	-594.0	-3,397.0	-311.8	-25,464.8	-29,173.6
Increases	0.0	-158.2	0.0	-158.2	0.0	-12.5	0.0	-12.5
Decreases**	0.0	5.1	0.0	5.1	3,124.1	3.2	25,464.8	28,592.1
Impairment as at end of period	-272.9	-474.3	0.0	-747.2	-272.9	-321.1	0.0	-594.0
Net value as at end of period	578,312.6	189,584.7	26,320.0	794,217.3	588,794.3	201,892.6	12,059.8	802,746.7

* As at 31 December 2019 net value of the right of perpetual usufruct of land amounted to PLN 56,125.7 thousand, with depreciation amounting to PLN 29,500.2 thousand (as at 31 December 2018 - PLN 57,250.1 thousand and PLN 28,375.7 thousand, respectively).

** The decrease in the impairment of land and tangible fixed assets under construction in 2018 was mainly related to the free-of-charge transfer of a real estate in Zegrze to the State Treasury. This weighed down on the gross values of these positions.

Change in intangible fixed assets <i>(due to rounding, individual figures in the table may not add up to totals)</i>	2019				2018			
	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction	Total	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction	Total
<i>PLN thousand</i>								
Gross value as at start of period	464,017.2	15,429.4	4,386.0	483,832.6	427,435.8	14,054.4	16,356.5	457,846.7
Increases	20,636.6	3,763.0	20,424.0	44,823.6	38,872.3	1,582.4	22,239.4	62,694.1
Decreases	-14,073.3	-226.4	-20,664.6	-34,964.4	-2,290.9	-207.4	-34,209.9	-36,708.2
Gross value as at end of period	470,580.4	18,965.9	4,145.4	493,691.8	464,017.2	15,429.4	4,386.0	483,832.6
<i>of which fully amortised</i>	138,359.6	2,370.4	0.0	140,730.0	121,533.9	2,259.4	0.0	123,793.3
Amortisation as at start of period	-372,838.4	-7,061.3	0.0	-379,899.7	-351,685.6	-6,044.0	0.0	-357,729.6
Increases	-23,047.5	-1,222.8	0.0	-24,270.3	-23,443.7	-1,051.9	0.0	-24,495.6
Decreases	14,069.8	226.4	0.0	14,296.3	2,290.9	34.6	0.0	2,325.5
Amortisation as at end of period	-381,816.0	-8,057.7	0.0	-389,873.7	-372,838.4	-7,061.3	0.0	-379,899.7
Impairment as at start of period	-8.9	0.0	0.0	-8.9	-8.9	0.0	0.0	-8.9
Increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Decreases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment as at end of period	-8.9	0.0	0.0	-8.9	-8.9	0.0	0.0	-8.9
Net value as at end of period	88,755.5	10,908.2	4,145.4	103,809.1	91,169.9	8,368.1	4,386.0	103,924.0

Note 6 Other financial assets

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Shares and participating interest 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
- other	8.3	8.3	0.0
Shares and participating interests in foreign entities, of which	143,314.1	142,317.0	997.1
- shares in the Bank for International Settlements	52,630.0	52,212.0	418.0
- participating interests in S.W.I.F.T.	674.9	681.4	-6.5
- participating interests in the European Central Bank	90,009.2	89,423.6	585.6
Total	272,163.0	271,165.9	997.1

An increase in the value of the item resulted from the increase in the NBP's share in the ECB's subscribed capital, due to a regular adjustment of the subscription key of the ECB capital, as well as 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 2018, and as at 31 December 2019 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 (%)
	31.12.2019	31.12.2019	31.12.2019	31.12.2019
NBP's participation in domestic entities, of which				
- Krajowy Depozyt Papierów Wartościowych S.A.	21,000.0	1.0	7,000	33.33%
- Krajowa Izba Rozliczeniowa S.A.	5,445.0	0.5	3,750	34.44%
- Bazy i Systemy Bankowe Sp. z o.o.	10,000.0	10.0	1,000	100.00%

The participation of NBP in foreign entities was as follows:

- shares of the Bank for International Settlements, hereinafter referred to as "BIS"
As at 31 December 2019 and 31 December 2018 NBP held 8,000 shares that translated into the same number of votes. 25% of the nominal value of shares (the nominal value of 1 share amounts to SDR 5.0 thousand) was paid up, which totals SDR 10,000.0 thousand. The share of NBP in the share capital of BIS amounts to 1.43%.
- participating interests in S.W.I.F.T. (The Society for Worldwide Interbank Financial Telecommunication)
As at 31 December 2019 and as at 31 December 2018 NBP had 53 shares (in the amount of EUR 158.5 thousand) of the total number of 109,612 shares as at 31 December 2019 and 109,814 shares as at 31 December 2018.
- 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 held a participating interest in the ECB's capital. As at 31 December 2019 the capital paid up by NBP to the ECB amounted to EUR 21,136.4 thousand (EUR 20,796.2 thousand as at 31 December 2018).

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 change in the EU membership takes place (see Note 41). The last regular adjustment of the key has been in force since 1 January 2019. This adjustment led to an increase in the share of NBP in the ECB's subscribed capital from 5.1230% to 5.2068%, which corresponded to the increase in the participating interest from EUR 554,565.1 thousand to EUR 563,636.5 thousand.

As a central bank from outside the euro area, NBP is required to pay up the minimum percentage of the ECB's capital subscribed by it, which was specified by the ECB General Council (pursuant to Article 47 of the Statute of the ESCB and the ECB) and constitutes NBP's contribution to the operational costs of the ECB. The percentage has amounted to 3.75% since 29 December 2010. Unlike euro area central banks, NBP has no right to participate in the ECB's profits nor is required to cover its losses. As a result of the last adjustment of the subscription key of the ECB capital from 1 January 2019, the share of NBP in the paid-up capital of the ECB rose from EUR 20,796.2 thousand to EUR 21,136.4 thousand. Upon Poland's entry into the euro area, NBP will be required to pay up the remaining 96.25% of the ECB's capital subscribed by it, i.e. EUR 542,500.1 thousand.

Note 7 Off-balance-sheet instruments revaluation differences

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Currency revaluation differences	9,639.3	763.9	8,875.4
Price revaluation differences	858.6	107.5	751.1
Total	10,497.9	871.4	9,626.5

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

Note 8 Accruals and prepaid expenses

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Accruals related to discount on NBP monetary bills*	5,421.6	6,667.1	-1,245.5
Prepaid expenses related to services	25,878.2	28,340.7	-2,462.5
Total	31,299.8	35,007.8	-3,708.0

* See Note 11.

Prepaid expenses related to services concern mainly expenses related to NBP's own administrative activities (predominantly due to fees for IT services in favour of NBP).

Note 9 Remaining other assets

PLN thousand	31.12.2019	31.12.2018	Change
Inventories, of which	33,794.2	23,305.6	10,488.6
- <i>precious metals</i>	30,457.1	19,870.0	10,587.1
- <i>collector items not in circulation</i>	2,781.1	2,854.1	-73.0
- <i>other</i>	556.0	581.5	-25.5
Credits and loans extended in domestic currency, of which	107,027.3	120,885.7	-13,858.4
- <i>loans to employees, of which</i>	22,149.3	21,085.9	1,063.4
• <i>loans extended from the Employee Benefit Fund</i>	12,220.1	11,558.8	661.3
- <i>other loans</i>	84,878.0	99,799.8	-14,921.8
Other claims, of which	22,868.4	19,986.9	2,881.5
- <i>on public authorities</i>	226.0	5.3	220.7
- <i>on customers and suppliers</i>	10,393.1	9,521.9	871.2
- <i>other</i>	12,249.3	10,459.7	1,789.6
Funds of the Employee Benefit Fund	4,761.7	5,663.7	-902.0
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	5,645.4	24,280.6	-18,635.2
Total	174,096.9	194,122.5	-20,025.6

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

The increase in the item *Precious metals* resulted mainly from the purchase of gold non-conforming to international standards of purity towards the end of 2019 for the purposes of issuing collector coins in 2020.

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. The decrease in the item is the result of the volume of these transactions towards the end of the year (see Note 25) and the difference between the average cost of holding and the purchase/sale price of the transaction.

Note 10 Banknotes and coins in circulation

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Domestic banknotes in circulation	233,384,973.1	214,430,353.4	18,954,619.7
Domestic coins in circulation	5,392,274.9	5,059,583.3	332,691.6
Total	238,777,248.0	219,489,936.7	19,287,311.3

The item comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2019 amounted to PLN 297,749.1 thousand as compared with PLN 291,741.1 thousand as at 31 December 2018. The increase in the item was the result of higher market demand for cash.

The average level of banknotes and coins in circulation throughout 2019 amounted to PLN 228,433.1 million as compared with PLN 206,813.5 million in 2018.

Note 11 Liabilities related to monetary policy operations

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	65,410,357.6	72,942,616.5	-7,532,258.9
Current accounts (including required minimum reserve accounts), of which	50,655,941.5	61,390,258.2	-10,734,316.7
- current accounts of banks and KSKOK	49,866,531.5	60,585,533.9	-10,719,002.4
- required minimum reserve accounts of banks not having a current account with NBP	789,410.0	804,724.3	-15,314.3
Deposit facilities, of which	14,754,416.1	11,552,358.3	3,202,057.8
- accrued interest	202.1	158.3	43.8
4. Liabilities due to issued securities in domestic currency, of which	64,985,650.0	53,276,000.0	11,709,650.0
- main operations	64,985,650.0	53,276,000.0	11,709,650.0
- fine-tuning operations	0.0	0.0	0.0
Total	130,396,007.6	126,218,616.5	4,177,391.1

The note comprises liabilities related to monetary policy operations conducted by NBP.

The amount of funds held by banks and KSKOK¹¹ with NBP due to the required minimum reserve depends on the basis for calculating the required minimum reserve and the required minimum

¹¹ Credit unions hold funds of the required minimum reserve on the account of KSKOK [Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa – National Association of Credit Unions].

reserve rate in force. The required minimum reserve is an averaged value in the maintenance period.

Liabilities related to issued securities denominated in domestic currency comprise mainly liabilities to domestic banks related to the issue by NBP of monetary bills¹² under the main¹³ and fine-tuning¹⁴ open market operations 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 2019 and 31 December 2018, the interest rates which are the basis for remuneration of the required minimum reserve funds, deposit facilities and for determining discount on monetary bills issued by NBP under open market operations were as follows:

%	31.12.2019	31.12.2018
Required minimum reserve*	0.50	0.50
Deposit facility**	0.50	0.50
Monetary bills***	1.50	1.50

* The interest rate of the funds of the required minimum reserve.

** NBP deposit rate.

*** NBP reference rate.

The increase in the total liabilities of NBP due to monetary policy operations by PLN 4,177,391.1 thousand as at 31 December 2019, as compared with 31 December 2018, resulted mainly from:

- the purchase of foreign currency incoming to NBP due to transactions by holders of accounts at NBP (see Note 3, Note 15 and Note 16);
- paid out: discount on monetary bills and the interest on the funds of the required minimum reserve (see Note 28);

with a simultaneous decrease in the item as a result of:

- the repayment in the first quarter of 2019 of refinancing loans extended in another form specified by the Management Board of NBP (see Note 4),
- an increase in the volume of cash in circulation in 2019 (see Note 10).

¹² Pursuant to Regulation No. 30/2003 of the NBP Management Board of 12 September 2003 on the issue of monetary bills of Narodowy Bank Polski (NBP Official Journal No. 15, item 24, as amended) NBP monetary bills can be purchased by domestic banks, branches of foreign banks and foreign credit institutions, Bank Guarantee Fund [Bankowy Fundusz Gwarancyjny] and the National Association of Credit Unions [KSKOK].

¹³ In 2019, the maturity of main operations was 6, 7 and 8 days (in 2018 it was only 7 days).

¹⁴ In 2019, the maturity of fine-tuning operations was 1 day, 2 and 3 days (in 2018 an operation was also carried out with the maturity of 4 days).

The manner of allocation of funds held at NBP between the purchase of NBP monetary bills, placement of deposit facility or leaving funds on current account with NBP is the result of individual decisions taken by banks.

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

PLN thousand	31.12.2019	31.12.2018	Change
Settlements in the domestic payment systems of Krajowa Izba Rozrachunkowa, of which	383,523.3	358,751.5	24,771.8
- in the Elixir system	120,892.1	155,159.1	-34,267.0
- in the Express Elixir system	262,631.2	203,592.4	59,038.8
Liabilities due to substitution cash services	1,818.9	4,059.2	-2,240.3
Total	385,342.2	362,810.7	22,531.5

The item comprises liabilities to banks due to operations unrelated to monetary policy which concern settlements in the payment systems operated by Krajowa Izba Rozliczeniowa S.A. and substitution cash services.¹⁵

Note 13 Liabilities to other residents denominated in domestic currency

PLN thousand	31.12.2019	31.12.2018	Change
Liabilities to general government, of which	9,326,302.8	7,251,979.7	2,074,323.1
- State budget accounts	5,199,873.9	4,279,041.1	920,832.8
- accounts of social insurance funds	4,058,661.0	2,896,011.0	1,162,650.0
- accounts of other entities of general government sector	67,750.6	76,927.6	-9,177.0
- other liabilities to general government	17.3	0.0	17.3
Other liabilities	20,433.0	21,528.3	-1,095.3
Total	9,346,735.8	7,273,508.0	2,073,227.8

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

¹⁵ It concerns cash disbursements carried out in domestic banks by State budget units and offices providing services to the tax authorities which are located outside the cities in which NBP offers cash services (see Note 33).

Note 14 Liabilities to non-residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Accounts of international financial organisations and central banks, of which	9,379.0	16,549.8	-7,170.8
- No. 2 Account of the IMF	89.5	121.7	-32.2
Accounts of international non-financial organisations	2,256,750.9	2,589,436.3	-332,685.4
Total	2,266,129.9	2,605,986.1	-339,856.2

The item comprises current accounts in domestic currency operated by NBP for international financial and non-financial organisations and central banks.

Note 15 Liabilities to residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
State budget accounts	16,267,552.3	21,328,213.5	-5,060,661.2
Accounts of domestic banks for settlements in TARGET2	3,507,913.5	3,307,151.7	200,761.8
Other liabilities	2,580,751.7	464,743.4	2,116,008.3
Total	22,356,217.5	25,100,108.6	-2,743,891.1
<i>of which currency revaluation differences</i>	<i>137,270.4</i>	<i>552,604.3</i>	<i>-415,333.9</i>

The item *Other liabilities* comprises liabilities denominated in foreign currency due to payment orders by holders of accounts with NBP which are in the course of settlement as at the balance-sheet date. The increase in the item resulted from a higher value of unsettled payment orders of the account holders.

Note 16 Liabilities to non-residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Repo transactions in foreign currency	42,919,855.6	37,848,426.7	5,071,428.9
Accounts of international non-financial organisations	745,834.1	37,796.9	708,037.2
Other liabilities	0.0	278.8	-278.8
Total	43,665,689.7	37,886,502.4	5,779,187.3
<i>of which currency revaluation differences</i>	<i>1,448,909.7</i>	<i>1,472,452.1</i>	<i>-23,542.4</i>

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

Repo transactions by foreign currency are presented below.

<i>thousand units of original currency</i>	USD	EUR	GBP	AUD
31.12.2019	6,982,119.4	493,665.6	2,593,794.5	503,356.2
31.12.2018	5,709,135.2	1,224,878.2	1,660,311.1	1,192,042.9
Change	1,272,984.2	-731,212.6	933,483.4	-688,686.7

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

Note 17 Liabilities to the IMF

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
SDR allocation	6,875,252.6	6,823,985.7	51,266.9
<i>of which SDR currency revaluation differences</i>	-357,227.6	-451,016.5	93,788.9

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 decrease in the item in original currency resulted from the decrease in accrued interest as a result of the allocation. The change in the domestic currency value of the item was mainly affected by the currency revaluation of SDR (see Note 22).

Note 18 Off-balance-sheet instruments revaluation differences

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Currency revaluation differences	6,356.5	23,459.0	-17,102.5
Price revaluation differences	0.0	328.0	-328.0
Total	6,356.5	23,787.0	-17,430.5

The item comprises currency revaluation losses on spot transactions in foreign currency recognised on off-balance-sheet accounts and price revaluation losses on forward transactions in securities

denominated in foreign currency (see Note 26 and Note 30). The decrease in currency revaluation losses on spot transactions in foreign currency recognised in off-balance-sheet accounts is the result of the volume of the transactions at the end of the year (see Note 25) and the difference between the average cost of holding and the average NBP exchange rate.

Note 19 Accruals and deferred income

PLN thousand	31.12.2019	31.12.2018	Change
Accruals	84,282.3	81,206.0	3,076.3
Deferred income	60,020.4	60,850.0	-829.6
Total	144,302.7	142,056.0	2,246.7

Accruals and deferred income comprise mainly the value of tangible fixed assets received free of charge in previous years.

Note 20 Remaining other liabilities

PLN thousand	31.12.2019	31.12.2018	Change
Employee Benefit Fund	16,981.0	17,222.5	-241.5
Other liabilities, of which	44,804.2	54,658.3	-9,854.1
- to public authorities	17,774.4	14,809.5	2,964.9
- to suppliers	18,326.6	38,221.5	-19,894.9
- other	8,703.2	1,627.3	7,075.9
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	10,032.9	1,355.5	8,677.4
Total	71,818.1	73,236.3	-1,418.2

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

Note 21 Provisions for future liabilities

PLN thousand	31.12.2019	31.12.2018	Change
Provisions for future liabilities to employees	156,899.5	137,035.1	19,864.4
Other provisions	8,729.3	8,333.2	396.1
Total	165,628.8	145,368.3	20,260.5

The changes in provisions in 2019 and 2018 by allocation into particular categories are presented in the tables below (see Note 36).

PLN thousand	01.01.2019	Increase	Use	Decrease	31.12.2019
Provisions for future liabilities to employees, of which	137,035.1	33,388.6	-13,501.5	-22.7	156,899.5
- due to retirement severance payments	70,177.2	15,168.1	-4,116.7	0.0	81,228.6
- due to disability severance payments	1,810.1	268.1	-57.2	0.0	2,021.0
- due to jubilee awards	51,844.2	14,259.8	-8,827.6	0.0	57,276.4
- due to untaken leaves	12,093.6	3,522.0	-85.1	0.0	15,530.5
- due to statutory and additional severance payments and additional benefits for employees under employment contracts who are laid off for reasons unrelated to employees	1,110.0	170.6	-414.9	-22.7	843.0
Other provisions, of which	8,333.2	399.7	0.0	-3.6	8,729.3
- for future liabilities due to court proceedings	8,276.0	399.2	0.0	-3.6	8,671.6
- for future liabilities resulting from financial operations in domestic currency	57.2	0.5	0.0	0.0	57.7
Total	145,368.3	33,788.3	-13,501.5	-26.3	165,628.8

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

Note 22 Revaluation accounts

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Gold holding revaluation gains	17,794,911.6	11,875,428.3	5,919,483.3
Currency revaluation gains	9,019,122.4	12,271,378.4	-3,252,256.0
Price revaluation gains, of which	2,062,073.4	1,428,340.4	633,733.0
- on securities	2,061,214.8	1,428,232.9	632,981.9
- on off-balance-sheet financial instruments	858.6	107.5	751.1
Gold revaluation account	1,618,023.2	1,618,023.2	0.0
Total	30,494,130.6	27,193,170.3	3,300,960.3

Gold holding revaluation gains are determined 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.

Currency revaluation gains are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average cost.¹⁶

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

<i>PLN</i>	Average cost of holding	Average NBP exchange rate / Average price of gold	Average cost of holding	Average NBP exchange rate / Average price of gold
	31.12.2019		31.12.2018	
USD	3.6517	3.7977	3.5129	3.7597
EUR	4.2588	4.2585	4.2166	4.3000
GBP	4.8319	4.9971	4.7761	4.7895
AUD	2.6600	2.6624	2.7066	2.6549
NOK	0.4340	0.4320	0.4381	0.4325
NZD	2.5106	2.5567	2.4997	2.5230
SDR	5.5365	5.2630	5.5663	5.2212
Ounce of gold*	3,363.2276	5,783.8971	1,947.1693	4,818.6195

* Price of an ounce of gold in USD was respectively: USD 1,523.00 as at 31.12.2019 and USD 1,281.65 as at 31.12.2018.

¹⁶ In the case of a negative holding of foreign currency, currency revaluation gains are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost. As at the end of 2019 and 2018 such a case materialised for SDR, the holding of which was negative.

Currency revaluation gains by foreign currency are presented below.

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
USD	7,215,159.5	10,104,703.6	-2,889,544.1
EUR	0.0	1,827,375.7	-1,827,375.7
GBP	1,495,388.6	119,108.3	1,376,280.3
AUD	27,163.9	0.0	27,163.9
NZD	200,522.3	90,652.5	109,869.8
SDR	80,618.1	129,034.6	-48,416.5
Other	270.0	503.7	-233.7
Total	9,019,122.4	12,271,378.4	-3,252,256.0

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.

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Securities in USD	788,135.0	413,286.2	374,848.8
Securities in EUR	195,235.2	288,236.1	-93,000.9
Securities in GBP	248,152.7	174,273.8	73,878.9
Securities in AUD	502,012.8	256,889.6	245,123.2
Securities in NOK	68,874.1	92,314.8	-23,440.7
Securities in NZD	258,805.0	203,232.4	55,572.6
Total	2,061,214.8	1,428,232.9	632,981.9

As at 31 December 2019, price revaluation gains on off-balance-sheet financial instruments related to forward sale transactions in securities denominated in AUD, whereas as at 31 December 2018, they related to forward purchase transactions in securities denominated in GBP (see Note 26 and Note 7).

Due to the fact that as at 31 December 2019:

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

NBP, similarly to 31 December 2018, did not release the gold revaluation account.

Note 23 Capital and reserves

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Statutory fund	1,500,000.0	1,500,000.0	0.0
Reserve fund	0.0	0.0	0.0
Reserves	6,686,317.3	3,874,387.4	2,811,929.9
Total	8,186,317.3	5,374,387.4	2,811,929.9

The item comprises:

- the statutory fund, whose amount is determined by Article 61 of the Act on NBP,
- the reserve fund which, in accordance with Article 62 of the Act on NBP, is created from the transfer of 5% of NBP's annual profit until it reaches the amount equivalent to the statutory fund. The reserve fund may only be used to cover NBP's balance sheet losses,
- the provision against the foreign exchange rate risk of the zloty, created as provided for in Article 65 of the Act on NBP.

