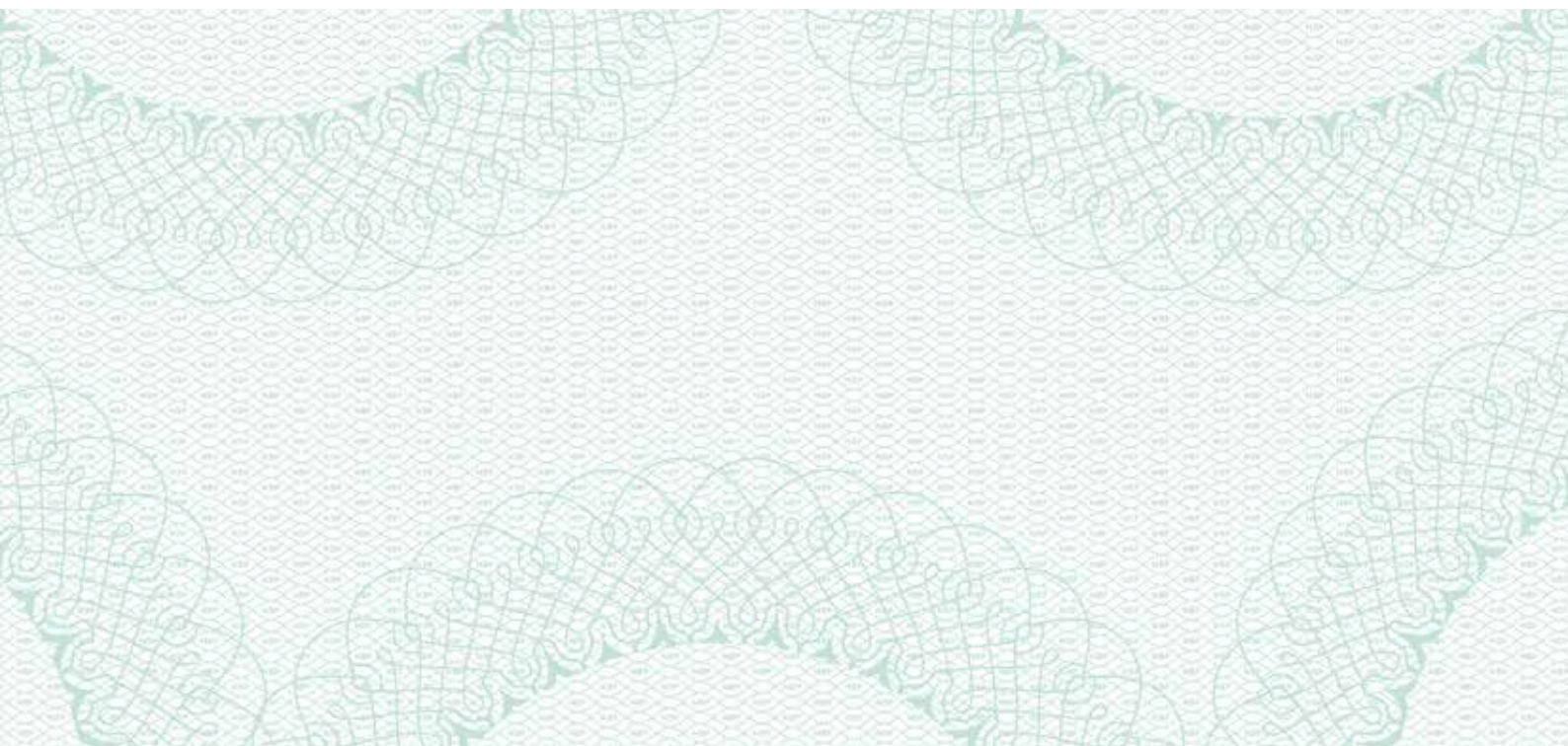




NARODOWY  
BANK POLSKI

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# Annual Report 2020



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# Annual Report 2020

Warsaw 2021

Compiled on basis of NBP materials

Photo of the President of NBP  
Piotr Małecki

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Adam Glapiński  
Prezes Narodowego Banku Polskiego

Dear Readers,

Last year was undoubtedly a very difficult period for the global economy. The coronavirus pandemic we were confronted with affected many aspects of social and economic life. The crisis it caused led to the greatest downturn in global economic activity recorded for years. In order to counteract its effects, the governments of many countries and central banks have undertaken anti-crisis measures, often to an unprecedented extent and scope.

In Poland too, the pandemic and the related restrictions led to a sharp decline in the economic activity last year. The risk of deep recession and a long-lasting reduction in economic growth was imminent, which would have resulted in the bankruptcy of many companies, increased unemployment and shrinking incomes for the population. This was accompanied by the risk of inflation

falling below the NBP target in the medium term.

For this reason, despite the significant uncertainty about the course of the pandemic and its consequences, Narodowy Bank Polski quickly and decisively introduced measures aimed at supporting the Polish economy. The most important of these included a three-time reduction in interest rates, including the reference rate, by a total of 1.4 percentage points to 0.1%, and the launch of structural open market operations. As part of these operations, in 2020 NBP purchased Treasury bonds and bonds guaranteed by the State Treasury with a total nominal value of PLN 107.1 billion on the secondary market, strengthening the effect of interest rate cuts and supporting the liquidity of the secondary market for these bonds.