The change in the item was a result of an increase in the provision against the foreign exchange rate risk of the zloty (see Chapter 2.5.13., Chapter 3., Note 31 and Chapter 9.1.4.). The change in the provision against the foreign exchange rate risk of the zloty in 2019 and 2018 is presented in the table below:

<i>PLN thousand</i>	Opening balance	Increase	Decrease	Closing balance
2019	3,874,387.4	2,811,929.9	0.0	6,686,317.3
2018	0.0	3,874,387.4	0.0	3,874,387.4

Note 24 Financial result

As at 31 December 2019, the item comprised:

- financial result of the current year, amounting to PLN 7,828,502.5 thousand (see Note 40),
- uncovered loss of previous years in the amount of PLN 11,865,363.4 thousand, which is the result of NBP's loss for the year:

- 2007 – in the amount of PLN 12,427,261.7 thousand,
- 2017 – in the amount of PLN 2,524,935.6 thousand.

and its partial coverage from the reserve fund:

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

6. Explanatory notes to off-balance-sheet items

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

31.12.2019 PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	Total
Currency to be received in spot transactions	225,875.4	212,897.5	0.0	0.0	0.0	0.0	438,772.9
Currency to be delivered in spot transactions	0.0	0.0	149,294.4	0.0	212,897.5	76,581.0	438,772.9

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

The decrease in the item resulted from a lower volume of spot foreign exchange purchase/sale transactions carried out by NBP towards the end of 2019.

Note 26 Off-balance-sheet financial instruments

PLN thousand	31.12.2019	31.12.2018	Change
Securities denominated in foreign currency purchased in forward transactions, of which	0.0	48,913.9	-48,913.9
- securities in GBP	0.0	48,913.9	-48,913.9
Securities denominated in foreign currency sold in forward transactions, of which	715,747.3	553,724.9	162,022.4
- securities in AUD	715,747.3	553,724.9	162,022.4
Bond futures purchased denominated in foreign currency, of which	8,315,511.7	0.0	8,315,511.7
- bond futures in USD	4,950,243.2	0.0	4,950,243.2
- bond futures in EUR	1,468,441.4	0.0	1,468,441.4
- bond futures in GBP	1,376,491.0	0.0	1,376,491.0
- bond futures in AUD	520,336.1	0.0	520,336.1
Bond futures sold denominated in foreign currency, of which	0.0	1,485,646.8	-1,485,646.8
- bond futures in EUR	0.0	1,343,206.8	-1,343,206.8
- bond futures in GBP	0.0	142,440.0	-142,440.0
Depo futures purchased denominated in foreign currency, of which	7,472,725.0	0.0	7,472,725.0
- depo futures in GBP	7,472,725.0	0.0	7,472,725.0
Depo futures sold denominated in foreign currency, of which	5,041,400.0	0.0	5,041,400.0
- depo futures in GBP	5,041,400.0	0.0	5,041,400.0

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

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

New Arrangements to Borrow – NAB

As of 15 November 2011, NBP became a participant in the New Arrangements to Borrow, which can be joined in by member countries of the IMF or their central banks. As a participant in the NAB, NBP has made a commitment to extend to the IMF an interest-bearing loan of up to the arranged limit. The funds are transferred by NBP at the request of the IMF.

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

As at 31 December 2019, the NBP's commitment to the IMF under the NAB amounted to SDR 1,219,125.0 thousand (PLN 6,416,254.9 thousand according to the average NBP exchange rate as at 31 December 2019). As at 31 December 2018, the NBP's commitment to the IMF under the NAB amounted to SDR 1,180,225.0 thousand (PLN 6,162,190.8 thousand according to the average NBP exchange rate as at 31 December 2018).

SDR thousand	Opening balance	Increase		Decrease		Closing balance
		limit set	loan repayment	loan extension	limit decreased	
2011	0.0	2,528,590.0	0.0	-174,000.0	0.0	2,354,590.0
2012	2,354,590.0	0.0	2,500.0	-127,000.0	0.0	2,230,090.0
2013	2,230,090.0	0.0	27,200.0	-51,600.0	0.0	2,205,690.0
2014	2,205,690.0	0.0	72,827.5	-54,400.0	0.0	2,224,117.5
2015	2,224,117.5	0.0	102,200.0	-44,200.0	0.0	2,282,117.5
2016	2,282,117.5	0.0	21,323.8	0.0	-1 243 190.0*	1,060,251.3
2017	1,060,251.3	0.0	83,076.2	0.0	0.0	1,143,327.5
2018	1,143,327.5	0.0	36,897.5	0.0	0.0	1,180,225.0
2019	1,180,225.0	0.0	38,900.0	0.0	0.0	1,219,125.0
	Total	2,528,590.0	384,925.0	-451,200.0	-1,243,190.0	

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

Bilateral loan agreement

On 15 March 2013, NBP and the IMF concluded a bilateral loan agreement, in accordance with which NBP committed to extend interest-bearing loans to the IMF amounting up to the SDR equivalent of EUR 6,270,000.0 thousand. The funds will be transferred by NBP at the request of the IMF. The IMF will be able to use these funds provided that it exhausts other available resources originating from quotas of member countries and loans under the NAB.

The current bilateral loan agreement of 23 January 2017, which replaces the agreement of March 2013, is in force until the end of 2019. The limit of the loan was set at the previous level.

Until 31 December 2019, the IMF did not use the funds made available under the bilateral loan agreement with NBP. Therefore, as at 31 December 2019, the NBP's commitment to the bilateral loan agreement with the IMF amounted to EUR 6,270,000.0 thousand (PLN 26,700,795.0 thousand according to the average NBP exchange rate as at 31 December 2019). As at 31 December 2018, the NBP's commitment to the bilateral loan agreement with the IMF amounted to EUR 6,270,000.0 thousand (PLN 26,961,000.0 thousand according to the average NBP exchange rate as at 31 December 2018).

7. Explanatory notes to Profit and Loss Account

Note 28 Net result on interest, discount and premium

PLN thousand	Income		Expenses		Net result		
	2019	2018	2019	2018	2019	2018	Change
Investment instruments of foreign currency reserves, of which	8,272,055.7	7,560,987.6	-3,482,507.9	-3,408,338.1	4,789,547.8	4,152,649.5	636,898.3
- securities*	7,634,903.1	6,866,850.0	-3,058,595.6	-2,901,167.0	4,576,307.5	3,965,683.0	610,624.5
- term deposits**	282,342.0	231,537.0	-96,850.3	-75,659.8	185,491.7	155,877.2	29,614.5
- reverse repo transactions**	350,776.4	455,025.6	-1,217.0	-6,192.6	349,559.4	448,833.0	-99,273.6
- repo transactions***	1,684.2	7,287.1	-325,519.3	-424,398.9	-323,835.1	-417,111.8	93,276.7
- other**	2,350.0	287.9	-325.7	-919.8	2,024.3	-631.9	2,656.2
Gold**	5,960.2	11,355.6	-164.7	0.0	5,795.5	11,355.6	-5,560.1
International Monetary Fund	47,657.7	32,366.6	-68,878.6	-62,262.4	-21,220.9	-29,895.8	8,674.9
Monetary policy instruments, of which	90.6	140.6	-1,455,090.9	-1,566,489.2	-1,455,000.3	-1,566,348.6	111,348.3
- NBP monetary bills	0.0	0.0	-1,224,402.8	-1,350,744.6	-1,224,402.8	-1,350,744.6	126,341.8
- required minimum reserve****	90.1	136.7	-225,021.2	-208,699.6	-224,931.1	-208,562.9	-16,368.2
- deposit facility	0.0	0.0	-5,666.9	-7,045.0	-5,666.9	-7,045.0	1,378.1
- Lombard credit	0.5	3.9	0.0	0.0	0.5	3.9	-3.4
Other interest income/expenses	32,437.2	35,029.7	-57,599.5	-44,625.3	-25,162.3	-9,595.6	-15,566.7
Total	8,358,201.4	7,639,880.1	-5,064,241.6	-5,081,715.0	3,293,959.8	2,558,165.1	735,794.7

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

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

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

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

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

PLN thousand	2019							Total
	USD	EUR	GBP	AUD	NOK	NZD	Other	
Securities	3,860,949.5	-433,782.7	314,436.0	495,687.0	160,039.2	178,978.5	0.0	4,576,307.5
Term deposits	53,277.4	-96,850.3	6,511.6	2,830.1	148,799.6	70,923.3	0.0	185,491.7
Reverse repo transactions	239,893.9	-1,216.9	91,906.5	18,474.7	0.0	501.2	0.0	349,559.4
Repo transactions	-225,206.3	1,562.3	-85,221.4	-14,505.6	0.0	-464.1	0.0	-323,835.1
Other	2,299.2	-299.8	15.6	14.9	8.0	-3.7	-9.9	2,024.3
Total	3,931,213.7	-530,587.4	327,648.3	502,501.1	308,846.8	249,935.2	-9.9	4,789,547.8

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

Change								
<i>PLN thousand</i>	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
Securities	678,624.0	4,043.5	18,719.2	-64,535.3	-5,297.3	-20,929.6	0.0	610,624.5
Term deposits	-14,285.0	-21,190.5	697.3	-34.0	71,947.0	-7,520.3	0.0	29,614.5
Reverse repo transactions	-155,801.9	4,975.7	57,553.2	-3,843.8	0.0	-2,156.8	0.0	-99,273.6
Repo transactions	149,874.1	-5,548.5	-56,018.9	3,044.5	0.0	1,925.5	0.0	93,276.7
Other	2,040.8	322.5	15.1	12.2	-4.5	-3.6	273.7	2,656.2
Total	660,452.0	-17,397.3	20,965.9	-65,356.4	66,645.2	-28,684.8	273.7	636,898.3

The increase of PLN 636,898.3 thousand in the net result on interest, discount and premium on investment instruments of foreign currency reserves was recorded amid:

- an increased level of foreign currency reserves – their average annual level¹⁷ was PLN 375,498.2 million in 2019 as compared with PLN 354,047.4 million in 2018 (see also Note 3);
- change in the currency composition of the strategic benchmark in the second half of 2019, which resulted in the increased share of the USD portfolio with a decreased share of the EUR portfolio (see Chapter 9.1.4.);
- an average annual depreciation of the zloty against USD (the average annual exchange rate grew from PLN 3.6134 in 2018 to PLN 3.8395 in 2019);
- an increase in the average annual interest on securities denominated in USD, with a simultaneous decrease in average annual interest on securities denominated in AUD and NZD;
- increase in the average annual interest on term deposits in NOK;
- decrease in the average annual investment in simultaneous reverse repo and repo transactions.

¹⁷ Calculations were based on nominal values on a daily basis.

Average annual foreign exchange rates

PLN	2019	2018	Change
USD	3.8395	3.6134	0.2261
EUR	4.2980	4.2623	0.0357
GBP	4.8995	4.8170	0.0825
AUD	2.6687	2.6972	-0.0285
NOK	0.4364	0.4438	-0.0074
NZD	2.5295	2.4980	0.0315

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

The item includes interest income on term deposits in gold, which is accrued and paid in USD. The decrease in the item in 2019 was the result of the lower, in average annual terms, placement of deposits in the context of the decreasing interest rate on deposits and a simultaneous depreciation of the zloty against USD, in average annual terms.

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

PLN thousand	Income		Expenses		Net result		
	2019	2018	2019	2018	2019	2018	Change
Interest on reserve tranche	27,051.0	11,950.5	0.0	0.0	27,051.0	11,950.5	15,100.5
Interest on current account with the IMF	15,591.1	14,130.6	0.0	0.0	15,591.1	14,130.6	1,460.5
Interest on loans extended to the IMF	5,015.6	6,285.5	0.0	0.0	5,015.6	6,285.5	-1,269.9
Interest on SDR allocation	0.0	0.0	-68,878.6	-62,262.4	-68,878.6	-62,262.4	-6,616.2
Total	47,657.7	32,366.6	-68,878.6	-62,262.4	-21,220.9	-29,895.8	8,674.9

The negative net result on interest on receivables/liabilities related to the IMF is a result of higher interest-bearing liabilities in SDR (SDR allocation) than interest-bearing receivables in SDR (reserve tranche¹⁸, current account with the IMF and loans extended to the IMF, see Chapter 9.1.4.1.). The decrease in the negative net result was mainly a result of the increase in receivables due to a reserve tranche (see also Note 2) in the context of a depreciation of the zloty, in average annual terms, against SDR (the increase of the exchange rate from 5.1111 in 2018 to 5.3045 in 2019), a higher average annual interest on SDR and a decrease in receivables on loans extended to the IMF (see also Note 2).

¹⁸ The value of non-interest-bearing part of the reserve tranche is fixed and amounts to SDR 56,236.0 thousand (see Note 2).

Net result on interest and discount on monetary policy instruments (see Note 11)

The decrease, by PLN 111,348.3 thousand, in the negative net result on interest and discount on instruments used in monetary policy operations was mostly driven by:

- lower, by PLN 126,341.8 thousand, discount expenses on NBP monetary bills.

<i>PLN thousand</i>	2019	2018	Change
Discount expenses on NBP monetary bills issued under main monetary policy operations	-1 198 018,2	-1 324 373,7	126 355,5
Discount expenses on NBP monetary bills issued under fine-tuning monetary policy operations	-26 384,6	-26 370,9	-13,7
Total	-1 224 402,8	-1 350 744,6	126 341,8

The above change resulted mainly from the decrease in the average annual issue of NBP monetary bills with an unchanged NBP reference rate.

Average annual level of main and fine-tuning operations* and average annual reference rate

<i>PLN million / %</i>	2019	2018	Zmiana
Main operations	78,693.8	86,982.7	-8,288.9
Fine-tuning operations	1,731.6	1,731.7	-0.1
NBP reference rate	1.50	1.50	0,0 p.p.

* All calendar days from 1 January to 31 December were taken into account in the calculation of the average annual level of main and fine-tuning operations.

- higher, by PLN 16,321.6 thousand, interest expenses on the required minimum reserve, which resulted from an increase in the average level of the required minimum reserve during the year,

Average level of required minimum reserve* and average annual interest rate on required minimum reserve

<i>PLN million / %</i>	2019	2018	Zmiana
Required minimum reserve	45,006.0	41,972.6	3,033.4
Interest rate on required minimum reserve	0.50	0.50	0,0 p.p.

* Amounts of the required minimum reserve are calculated based on reserve maintenance periods weighted with the number of days in the period.

Other interest income/expenses

The item *Other interest income/expenses* comprises mainly interest expenses on accounts operated by NBP for the State budget, interest income on refinancing loans extended in another form specified by the Management Board of NBP and interest income and expenses related to settlements in TARGET2.

Note 29 Net result on realised financial operations

<i>PLN thousand</i>	2019	2018	Change
Realised foreign exchange gains/losses on transactions in foreign currency	5,733,405.1	4,363,115.3	1,370,289.8
Realised gains/losses on transactions in gold*	32.1	454.2	-422.1
Realised price gains/losses, of which	3,056,125.5	-972,057.6	4,028,183.1
- on spot transactions in securities	2,887,114.3	-808,946.1	3,696,060.4
- on off-balance-sheet financial instruments, of which	169,011.2	-163,111.5	332,122.7
• on forward transactions in securities	279,688.1	5,961.0	273,727.1
• on futures, of which:	-110,676.9	-169,072.5	58,395.6
# on bond futures	-110,265.8	-169,072.5	58,806.7
# on depo futures	-411.1	0.0	-411.1
Other income/expenses on financial operations	-4.6	-8.8	4.2
Total	8,789,558.1	3,391,503.1	5,398,055.0

* Realised gains/losses resulting from settlement of deposit transactions in gold.

Net result on realised foreign exchange gains/losses on transactions in foreign currency

<i>PLN thousand</i>	USD	EUR	GBP	AUD	NOK	NZD	SDR	Other	Total
2019	3,806,771.2	1,173,493.7	523,369.1	53,352.4	116,118.2	18,490.5	38,862.3	2,947.7	5,733,405.1
2018	2,525,615.8	671,463.8	492,177.7	-100,362.0	578,087.8	111,674.1	95,119.0	-10,660.9	4,363,115.3
Change	1,281,155.4	502,029.9	31,191.4	153,714.4	-461,969.6	-93,183.6	-56,256.7	13,608.6	1,370,289.8

The net result on realised foreign exchange gains/losses in 2019 concerned mostly sale transactions in USD and EUR. The increase in the net result was mainly driven by an increase in the average annual difference between the NBP average exchange rate and the average cost of USD holding as well as an increase in the volume of the sale of EUR.

Net result on realised price gains/losses

Net result on realised price gains/losses on the sale of securities in spot transactions

<i>PLN thousand</i>	USD	EUR	GBP	AUD	NOK	NZD	Total
2019	1,550,220.0	609,002.4	290,364.3	422,828.1	8,859.4	5,840.1	2,887,114.3
2018	-891,819.8	69,266.7	-30,858.1	44,465.1	0.0	0.0	-808,946.1
Change	2,442,039.8	539,735.7	321,222.4	378,363.0	8,859.4	5,840.1	3,696,060.4

Net result on realised price gains/losses on forward transactions in securities

<i>PLN thousand</i>	USD	EUR	GBP	AUD	Total
2019	190,536.9	17,108.0	-155.0	72,198.2	279,688.1
2018	-4,828.1	-990.9	-962.6	12,742.6	5,961.0
Change	195,365.0	18,098.9	807.6	59,455.6	273,727.1

Net result on realised price gains/losses on daily revaluation of futures

<i>PLN thousand</i>	USD	EUR	GBP	AUD	Total
Bond futures					
2019	-22,693.2	-67,659.2	-9,548.1	-10,365.3	-110,265.8
2018	-142,665.2	-23,094.3	-3,313.0	0.0	-169,072.5
Change	119,972.0	-44,564.9	-6,235.1	-10,365.3	58,806.7
Depo futures					
2019	0.0	0.0	-411.1	0.0	-411.1
2018	0.0	0.0	0.0	0.0	0.0
Change	0.0	0.0	-411.1	0.0	-411.1

The net result on realised price gains/losses concerned mainly the sale of securities in USD, EUR, AUD and GBP. The increase in the net result in 2019, as compared with 2018, was mainly related to:

- sale transactions in securities carried out in the context of falling yields in the USD, GBP and AUD markets;
- sale transactions in securities related to transactions of the purchase of gold (see Note 1 and Note 3);
- sale of securities in EUR related to the change of the strategic benchmark (see Note 3 and Chapter 9.1.4).

Note 30 Unrealised losses

<i>PLN thousand</i>	2019	2018	Change
Currency revaluation losses	-109,545.3	-835,517.7	725,972.4
Price revaluation losses, of which	-246,687.9	-198,938.8	-47,749.1
- revaluation losses on securities	-246,687.9	-198,610.8	-48,077.1
- revaluation losses on off-balance-sheet financial instruments	0.0	-328.0	328.0
Total	-356,233.2	-1,034,456.5	678,223.3

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 cost¹⁹ (see Note 22). Currency revaluation losses by foreign currency are presented below.

<i>PLN thousand</i>	2019	2018	Change
EUR	-5,817.7	0.0	-5,817.7
AUD	0.0	-552,387.7	552,387.7
NOK	-103,646.7	-283,076.6	179,429.9
Other	-80.9	-53.4	-27.5
Total	-109,545.3	-835,517.7	725,972.4

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 foreign currencies are presented below.

<i>PLN thousand</i>	2019	2018	Change
Securities in USD	-147,292.3	-178,372.5	31,080.2
Securities in EUR	-54,730.5	-989.1	-53,741.4
Securities in GBP	-33,333.6	-8,115.7	-25,217.9
Securities in AUD	-11,331.5	0.0	-11,331.5
Securities in NOK	0.0	-11,133.5	11,133.5
Total	-246,687.9	-198,610.8	-48,077.1

Note 31 Net result on the adjustment of FX risk provision

See Note 23 and Chapter 9.1.4.

Note 32 Fees and commissions income

<i>PLN thousand</i>	2019	2018	Change
On the operation by NBP of bank accounts	582.2	526.4	55.8
On the execution of payment orders	32,388.7	31,648.3	740.4
Other fees and commissions income	16,594.7	12,606.1	3,988.6
Total	49,565.6	44,780.8	4,784.8

¹⁹ 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.

The increase in other fees and commissions income in 2019 was related mainly to fees income due to non-delivery of securities by NBP's counterparties in time (so-called fails charges²⁰), which amounted to PLN 5,696.2 thousand in 2019 as compared with PLN 1,849.5 thousand in 2018.

Note 33 Fees and commissions expenses

<i>PLN thousand</i>	2019	2018	Change
On the opening and operation of NBP accounts	-7,877.2	-7,170.5	-706.7
On the execution of own payment orders	-4,979.8	-3,889.9	-1,089.9
Due to substitution cash services	-3,693.5	-4,417.4	723.9
Due to fees for NBP's TARGET2 participation	-14,640.6	-13,249.0	-1,391.6
Other fees and commissions expenses	-8,135.7	-5,316.2	-2,819.5
Total	-39,326.8	-34,043.0	-5,283.8

The increase in fees and commissions expenses for the execution of own payment orders was mainly due to the collection of part of gold holding from the Bank of England in relation with its transport to Poland (see Note 1).

The decrease in the expenses due to substitution cash services (SCSs) was driven mainly by offering new banking services to holders of accounts at NBP towards the end of 2018 as a result of which in 2019 substitution services (related to payment cards and withdrawals from ATMs using mobile phones) were used, which reduced the use of SCSs (see Note 12).

The increase in other fees and commissions expenses was mainly the result of an increase in fees expenses due to non-delivery of securities (so-called fails charges)²¹ from PLN 1,392.4 thousand in 2018 to PLN 5,575.3 thousand in 2019 (see Note 32), with a simultaneous decrease in expenses on transaction charges related to futures from PLN 3,256.7 thousand in 2018 to PLN 1,727.1 thousand in 2019.

Note 34 Income on shares and participating interests

The item comprises income on dividends from shares and participating interests held by NBP in domestic and foreign entities (see Note 6).

²⁰ Fails charges relate to securities purchase/sale transactions and repo/reverse repo transactions in USD. Charges are calculated when one of the transaction's parties delivers securities to the other party at a date later than agreed.

²¹ In the event of a late delivery of securities to NBP by the counterparty, NBP receives income therefrom (see Note 32). In such a case, NBP may also incur fees expenses due to its being unable to transfer the required securities to other counterparties.

PLN thousand	2019	2018	Change
Dividends received, of which	23,372.2	14,703.6	8,668.6
- Krajowy Depozyt Papierów Wartościowych S.A.	6,565.5	0.0	6,565.5
- Krajowa Izba Rozliczeniowa S.A.	6,570.0	4,702.5	1,867.5
- Bank for International Settlements	10,236.7	10,001.1	235.6

Note 35 Other income and other expenses

Other income/expenses include mainly income on the sale of collector coins and banknotes and expenses corresponding to the nominal value of collector coins and banknotes sold, as well as income on precious metals obtained from the re-melting of collector coins withdrawn from sale. The increase in the balance of other income was mainly the result of an increase in this income.

Note 36 Salaries

PLN thousand	2019	2018	Change
Expenses on salaries	-442,092.8	-424,232.9	-17,859.9
Expenses on provisions for future liabilities to employees	-33,218.0	-23,705.5	-9,512.5
Expenses on social contributions, of which	-99,402.1	-96,054.0	-3,348.1
- Occupational Pension Scheme	-27,888.2	-26,885.9	-1,002.3
Total	-574,712.9	-543,992.4	-30,720.5

In 2019, the average headcount at NBP amounted to 3,312 employees and was higher by 32 employees as compared with 2018. This increase was caused by, among others, amendments to legal regulations (expanding the supervisory remit of NBP), organisational changes and development and operation of new IT systems.

In 2019, higher salary expenses resulted mainly from the adopted Human Resources and payroll policy.

The increase in the expenses on provisions for future liabilities to employees was mainly driven by the change of actuarial assumptions applied to provisions estimation, mostly relating to the discount rate and the dynamics of remuneration growth. In 2019 and 2018, expenses on provisions for future liabilities to employees by allocation into particular categories were as follows (see Note 21).

PLN thousand	2019		2018	
	Expenses on provisions	of which actuarial gains/losses*	Expenses on provisions	of which actuarial gains/losses*
Expenses on provisions for future liabilities to employees, of which	-33,218.0	-20,163.5	-23,705.5	-9,530.6
- due to retirement severance payments	-15,168.1	-10,506.3	-8,740.2	-4,186.0
- due to disability severance payments	-268.1	-73.3	-238.6	-52.3
- due to jubilee awards	-14,259.8	-9,583.9	-9,802.5	-5,292.3
- due to untaken leaves	-3,522.0	-	-4,924.2	-

* Actuarial gains and losses result from changes in actuarial assumptions, such as the probability of an employee quitting job, death rate, discount rate or the level of future remunerations. Actuarial gains are presented with a (+) sign, while actuarial losses with a (-) sign.

Note 37 Administrative expenses

PLN thousand	2019	2018	Change
Materials and energy used	-23,329.4	-23,499.4	170.0
Benefits for employees and other eligible persons	-14,077.1	-13,285.3	-791.8
Business travel	-4,264.0	-4,377.8	113.8
Services from third parties	-179,471.9	-166,458.4	-13,013.5
Taxes and fees	-22,363.3	-21,983.9	-379.4
Transfers to Employee Benefit Fund	-4,914.5	-4,633.3	-281.2
Other administrative expenses	-16,139.2	-17,572.3	1,433.1
Total	-264,559.4	-251,810.4	-12,749.0

The increase in the costs of services from third parties in 2019 was mainly the result of higher expenses of the operation of IT systems (including servicing, maintenance and technical assistance related to the software) as well as maintenance of cash desk and vault equipment, with a simultaneous decrease in the expenses on information and promotion of NBP (in 2018, the higher expenses on information and promotion were mainly related to the celebrations of the 100th anniversary of regaining independence by Poland).

Note 38 Depreciation and amortisation expenses

<i>PLN thousand</i>	2019	2018	Change
Tangible fixed assets depreciation expenses	-62,404.0	-61,240.7	-1,163.3
Intangible fixed assets amortisation expenses	-24,270.3	-24,495.6	225.3
Total	-86,674.3	-85,736.3	-938.0

Note 39 Expenses on issue of banknotes and coins

The item comprises expenses on the issue of banknotes and coins, including collector banknotes and coins.

In 2019, the item amounted to PLN 282,254.9 thousand and was by PLN 21,363.0 thousand higher as compared with 2018. The increase in the item resulted mainly from:

- increase in expenses on the issue of general circulation banknotes resulting from a rise in the overall number of ordered banknotes of each denomination at a time when the costs of banknote purchase were lower,

with a simultaneous:

- decrease in expenses on the issue of coins, mainly as the result of a fall in the overall number of ordered general circulation coins as well as the lower cost of gold used for the production of collector coins.

Note 40 Financial result for the current year and its allocation

The NBP financial result for 2019 amounted to PLN 7,828,502.5 thousand.

In accordance with Article 62 and Article 69 of the Act on NBP, the NBP's profit is allocated (within 14 days of the approval of the NBP annual financial statements by the Council of Ministers) to:

- NBP's reserve fund (5% of the profit) – PLN 391,425.1 thousand,
- contribution from NBP's profit to the State budget – PLN 7,437,077.4 thousand.

8. Other explanatory notes

Note 41 Events after the balance sheet date

Adjustment of the subscription key of the ECB capital

On 1 February 2020, an adjustment of the subscription key of the ECB capital was made following the exit of the United Kingdom from the European Union and, as a consequence, the withdrawal of the Bank of England from the ESCB.²² Following this adjustment, the share of NBP in the ECB's subscribed capital has increased to 6.0335%, which corresponds to participating interest in the amount of EUR 653,126.8 thousand. As a result, the share of NBP in the paid-up capital of the ECB rose to EUR 24,492.3 thousand (see Note 6). The respective payment for the ECB, in the amount of EUR 3,355.9 thousand, was made by NBP on 3 February 2020.

Term deposit with the IMF

In January 2020, NBP agreed to extend by 10 years the Deposit Agreement (non-interest bearing term deposit), due to expire in June 2020, placed under the IMF's PRG-HIPC Trust (in charge of administering the Poverty Reduction and Growth – Heavily Indebted Poor Countries Initiative) (see Note 2).

The SARS-CoV-2 epidemic

In connection with SARS-CoV-2 epidemic and in view of the gravity of the situation and risk to the Polish economy, in March 2020 the Management Board of NBP used repo transactions as liquidity providing operations, and the operations of the purchase of Treasury bonds on the secondary market as part of structural open market operations. NBP also offered banks the possibility to use bill discount credit in order to refinance loans granted by banks to non-financial corporations. Moreover, NBP also lowered the required minimum reserve and at the same time raised the interest on the funds kept with NBP as part of the reserve.

²² The value of the ECB's subscribed capital has not changed as a result of the Bank of England withdrawing from the ESCB, and it amounts to EUR 10,825,007.1 thousand. The share of the Bank of England in the subscribed capital of the ECB, which as at 31 December 2019 amounted to 14.3374%, has been allocated to the other ESCB central banks.

Note 42 Other issues

Narodowy Bank Polski has been party to swap arrangements with the Swiss National Bank and the National Bank of Ukraine (NBU)²³ since 2012 and 2015, respectively. These arrangements had no bearing on the NBP Balance Sheet or Profit and Loss Account in 2019 and 2018.

9. Financial and operational risk

Narodowy Bank Polski operates a risk management system which is a continuous and repeatable decision-making process that supports the attainment of NBP goals, while using appropriate organisational, procedural and technical solutions. It includes:

- as relates to financial risk – the activity of the Financial Risk Management Department responsible for financial risk management;
- as relates to operational risk (see Chapter 9.2) – management at the following levels:
 - decentralised operational risk management by directors of Head Office departments and NBP regional branches who, on an ongoing basis, monitor operational risk, perform the assessment of its level and take measures mitigating risk occurrence in their units,
 - the activity of the Operational Risk and Compliance Department, which – on an ongoing basis – monitors and analyses operational risk in NBP as a whole, prepares regulations and draft measures related to changes to operational risk management. It also prepares reports on operational risk for the NBP Management Board and the Commission for Operational Risk Management,
 - Commission for Operational Risk Management, which assesses the effectiveness of operational risk management in NBP, monitors the current level of operational risk and analyses the causes underlying materialisation of risk assessed as high or unacceptable. The Commission also submits and recommends to the Management Board of NBP proposed solutions and changes in the area of operational risk management.
- strategic decision-making by the NBP Management Board.

The tasks carried out as part of risk management include:

- on-going identification and analysis of individual types of risk,
- measurement of risk level and its acceptance or non-acceptance,
- selection of risk mitigation mechanisms,
- monitoring and day-to-day control of the efficiency of applied risk mitigation mechanisms,
- provision of periodical information about the results of risk management.

²³ The swap arrangement with the NBU expired in February 2020.

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 investment limits, determination of which takes also into account mitigation of concentration risk. Exposure to various types of risk, under the adopted constraints, is monitored on an on-going basis by the Financial Risk Management Department. The analysis of exposure to financial risk is presented to the Management Board of NBP on a regular basis.

9.1.1. Credit risk

Credit risk is related to potential financial losses arising from counterparty default (in particular, failure to repay, in full or in part, principal or interest within the agreed time), or due to a decline in the market value of investment instruments arising from a deterioration in the issuer's creditworthiness.

9.1.1.1. Maximum exposure to credit risk

Maximum exposure to credit risk related to NBP assets, with no consideration of collateral held (exposures shown in the table are based on amounts recognised in the Balance Sheet), is presented below.

NBP's exposure to credit risk arises mainly from financial assets related to foreign currency reserve management (item A.2.2 of the Balance Sheet).

<i>PLN thousand</i>	31.12.2019	31.12.2018	Balance sheet item	Note
Current accounts in gold	10,813,438.9	2,265,651.6	A.1	1
Term deposits in gold	12,206,191.1	16,905,097.9	A.1	1
Receivables from the IMF	5,271,036.0	4,819,450.5	A.2.1	2
Current accounts in foreign currency*	9,259,141.9	10,290,650.8	A.2.2	3
Term deposits in foreign currency	32,168,428.6	37,477,995.2	A.2.2	3
Reverse repo transactions in foreign currency	43,215,223.2	37,849,982.3	A.2.2	3
Securities in foreign currency	354,961,158.9	329,190,814.2	A.2.2	3
Foreign banknotes and coins in stock	179,119.9	195,945.7	A.2.2	3
Other claims in foreign currency*	141,323.3	43,187.2	A.2.2	3
Credits and loans extended to other monetary financial institutions in foreign currency	0.0	5,643,437.2	A.6	4
Other**	135,264.7	146,344.2	A.6, A.10.3, A.10.5	4, 7, 9
Total	468,350,326.5	444,828,556.8		

* See explanation under the table in Note 3.

** It concerns mostly credits and loans extended in domestic currency, funds of the Employee Benefit Fund held in commercial banks, price revaluation differences on forward transactions in securities denominated in foreign currency and other receivables (see Note 4, Note 7 and Note 9).

Moreover, when joining the IMF borrowing programmes (see Note 27), NBP pledged to grant foreign currency-denominated loans to the IMF under, respectively:

- NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2019 was SDR 1,219,125.0 thousand,
- bilateral loan agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2019 was EUR 6,270,000.0 thousand.

The concentration of NBP's maximum exposure to credit risk, by counterparty's sector, is presented below.

<i>PLN thousand</i>	31.12.2019	31.12.2018
General government institutions	321,836,977.9	316,528,174.8
- Foreign central government institutions	301,854,448.9	308,162,309.8
- Other	19,982,529.0	8,365,865.0
Monetary financial institutions	102,458,037.0	86,001,000.2
- Foreign credit institutions	75,654,975.0	55,659,058.3
- Central banks, BIS and IMF	26,788,997.1	24,685,191.8
- Domestic credit institutions	14,064.9	5,656,750.1
International financial organisations	4,582,535.4	904,068.3
Non-monetary financial institutions	34,900,985.0	38,189,416.6
Non-financial sector	4,392,656.4	3,009,944.0
Other	179,134.8	195,952.9
Total	468,350,326.5	444,828,556.8

NBP's maximum exposure to credit risk, by counterparty's geographical location, is presented below.

<i>PLN thousand</i>	31.12.2019	31.12.2018
United States	171,762,301.6	170,814,719.9
Euro area	128,895,310.0	125,262,038.1
United Kingdom	90,902,612.5	83,307,373.1
Australia	30,334,885.9	27,657,150.1
Norway	14,262,780.8	11,847,833.0
Asian countries	9,688,435.2	1,403,415.7
New Zealand	6,396,823.8	6,224,804.3
Denmark	3,497,252.2	1,989,856.4
Sweden	1,489,835.2	1,856,175.7
Switzerland	826,005.1	1,684,677.0
Poland	132,134.1	5,787,484.3
Other	10,161,950.1	6,993,029.2
Total	468,350,326.5	444,828,556.8

9.1.1.2. Credit risk in foreign currency reserve management

In the process of foreign currency reserve management, NBP uses the following credit risk mitigation methods:

- limiting the share of term deposit transactions and corporate bonds,
- counterparty selection criteria and on-going monitoring of their creditworthiness,
- limits imposed on counterparties of term deposit transactions and foreign currency transactions,
- limitation of the maturity of term deposit transactions,
- selection criteria for issuers of securities,
- limits for issuers of securities,
- entering into master agreements with counterparties,
- collateral in reverse repo transactions.

Credit risk analyses are conducted by NBP using both data related to the financial position of counterparties and assignments of rating agencies as well as risk valuation reflected in market quotations.

The dominant portion of foreign currency reserves is invested in government securities of high rating countries characterised by the highest level of safety and liquidity. Non-government securities held in the investment portfolios are issued primarily by international institutions and government agencies. The scale of investment in the corporate bond market is small. The share of term deposits in foreign currency reserves is also low – transactions are concluded for short periods with banks of high creditworthiness.

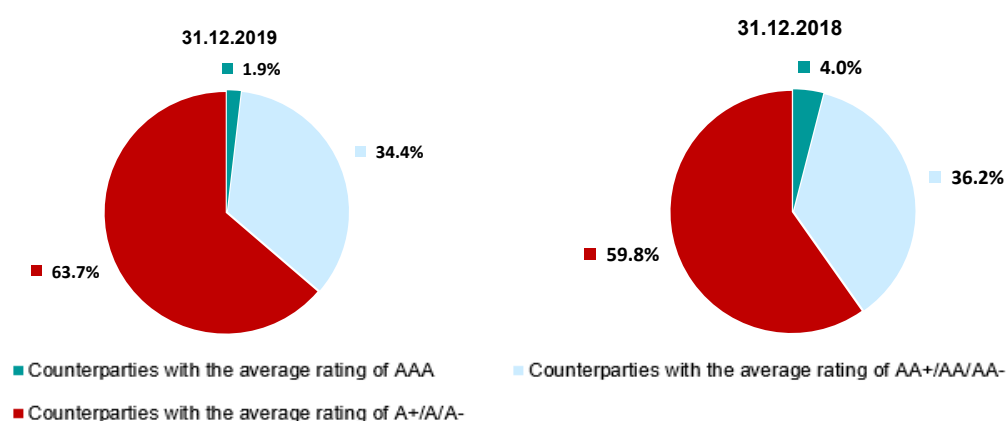
9.1.1.2.1. Credit quality of term deposits

The financial standing of NBP's counterparties with whom term deposits are concluded under the management of foreign currency reserves and gold is subject to on-going monitoring based on daily information from rating agencies about changes in creditworthiness ratings and rating forecasts, as well as implied ratings derived from CDS (Credit Default Swap). Counterparties' financial data are also taken into account in the process of assessing their creditworthiness.

The figure presented below shows the structure of exposure to term deposits related to foreign currency reserve management, by counterparty average credit rating as at 31 December 2018 and 31 December 2019.²⁴

²⁴ The structure of exposures to term deposits was presented based on values used in the monitoring of the investment limits towards term deposit counterparties.

Figure 1. The structure of exposure to term deposits by counterparty average rating as at 31 December 2019 and 31 December 2018



NBP also concludes term deposits with central banks of the countries which meet the set rating requirements. As at 31 December 2019, NBP held term deposits at two central banks for the total nominal amount of PLN 1,565,886.6 thousand. As at 31 December 2018, NBP held term deposits at three central banks for the total nominal amount of PLN 6,698,777.1 thousand.

9.1.1.2.2. Credit quality of securities

The table below presents NBP's exposure to securities issued by governments and other entities.

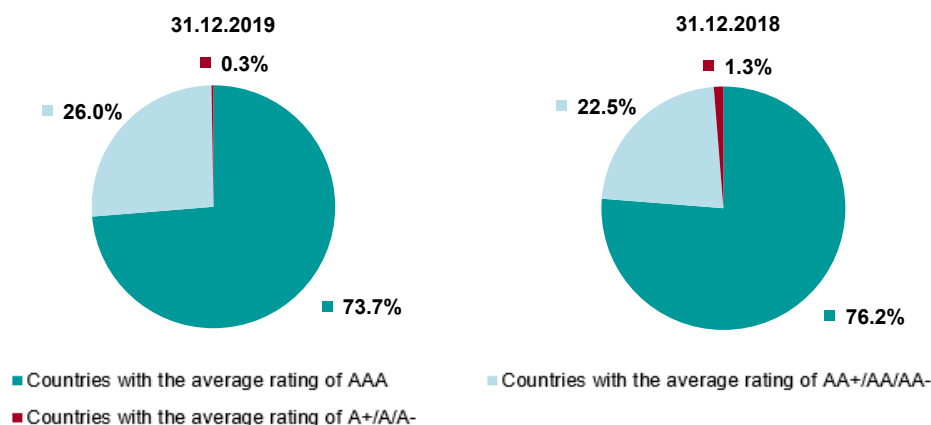
PLN thousand	31.12.2019	31.12.2018	Change
Government securities in foreign currency	301,853,590.3	308,162,202.3	-6,308,612.0
Other securities in foreign currency, of which:	53,107,568.6	21,028,611.9	32,078,956.7
- corporate securities in USD	3,843,161.8	3,103,132.8	740,029.0
Total	354,961,158.9	329,190,814.2	25,770,344.7

Government securities in foreign currency

When estimating the credit quality of securities issued by governments, the creditworthiness ratings of the country of the securities issuer are, among others, taken into account. The structure of exposures to government securities by the average rating of the issuer's country is shown below.²⁵ In 2019, NBP made investments in securities of the countries rated at least as A-/Baa1.

²⁵ The structure of exposure to securities was presented based on values used for the monitoring of credit risk.

Figure 2. The structure of exposures to government securities by average rating of the issuer's country as at 31 December 2019 and 31 December 2018

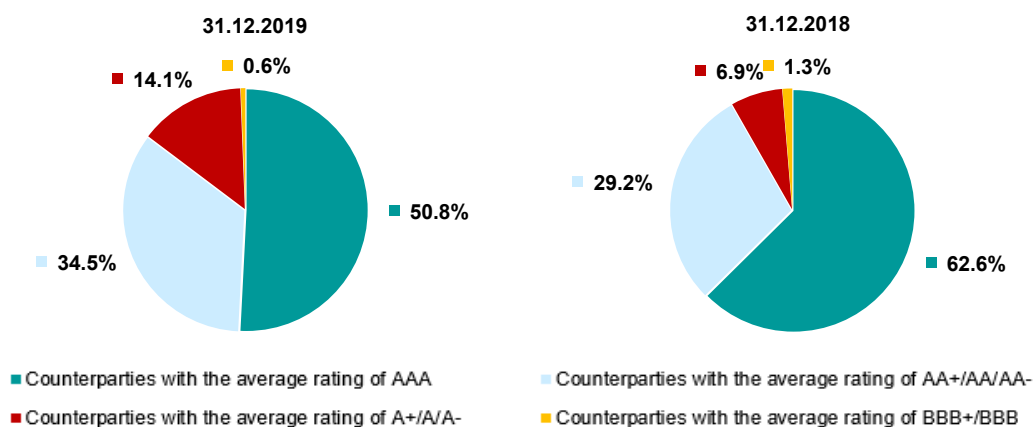


Other securities

The credit quality of the issuers of other securities is assessed based on the scoring model that takes into account: issuer status, ratings assigned by rating agencies and issuer's financial data.

The figure presented below shows the structure of exposure to other securities by issuer's average credit rating as at 31 December 2019 and 31 December 2018.²⁶

Figure 3. The structure of exposure to other securities by issuer's average rating as at 31 December 2019 and 31 December 2018



²⁶ The structure of exposure to securities was presented based on values used for the monitoring of the investment limits for issuers of other securities.

9.1.1.3. Credit risk underlying domestic credit operations

To support the liquidity of the financial system, NBP may grant a refinancing loan in zloty to banks in order to supplement their financial resources. Specifically, banks use intraday credit and marginal lending facility (Lombard credit). Banks also use intraday credit in euro. NBP may also, on request by a bank, grant a refinancing loan in another form specified by the Management Board of NBP.

The total drawing on the credit in annual terms *

PLN million / EUR	2019	2018	Change
Lombard credit	7.6	57.4	-49.8
Intraday credit	12,106,854.1	12,155,347.2	-48,493.1
Refinancing loan in another form specified by the Management Board of NBP**	246,900.1	282,525.2	-35,625.1
Intraday credit in EUR	68,263.3	22,301.7	45,961.6

* The values of the credits specified above are the sum total of the daily drawings of these loans.

** The balances as at the balance-sheet date are presented in Note 4 and Note 9 (see Chapter 9.1.1.3.1.).

The risk underlying these operations is mitigated through the use of eligible collateral that meets the criteria set by NBP.

Treasury and NBP securities denominated in PLN are the primary collateral presented by banks. The list of assets accepted as collateral also comprises other securities deposited with Krajowy Depozyt Papierów Wartościowych S.A.: covered bonds, municipal bonds, corporate bonds, bonds issued by the European Investment Bank denominated in PLN, as well as – in the case of Lombard credit – EUR-denominated Treasury bonds.

In the case of a refinancing loan granted in another form specified by the Management Board of NBP, a wider range of collateral may apply.

When setting the required level of collateral, the haircut rate is applied, with the purpose to take into account the risk of unfavourable changes in market prices and exchange rates.

Intraday credit in euro is extended in accordance with the principles laid down in the Agreement on the terms of opening and maintaining an account in euro in the TARGET2-NBP system, and it may be collateralised by Treasury bonds participating in BondSpot S.A. fixing, accepted by the ECB (in addition, haircut related to the exchange rate risk is taken into account).