In retrospect, there is no doubt that the anti-crisis measures taken by NBP were effective and significantly reduced the costs of the pandemic for the Polish economy, Polish enterprises and, above all, for Polish citizenry. Monetary policy easing contributed primarily to a significant easing of financing conditions in the whole economy and allowed for the rapid launch of anti-crisis programmes, which served to maintain the liquidity of companies and protect jobs. Moreover, the costs of these programmes were significantly reduced.

As a result of NBP's actions, the expenditure of households and enterprises related to debt servicing decreased by PLN 7 billion a year, while savings of the state budget related to the cost of public debt servicing are estimated at PLN 7.2 billion in the last year alone. By reducing the burden on existing borrowers, the NBP interest rate cuts supported economic activity and limited the risk of a strong deterioration in the quality of the loan portfolio of banks. The risk of a credit crunch was also mitigated by the repeal of the systemic risk buffer, as recommended by the Financial Stability

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Committee, a macroprudential body chaired by the President of NBP.

The purchase of debt securities as part of structural open market operations and the reduction in the required reserve ratio had an impact in terms of mitigating the risk of banking activities and supporting the stability of the financial sector. Notwithstanding the unprecedented magnitude of the shock, in 2020 no bank had to be supported by a refinancing loan, while the liquidity of the banking sector increased by PLN 97.4 billion, despite a significant increase in the demand for cash under pandemic conditions.

As a result of an increase in the prudential function of cash and its function as a store of value, the value of cash in circulation at the end of 2020 amounted to PLN 321.8 billion and was PLN 83 billion higher than in the previous year. Despite the record scale of this increase, comparable to the total increase in the previous four years, NBP overcame the logistical challenges by ensuring the efficient and uninterrupted supply of Polish currency to banks, thus enabling citizens to have access to cash through ATMs and bank outlets.

Summarising another year of my term of office as the President of NBP, I am very pleased to state that Narodowy Bank Polski, owing to favourable market conditions and effective investment decisions, generated a record profit of PLN 9.3 billion. This allowed it to pay a contribution to the state budget in the amount of PLN 8.9 billion, in accordance with the applicable regulations.

On the occasion of the publication of the *Annual Report 2020* of Narodowy Bank Polski, I would like once again to express my gratitude to all public institutions and the banking sector for taking measures to mitigate the social and economic effects of the pandemic. Despite unfavourable conditions, these measures enabled NBP, on the one hand, to fulfil its statutory objectives and, on the other hand, to actively support the Polish economy during this crisis.