9.1.1.3.1. Overdue claims on domestic credit operations

As at 31 December 2019, NBP had an overdue claim in the amount of PLN 84,878.0 thousand (PLN 99,799.8 thousand as at 31 December 2018) from a domestic bank under winding-up proceedings,

which was related to a refinancing loan granted in 2015 in another form specified by the Management Board of NBP (see Note 9). As at the balance-sheet date, the outstanding portion of the loan was collateralised with the claims of the domestic bank under loan agreements which were assigned in favour of NBP. Under the assessment carried out, it was established that as at 31 December 2019 the discounted value of expected cash flows from 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 granted in another form specified by the Management Board of NBP are not included in the bankruptcy estate of the domestic bank, in accordance with the provisions of Article 67 paragraphs 2 and 3 of the Act of 28 February 2003 on the Bankruptcy and Restructuring Law²⁷ (Journal of Laws of 2015, item 233, as amended),

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 reserve management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in the markets that ensure immediate availability of funds – reserve currencies and investment instruments are principally characterised by high liquidity.

9.1.2.1. Maturity analysis for financial liabilities in foreign currency

The table below presents the maturity analysis for financial liabilities of NBP denominated in foreign currency as at 31 December 2019 and 31 December 2018.²⁸

Moreover, when joining the IMF borrowing programmes (see Note 27), NBP pledged to grant foreign currency-denominated loans to the IMF under, respectively:

²⁷ As at 1 January 2016, pursuant to Article 428 subparagraph 1 of the Act of 15 May 2015 – Restructuring Law (Journal of Laws, item 978), the act received the title "Bankruptcy Law". Nonetheless, pursuant to Article 449 of the Act (i.e. the Restructuring Law), in matters for which a motion for bankruptcy was filed before the act entered 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.

²⁸ Liabilities related to NBP's own administrative activities were not included, as bearing no material impact.

- NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2019 was SDR 1,219,125.0 thousand,
- bilateral loan agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2019 was EUR 6,270,000.0 thousand.

31.12.2019	TOTAL	Avista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance sheet value	P.7 Liabilities to residents denominated in foreign currency	P.8 Liabilities to non-residents denominated in foreign currency	P.9 Liabilities to the IMF	P.11 Other liabilities
<i>PLN thousand</i>										
Current/auxiliary accounts in foreign currency operated by NBP	20,508,301.2	20,508,301.2	0.0	0.0	0.0	20,508,301.2	19,762,467.1	745,834.1	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	18,606.2	0.0	18,606.2	0.0	0.0	18,601.0	18,601.0	0.0	0.0	0.0
Repo transactions in foreign currency	42,934,107.1	0.0	38,326,005.1	4,608,102.0	0.0	42,919,655.6	0.0	42,919,655.6	0.0	0.0
Other financial liabilities denominated in foreign currency	2,581,322.5	0.0	2,581,254.2	68.3	0.0	2,581,322.5	2,575,149.4	0.0	0.0	6,173.1
SDR allocation	6,879,551.6	0.0	13,232.9	0.0	6,866,318.7	6,875,252.6	0.0	0.0	6,875,252.6	0.0
Foreign currency to be delivered in spot transactions	439,708.8	0.0	439,708.8	0.0	0.0	-	-	-	-	-
Forward transactions in securities (purchase)	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-
TOTAL	73,361,597.4	20,508,301.2	41,378,807.2	4,608,170.3	6,866,318.7	72,903,332.9	22,356,217.5	43,665,689.7	6,875,252.6	6,173.1
<i>PLN thousand</i>										
Current/auxiliary accounts in foreign currency operated by NBP	24,668,682.6	24,668,682.6	0.0	0.0	0.0	24,668,682.6	24,630,885.7	37,796.9	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	9,214.9	0.0	9,214.9	0.0	0.0	9,205.0	9,205.0	0.0	0.0	0.0
Repo transactions in foreign currency	37,864,307.6	0.0	34,068,597.9	3,795,709.7	0.0	37,848,426.7	0.0	37,848,426.7	0.0	0.0
Other financial liabilities denominated in foreign currency	465,670.7	0.0	465,564.0	106.7	0.0	465,670.7	460,017.9	278.8	0.0	5,374.0
SDR allocation	6,830,473.2	0.0	18,688.5	0.0	6,811,784.7	6,823,985.7	0.0	0.0	6,823,985.7	0.0
Foreign currency to be delivered in spot transactions	986,910.6	0.0	986,910.6	0.0	0.0	-	-	-	-	-
Forward transactions in securities (purchase)	49,495.4	0.0	49,495.4	0.0	0.0	-	-	-	-	-
TOTAL	70,874,755.0	24,668,682.6	35,598,471.3	3,795,816.4	6,811,784.7	69,815,970.7	25,100,108.6	37,866,592.4	6,823,985.7	5,374.0

9.1.3. Interest rate risk

Interest rate risk is related to a potential decline in the market value of financial instruments due to an unfavourable change in their yield.

The primary measure of interest rate risk applied by NBP is modified duration, hereinafter referred to as "MD", which specifies the sensitivity of investment portfolio values to changes in the yield on financial instruments.

To mitigate the interest rate risk in the process of managing foreign currency reserves, NBP defines the benchmark level of MD of foreign currency reserves, along with admissible fluctuation bands. In 2019, the MD of the reserves was kept at a level binding in the preceding year.

The sensitivity analysis, conducted based on MD²⁹, 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 7,583.4 million as at 31 December 2019 (as at 31 December 2018 – by PLN 6,991.1 million). The change in value of securities portfolios in individual currencies in response to a change in interest rates by 100 basis points, as estimated based on MD analysis, is presented below.

MD-based estimate of a change in values of securities portfolios in individual currencies in response to a 100 bps change in interest rates

PLN million	31.12.2019	31.12.2018	Change
USD	3,345.4	2,678.9	666.5
EUR	1,377.7	1,765.9	-388.2
GBP	1,398.4	1,292.8	105.6
AUD	937.8	799.6	138.2
NOK	352.7	301.6	51.1
NZD	171.4	152.3	19.1
Total	7,583.4	6,991.1	592.3

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.

²⁹ In the sensitivity analysis NBP applied the MD ratio for individual foreign-currency securities portfolios as at 31 December 2019 and 31 December 2018 as a linear measure of the relationship between price and yield, as well as the holding of securities portfolios as at 31 December 2019 and 31 December 2018 based on values used in the monitoring of MD.

9.1.4. Foreign exchange rate risk and gold price risk

Foreign exchange rate risk arises out of a potential decline in the value of foreign currency holdings as a result of unfavourable fluctuations of foreign currency rates 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 reserve management, NBP defines the currency structure of the strategic benchmark³⁰, along with admissible fluctuation bands. In 2019, the composition of the strategic currency benchmark was changed and as at 31 December 2019 it included³¹:

- 51% USD,
- 20% EUR,
- 12% GBP,
- 8% AUD,
- 6% NOK,
- 3% NZD.

9.1.4.1. Exposure to foreign exchange rate risk and gold price risk

The foreign currency holdings of NBP as at 31 December 2019 and 31 December 2018 by currency are presented below, wherein items in foreign currency related to own administrative activities are presented as part of PLN holdings since they are immaterial.

³⁰ The strategic currency benchmark is a reference portfolio mirroring long-term assumptions for the investment strategy by setting the foreign currency composition and the level of modified duration.

³¹ As at 31 December 2018, the composition of the strategic currency benchmark included: 44% USD, 27% EUR, 12% GBP, 8% AUD, 6% NOK and 3% NZD.

31.12.2019	PLN	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
ASSETS											
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	42,518,790.2	0.0	42,518,790.2
2. Claims on non-residents denominated in foreign currency	0.0	218,342,550.6	96,137,916.9	58,606,832.1	32,140,848.3	23,215,168.5	11,452,125.4	5,271,036.0	0.0	28,984.0	445,195,431.8
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	10.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.4
10. Other assets	1,222,529.2	8,676.2	94,825.7	4,337.7	858.6	963.1	1,263.5	52,630.0	0.0	0.0	1,386,084.0
<i>of which: adjustment and currency revaluation differences on off-balance-sheet items</i>	0.0	8,676.2	44.1	4,337.7	0.0	963.1	1,263.5	0.0	0.0	0.0	15,284.6
TOTAL ASSETS	1,222,539.6	218,351,206.8	96,232,742.6	58,611,169.8	32,441,706.9	23,216,121.6	11,453,388.9	5,323,666.0	42,518,790.2	28,984.0	489,100,316.4
LIABILITIES											
1. Banknotes and coins in circulation	238,777,248.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	238,777,248.0
2. Liabilities to other domestic financial institutions related to monetary policy operations denominated in domestic currency	65,410,357.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	65,410,357.6
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	385,342.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	385,342.2
4. Liabilities due to issued securities denominated in domestic currency	64,985,650.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	64,985,650.0
5. Liabilities to other residents denominated in domestic currency	9,346,735.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,346,735.8
6. Liabilities to non-residents denominated in domestic currency	2,266,129.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,266,129.9
7. Liabilities to residents denominated in foreign currency	0.0	3,388,664.6	18,743,067.6	16,645.0	0.0	0.2	0.0	0.0	0.0	7,840.1	22,336,217.5
8. Liabilities to non-residents denominated in foreign currency	0.0	26,515,994.7	2,848,108.9	12,361,450.4	1,340,135.7	0.0	0.0	0.0	0.0	0.0	43,665,689.7
9. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,875,252.6	0.0	0.0	6,875,252.6
11. Other liabilities	199,914.9	9,165.5	5,794.5	5,029.7	20.2	1,162.0	1,383.5	0.0	0.0	7.0	222,477.3
<i>of which: adjustment and currency revaluation differences on off-balance-sheet items</i>	0.0	8,872.5	16.6	4,956.3	0.0	1,160.4	1,383.5	0.0	0.0	0.0	16,389.3
12. Provisions for future liabilities	165,628.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	165,628.8
13. Revaluation accounts	28,432,057.2	788,135.0	195,235.2	248,152.7	502,871.4	68,874.1	258,805.0	0.0	0.0	0.0	30,499,130.6
14. Capital and reserves	8,166,317.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,166,317.3
15. Financial result	-4,036,803.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4,036,803.9
TOTAL LIABILITIES	414,118,520.8	30,901,959.8	21,792,206.2	13,231,277.8	1,843,027.3	70,086.3	260,185.5	6,875,252.6	0.0	7,847.1	489,100,316.4
OFF-BALANCE-SHEET ITEMS											
Currency to be received in spot transactions	0.0	225,875.4	212,897.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	438,772.9
Currency to be delivered in spot transactions	0.0	0.0	0.0	149,294.4	0.0	212,897.5	76,361.0	0.0	0.0	0.0	438,772.9
NET HOLDING	-412,895,981.2	187,075,122.4	74,653,433.9	46,230,597.6	30,288,679.6	22,933,187.8	11,116,618.4	-1,551,586.6	42,518,790.2	21,136.9	
<i>of which:</i>											
Balance sheet holding*	-412,895,981.2	187,449,443.3	74,440,508.9	45,380,510.6	30,288,679.6	23,146,282.6	11,193,320.4	-1,551,586.6	42,518,790.2	21,136.9	
Off-balance-sheet holding*	0.0	225,875.1	212,925.0	-149,913.0	0.0	-213,094.8	-76,701.0	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.

31.12.2018	PLN	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
ASSETS											
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19,928,317.3	0.0	19,928,317.3
2. Claims on non-residents denominated in foreign currency	0.0	177,395,102.2	123,762,662.2	50,328,270.8	31,580,292.8	21,848,044.3	10,108,425.9	4,819,450.6	0.0	26,387.1	419,868,025.9
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	5,643,915.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,643,915.1
10. Other assets	1,237,043.9	9,699.5	100,175.8	871.4	4,040.1	3,060.5	735.1	92,212.0	0.0	0.0	1,407,898.3
<i>of which: adjustment and currency revaluation differences on off-balance-sheet items</i>	0.0	9,699.5	6,745.3	763.9	4,040.1	3,060.5	735.1	0.0	0.0	0.0	25,044.4
TOTAL ASSETS	6,880,959.0	177,404,801.7	123,862,228.0	50,329,142.2	31,584,332.9	21,851,104.8	10,109,161.0	4,871,662.6	19,928,317.3	26,387.1	446,846,096.6
LIABILITIES											
1. Banknotes and coins in circulation	219,489,936.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	219,489,936.7
2. Liabilities to other domestic financial institutions related to monetary policy operations denominated in domestic currency	72,942,616.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	72,942,616.5
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	362,810.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	362,810.7
4. Liabilities due to issued securities denominated in domestic currency	53,276,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	53,276,000.0
5. Liabilities to other residents denominated in domestic currency	7,273,598.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,273,598.0
6. Liabilities to non-residents denominated in domestic currency	2,605,986.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,605,986.1
7. Liabilities to residents denominated in foreign currency	0.0	1,425,364.9	23,654,158.7	15,465.9	0.0	11.4	0.0	0.0	0.0	5,107.7	25,100,108.6
8. Liabilities to non-residents denominated in foreign currency	0.0	21,464,635.6	5,304,773.3	7,952,338.7	3,164,754.8	0.0	0.0	0.0	0.0	0.0	37,886,502.4
9. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,823,985.7	0.0	0.0	6,823,985.7
11. Other liabilities	208,562.9	9,478.2	12,723.7	1,467.1	4,420.5	1,684.7	735.4	0.0	0.0	6.8	238,079.3
<i>of which: adjustment and currency revaluation differences on off-balance-sheet items</i>	0.0	9,469.9	7,506.1	1,355.5	4,064.4	1,683.4	735.1	0.0	0.0	0.0	24,874.4
12. Provisions for future liabilities	145,388.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	145,388.3
13. Revaluation accounts	25,754,829.9	413,286.1	288,236.1	174,381.4	256,889.5	92,314.8	203,232.5	0.0	0.0	0.0	27,193,170.3
14. Capital and reserves	5,374,387.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,374,387.4
15. Financial result	-11,865,363.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-11,865,363.4
TOTAL LIABILITIES	375,578,643.1	23,312,764.8	29,259,891.8	8,143,653.1	3,426,064.8	94,010.9	203,967.9	6,823,985.7	0.0	5,114.5	446,846,096.6
OFF-BALANCE-SHEET ITEMS											
Currency to be received in spot transactions	0.0	187,221.6	0.0	272,891.0	208,747.2	316,000.2	0.0	0.0	0.0	0.0	984,860.0
Currency to be delivered in spot transactions	0.0	331,727.8	386,239.2	0.0	0.0	187,221.7	79,871.3	0.0	0.0	0.0	984,860.0
NET HOLDING	-368,697,684.1	153,947,530.7	94,216,066.9	42,458,380.1	28,367,015.3	21,885,872.4	9,825,521.8	-1,952,323.1	19,928,317.3	21,272.6	21,272.6
<i>of which:</i>											
Balance sheet holding*	-368,697,684.1	154,091,807.3	94,603,096.9	42,166,080.7	28,159,292.4	21,755,716.8	9,905,183.1	-1,952,323.1	19,928,317.3	21,272.6	21,272.6
Off-balance-sheet holding*	0.0	-144,276.6	-387,000.0	272,299.4	208,722.9	130,155.6	-78,671.3	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 (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 an analysis of the foreign exchange rate risk of the zloty. It estimates the loss expected due to fluctuations of the foreign exchange rate of the zloty, which in normal conditions and with an assumed probability, should not be exceeded within the adopted time horizon.

The Value at Risk is then decreased by unrealised foreign currency revaluation gains estimated on the basis of statistical distribution analysis. The estimation is based on the foreign currency holdings in the structure of foreign currency reserves as at the balance sheet date along with historical time series of the average cost of currency holdings and the average NBP exchange rates for these currencies. Such an approach makes it possible to determine a stable level of unrealised gains and thus limits volatility of the provision against the foreign exchange rate risk of the zloty.

As at 31 December 2018, the provision was created in the amount of PLN 3,874,387.4 (the estimation of the provision was equal to the amount of uncovered accumulated loss of previous years that had arisen from changes in the exchange rate of the zloty against foreign currencies, and amounted to PLN 11,865,363.4 thousand³²).

As at 31 December 2019, the NBP estimation of the provision against foreign exchange rate risk of the zloty against other currencies was equal to the amount of the Value at Risk decreased by unrealised gains on changes in the exchange rate of the zloty against foreign currencies, and it amounted to PLN 22,783,369.8 thousand. On the basis of Resolution No 6/2019 of the Monetary Policy Council, as at 31 December 2019 the provision was replenished by PLN 2,811,929.9 thousand, that is by the amount equal to half of the surplus of the income on realised foreign exchange gains over realised and unrealised foreign exchange losses on foreign currencies recognised in the financial result of the financial year (see Note 29, Note 30 and Note 31). As at 31 December 2019, the provision amounted to PLN 6,686,317.3 thousand (see Note 23).

9.1.4.3. Gold price risk

The risk of the change in the price of gold (see Note 1) arises out of a potential decline in the value of gold as a result of unfavourable changes in the market price of gold.

³² In accordance with 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), which was binding on 31 December 2018, the estimated provision could not be lower than the amount of the uncovered accumulated loss of previous years that had arisen from changes in the foreign exchange rate of the zloty. The creation of the provision could not lead to a negative financial result (a loss) of the current year for NBP, either. Therefore, the provision was created only in the amount equal to the surplus of income over expenses.

The impact of a decline in the price of gold on the financial result is limited by unrealised gold revaluation gains and gold revaluation account (see Chapter 2.5.12 and Note 22).

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 of the ESCB, 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,
- gold, currency and price revaluation gains,
- NBP's balance sheet loss (of previous years and of the current year),
- a part of profit of current year at the disposal of NBP (i.e. 5%), which will be allocated to the reserve fund of NBP.

The table below presents values of the components of NBP's capital.

<i>PLN thousand</i>	31.12.2019	31.12.2018
Statutory fund	1,500,000.0	1,500,000.0
Reserve fund	0.0	0.0
Provision against the foreign exchange rate risk of the zloty	6,686,317.3	3,874,387.4
Gold revaluation account	1,618,023.2	1,618,023.2
Gold holding, currency and price revaluation gains	28,876,107.4	25,575,147.1
NBP balance sheet loss of previous years	-11,865,363.4	-11,865,363.4
Financial result for the current year retained at NBP	391,425.1	0.0
Total	27,206,509.6	20,702,194.3
<i>% of the balance sheet total of NBP</i>	5.6%	4.6%

9.1.6. Market value of financial assets and liabilities and off-balance-sheet financial instruments

NBP measures the value of financial assets and liabilities and off-balance-sheet financial instruments using market prices (mark-to-market valuation) or valuation models accepted in market practice (mark-to-model valuation) with prices or market parameters as input factors, with the exception of:

- claims and liabilities due to bank accounts, including deposits and term deposits,
- credits and loans granted,

- other financial assets,
- banknotes and coins in circulation,
- securities issued by NBP.

Bearing in mind the nature of the above-mentioned financial instruments (e.g. short-term character, uniqueness of the instrument), it was assumed that their balance sheet value approximately equals their market/current value.

Financial assets and liabilities as well as off-balance-sheet financial instruments are classified into one of the following three categories based on the methods of determining the market value for price valuation used by NBP:

Level 1	Level 2	Level 3
<p>Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined directly on the basis of (unadjusted) prices quoted on active markets for identical assets, liabilities or off-balance-sheet financial instruments.</p> <p>NBP has classified securities purchased by NBP into this category, with the exception of securities priced based on the yield curves values.*</p>	<p>Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined on the basis of valuation models, for which all significant input data are observable in the market directly (as prices) or indirectly (as based on prices).</p> <p>NBP has classified into this category:</p> <ul style="list-style-type: none"> • securities priced based on the yield curves values for a given type of securities having the same credit risk of the issuer, • forward transactions in securities for the revaluation of which it uses the model with input parameters coming directly from the market. 	<p>Financial assets and liabilities as well as off-balance-sheet financial instruments whose market value is estimated using valuation models for which input data are not based on data observable in the market.</p> <p>As at 31 December 2019 and 31 December 2018, NBP did not classify any financial assets and liabilities and off-balance-sheet financial instruments into this category.</p>

* Gold is also revalued according to market prices. To measure its value, NBP uses the average market price of gold which is converted into domestic currency according to the average NBP exchange rate of the US dollar as at the balance sheet date.

Financial assets and liabilities and off-balance-sheet financial instruments that are presented in the Balance Sheet as at 31 December 2019 and 31 December 2018 according to market value, assigned to individual levels, are presented below.

31.12.2019 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
ASSETS					
Securities purchased by NBP	322,777,021.3	32,184,137.6	0.0	354,961,158.9	A.2.2
Forward transactions in securities (revaluation gains)	0.0	858.6	0.0	858.6	A.10.3
LIABILITIES					
Forward transactions in securities (revaluation losses)	0.0	0.0	0.0	0.0	L.11.1
<hr/>					
31.12.2018 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
ASSETS					
Securities purchased by NBP	329,190,814.2	0.0	0.0	329,190,814.2	A.2.2
Forward transactions in securities (revaluation gains)	0.0	107.5	0.0	107.5	A.10.3
LIABILITIES					
Forward transactions in securities (revaluation losses)	0.0	328.0	0.0	328.0	L.11.1

In 2019 and 2018, there were no transfers between Level 1 and Level 2.

NBP also carries out futures transactions. These transactions are marked to market (Level 1) and settled on a daily basis (see Chapter 2.4 and Note 29).

9.2. Operational risk

The concept of operational risk in NBP includes the possibility of incurring financial or non-financial damages, including failure to carry out tasks or a negative impact on NBP reputation, both resulting from inadequate or failed internal processes and systems as well as personnel or external events.

The operational risk in NBP is divided into four sub-categories: safety risk, personnel risk, legal risk and technological risk, which includes ICT technological risk (related, inter alia, to IT and ICT systems, IT software and hardware) and non-ICT technological risk (related, inter alia, to construction facilities and elements of mobile equipment).

The operational risk mitigation mechanisms used at NBP include, in particular:

- external and internal regulations,
- the scope of job responsibilities and division of duties,
- data reconciliation, and the “four-eyes” principle,
- the system of (financial, time) limits and restrictions,
- introduction of access control system as well as IT and telecommunications, physical and electronic safeguards,
- generation of back-up copies of electronic files,

- development of contingency and evacuation plans as well as training and tests related to securing business continuity in NBP,
- insurance,
- control and internal audit.

In 2019, the Commission for Operational Risk Management held 13 sessions during which topics were discussed related above all to current issues that may affect the level of operational risk in NBP, cybersecurity at NBP, business continuity plans and a possible 'hard Brexit'.

Promotion of standards delineated in the *Code of Ethics for Narodowy Bank Polski Employees* has been strengthened, as part of non-compliance risk management.

Warsaw, 26 March 2020

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

/-/ Krzysztof Kruszewski

Management Board
of Narodowy Bank Polski:

/-/ Adam Glapiński
/-/ Marta Kightley
/-/ Anna Trzecińska
/-/ Andrzej Kaźmierczak
/-/ Ryszard Kokoszczyński
/-/ Piotr Pogonowski
/-/ Paweł Szalamacha



This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Independent Auditor's Report

To the Monetary Policy Council of Narodowy Bank Polski

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the accompanying annual financial statements of Narodowy Bank Polski ("NBP"), which comprise:

- the balance sheet as at 31 December 2019;
- the profit and loss account for the year ended 31 December 2019;

and

- the notes

(the "financial statements").

In our opinion, the accompanying financial statements of NBP:

- give a true and fair view of the financial position of NBP as at 31 December 2019 and of its financial result for the year ended 31 December 2019 in accordance with the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2019 item 1810) (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 of 2020 item 1), Resolution No. 6/2019 of the Monetary Policy Council of 5 November 2019 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal of 2019 item 14) and Resolution No. 45/2013 of the Management Board of Narodowy Bank Polski of 12 December 2013 on performing tasks in the area of accounting at Narodowy Bank Polski (with subsequent amendments) (all together "the legal basis for preparation of the NBP financial statements");

- comply, in all material respects, with regard to form and content, with laws applicable to NBP;
- have been prepared, in all material respects, on the basis of properly maintained accounting records.

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KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

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TRANSLATION

Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (the “Act on certified auditors”).

Our responsibilities under those standards are further described in the Auditor’s Responsibility for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Ethics

We are independent of NBP in accordance with the Code of Ethics for Professional Accountants (“IFAC Code”) issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit engagement

in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditor and the audit firm remained independent of NBP in accordance with requirements of the Act on certified auditors.

Responsibility of the Management Board of NBP for the financial statements

The Management Board of NBP is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view in accordance with the legal basis for the preparation of the NBP financial statements, laws applicable to NBP and for such internal control as the Management Board of NBP determines is necessary to enable the preparation of financial statements that are

free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board of NBP is responsible for assessing the ability of NBP to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in accordance with applicable laws, in particular Article 58 of the Act on NBP.

Auditor’s Responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The scope of audit does not include assurance on the future viability of NBP or on the efficiency or effectiveness with which the Management Board of NBP has conducted or will conduct the affairs of NBP.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in



- the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of NBP;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of NBP;
 - conclude on the appropriateness of the Management Board of NBP's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NBP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the financial statements to the related disclosures in the

- financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the financial statements, including those related to Article 58 of the Act on NBP;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Board of NBP regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
 Registration No. 3546

Signed on the Polish original

Tadeusz de Ville
 Limited Partner, Proxy

Warsaw, 26 March 2020

Signed on the Polish original

Katarzyna Łącka-Dziekan
 Key Certified Auditor
 Registration No. 13131

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 2018	114 698.8	102.9	88.5	12 509.4	112.3	121.8	101.1	100.0	101.1	102.1	99.0
January 2019	123 310.0	106.0	107.3	4 865.7	103.2	38.8	100.7	99.8	99.8	102.2	100.2
February	121 940.2	106.9	98.5	5 610.3	115.1	115.1	101.2	100.4	100.2	102.9	100.5
March	134 199.9	105.6	109.9	7 149.0	110.8	127.2	101.7	100.3	100.5	102.5	100.1
April	129 970.2	109.2	96.4	7 686.4	117.4	107.1	102.2	101.1	101.6	102.6	100.4
May	130 213.2	107.7	100.0	8 110.9	109.5	105.3	102.4	100.2	101.9	101.4	100.2
June	121 982.9	97.4	94.2	8 892.1	99.3	109.3	102.6	100.3	102.2	100.5	99.5
July	125 773.3	105.8	102.8	9 422.5	106.6	105.8	102.9	100.0	102.2	100.5	100.1
August	118 419.4	98.5	93.9	9 236.5	102.6	97.8	102.9	100.0	102.2	100.9	100.3
September	131 282.5	105.6	110.8	10 434.6	107.6	112.7	102.6	100.0	102.2	100.8	100.4
October	140 675.1	103.7	107.9	10 060.9	95.9	96.2	102.5	100.2	102.4	99.7	99.4
November	132 183.2	101.4	94.2	10 042.1	95.3	99.6	102.6	100.1	102.5	99.9	99.8
December	119 998.4	103.8	90.6	12 435.3	96.7	123.7	103.4	100.8	103.4	101.0	100.1

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 2018	103.7	100.4	6 538	6 233	968.9	5.8	5 274.95	380 077.1	390 495.0	-29 869.6
January 2019	103.6	100.2	6 669	6 368	1 023.1	6.1	4 931.80	38 737.0	32 149.6	6 013.8
February	103.7	100.1	6 684	6 378	1 016.7	6.1	4 949.42	64 777.3	65 570.2	-313.7
March	103.7	100.3	6 698	6 394	984.7	5.9	5 164.53	90 286.5	94 776.3	-6 654.5
April	103.8	100.4	6 699	6 392	938.3	5.6	5 186.12	129 965.7	130 040.8	-2 656.3
May	103.7	100.3	6 700	6 380	906.0	5.4	5 057.82	162 865.6	164 800.9	-3 027.4
June	103.7	100.3	6 711	6 394	877.1	5.3	5 104.46	192 177.1	197 217.6	-10 520.1
July	103.5	100.2	6 708	6 397	868.4	5.2	5 182.43	228 765.9	233 548.8	-8 274.2
August	103.5	100.2	6 702	6 390	865.5	5.2	5 125.26	262 844.0	264 824.7	4 715.6
September	103.3	100.2	6 710	6 386	851.2	5.1	5 084.56	296 027.9	297 814.2	2 954.4
October	103.2	100.3	6 719	6 383	840.5	5.0	5 213.27	332 891.9	336 084.0	-7 050.1
November	103.0	100.2	6 730	6 395	849.6	5.1	5 229.44	367 107.6	368 989.9	-13 147.4
December	102.9	100.2	6 721	6 396	866.4	5.2	5 604.25	400 575.0	414 240.6	-35 607.1

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 2018	3 057 031.9	1 798 572.6	2 919 314.3	1 863 736.3	137 717.6	25 021.3	112 696.3	95.5	3.7	98.4	1 015 096.2	358 380.2	354 348.0
January 2019	.	.	.	.	.	.	.	.	.	.	.	.	.
February	.	.	.	.	.	.	.	.	.	.	.	.	.
March	754 061.0	445 375.3	721 951.7	458 440.7	32 109.6	6 116.2	25 993.4	95.7	3.4	98.5	1 011 998.3	369 959.5	355 002.2
April	.	.	.	.	.	.	.	.	.	.	.	.	.
May	.	.	.	.	.	.	.	.	.	.	.	.	.
June	1 570 806.7	920 279.3	1 492 293.8	952 628.0	78 512.8	13 224.2	65 288.6	95.0	4.2	97.9	1 044 102.0	374 686.4	356 364.1
July	.	.	.	.	.	.	.	.	.	.	.	.	.
August	.	.	.	.	.	.	.	.	.	.	.	.	.
September	2 383 038.7	1 397 134.6	2 267 106.1	1 447 025.8	115 932.6	19 482.8	96 449.8	95.1	4.0	98.7	1 076 206.0	384 580.2	368 979.4
October	.	.	.	.	.	.	.	.	.	.	.	.	.
November	.	.	.	.	.	.	.	.	.	.	.	.	.
December	3 235 515.6	1 902 120.9	3 088 204.9	1 975 153.4	147 310.6	26 121.8	121 188.8	95.4	3.7	98.9	1 083 662.9	370 600.3	375 453.1

Table II. Financial market – basic information

Period	1. NBP interest rates					2. Reserve requirement						
	Reference rate	Lombard rate	Deposit rate	Rediscount rate	Discount rate	Reserve requirement ratio on zloty deposits		Reserve requirement ratio on foreign currency deposits (zloty equivalent)		Reserve requirement ratio on repo operations	Interest on reserve requirement	Total required reserves held
						demand	time	demand	time			
	%	%	%	%	%	%	%	%	%	%	million zloty	
1	2	3	4	5	6	7	8	9	10	11	12	
December 2018	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	43 194.6
January 2019	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	43 533.2
February	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	43 688.9
March	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	43 688.9
April	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	44 585.3
May	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	45 055.7
June	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	45 055.7
July	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	45 363.3
August	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	45 363.3
September	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	46 226.8
October	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	46 747.9
November	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	46 747.9
December	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	46 845.2

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 2018	0	0.00	0.00	0.00	0.00	0.00
January 2019	0	0.00	0.00	0.00	0.00	0.00
February	0	0.00	0.00	0.00	0.00	0.00
March	0	0.00	0.00	0.00	0.00	0.00
April	0	0.00	0.00	0.00	0.00	0.00
May	0	0.00	0.00	0.00	0.00	0.00
June	0	0.00	0.00	0.00	0.00	0.00
July	0	0.00	0.00	0.00	0.00	0.00
August	0	0.00	0.00	0.00	0.00	0.00
September	0	0.00	0.00	0.00	0.00	0.00
October	0	0.00	0.00	0.00	0.00	0.00
November	0	0.00	0.00	0.00	0.00	0.00
December	0	0.00	0.00	0.00	0.00	0.00

Table II. Financial market – basic information, cont'd

Period	4. Tenders for NBP money-market bills					
	Number of tenders during month	Face value of bills offered for sale	Demand declared by bidders (at face value)	Face value of bills sold	Yield on bills purchased, weighted average	Bills outstanding from tender sales at month end (purchase prices)
		million zloty	million zloty	million zloty	%	million zloty
	19	20	21	22	23	24
December 2018	6	423 000.00	350 960.60	350 960.60	1.50	53 260.44
January 2019	7	437 000.00	387 337.80	386 914.80	1.50	79 117.29
February	5	345 000.00	341 868.10	337 932.75	1.50	75 955.66
March	7	446 000.00	392 430.89	392 430.89	1.50	85 620.92
April	5	333 500.00	313 980.65	313 980.65	1.50	71 471.13
May	6	410 000.00	397 712.96	395 079.00	1.50	76 358.30
June	6	384 000.00	313 597.02	313 597.02	1.50	90 189.70
July	5	355 500.00	338 678.72	337 528.30	1.50	77 005.41
August	6	479 000.00	441 863.31	440 863.91	1.50	108 219.70
September	5	405 000.00	363 372.15	363 372.15	1.50	81 668.81
October	6	469 000.00	443 371.90	433 345.82	1.50	80 442.27
November	5	403 500.00	355 933.98	355 933.98	1.50	106 037.89
December	5	416 000.00	354 405.01	354 405.01	1.50	64 966.67

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 2018	465	578 949.4	13.8	2 276.6	2 293.6	3 909.4	3 992.9	10 571.1	10 754.9	14 823.3	38.4
January 2019	462	607 792.6	14.8	2 380.1	2 349.4	4 076.7	4 035.1	11 081.3	10 886.3	19 884.2	39.6
February	464	602 916.3	14.5	2 332.2	2 359.0	4 134.6	4 120.7	11 631.6	11 482.4	15 293.8	32.9
March	461	597 709.5	14.8	2 312.1	2 324.5	4 149.5	4 200.2	11 897.4	11 881.0	16 055.3	32.2
April	461	599 345.7	15.1	2 334.2	2 368.5	4 135.9	4 216.2	12 011.4	12 108.5	13 723.3	29.0
May	461	573 825.1	15.8	2 239.3	2 204.2	3 951.2	3 953.6	11 577.0	11 653.5	16 667.3	36.1
June	460	594 377.9	16.4	2 327.7	2 291.0	4 082.5	4 019.0	11 821.2	11 614.6	15 951.3	37.0
July	461	579 838.7	16.1	2 277.4	2 321.2	3 952.7	4 059.2	11 963.4	11 892.6	16 653.0	31.7
August	460	546 122.8	15.1	2 135.3	2 122.6	3 768.0	3 798.1	11 616.5	11 647.1	16 207.2	36.7
September	458	551 131.2	14.8	2 173.3	2 167.6	3 701.4	3 779.1	11 484.0	11 593.2	16 144.9	35.3
October	458	554 308.9	15.8	2 194.1	2 164.7	3 707.5	3 644.5	11 357.1	11 417.6	15 914.4	32.4
November	453	546 261.8	15.4	2 158.9	2 219.0	3 786.2	3 767.2	11 763.7	11 588.9	15 209.6	35.6
December	449	550 242.7	15.4	2 150.1	2 106.6	3 908.2	3 841.5	12 044.3	11 856.1	13 751.1	36.4

Table III. PLN/USD and PLN/EUR daily exchange rates

Days	December 2018			January 2019			February 2019		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	1	2	3	4	5	6	7	8	9
1	3.7731	4.2904	1.1371	3.7597	4.3000	1.1437	3.7243	4.2706	1.1467
2	3.7731	4.2904	1.1371	3.7619	4.3016	1.1435	3.7243	4.2706	1.1467
3	3.7672	4.2818	1.1366	3.7827	4.3030	1.1375	3.7243	4.2706	1.1467
4	3.7516	4.2810	1.1411	3.7720	4.3018	1.1405	3.7408	4.2813	1.1445
5	3.7832	4.2896	1.1339	3.7720	4.3018	1.1405	3.7542	4.2869	1.1419
6	3.7844	4.2919	1.1341	3.7720	4.3018	1.1405	3.7706	4.2936	1.1387
7	3.7694	4.2845	1.1367	3.7575	4.2989	1.1441	3.7919	4.3019	1.1345
8	3.7694	4.2845	1.1367	3.7559	4.3013	1.1452	3.8040	4.3082	1.1325
9	3.7694	4.2845	1.1367	3.7509	4.2989	1.1461	3.8040	4.3082	1.1325
10	3.7600	4.2911	1.1413	3.7360	4.3055	1.1524	3.8040	4.3082	1.1325
11	3.7763	4.2982	1.1382	3.7289	4.2957	1.1520	3.8190	4.3172	1.1305
12	3.7934	4.2993	1.1334	3.7289	4.2957	1.1520	3.8380	4.3268	1.1274
13	3.7739	4.2937	1.1377	3.7289	4.2957	1.1520	3.8261	4.3312	1.1320
14	3.8095	4.3021	1.1293	3.7458	4.2936	1.1462	3.8516	4.3394	1.1266
15	3.8095	4.3021	1.1293	3.7542	4.2922	1.1433	3.8326	4.3243	1.1283
16	3.8095	4.3021	1.1293	3.7619	4.2929	1.1412	3.8326	4.3243	1.1283
17	3.7871	4.2906	1.1330	3.7615	4.2875	1.1398	3.8326	4.3243	1.1283
18	3.7668	4.2853	1.1376	3.7694	4.2964	1.1398	3.8286	4.3317	1.1314
19	3.7619	4.2846	1.1389	3.7694	4.2964	1.1398	3.8311	4.3303	1.1303
20	3.7331	4.2849	1.1478	3.7694	4.2964	1.1398	3.8221	4.3371	1.1347
21	3.7528	4.2889	1.1429	3.7751	4.2928	1.1371	3.8247	4.3322	1.1327
22	3.7528	4.2889	1.1429	3.7727	4.2862	1.1361	3.8242	4.3387	1.1345
23	3.7528	4.2889	1.1429	3.7747	4.2867	1.1356	3.8242	4.3387	1.1345
24	3.7588	4.2832	1.1395	3.7844	4.2942	1.1347	3.8242	4.3387	1.1345
25	3.7588	4.2832	1.1395	3.7893	4.2935	1.1331	3.8241	4.3402	1.1350
26	3.7588	4.2832	1.1395	3.7893	4.2935	1.1331	3.8124	4.3338	1.1368
27	3.7616	4.2860	1.1394	3.7893	4.2935	1.1331	3.7886	4.3173	1.1396
28	3.7550	4.2969	1.1443	3.7592	4.2885	1.1408	3.7853	4.3120	1.1391
29	3.7550	4.2969	1.1443	3.7563	4.2974	1.1441			
30	3.7550	4.2969	1.1443	3.7577	4.2952	1.1430			
31	3.7597	4.3000	1.1437	3.7271	4.2802	1.1484			
Average monthly rate	3.7691	4.2905	X	3.7617	4.2954	X	3.8023	4.3157	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd

Days	March 2019			April 2019			May 2019		
	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	3.7920	4.3079	1.1360	3.8267	4.3035	1.1246	3.8291	4.2911	1.1207
2	3.7920	4.3079	1.1360	3.8403	4.3004	1.1198	3.8177	4.2795	1.1210
3	3.7920	4.3079	1.1360	3.8192	4.2941	1.1243	3.8177	4.2795	1.1210
4	3.7893	4.2984	1.1344	3.8215	4.2921	1.1231	3.8177	4.2795	1.1210
5	3.7977	4.3018	1.1327	3.8215	4.2921	1.1231	3.8177	4.2795	1.1210
6	3.8038	4.2992	1.1302	3.8215	4.2921	1.1231	3.8313	4.2847	1.1183
7	3.8038	4.3019	1.1309	3.8215	4.2921	1.1231	3.8278	4.2858	1.1197
8	3.8409	4.3068	1.1213	3.8188	4.2897	1.1233	3.8325	4.2914	1.1197
9	3.8409	4.3068	1.1213	3.8003	4.2871	1.1281	3.8410	4.2977	1.1189
10	3.8409	4.3068	1.1213	3.8023	4.2852	1.1270	3.8242	4.2955	1.1232
11	3.8199	4.2983	1.1252	3.7964	4.2821	1.1279	3.8242	4.2955	1.1232
12	3.8116	4.2976	1.1275	3.7899	4.2847	1.1306	3.8242	4.2955	1.1232
13	3.8077	4.3006	1.1294	3.7899	4.2847	1.1306	3.8321	4.3029	1.1229
14	3.8018	4.3015	1.1314	3.7899	4.2847	1.1306	3.8323	4.3085	1.1243
15	3.8014	4.3037	1.1321	3.7789	4.2770	1.1318	3.8457	4.3128	1.1215
16	3.8014	4.3037	1.1321	3.7802	4.2737	1.1305	3.8259	4.2929	1.1221
17	3.8014	4.3037	1.1321	3.7778	4.2750	1.1316	3.8545	4.3072	1.1174
18	3.7876	4.2993	1.1351	3.8002	4.2790	1.1260	3.8545	4.3072	1.1174
19	3.7823	4.2940	1.1353	3.8051	4.2802	1.1249	3.8545	4.3072	1.1174
20	3.7767	4.2864	1.1350	3.8051	4.2802	1.1249	3.8543	4.2995	1.1155
21	3.7581	4.2870	1.1407	3.8051	4.2802	1.1249	3.8625	4.3055	1.1147
22	3.7948	4.2894	1.1303	3.8051	4.2802	1.1249	3.8620	4.3098	1.1160
23	3.7948	4.2894	1.1303	3.8118	4.2886	1.1251	3.8696	4.3107	1.1140
24	3.7948	4.2894	1.1303	3.8229	4.2895	1.1221	3.8436	4.2989	1.1185
25	3.7966	4.2978	1.1320	3.8537	4.2959	1.1147	3.8436	4.2989	1.1185
26	3.7969	4.2970	1.1317	3.8508	4.2906	1.1142	3.8436	4.2989	1.1185
27	3.8113	4.2991	1.1280	3.8508	4.2906	1.1142	3.8374	4.2952	1.1193
28	3.8202	4.2998	1.1255	3.8508	4.2906	1.1142	3.8386	4.2967	1.1193
29	3.8365	4.3013	1.1212	3.8468	4.2950	1.1165	3.8554	4.3007	1.1155
30	3.8365	4.3013	1.1212	3.8291	4.2911	1.1207	3.8548	4.2919	1.1134
31	3.8365	4.3013	1.1212				3.8498	4.2916	1.1148
Average monthly rate	3.8052	4.2996	X	3.8145	4.2874	X	3.8393	4.2965	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd

Days	June 2019			July 2019			August 2019		
	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	3.8498	4.2916	1.1148	3.7430	4.2406	1.1329	3.8860	4.2931	1.1048
2	3.8498	4.2916	1.1148	3.7593	4.2457	1.1294	3.8829	4.3085	1.1096
3	3.8292	4.2809	1.1180	3.7596	4.2442	1.1289	3.8829	4.3085	1.1096
4	3.8041	4.2788	1.1248	3.7618	4.2427	1.1278	3.8829	4.3085	1.1096
5	3.7929	4.2782	1.1279	3.7689	4.2445	1.1262	3.8739	4.3182	1.1147
6	3.8065	4.2783	1.1239	3.7689	4.2445	1.1262	3.8482	4.3096	1.1199
7	3.7958	4.2762	1.1266	3.7689	4.2445	1.1262	3.8597	4.3194	1.1191
8	3.7958	4.2762	1.1266	3.7857	4.2519	1.1231	3.8538	4.3220	1.1215
9	3.7958	4.2762	1.1266	3.8074	4.2637	1.1198	3.8613	4.3225	1.1194
10	3.7745	4.2640	1.1297	3.8066	4.2729	1.1225	3.8613	4.3225	1.1194
11	3.7722	4.2675	1.1313	3.7859	4.2682	1.1274	3.8613	4.3225	1.1194
12	3.7630	4.2650	1.1334	3.7889	4.2669	1.1262	3.8711	4.3262	1.1176
13	3.7736	4.2610	1.1292	3.7889	4.2669	1.1262	3.8714	4.3327	1.1192
14	3.7727	4.2554	1.1279	3.7889	4.2669	1.1262	3.8890	4.3463	1.1176
15	3.7727	4.2554	1.1279	3.7856	4.2673	1.1272	3.8890	4.3463	1.1176
16	3.7727	4.2554	1.1279	3.7867	4.2582	1.1245	3.9281	4.3543	1.1085
17	3.7989	4.2599	1.1214	3.8038	4.2644	1.1211	3.9281	4.3543	1.1085
18	3.8097	4.2631	1.1190	3.7933	4.2635	1.1240	3.9281	4.3543	1.1085
19	3.8104	4.2673	1.1199	3.7855	4.2592	1.1251	3.9199	4.3519	1.1102
20	3.8104	4.2673	1.1199	3.7855	4.2592	1.1251	3.9408	4.3656	1.1078
21	3.7705	4.2622	1.1304	3.7855	4.2592	1.1251	3.9210	4.3513	1.1097
22	3.7705	4.2622	1.1304	3.7869	4.2480	1.1218	3.9337	4.3660	1.1099
23	3.7705	4.2622	1.1304	3.7997	4.2492	1.1183	3.9371	4.3572	1.1067
24	3.7360	4.2538	1.1386	3.8229	4.2581	1.1138	3.9371	4.3572	1.1067
25	3.7376	4.2554	1.1385	3.8199	4.2514	1.1130	3.9371	4.3572	1.1067
26	3.7540	4.2642	1.1359	3.8296	4.2645	1.1136	3.9335	4.3719	1.1115
27	3.7426	4.2561	1.1372	3.8296	4.2645	1.1136	3.9309	4.3684	1.1113
28	3.7336	4.2520	1.1388	3.8296	4.2645	1.1136	3.9548	4.3857	1.1090
29	3.7336	4.2520	1.1388	3.8453	4.2773	1.1123	3.9586	4.3845	1.1076
30	3.7336	4.2520	1.1388	3.8493	4.2906	1.1146	3.9717	4.3844	1.1039
31				3.8504	4.2911	1.1145	3.9717	4.3844	1.1039
Average monthly rate	3.7811	4.2660	X	3.7959	4.2598	X	3.9067	4.3437	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd

Days	September 2019			October 2019			November 2019			December 2019		
	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	3.9717	4.3844	1.1039	4.0147	4.3734	1.0893	3.8174	4.2617	1.1164	3.9288	4.3236	1.1005
2	3.9819	4.3691	1.0972	4.0152	4.3788	1.0906	3.8174	4.2617	1.1164	3.9047	4.3008	1.1014
3	3.9882	4.3667	1.0949	3.9652	4.3475	1.0964	3.8174	4.2617	1.1164	3.8706	4.2900	1.1084
4	3.9414	4.3385	1.1008	3.9469	4.3311	1.0973	3.8099	4.2539	1.1165	3.8647	4.2792	1.1073
5	3.9330	4.3409	1.1037	3.9469	4.3311	1.0973	3.8308	4.2631	1.1128	3.8566	4.2777	1.1092
6	3.9315	4.3392	1.1037	3.9469	4.3311	1.0973	3.8497	4.2697	1.1091	3.8500	4.2721	1.1096
7	3.9315	4.3392	1.1037	3.9498	4.3304	1.0964	3.8502	4.2653	1.1078	3.8500	4.2721	1.1096
8	3.9315	4.3392	1.1037	3.9405	4.3310	1.0991	3.8625	4.2638	1.1039	3.8500	4.2721	1.1096
9	3.9310	4.3373	1.1034	3.9382	4.3257	1.0984	3.8625	4.2638	1.1039	3.8704	4.2830	1.1066
10	3.9273	4.3350	1.1038	3.9226	4.3217	1.1017	3.8625	4.2638	1.1039	3.8711	4.2880	1.1077
11	3.9324	4.3357	1.1026	3.9145	4.3097	1.1010	3.8625	4.2638	1.1039	3.8660	4.2851	1.1084
12	3.9362	4.3400	1.1026	3.9145	4.3097	1.1010	3.8780	4.2788	1.1034	3.8505	4.2846	1.1127
13	3.9120	4.3396	1.1093	3.9145	4.3097	1.1010	3.8902	4.2850	1.1015	3.8234	4.2747	1.1180
14	3.9120	4.3396	1.1093	3.8958	4.2969	1.1030	3.9011	4.2916	1.1001	3.8234	4.2747	1.1180
15	3.9120	4.3396	1.1093	3.8952	4.2949	1.1026	3.8848	4.2807	1.1019	3.8234	4.2747	1.1180
16	3.9116	4.3262	1.1060	3.8934	4.2970	1.1037	3.8848	4.2807	1.1019	3.8311	4.2659	1.1135
17	3.9412	4.3410	1.1014	3.8638	4.2849	1.1090	3.8848	4.2807	1.1019	3.8211	4.2605	1.1150
18	3.9322	4.3419	1.1042	3.8503	4.2844	1.1127	3.8767	4.2884	1.1062	3.8302	4.2644	1.1134
19	3.9267	4.3425	1.1059	3.8503	4.2844	1.1127	3.8786	4.2928	1.1068	3.8281	4.2632	1.1137
20	3.9319	4.3438	1.1048	3.8503	4.2844	1.1127	3.8792	4.2917	1.1063	3.8311	4.2604	1.1121
21	3.9319	4.3438	1.1048	3.8307	4.2775	1.1166	3.8737	4.2948	1.1087	3.8311	4.2604	1.1121
22	3.9319	4.3438	1.1048	3.8408	4.2792	1.1141	3.8853	4.2975	1.1061	3.8311	4.2604	1.1121
23	3.9983	4.3891	1.0977	3.8473	4.2778	1.1119	3.8853	4.2975	1.1061	3.8394	4.2554	1.1084
24	3.9838	4.3796	1.0994	3.8448	4.2800	1.1132	3.8853	4.2975	1.1061	3.8487	4.2624	1.1075
25	3.9856	4.3844	1.1001	3.8452	4.2762	1.1121	3.9036	4.2990	1.1013	3.8487	4.2624	1.1075
26	4.0092	4.3861	1.0940	3.8452	4.2762	1.1121	3.9039	4.2999	1.1014	3.8487	4.2624	1.1075
27	4.0154	4.3866	1.0924	3.8452	4.2762	1.1121	3.9154	4.3107	1.1010	3.8266	4.2624	1.1139
28	4.0154	4.3866	1.0924	3.8529	4.2732	1.1091	3.9252	4.3230	1.1013	3.8266	4.2624	1.1139
29	4.0154	4.3866	1.0924	3.8598	4.2757	1.1078	3.9288	4.3236	1.1005	3.8266	4.2624	1.1139
30	4.0000	4.3736	1.0934	3.8388	4.2655	1.1112	3.9288	4.3236	1.1005	3.8027	4.2588	1.1199
31				3.8174	4.2617	1.1164				3.7977	4.2585	1.1213
Average monthly rate	3.9535	4.3547	X	3.8935	4.3025	X	3.8745	4.2843	X	3.8443	4.2721	X

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)

	Sector	Category	Original maturity	No.	December 2018	January	February	March
						2019		
Deposits in PLN	households and non-profit institutions serving households	overnight		1	0.5	0.5	0.5	0.5
		with agreed maturity	up to 2 years	2	1.6	1.6	1.7	1.6
			over 2 years	3	2.1	2.1	2.1	2.1
			total	4	1.6	1.7	1.7	1.7
		total, overnight included		5	0.9	0.9	0.9	0.9
	non-financial corporations	overnight		6	0.5	0.5	0.5	0.5
		with agreed maturity	up to 2 years	7	1.5	1.4	1.4	1.4
			over 2 years	8	1.2	1.2	1.2	1.2
			total	9	1.5	1.4	1.4	1.4
		total, overnight included		10	0.8	0.8	0.8	0.8
		total, overnight excluded		11	1.6	1.6	1.6	1.6
	total, overnight included		12	0.9	0.9	0.9	0.9	
Loans in PLN	households and non-profit institutions serving households	revolving loans and overdrafts		13	7.1	7.1	7.1	7.0
		credit cards		14	7.2	7.4	7.1	7.0
		for consumption	up to 1 year	15	5.1	5.0	5.1	5.1
			over 1 and up to 5 years	16	7.2	7.3	7.4	7.3
			over 5 years	17	8.0	8.0	8.2	8.0
			total	18	7.7	7.7	7.9	7.7
		for house purchases	up to 1 year	19	n/a	n/a	n/a	n/a
			over 1 and up to 5 years	20	4.3	4.2	4.2	4.2
			over 5 years	21	3.7	3.7	3.8	3.7
			total	22	3.7	3.7	3.8	3.7
		for other purposes	up to 1 year	23	5.6	5.7	5.9	5.7
			over 1 and up to 5 years	24	5.4	5.5	5.7	5.5
			over 5 years	25	5.1	5.2	5.3	5.2
	total		26	5.2	5.2	5.4	5.3	
	total, overdrafts included		27	5.2	5.2	5.3	5.2	
	non-financial corporations	revolving loans and overdrafts		28	3.3	3.3	3.3	3.3
		credit cards		29	6.2	6.4	6.0	6.2
		up to 1 year		30	3.2	3.2	3.3	3.2
		over 1 and up to 5 years		31	3.8	3.8	3.9	3.8
		over 5 years		32	4.0	4.0	4.0	4.0
total		33	3.9	3.9	3.9	3.9		
total, overdrafts included		34	3.7	3.7	3.7	3.7		
total, overdrafts included		35	4.7	4.7	4.8	4.7		

n/a – category not available due to confidentiality issues.

Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)

April	May	June	July	August	September	October	November	December
2019								
0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
1.6	1.6	1.5	1.5	1.4	1.4	1.4	1.4	1.4
2.1	2.1	2.1	2.0	1.9	1.9	1.9	1.9	1.9
1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4	1.4
0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8
0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4
1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3
1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.2
1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3
0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7
1.6	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.4
0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8
6.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.7
7.2	7.2	7.0	7.3	7.2	7.2	7.2	7.1	7.1
5.1	5.0	4.9	4.9	4.9	4.9	4.7	4.5	4.3
7.4	7.4	7.4	7.4	7.4	7.5	7.4	7.5	7.5
8.1	8.0	8.1	8.0	8.0	8.1	8.0	8.1	8.0
7.8	7.8	7.9	7.8	7.8	7.9	7.8	7.8	7.8
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.2	4.1	4.1	4.2	4.1	4.2	4.1	4.0	4.1
3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
5.7	5.7	5.8	5.7	5.7	5.9	5.7	6.0	5.9
5.6	5.5	5.6	5.6	5.6	5.7	5.7	5.7	5.6
5.2	5.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2
5.3	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3
5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2
6.3	6.4	6.4	6.3	6.5	6.6	6.4	6.3	6.1
3.2	3.3	3.3	3.3	3.3	3.2	3.2	3.3	3.1
3.8	3.8	3.8	3.8	3.7	3.8	3.8	3.8	3.8
4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.1	4.0
3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
4.8	4.8	4.8	4.7	4.7	4.8	4.7	4.8	4.7

Table V. Average MFI interest rates on new and renegotiated business, PLN denominated (in %)

	Sector	Category	Original maturity, initial rate fixation	No.	December	January	February	March
					2018	2019		
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	1.0	1.0	1.1	0.9
			over 1 and up to 3 months	2	2.2	2.1	2.0	2.0
			over 3 and up to 6 months	3	2.2	2.2	2.1	1.7
			over 6 months and up to 1 year	4	1.6	1.7	1.7	1.6
			over 1 year	5	1.7	1.3	1.6	1.7
			total	6	1.8	1.8	1.7	1.6
	non-financial corporations	with agreed maturity	up to 1 month	7	1.0	1.0	1.1	1.1
			over 1 and up to 3 months	8	1.4	1.4	1.4	1.4
			over 3 and up to 6 months	9	1.7	1.6	1.6	1.5
			over 6 months and up to 1 year	10	1.7	1.6	1.6	1.7
			over 1 year	11	1.6	1.7	1.4	1.1
			total	12	1.1	1.2	1.2	1.2
			total	13	1.4	1.4	1.4	1.4
Loans in PLN	households and non-profit institutions serving households	for consumption	floating rate and up to 3 months initial rate fixation	14	8.5	8.7	8.7	8.7
			over 3 months and up to 1 year initial rate fixation	15	3.4	3.7	3.7	4.3
			over 1 year and up to 5 years initial rate fixation	16	5.8	6.3	6.6	6.4
			over 5 years initial rate fixation	17	8.9	8.8	8.7	8.6
			total	18	7.8	8.1	8.2	8.2
		annual percentage rate of charge (APRC)	19	13.7	13.6	13.5	13.5	
		for house purchases	floating rate and up to 3 months initial rate fixation	20	4.5	4.5	4.5	4.4
			over 3 months and up to 1 year initial rate fixation	21	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	22	n/a	n/a	n/a	n/a
			total	23	4.4	4.4	4.4	4.3
			annual percentage rate of charge (APRC)	24	4.6	4.6	4.6	4.7
		for sole proprietors and unincorporated partnerships	floating rate and up to 3 months initial rate fixation	25	5.0	6.2	6.2	6.3
			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	2.3	2.8	2.8	2.8
			total	28	5.1	6.3	6.2	6.3
			annual percentage rate of charge (APRC)	29	5.4	5.5	5.3	5.1
		for other purposes	floating rate and up to 3 months initial rate fixation	29	5.4	5.5	5.3	5.1
			over 3 months and up to 1 year initial rate fixation	30	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	31	n/a	n/a	n/a	n/a
	total		32	5.4	5.5	5.3	5.1	
	annual percentage rate of charge (APRC)		33	6.2	6.6	6.6	6.5	
	non-financial corporations	up to PLN 1 million, overdrafts excluded	floating rate and up to 3 months initial rate fixation	34	3.2	3.1	3.3	3.2
			over 3 months and up to 1 year initial rate fixation	35	3.3	3.6	3.4	3.7
			over 1 year initial rate fixation	36	3.9	4.5	n/a	4.1
			total	37	3.2	3.2	3.3	3.2
		floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	38	3.5	3.4	3.6	3.6
			floating rate and up to 3 months initial rate fixation	39	3.9	3.2	3.7	4.2
			over 3 months and up to 1 year initial rate fixation	40	3.3	n/a	3.3	3.5
			over 1 year initial rate fixation	41	n/a	n/a	n/a	n/a
		total	total	42	3.9	3.2	3.6	4.1
			floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	43	4.5	3.9	4.6	4.8
			floating rate and up to 3 months initial rate fixation	44	3.6	4.2	4.1	4.3
			over 3 months and up to 1 year initial rate fixation	45	3.6	n/a	4.0	n/a
over PLN 4 million, overdrafts excluded		over 1 year initial rate fixation	46	n/a	n/a	n/a	n/a	
		total	47	3.6	4.2	4.0	4.1	
	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	48	3.6	4.3	4.3	4.4		
	total	49	3.5	3.6	3.6	3.7		
		total	50	4.8	5.2	5.3	5.3	

n/a – category not available due to confidentiality issues.

Table V. Average MFI interest rates on new and renegotiated business, PLN denominated (in %)

April	May	June	July	August	September	October	November	December
2019								
0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.9	0.8
2.0	1.9	1.7	1.7	1.6	1.5	1.6	1.6	1.4
1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5
1.5	1.6	1.7	1.6	1.8	1.6	1.6	1.6	1.5
1.6	1.5	1.4	1.4	1.3	1.3	1.3	1.3	1.2
1.1	1.1	1.0	1.1	1.0	1.0	1.0	0.9	0.8
1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3
1.6	1.6	1.5	1.5	1.5	1.6	1.5	1.5	1.2
1.4	1.6	1.5	1.6	1.6	1.6	1.5	1.5	1.5
1.3	1.5	1.3	1.1	1.3	1.0	1.0	1.1	1.1
1.2	1.2	1.1	1.2	1.1	1.1	1.1	1.1	0.9
1.3	1.3	1.2	1.3	1.2	1.2	1.2	1.2	1.0
8.7	8.6	8.7	8.8	8.8	8.7	8.8	8.8	8.7
3.6	3.5	3.5	3.3	3.5	3.3	3.1	3.0	3.0
6.5	6.9	6.9	6.7	6.1	6.2	6.3	6.0	5.8
8.6	8.6	8.6	8.7	8.6	8.6	8.7	9.0	9.3
8.1	8.1	8.2	8.2	8.0	8.0	8.0	7.9	7.8
13.5	13.6	13.7	13.7	13.4	13.3	13.3	12.6	12.6
4.4	4.4	4.4	4.4	4.4	4.4	4.5	4.4	4.4
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.3	4.3	4.3	4.3	4.3	4.4	4.4	4.4	4.4
4.7	4.7	4.6	4.7	4.7	4.9	4.9	4.9	4.9
6.1	6.1	5.8	6.3	5.8	6.1	5.8	5.9	5.6
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.0	3.6	4.3	5.7	n/a	n/a	n/a	n/a	n/a
6.2	6.1	5.9	6.3	5.9	6.2	5.9	6.0	5.7
5.1	5.4	5.5	5.2	4.9	5.1	5.3	5.5	5.4
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5.0	5.3	5.4	5.1	4.9	5.1	5.2	5.4	5.4
6.4	6.4	6.4	6.4	6.3	6.4	6.4	6.5	6.3
3.2	3.3	3.2	3.3	3.3	3.2	3.2	3.1	3.1
3.6	3.7	3.7	3.7	3.3	3.4	3.6	3.5	3.4
n/a	n/a	n/a	n/a	n/a	5.0	n/a	n/a	n/a
3.2	3.3	3.2	3.3	3.3	3.2	3.2	3.1	3.1
3.7	3.6	3.5	3.6	3.4	3.3	3.5	3.3	3.3
3.6	3.9	3.8	4.1	3.8	4.0	3.9	4.2	3.9
3.2	3.3	3.6	3.1	3.3	3.1	3.4	3.2	3.5
n/a	3.2	3.0	n/a	n/a	n/a	3.3	4.2	3.2
3.6	3.9	3.8	4.0	3.7	4.0	3.9	4.1	3.9
4.3	4.3	4.2	4.7	4.5	4.5	4.2	4.8	4.4
4.1	3.9	3.4	4.3	4.0	3.8	3.6	3.8	4.0
n/a	n/a	3.9	n/a	n/a	n/a	3.5	4.1	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.0	4.0	3.5	4.3	4.1	4.0	3.6	3.9	4.0
4.1	3.9	3.5	4.3	4.1	4.1	3.9	4.0	4.0
3.6	3.7	3.4	3.9	3.7	3.6	3.5	3.6	3.6
5.2	5.3	5.0	5.3	5.2	5.2	5.0	5.1	4.9

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)

	Sector	Category	Original maturity, initial rate fixation	No.	December 2018	January	February	March	
					2019				
Deposits in EUR	households and non-profit institutions serving households	overnight*		1	0.0	0.0	0.0	0.0	
		with agreed maturity	up to 1 month		2	n/a	n/a	n/a	n/a
			over 1 and up to 3 months		3	0.1	0.1	0.2	0.2
			over 3 and up to 6 months		4	0.3	0.2	0.4	0.5
			over 6 months and up to 1 year		5	0.3	0.3	0.3	0.2
			over 1 year		6	0.2	0.3	0.2	0.1
		total		7	0.2	0.2	0.2	0.2	
	non-financial corporations	overnight*		8	0.0	0.0	0.0	0.0	
		with agreed maturity	up to 1 month		9	n/a	n/a	n/a	n/a
			over 1 and up to 3 months		10	0.0	0.0	0.1	0.0
			over 3 and up to 6 months		11	0.0	0.0	n/a	0.0
			over 6 months and up to 1 year		12	0.0	0.0	0.1	0.0
			over 1 year		13	0.0	0.0	0.0	0.0
		total		14	n/a	n/a	n/a	n/a	
	total, overnight excluded				15	0.1	0.1	0.1	0.1
Loans in EUR	households and non-profit institutions serving households	revolving loans and overdrafts*		16	1.0	0.9	0.8	0.8	
		for consumption	total		17	–	n/a	–	–
			annual percentage rate of charge (APRC)		18	–	n/a	–	–
		for house purchases	total		19	3.5	3.6	3.6	3.7
			annual percentage rate of charge (APRC)		20	4.4	4.5	4.6	4.7
		for other purposes		21	2.2	1.7	2.3	1.7	
		total, overdrafts excluded				22	2.9	2.9	3.2	2.9
	non-financial corporations	revolving loans and overdrafts*		23	1.2	1.2	1.2	1.2	
		up to EUR 1 million		24	1.3	1.4	1.4	1.2	
		over EUR 1 million		25	2.1	2.0	2.3	2.1	
		total, overdrafts excluded		26	1.9	1.8	2.0	1.9	
		total, overdrafts excluded				27	2.0	1.8	2.1	1.9

* Category calculated on a basis of an outstanding amounts. Excluded from “total” average. n/a – category not available due to confidentiality issues.

Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)

April	May	June	July	August	September	October	November	December
2019								
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
n/a	n/a	0.1	0.1	n/a	n/a	n/a	n/a	n/a
0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.4	0.4	0.4	0.5	0.4	0.3	0.3	0.3	0.3
0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3
0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
0.1	n/a	0.0	0.0	0.0	0.1	0.0	n/a	0.0
0.0	n/a	0.0	n/a	0.0	0.0	0.0	0.1	0.0
0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.1	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
n/a	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.7	0.7	0.8	0.8	0.9	0.9	0.9	0.8	0.9
–	n/a	–	n/a	–	–	–	–	–
–	n/a	–	n/a	–	–	–	–	–
3.4	3.6	3.6	3.6	3.9	4.0	4.0	4.0	4.1
4.5	4.6	4.6	4.4	4.7	4.9	4.9	4.9	5.0
1.9	2.0	1.7	1.8	1.3	2.5	1.9	1.6	1.6
2.7	3.1	3.1	3.1	3.0	3.4	3.3	3.4	3.5
1.2	1.2	1.3	1.3	1.3	1.3	1.2	1.2	1.3
1.3	1.3	1.4	1.3	1.4	1.3	1.6	1.4	1.4
2.2	1.9	2.3	2.2	2.0	2.6	2.2	2.3	2.2
2.0	1.7	2.0	2.0	1.8	2.1	2.0	2.0	2.0
2.1	1.8	2.0	2.0	1.9	2.2	2.1	2.1	2.1

Table VII. Aggregated balance sheet of other monetary financial institutions (million zloty)**Assets**

Period									other domestic residents ¹
	Cash in other monetary financial institutions' vaults	Loans and other claims on domestic residents				Debt securities	monetary financial institutions	general government	
			monetary financial institutions	general government	other domestic residents ¹				
1	2	3	4	5	6	7	8	9	
December 2018	15 985.7	1 381 735.3	130 908.5	87 647.4	1 163 179.4	398 152.5	57 245.8	314 823.0	26 083.7
January 2019	13 203.9	1 359 414.1	107 473.5	86 349.8	1 165 590.7	435 694.3	82 621.7	327 806.2	25 266.5
February	13 184.6	1 369 174.8	106 624.3	86 250.7	1 176 299.9	443 363.8	78 740.7	339 482.9	25 140.2
March	12 768.2	1 373 015.1	98 803.9	86 082.3	1 188 128.9	457 506.4	87 506.2	346 177.2	23 822.9
April	15 582.6	1 384 176.0	110 201.9	85 559.1	1 188 415.0	448 448.8	76 230.1	348 058.6	24 160.0
May	13 285.0	1 390 890.5	110 553.6	85 575.4	1 194 761.5	447 144.4	76 960.8	345 625.7	24 557.8
June	12 935.2	1 389 318.2	99 595.4	85 196.6	1 204 526.2	463 098.5	90 475.6	348 289.9	24 333.0
July	13 084.5	1 416 810.0	115 677.2	85 972.0	1 215 160.8	444 695.7	75 168.3	345 895.9	23 631.5
August	12 984.5	1 413 468.8	97 275.7	85 926.0	1 230 267.1	476 021.3	105 836.6	346 642.4	23 542.2
September	12 629.1	1 444 631.4	124 303.2	85 903.6	1 234 424.6	446 959.4	79 309.0	344 333.3	23 317.0
October	13 390.2	1 433 540.7	115 635.6	85 454.9	1 232 450.2	442 724.8	78 148.9	342 220.3	22 355.6
November	12 563.9	1 416 597.9	94 830.1	85 876.7	1 235 891.1	474 831.8	103 426.1	349 449.7	21 956.0
December	14 409.9	1 443 304.7	131 046.5	88 358.5	1 223 899.8	440 133.0	62 055.9	355 247.2	22 829.9

Period								
	Money market fund shares/units	Equity and non-MMF investment fund shares or units			External assets	Fixed assets ²	Remaining assets	Total assets
			monetary financial institutions	other domestic residents ¹				
10	11	12	13	14	15	16	17	
December 2018	0.0	25 428.7	7 049.7	18 379.0	85 763.2	52 612.7	24 832.2	1 984 510.3
January 2019	0.0	25 846.0	7 073.5	18 772.5	85 989.5	57 378.6	25 078.4	2 002 604.8
February	0.0	26 153.2	7 325.5	18 827.7	81 006.4	58 138.2	24 599.9	2 015 621.0
March	0.0	25 914.9	7 473.7	18 441.2	83 895.8	58 584.2	25 791.2	2 037 475.8
April	0.0	25 971.5	7 497.9	18 473.6	89 207.5	58 529.7	26 120.4	2 048 036.6
May	0.0	27 938.4	9 476.7	18 461.7	89 664.0	58 740.5	25 591.7	2 053 254.5
June	0.0	27 936.3	9 652.1	18 284.2	79 463.0	58 847.3	26 910.4	2 058 508.9
July	0.0	27 905.4	9 629.1	18 276.3	82 379.9	58 949.5	25 454.0	2 069 279.1
August	0.0	27 937.6	9 595.9	18 341.6	86 321.3	59 284.4	29 037.9	2 105 055.8
September	0.0	28 027.9	9 683.8	18 344.1	93 060.3	59 547.4	28 309.9	2 113 165.4
October	0.0	26 251.5	7 836.1	18 415.4	91 096.7	59 307.4	26 225.1	2 092 536.5
November	0.0	26 258.8	7 803.1	18 455.8	95 436.4	59 358.6	26 320.2	2 111 367.6
December	0.0	26 041.5	7 765.7	18 275.8	84 490.4	59 817.3	24 796.8	2 092 993.5

¹ Non-monetary financial institutions and non-financial sector.² Excluding financial fixed assets, included in column 11.

Table VII. Aggregated balance sheet of other monetary financial institutions (million zloty)

Liabilities

Period							
	Deposits and other liabilities to domestic residents	Monetary financial institutions	Central government	Other domestic residents ¹	overnight	with agreed maturity	repurchase agreements
	1	2	3	4	5	6	7
December 2018	1 361 335.0	62 536.6	39 783.0	1 259 015.4	806 219.9	441 555.9	11 239.6
January 2019	1 367 309.8	61 242.6	64 297.1	1 241 770.1	784 481.2	449 651.5	7 637.4
February	1 377 093.2	57 738.8	62 376.1	1 256 978.3	796 482.7	454 550.1	5 945.5
March	1 391 630.7	61 768.3	63 374.6	1 266 487.8	801 079.8	458 444.1	6 963.8
April	1 408 883.6	62 768.3	72 125.9	1 273 989.5	808 831.2	458 463.5	6 694.7
May	1 418 529.8	62 619.5	71 501.9	1 284 408.5	820 574.4	458 196.1	5 637.9
June	1 413 489.6	65 175.8	66 493.7	1 281 820.1	830 338.5	445 846.1	5 635.5
July	1 432 209.0	65 083.9	72 734.0	1 294 391.1	840 540.6	446 898.6	6 951.9
August	1 457 055.7	67 478.7	89 123.0	1 300 454.0	844 272.7	451 314.0	4 867.3
September	1 462 706.1	67 718.0	89 576.5	1 305 411.7	860 380.5	441 452.4	3 578.8
October	1 456 657.3	61 651.4	72 337.4	1 322 668.5	866 761.3	450 562.0	5 345.3
November	1 468 721.7	62 084.9	67 305.0	1 339 331.8	884 044.9	449 733.3	5 553.7
December	1 462 497.0	63 445.1	38 940.0	1 360 111.9	926 714.3	426 588.2	6 809.4

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Period	Money market fund shares /units	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Total liabilities
	8	9	10	11	12	13
December 2018	0.0	87 583.8	294 275.9	188 104.5	53 211.1	1 984 510.3
January 2019	0.0	90 525.0	297 052.6	187 712.0	60 005.4	2 002 604.8
February	0.0	91 698.0	297 335.8	188 644.1	60 849.9	2 015 621.0
March	0.0	92 173.9	298 112.2	190 954.2	64 604.8	2 037 475.8
April	0.0	92 124.8	298 974.2	184 743.8	63 310.1	2 048 036.6
May	0.0	92 556.3	298 586.8	180 193.9	63 387.7	2 053 254.5
June	0.0	92 836.6	298 653.0	183 611.3	69 918.4	2 058 508.9
July	0.0	92 495.7	301 761.8	179 636.5	63 176.0	2 069 279.1
August	0.0	92 926.1	305 339.4	184 238.0	65 496.6	2 105 055.8
September	0.0	92 093.9	306 368.9	185 027.0	66 969.4	2 113 165.4
October	0.0	92 265.7	304 542.5	175 368.1	63 702.8	2 092 536.5
November	0.0	93 473.4	305 687.8	178 455.9	65 028.8	2 111 367.6
December	0.0	92 109.6	303 127.4	174 773.1	60 486.4	2 092 993.5

Table VIII. Balance sheet of Narodowy Bank Polski (million zloty)**Assets**

Period	Domestic assets	External assets	Total assets
	1	2	3
December 2018	8 196.6	458 655.7	466 852.2
January 2019	7 052.4	442 559.2	449 611.6
February	2 708.7	444 671.7	447 380.4
March	2 615.6	452 195.1	454 810.7
April	2 603.5	467 009.9	469 613.4
May	4 102.0	477 826.5	481 928.5
June	4 086.2	458 869.4	462 955.7
July	3 933.2	467 423.8	471 357.0
August	2 779.8	484 378.7	487 158.5
September	2 670.0	501 823.0	504 493.0
October	4 355.9	483 588.8	487 944.7
November	3 129.7	489 637.9	492 767.6
December	2 562.8	506 320.2	508 882.9

Liabilities

Period	Currency in circulation	Deposits and other liabilities to domestic residents	other monetary financial institutions	central government	other domestic residents ¹	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Total liabilities
	1	2	3	4	5	6	7	8	9	10
December 2018	219 198.2	105 319.4	76 253.7	26 145.1	2 920.7	53 276.0	22 136.9	66 036.4	885.4	466 852.2
January 2019	214 633.2	82 400.7	53 681.9	27 608.4	1 110.5	79 140.4	23 635.6	49 047.9	753.8	449 611.6
February	217 854.9	77 993.9	51 621.9	25 189.1	1 182.9	75 977.9	28 364.3	46 306.4	883.1	447 380.4
March	220 995.4	74 021.6	38 639.6	34 339.7	1 042.3	85 642.9	31 673.3	41 660.2	817.3	454 810.7
April	226 309.9	88 190.7	49 342.5	37 595.2	1 253.0	71 489.0	30 191.6	52 425.3	1 006.9	469 613.4
May	227 215.6	82 679.4	49 721.8	31 598.3	1 359.4	76 380.6	31 575.7	61 848.9	2 228.4	481 928.5
June	227 841.9	71 644.1	35 300.9	35 041.5	1 301.8	90 212.0	27 786.1	44 405.1	1 066.3	462 955.7
July	228 351.1	83 512.2	52 294.9	29 935.1	1 282.1	77 027.9	35 622.4	45 833.7	1 009.7	471 357.0
August	232 096.3	46 710.8	31 316.3	14 251.0	1 143.5	108 248.1	49 162.1	49 917.9	1 023.3	487 158.5
September	233 443.3	72 498.6	58 208.0	13 101.0	1 189.7	81 692.7	50 547.4	65 386.5	924.5	504 493.0
October	234 991.8	75 355.1	55 624.6	18 301.3	1 429.3	80 469.1	37 199.8	58 996.3	932.7	487 944.7
November	236 158.4	44 589.4	33 322.3	9 847.0	1 420.0	106 065.3	44 652.3	60 217.3	1 085.0	492 767.6
December	238 479.5	97 114.6	68 919.9	24 111.3	4 083.4	64 985.7	35 966.7	71 272.9	1 063.6	508 882.9

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Table IX. Consolidated balance sheet of monetary financial institutions (million zloty)**Assets**

Period	Loans and other claims on domestic residents			Debt securities			Equity and non-MMF investment fund shares or units ¹	External assets	Fixed assets ²	Remaining assets ³	Total assets
	1	general government	other domestic residents ¹	4	general government	other domestic residents ¹					
		2	3		5	6					
December 2018	1 250 947.7	87 647.4	1 163 300.3	340 906.7	314 823.0	26 083.7	18 507.9	544 418.9	54 777.4	24 990.6	2 234 549.1
January 2019	1 252 061.6	86 349.8	1 165 711.7	353 072.6	327 806.2	25 266.5	18 901.3	528 548.6	59 543.1	25 247.2	2 237 374.5
February	1 262 672.1	86 250.7	1 176 421.4	364 623.1	339 482.9	25 140.2	18 956.6	525 678.1	60 303.7	24 892.6	2 257 126.1
March	1 274 330.4	86 082.3	1 188 248.1	370 000.2	346 177.2	23 822.9	18 570.1	536 090.9	60 750.3	25 992.6	2 285 734.5
April	1 274 091.2	85 559.1	1 188 532.0	372 218.7	348 058.6	24 160.0	18 602.4	556 217.5	60 703.7	26 304.0	2 308 137.4
May	1 280 452.6	85 575.4	1 194 877.2	370 183.5	345 625.7	24 557.8	18 590.5	567 490.5	60 914.1	27 275.0	2 324 906.3
June	1 289 837.2	85 196.6	1 204 640.6	372 622.9	348 289.9	24 333.0	18 413.0	538 332.5	61 026.7	28 573.9	2 308 806.1
July	1 301 245.7	85 972.0	1 215 273.7	369 527.4	345 895.9	23 631.5	18 405.1	549 803.7	61 129.9	26 964.6	2 327 076.3
August	1 316 304.1	85 926.0	1 230 378.0	370 184.7	346 642.4	23 542.2	18 470.5	570 700.0	61 467.4	29 394.9	2 366 521.5
September	1 320 437.7	85 903.6	1 234 534.1	367 650.4	344 333.3	23 317.0	18 472.9	594 883.3	61 723.3	28 565.6	2 391 733.2
October	1 318 013.8	85 454.9	1 232 558.8	364 575.9	342 220.3	22 355.6	18 544.3	574 685.5	61 470.5	28 180.3	2 365 470.4
November	1 321 876.3	85 876.7	1 235 999.6	371 405.7	349 449.7	21 956.0	18 584.6	585 074.3	61 518.6	27 052.4	2 385 512.0
December	1 312 365.4	88 358.5	1 224 006.9	378 077.0	355 247.2	22 829.9	18 404.6	590 810.5	62 007.1	24 933.7	2 386 598.4

¹ Non-monetary financial institutions and non-financial sector.² Excluding financial fixed assets, incorporated in column 7.³ Including rights issues.**Liabilities**

Period	Currency in circulation	Deposits and other liabilities to central government	Deposits and other liabilities to other domestic residents ¹	Debt securities			Money market fund shares/units	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities	Total liabilities
				overnight	with agreed maturity	repurchase agreements							
				4	5	6							
December 2018	203 212.5	65 928.0	1 261 936.1	809 140.6	441 555.9	11 239.6	0.0	83 614.0	309 363.1	254 140.9	54 096.5	2 258.0	2 234 549.1
January 2019	201 429.3	91 905.5	1 242 880.5	785 591.7	449 651.5	7 637.4	0.0	87 043.8	313 614.7	236 759.9	60 759.2	2 981.7	2 237 374.5
February	204 670.3	87 565.2	1 258 161.2	797 665.6	454 550.1	5 945.5	0.0	88 935.1	318 374.6	234 950.5	61 733.0	2 736.2	2 257 126.1
March	208 227.2	97 714.4	1 267 530.0	802 122.1	458 444.1	6 963.8	0.0	90 310.6	322 311.8	232 614.4	65 422.1	1 604.0	2 285 734.5
April	210 727.2	109 721.1	1 275 242.5	810 084.3	458 463.5	6 694.7	0.0	87 383.7	321 667.8	237 169.2	64 317.0	1 908.9	2 308 137.4
May	213 930.6	103 100.1	1 285 767.8	821 933.8	458 196.1	5 637.9	0.0	91 976.1	320 685.8	242 042.8	65 616.1	1 787.1	2 324 906.3
June	214 906.7	101 535.2	1 283 121.9	831 640.3	445 846.1	5 635.5	0.0	92 573.1	316 787.1	228 016.4	70 984.7	881.1	2 308 806.1
July	215 266.6	102 669.2	1 295 673.2	841 822.7	446 898.6	6 951.9	0.0	94 355.3	327 755.0	225 470.3	64 185.7	1 701.0	2 327 076.3
August	219 111.8	103 374.0	1 301 597.4	845 416.1	451 314.0	4 867.3	0.0	95 337.6	344 905.5	234 155.9	66 520.0	1 519.4	2 366 521.5
September	220 814.2	102 677.4	1 306 601.4	861 570.2	441 452.4	3 578.8	0.0	94 477.6	347 232.4	250 413.5	67 893.9	1 622.7	2 391 733.2
October	221 601.6	90 638.7	1 324 097.8	868 190.5	450 562.0	5 345.3	0.0	94 585.9	333 906.2	234 364.4	64 635.5	1 640.3	2 365 470.4
November	223 594.5	77 152.0	1 340 751.9	885 464.9	449 733.3	5 553.7	0.0	96 112.5	342 537.0	238 673.2	66 113.8	577.0	2 385 512.0
December	224 069.6	63 051.3	1 364 195.3	930 797.8	426 588.2	6 809.4	0.0	95 039.3	331 328.4	246 046.0	61 550.1	1 318.4	2 386 598.4

¹ Non-monetary financial institutions, local government, social security funds and non-financial sector.

Table Xa. M3 and counterparts (million zloty)
M3

Period											M1
	Currency in circulation (excluding vault cash)	currency in circulation (including MFIs' vault cash)	cash in monetary institutions' vaults	Overnight deposits and other liabilities	households	other financial corporations	non-financial corporations	non-profit institutions serving households	local government	social security funds	
	1	2	3	4	5	6	7	8	9	10		11
December 2018	203 212.5	219 198.2	15 985.7	809 140.6	523 307.3	32 800.5	199 721.7	18 289.9	27 722.3	7 298.9	1 012 353.1
January 2019	201 429.3	214 633.2	13 203.9	785 591.7	521 922.1	31 022.5	185 451.8	18 031.7	24 560.7	4 602.8	987 021.0
February	204 670.3	217 854.9	13 184.6	797 665.6	532 590.2	30 375.4	183 862.1	18 148.3	27 241.1	5 448.5	1 002 335.9
March	208 227.2	220 995.4	12 768.2	802 122.1	539 781.5	30 781.4	181 480.0	18 100.0	28 031.6	3 947.5	1 010 349.3
April	210 727.2	226 309.9	15 582.6	810 084.3	544 098.4	31 529.1	186 699.7	18 262.5	26 251.9	3 242.7	1 020 811.5
May	213 930.6	227 215.6	13 285.0	821 933.8	550 792.9	32 039.8	188 436.9	18 585.2	28 626.4	3 452.7	1 035 864.4
June	214 906.7	227 841.9	12 935.2	831 640.3	558 567.9	29 601.4	192 814.6	18 922.9	28 662.8	3 070.7	1 046 547.0
July	215 266.6	228 351.1	13 084.5	841 822.7	560 657.8	28 925.9	200 658.0	19 631.0	28 237.7	3 712.2	1 057 089.4
August	219 111.8	232 096.3	12 984.5	845 416.1	570 510.5	27 648.4	197 767.6	19 724.8	27 446.1	2 318.8	1 064 527.9
September	220 814.2	233 443.3	12 629.1	861 570.2	575 527.9	27 733.1	204 685.6	20 218.2	30 390.3	3 015.0	1 082 384.4
October	221 601.6	234 991.8	13 390.2	868 190.5	582 389.4	26 999.4	207 222.5	19 974.4	28 689.7	2 915.2	1 089 792.1
November	223 594.5	236 158.4	12 563.9	885 464.9	592 224.0	26 528.7	212 337.5	19 757.3	29 975.7	4 641.7	1 109 059.4
December	224 069.6	238 479.5	14 409.9	930 797.8	603 823.1	26 065.0	233 408.9	19 470.6	33 936.7	14 093.5	1 154 867.4

Period											M2	Repurchase agreements	Debt securities issued with maturity up to 2 years	Money market fund shares	M3
	Deposits and other liabilities with agreed maturity up to 2 years	households	other financial corporations	non-financial corporations	non-profit institutions serving households	local government	social security funds								
	12	13	14	15	16	17	18	19	20	21						22	23
December 2018	415 880.1	282 754.6	24 488.8	87 585.7	7 778.5	4 562.1	8 710.3	1 428 233.2	11 239.6	6 619.8	0.0	1 446 092.6			
January 2019	423 787.5	288 419.7	24 678.1	87 297.6	8 496.3	7 532.3	7 363.5	1 410 808.4	7 637.4	6 981.8	0.0	1 425 427.7			
February	428 653.5	290 453.1	25 334.2	88 709.6	8 598.9	9 817.8	5 740.0	1 430 989.4	5 945.5	7 100.4	0.0	1 444 035.3			
March	432 485.1	290 688.6	25 146.8	90 935.7	8 959.8	10 091.3	6 662.9	1 442 834.3	6 963.8	7 388.9	0.0	1 457 187.1			
April	432 283.3	289 498.9	26 782.7	89 698.9	8 708.6	10 345.6	7 248.7	1 453 094.8	6 694.7	7 304.2	0.0	1 467 093.8			
May	431 566.6	288 102.2	25 491.3	92 195.6	8 600.9	10 843.9	6 332.7	1 467 430.9	5 637.9	7 520.7	0.0	1 480 589.5			
June	418 928.4	282 687.9	23 445.2	87 137.5	8 218.9	10 098.6	7 340.2	1 465 475.4	5 635.5	7 106.9	0.0	1 478 217.7			
July	419 603.1	283 625.8	24 904.2	84 608.7	8 415.3	10 583.3	7 465.9	1 476 692.5	6 951.9	7 244.1	0.0	1 490 888.6			
August	423 954.3	281 995.7	25 388.8	88 478.0	8 426.5	11 111.1	8 554.2	1 488 482.2	4 867.3	7 116.7	0.0	1 500 466.2			
September	413 479.4	279 784.5	25 047.8	83 186.0	8 127.2	9 463.3	7 870.7	1 495 863.8	3 578.8	6 730.9	0.0	1 506 173.4			
October	422 115.3	279 054.4	26 317.6	90 807.1	8 336.7	9 820.3	7 779.1	1 511 907.4	5 345.3	6 692.5	0.0	1 523 945.2			
November	421 322.0	278 818.9	26 263.5	90 579.2	8 266.8	8 960.5	8 433.0	1 530 381.4	5 553.7	6 649.0	0.0	1 542 584.1			
December	397 775.6	277 564.2	26 219.3	82 834.0	7 375.3	3 242.8	540.0	1 552 642.9	6 809.4	6 187.4	0.0	1 565 639.8			

Table Xb. M3 and counterparts (million zloty)

M3 counterparts

Period	Net external assets		External liabilities	Credit to other domestic residents	Loans and other claims on domestic residents	households	other financial corporations	non-financial corporations	non-profit institutions serving households
	External assets								
	1	2	3	4	5	6	7	8	9
December 2018	290 278.0	544 418.9	254 140.9	1 264 010.1	1 197 892.5	723 232.7	74 182.1	358 589.3	7 296.2
January 2019	291 788.8	528 548.6	236 759.9	1 265 893.1	1 200 260.6	724 008.1	72 915.6	361 439.6	7 348.4
February	290 727.6	525 678.1	234 950.5	1 276 988.6	1 210 652.3	728 326.0	76 939.6	363 830.9	7 324.9
March	303 476.5	536 090.9	232 614.4	1 286 668.9	1 222 088.6	733 470.3	79 652.9	367 792.5	7 332.4
April	319 048.3	556 217.5	237 169.2	1 287 253.5	1 222 260.1	735 779.9	79 705.7	365 725.8	7 320.6
May	325 447.7	567 490.5	242 042.8	1 293 875.7	1 228 483.4	743 047.9	80 637.1	363 823.5	7 368.7
June	310 316.1	538 332.5	228 016.4	1 304 431.4	1 237 821.6	747 161.1	85 827.7	364 201.7	7 450.1
July	324 333.4	549 803.7	225 470.3	1 314 436.1	1 248 393.2	753 789.4	88 479.0	365 596.5	7 408.8
August	336 544.1	570 700.0	234 155.9	1 329 741.5	1 263 704.9	761 156.8	90 670.7	371 050.4	7 500.1
September	344 469.7	594 883.3	250 413.5	1 333 255.0	1 267 614.7	765 367.6	91 445.1	370 273.5	7 447.9
October	340 321.1	574 685.5	234 364.4	1 330 541.2	1 265 854.8	763 837.1	90 562.5	370 633.1	7 526.1
November	346 401.1	585 074.3	238 673.2	1 333 642.5	1 269 336.2	766 455.3	87 975.9	373 999.2	7 569.2
December	344 764.6	590 810.5	246 046.0	1 325 100.5	1 259 757.4	766 545.2	83 724.1	366 116.6	7 621.0

Period			Debt securities	of which issued by:			Equity and non-MMF investment fund shares or units	of which:	
	local government	social security funds		other financial corporations	non-financial corporations	local government		other financial corporations	non-financial corporations
	10	11	12	13	14	15	16	17	18
December 2018	34 592.2	0.0	47 609.7	3 499.9	22 583.8	21 526.0	18 507.9	15 675.8	2 831.0
January 2019	34 548.9	0.0	46 731.1	3 425.3	21 841.2	21 464.6	18 901.3	16 033.2	2 867.1
February	34 230.9	0.0	47 379.7	3 310.8	21 829.3	22 239.5	18 956.6	16 063.6	2 892.0
March	33 840.5	0.0	46 010.3	3 220.7	20 602.3	22 187.3	18 570.1	16 023.2	2 545.8
April	33 728.1	0.0	46 391.0	3 176.4	20 983.7	22 230.9	18 602.4	15 745.2	2 856.2
May	33 606.2	0.0	46 801.8	3 021.0	21 536.8	22 244.0	18 590.5	15 699.8	2 886.6
June	33 181.0	0.0	48 196.8	3 591.1	20 741.9	23 863.8	18 413.0	15 788.5	2 623.7
July	33 119.5	0.0	47 637.8	3 466.6	20 164.9	24 006.2	18 405.1	15 824.9	2 579.3
August	33 326.9	0.0	47 566.2	3 468.3	20 074.0	24 023.9	18 470.5	15 788.8	2 680.8
September	33 080.6	0.0	47 167.4	3 361.6	19 955.4	23 850.4	18 472.9	15 941.8	2 530.2
October	33 296.0	0.0	46 142.1	3 395.2	18 960.4	23 786.5	18 544.3	15 974.9	2 568.5
November	33 336.6	0.0	45 721.7	3 285.0	18 671.0	23 765.7	18 584.6	15 991.9	2 591.9
December	35 750.5	0.0	46 938.5	3 164.5	19 665.4	24 108.7	18 404.6	15 857.0	2 546.8

Table Xb. M3 and counterparts (million zloty), cont'd

M3 counterparts

Period	Credit to central government, net	Credit to central government	of which:		Deposits of central government	Longer-term financial liabilities	Deposits and other liabilities with agreed maturity over 2 years	households
			loans	debt securities				
			19	20					21	22	23	24	25	26
December 2018	275 697.1	346 352.2	1 042.6	293 297.0	70 655.1	407 306.0	25 675.8	21 836.1
January 2019	261 215.3	358 142.5	1 014.1	306 341.6	96 927.2	414 519.0	25 864.0	22 064.4
February	276 300.9	369 263.1	1 052.5	317 243.4	92 962.3	420 708.9	25 896.6	22 121.9
March	272 636.9	376 231.8	1 050.9	323 989.9	103 594.8	425 312.0	25 959.1	22 493.1
April	264 839.0	377 658.8	943.6	325 827.7	112 819.7	424 828.8	26 180.2	22 721.9
May	264 794.5	375 350.9	986.6	323 381.7	110 556.4	424 314.4	26 629.5	23 212.4
June	266 608.9	376 441.7	1 016.6	324 426.1	109 832.8	420 873.4	26 917.7	23 251.8
July	262 356.9	374 742.1	1 049.9	321 889.6	112 385.2	432 445.7	27 295.4	23 869.4
August	261 583.8	375 217.7	1 071.9	322 618.5	113 633.9	450 226.2	27 359.7	23 973.5
September	260 284.6	373 306.0	1 105.6	320 483.0	113 021.4	452 608.2	27 973.0	24 411.4
October	269 484.0	370 592.8	1 098.6	318 433.8	101 108.8	439 776.2	28 446.7	24 918.0
November	290 707.9	378 224.1	1 136.1	325 684.0	87 516.1	450 047.8	28 411.3	25 052.6
December	310 226.3	383 746.5	1 127.2	331 138.5	73 520.2	438 524.0	28 812.6	25 362.1

Period								Fixed assets (excluding financial fixed assets)	Other items (net)
	other financial corporations	non-financial corporations	non-profit institutions serving households	local government	social security funds	Debt securities issued with maturity over 2 years	Capital and reserves		
	27	28	29	30	31	32	33			34	35
December 2018	2 938.6	772.3	100.3	28.6	0.0	72 267.2	309 363.1	54 777.4	-31 363.9
January 2019	2 887.1	782.0	103.6	26.9	0.0	75 040.3	313 614.7	59 543.1	-38 493.6
February	2 865.4	788.0	94.4	26.9	0.0	76 437.7	318 374.6	60 303.7	-39 576.6
March	2 592.0	756.3	90.9	26.9	0.0	77 041.1	322 311.8	60 750.3	-41 033.4
April	2 579.6	764.9	88.4	25.3	0.0	76 980.8	321 667.8	60 703.7	-39 921.9
May	2 539.7	764.4	88.0	25.1	0.0	76 999.1	320 685.8	60 914.1	-40 128.2
June	2 750.5	799.5	90.4	25.6	0.0	77 168.6	316 787.1	61 026.7	-43 292.0
July	2 475.4	807.8	118.3	24.5	0.0	77 395.2	327 755.0	61 129.9	-38 922.1
August	2 442.9	806.0	113.2	24.2	0.0	77 960.9	344 905.5	61 467.4	-38 644.4
September	2 627.6	795.1	114.4	24.6	0.0	77 402.8	347 232.4	61 723.3	-40 951.0
October	2 613.0	788.5	102.4	24.8	0.0	77 423.3	333 906.2	61 470.5	-38 095.5
November	2 440.3	792.4	100.2	25.8	0.0	79 099.5	342 537.0	61 518.6	-39 638.3
December	2 540.8	783.8	100.3	25.6	0.0	78 383.0	331 328.4	62 007.1	-37 934.7

Table XI. Reserve money and counterparts (million zloty)

Period	Currency in circulation (including MFIs' vault cash)	Banks' current accounts	Required reserves	Reserve money	Net external assets	Credit to central government, net	Other items, net
	1	2	3	4	5	6	7
December 2018	219 198.2	72 141.8	804.7	292 144.7	392 619.3	-26 145.1	-74 329.5
January 2019	214 633.2	50 554.8	824.1	266 012.1	393 511.3	-27 608.4	-99 890.9
February	217 854.9	47 869.1	959.5	266 683.4	398 365.3	-25 189.1	-106 492.7
March	220 995.4	35 122.8	1 163.0	257 281.2	410 534.9	-34 339.7	-118 914.0
April	226 309.9	45 692.9	1 070.2	273 073.0	414 584.6	-37 595.2	-103 916.4
May	227 215.6	46 345.8	1 106.7	274 668.0	415 977.6	-31 598.3	-109 711.3
June	227 841.9	32 023.8	787.7	260 653.4	414 464.3	-35 041.5	-118 769.4
July	228 351.1	47 783.2	848.8	276 983.1	421 590.0	-29 935.1	-114 671.8
August	232 096.3	27 863.4	731.4	260 691.1	434 460.8	-14 251.0	-159 518.7
September	233 443.3	54 194.2	723.5	288 361.0	436 436.5	-13 101.0	-134 974.5
October	234 991.8	50 269.7	725.1	285 986.6	424 592.6	-18 301.3	-120 304.7
November	236 158.4	29 220.0	641.5	266 019.9	429 420.6	-9 847.0	-153 553.7
December	238 479.5	64 622.6	789.4	303 891.5	435 047.3	-24 111.3	-107 044.5

Methodological notes

TABLE I. Basic statistical data

Information contained in Table I is derived from the “Statistical Bulletin” of the Statistics Poland [GUS]. Definitions of the categories presented in the Table can be found in the GUS publications.

- 1 Data presented in pts. 1, 2, 6, 7, 10 and 12 comprise national economy entities regardless of their ownership type, i.e. public sector entities (state-owned entities, units of local government and mixed ownership, where public sector entities prevail) and private sector entities. The private sector includes units of private domestic ownership (among others: companies, cooperatives, natural persons conducting economic activities, social organizations, associations, foundations), private foreign ownership (among others: foreign enterprises branches, foreign representatives, partnerships with exclusive foreign capital share) and “mixed” ownership with a private sector unit capital majority or lack of sectors majority in unit capital.
- 2 The corporate sector comprises entities, which conduct their economic activities in the fields of: forestry, including the provision of services; marine fishing; mining and quarrying, manufacturing; electricity, water, gas and conditioned air production and supply; sanitation management and other sanitation services; construction; repair of motor vehicles, motorcycles; transport, storage and communication; wholesale and retail trade; hotels and restaurants; information and communication; real estate market services; legal services; accounting and tax services for head offices, management solutions; architecture and engineering services; technological research and analysis; advertising; market and public opinion polls; other professions, technical or academic activity; administration and support; recreational, cultural, sporting and other services computer repair and maintenance for individual clients; other business activities.
- 3 According to the Polish Statistical Classification of Economic Activities [PKD 2007], the notion of “industry” applies to the following sections: “mining and quarrying”, “manufacturing” and “electricity, gas and water production and supply” as well as water supply sanitation management and other sanitation services.
- 4 Data on the sold production of industry (pt. 1), and the construction and assembly production (pt. 2) refer to economic entities with of more than 9 employees.
- 5 Data on the value of the sold production of industry (pt. 1) and the construction and assembly production (pt. 2) are disclosed net without the due value added tax (VAT) and the excise tax, while they include subsidies for specific purposes to products and services in the so-called base prices.
- 6 Construction and assembly production data (pt. 2) refer to works performed in Poland on commission (i.e. for third-party) and directly (i.e. without subcontractors)

by the business entities of the construction sector, i.e. classified under “construction” according to the PKD 2007.

- 7 Information on the sold production of industry (pt. 1) and the construction assembly production (pt. 2) are disclosed without seasonal adjustments.
- 8 Data on employed persons include persons employed on a full and part-time basis in the main place of work. Employed persons include: persons employed on the basis of a labour contract; owners and co-owners of units engaged in economic activities including contributing family members; outworkers; agents and persons employed by agents; members of agricultural production co-operatives. Data presented in the “Bulletin” do not include private farmers or employees of budget entities conducting activity within the scope of national defence and public safety.
- 9 Unemployment rate (pt. 9) is calculated as a percentage share of the unemployed in the total of employed and unemployed persons over 15 years of age.
- 10 Revenues from privatisation do not constitute the current revenues of the state budget; instead they finance the budget deficit (pt. 11).
- 11 Data on financial results of enterprises (pt. 12) pertain to business units that keep accounting books (except for the following units, classified according to PKD 2007 under “Agriculture, forestry hunting and fishing” and “Financial and insurance services”) with more than 49 employees.

TABLE II. Financial market – basic information

Information comprised in Table II has been derived from NBP (save for the data in pt. 5, 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, NBP no longer sets the central bank discount rate (pt. 1, col. 5).
- 3 Total reserve requirements (pt. 2, col. 12) pertain to the volumes declared by banks and binding on the last day of the month. Since 28 February 2002, the total reserve requirements are held exclusively on the NBP accounts.
- 4 Information on Treasury bill tenders (pt. 3, except for the stocks of bills in circulation at the end of the month – col. 18) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased. The stock of bills in circulation at month end has been determined on the basis of the agreed maturity, calculated from the day after the tender which resulted in the sale of the bill. The above stock does not include bills in circulation which do not stem from tenders.

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- 5 Information on tenders for the NBP money-market bills (pt. 4, except for the stock of bills in circulation at month end – col. 24) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased.
 - 6 The below presentation of indices comprises precise data involving the situation of the largest (WIG 20), medium (mWIG40) and small stock companies (sWIG80).
 - WIG20 index has been calculated since 16 April 1994 based on the value of portfolio with shares in 20 major and most liquid companies in the main stock market. The initial value of WIG20 index was 1,000 points. It is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The WIG20 index may not include more than 5 companies from a single exchange sector.
 - mWIG40 index is successor of MIDWIG index and has been calculated since 31 December 1997 and comprises 40 medium size companies listed at WSE. The initial value of index was 1,000 points. mWIG40 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The mWIG40 index excludes WIG20 and sWIG80 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 1 billion.
 - sWIG80 index is successor of WIRR index that has been calculated since 31 December 1994 and comprised 1% of smaller companies listed at WSE. The initial value of index was 1,000 points. sWIG80 is a price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The sWIG80 index excludes WIG20 and mWIG40 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 100 million.
 - 7 The indices comprise companies from all the quotation markets.
 - 8 Capitalization refers only to domestic companies.
 - 9 The P/E ratio shows the relation of the market price to net earnings and is calculated as a quotient of the total market value of companies at month end to their aggregated profits and losses generated within the last 4 quarters, for which financial data are available.
 - 10 The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.
 - 11 The monthly turnover value and the turnover ratio comprise the continuous quotation and fixing.

TABLE III. PLN/USD and PLN/EUR daily exchange rates

The information has been based on the data of Narodowy Bank Polski.

- 1 NBP average exchange rate is the official exchange rate used for statistical and accounting purposes.
- 2 The average PLN/USD and PLN/EUR exchange rates and the USD/EUR ratio were calculated as the arithmetic average of NBP average exchange rates for a month (based on daily exchange rates).

Monetary statistics

Narodowy Bank Polski releases monetary statistics based on data received from monetary financial institutions (MFI).

Sectoral classification

The below sectoral classification of institutional units of the economy is compliant with the rules set forth in the regulation (EU) No. 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (hereinafter referred to as ‘ESA 2010’). The details in NBP website <https://www.nbp.pl/en/statystyka/m3/Sectoral-classification-of-the-economy-in-monetary-statistics.pdf>.

Financial sector comprises the following sub-sectors:

- monetary financial institutions (MFIs) – include banks, credit unions and money market funds (MMFs);
- non-MMF investment funds;
- insurance corporations;
- pension funds;
- other financial intermediaries – include financial leasing companies, factoring companies, brokerage offices, and financial companies created for securitization of assets;
- financial auxiliaries and captive financial institutions and money lenders – include bureaux de change, bourses, hire purchase institutions.

Non-financial sector comprises the following sub-sectors:

- non-financial corporations – include state-owned corporations, private corporations, co-operatives and individual entrepreneurs employing more than 9 persons;
- households comprising:
 - individuals,
 - farmers,
 - individual entrepreneurs employing up to 9 persons;

-
- non-profit institutions serving households.

General government sector comprises the following sub-sectors:

- central government – includes among others public authorities, government administration, state control and law enforcement institutions, courts and tribunals, state colleges and universities, state cultural institutions, etc.);
- local government – includes, among others, self-government bodies, public schools run by local government units, local state cultural institutions, institutions of social assistance);
- social security funds – comprises Zakład Ubezpieczeń Społecznych (ZUS – Social Insurance Institution) and Kasa Rolniczego Ubezpieczenia Społecznego (KRUS – Agricultural Social Insurance Fund), and funds managed by them, Narodowy Fundusz Zdrowia (National Healthcare Fund) and its regional 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 (21):

- 1 Powszechna Kasa Oszczędności Bank Polski SA
- 2 Bank Handlowy w Warszawie SA
- 3 ING Bank Śląski SA
- 4 Santander Bank Polska SA
- 5 mBank SA
- 6 Bank Millennium SA
- 7 Bank Polska Kasa Opieki SA
- 8 Bank Ochrony Środowiska SA
- 9 Bank Polskiej Spółdzielczości SA
- 10 Credit Agricole Bank Polska SA
- 11 Idea Bank SA
- 12 BNP Paribas Bank Polska SA
- 13 Santander Consumer Bank SA
- 14 mBank Hipoteczny SA
- 15 Getin Noble Bank SA
- 16 Alior Bank SA
- 17 Polski Bank Spółdzielczy w Ciechanowie
- 18 Krakowski Bank Spółdzielczy
- 19 Podkarpacki Bank Spółdzielczy
- 20 Wielkopolski Bank Spółdzielczy
- 21 Bank Spółdzielczy w Brodnicy.

At the end-December 2019, the above banks held 85% of deposits of residents and 83% of credit to households and non-financial corporations. From December 2014 onwards, new

methodology for calculating average weighted interest has been applied. New method involves using data on reporting agent's homogenous groups (layers). For more information please refer to http://www.nbp.pl/en/statystyka/oproc/mir_new/manual_mir.pdf.

TABLE V. Average MFI interest rates on new and renegotiated business, PLN denominated

Information refers to agreements carried out in a given reporting month. Renegotiated existing agreements shall be deemed new businesses.

Interest rates in the statistics on new businesses differ from those in Table IV. The formula is applied to statistical information on new businesses, also known as narrowly defined effective rate (NDER). The concept of narrowly defined effective rate was coined as an opposite to widely understood effective interest rate or real interest rate (RIR). The NDER included, the new business statistics provides RIR for the second category of consumer and house purchase loans. As opposed to the NDER, which covers for interest costs of capital the real interest rate incorporates all charges paid by the borrower. These charges are most of all commissions (brokers included) but also compulsory loan insurance premiums against death or unemployment of the borrower.

For the table V data are collected from the same sample of banks as in case of Table IV. Weighted average is calculated with the use of the same method.

TABLE VI. Average MFI interest rates on new and renegotiated business, EUR denominated

General rule of calculating interest rate are the same as for Table IV (see star-marked lines) and Table V. The Table IV and V sample of banks applies as well.

General comments on tables VII, VIII, IX

- 1 The figures refer to the end of each reporting month and have been derived from balance sheets received from the banks and from the balance sheet of Narodowy Bank Polski and credit unions and money market funds.¹
- 2 The presentation is structured in accordance with the ECB standards.
- 3 Assets in Tables VII, VIII, IX are shown gross of provisions, accumulated depreciation (except for debt securities presented at the carrying amount).

¹ See footnote 1.

TABLE VII. Aggregated balance sheet of other monetary financial institutions – assets and liabilities

- 1 Loans and other claims on domestic residents (assets col. 2) loans granted, debt purchased, realised guarantees and sureties, other claims and claims on repurchase agreements.
- 2 Debt securities (assets col. 6) are debt securities issued by domestic residents and held by other monetary financial institutions.
- 3 Money market funds shares/units² purchased by other MFIs (assets col. 10).
- 4 Equity and non-MMF investment fund shares or units (assets col. 11) include shares, and fixed financial assets issued by domestic residents.
- 5 External assets (assets col. 14) include all assets of non-residents denominated in zloty and foreign currencies.
- 6 Fixed assets (assets col. 15) include total fixed assets except for financial fixed assets.
- 7 Remaining assets (assets col. 16) other cash equivalents held at other monetary financial institutions, vault cash excluded, as well as other claims and interest due and not due on loans and other claims, settlement accounts, claims on third parties, deferred income and expenditure, claims on financial derivatives positions, valuation adjustments, rights issue, other assets.
- 8 Deposits and other liabilities to domestic residents (liabilities col. 1) comprise overnight deposits, deposits with agreed maturity, blocked deposits, loans received, claims from cash collateral (classified to “with agreed maturity”), other liabilities and claims on repurchase agreements, subordinated loans except for those in the form of securities issued.
- 9 Money market funds shares/units³ issued are liabilities of money market funds against shares/units issued (liabilities col. 8).
- 10 Debt securities issued (liabilities col. 9) are liabilities on own debt securities issued by other monetary financial institutions and subordinated claims in the form of securities issued (purchased by residents and non-residents).
- 11 Capital and reserves (liabilities col. 10) comprise share paid-in capital, called-up capital unpaid, own shares, accumulated reserves, general risk provisions, reserve capital and retained earnings, supplementary funds provisions, including specific provisions, impairment allowances, mortgage notes reserves, specific provisions for off-balance liabilities, general risk provisions.
- 12 External liabilities (liabilities col. 11) include all liabilities of non-residents denominated in zloty and foreign currencies, except for debt securities issued.

² See footnote 1. Zero-sum in “Money market fund shares/units” results from change indicated in the footnote 1.

³ See footnote 1.

- 13 Remaining liabilities (liabilities col. 12) include interest not due on deposits and other liabilities and interest on debt securities issued, suspense and transit items, liabilities against third parties, deferred income and expenditure, liabilities from financial derivatives positions, other liabilities, valuation adjustments.

TABLE VIII. Balance sheet of Narodowy Bank Polski

- 1 Domestic assets – column 1 – (zloty and foreign currency) loans and other receivables from resident sectors, debt securities issued by resident sectors, equity and non-MMF investment shares/units, fixed assets and remaining assets.
- 2 External assets – column 2 – NBP receivables from non-residents denominated in zloty and foreign currencies.
- 3 Currency in circulation (including MFIs' vault cash) – column 1 – banknotes and coins (excluding commemorative banknotes and coins) issued by NBP.
- 4 Deposits and other liabilities to domestic residents – column 2 – (zloty and foreign currency) funds of resident sectors placed with NBP on overnight deposits, deposits with agreed maturity, required reserve deposits, repos and other liabilities.
- 5 Debt securities issued – column 6 – debt securities issued by NBP.
- 6 Capital and reserves – column 7 – statutory fund, reserve fund, profit/loss of the current year and reserves.
- 7 External liabilities – column 8 – NBP liabilities to non-residents denominated in zloty and foreign currencies.
- 8 Remaining liabilities – column 9 – liabilities not included elsewhere (which may include accrued interest on deposits, financial derivative positions, suspense items, transit items).

TABLE IX. Consolidated balance sheet of monetary financial institutions – assets and liabilities

- 1 Table IX comprises consolidated balance sheet of monetary financial institutions.
- 2 In the assets and liabilities of the above-mentioned balance sheet, domestic inter-MFI operations have been netted out.
- 3 Remaining assets (assets col. 10) and currency in circulation (liabilities col. 1) were decreased by cash in vaults of other monetary financial institutions.

List of the most important abbreviations

BIS	Bank for International Settlements
bp	basis point
CPI	Consumer Price Index
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
ESCB	European System of Central Banks
ESRB	European Systemic Risk Board
EU	European Union
Fed	Federal Reserve System
FSC	Financial Stability Committee (Komitet Stabilności Finansowej)
GDP	Gross Domestic Product
GUS	Statistics Poland (Główny Urząd Statystyczny)
IMF	International Monetary Fund
KDPW SA	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych SA)
KIR SA	National Clearing House (Krajowa Izba Rozliczeniowa)
KNF	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
MPC	Monetary Policy Council
NBP	Narodowy Bank Polski
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
UKNF	Office of the Polish Financial Supervision Authority (Urząd Komisji Nadzoru Finansowego)
WB	World Bank

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