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## MONETARY POLICY COUNCIL

### **Chairman:**

Adam Glapiński

### **Members:**

Grażyna Ancyparowicz

Eugeniusz Gatnar

Łukasz Hardt

Cezary Kochalski

Jerzy Kropiwnicki

Eryk Łon

Rafał Sura

Kamil Zubelewicz

Jerzy Żyżyński

## NBP MANAGEMENT BOARD

### **Chairman:**

Adam Glapiński

### **Vice President of NBP – First Deputy President of NBP\*:**

Piotr Wiesiołek

Marta Kightley

### **Vice President of NBP\*\*:**

Anna Trzecińska

Adam Lipiński

### **Members\*\*\*:**

Teresa Czerwińska

Andrzej Kaźmierczak

Ryszard Kokoszczynski

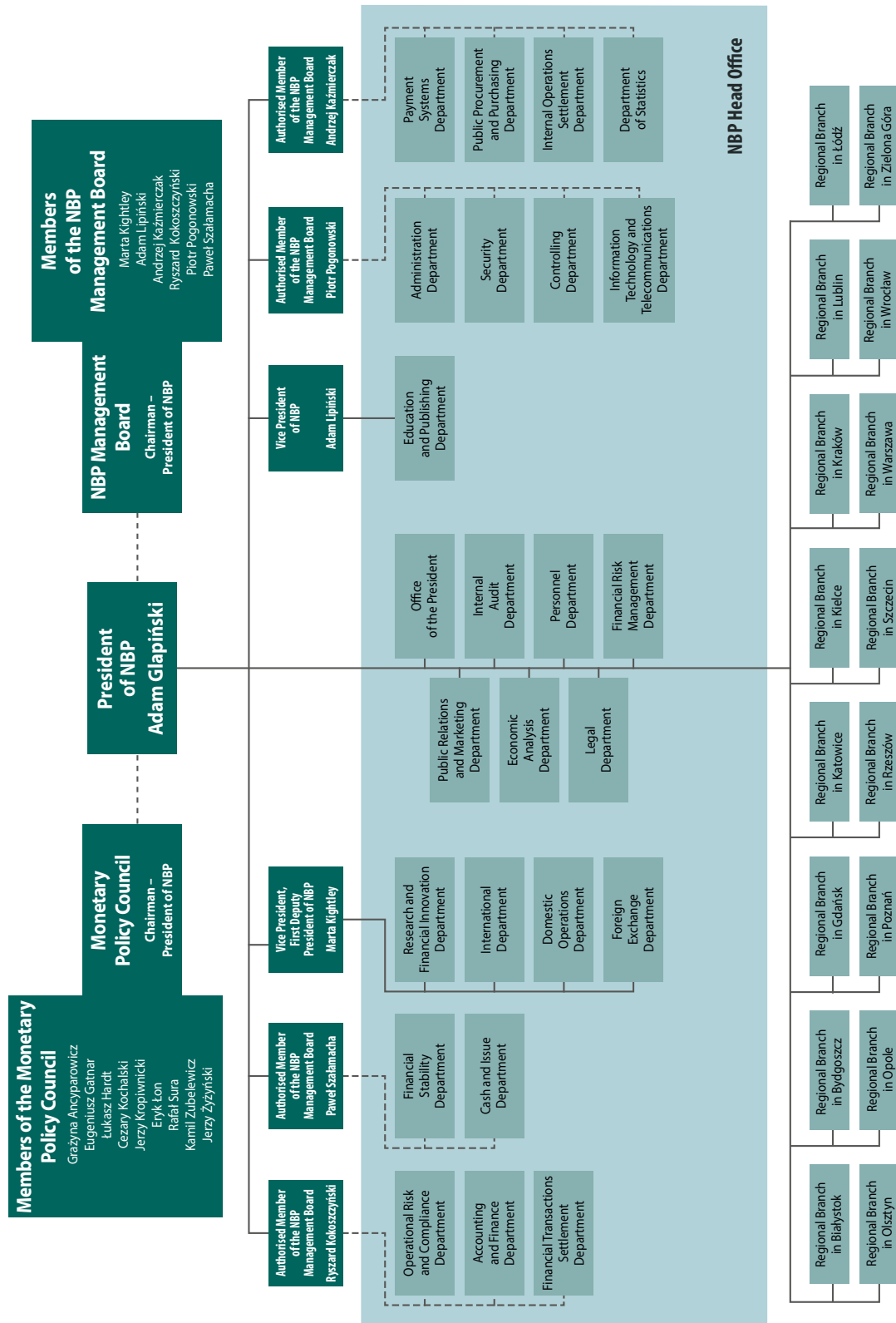
Piotr Pogonowski

Paweł Samecki

Paweł Szalamacha

- \* 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 Member of the NBP Management Board and Vice President, First Deputy President of NBP.
- \*\* On 3 November 2020 Ms Anna Trzecińska ceased to be a member of the NBP Management Board and Vice President of NBP as her term of office came to an end. On 4 November 2020 Mr Adam Lipiński was appointed Member of the NBP Management Board and Vice President of NBP.
- \*\*\* 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 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 1 January 2021 Ms Marta Gajęcka was appointed Member of the NBP Management Board.

# Organization Chart of Narodowy Bank Polski as at 31 December 2020



----- Day-to-day oversight exercised in accordance with authorisations granted by the NBP President to the Members of the Management Board.  
 \_\_\_\_\_ Day-to-day oversight exercised on the basis of the NBP reporting structure, according to the areas of work of organisational units assigned by the NBP President to be managed by the NBP Vice Presidents.



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# Summary



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# 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 2020, NBP conducted its activities in line with the *Monetary Policy Guidelines for 2020* and *Narodowy Bank Polski Plan of Activity for 2020–2022*.
2. The Report presents the implementation of the statutory responsibilities of NBP in 2020 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 legislative activity, the internal development as well as the overview of the economic and financial position of NBP as at 31 December 2020.
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 2020, the organisational structure of NBP comprised the Head Office and 16 organisational units.
4. In 2020, NBP performed its tasks under the conditions of the COVID-19 pandemic. From March 2020, NBP was taking actions adequate to the related challenges experienced by the Polish economy. These actions were positively assessed by international institutions.
5. In 2020, monetary policy was conducted in line with *Monetary Policy Guidelines for 2020*. As in previous years, the main objective of monetary policy in 2020 was to maintain price stability, while at the same time supporting sustainable economic growth and financial system stability. In the conduct of monetary policy, NBP continued to apply the inflation targeting strategy. Since 2004, the medium-term inflation target has been maintained at a level of 2.5%, with a symmetrical band for deviations of  $\pm 1$  percentage point. In 2020, with the outbreak of a global pandemic and the associated severe economic downturn worldwide and in Poland, as well as the expected reduction of inflation, NBP significantly eased its monetary policy. The Monetary Policy Council cut the NBP interest rates, including the reference rate from 1.5% to 0.1%, as well as the required reserve rate from 3.5% to 0.5%. NBP was also conducting structural open market operations involving the purchase of government securities and government-guaranteed debt securities in the secondary market. Moreover, NBP made available to banks a possibility of using bill discount credit. At the end of 2020 – in view of the risk of pro-cyclical appreciation of the zloty exchange rate – NBP intervened in the currency market in order to strengthen the impact of the easing of monetary policy on the economy. When easing monetary policy in 2020, NBP took into consideration the fact that as a result of the pandemic and the collapse of activity in the global economy there would be a sharp drop in economic

activity in Poland, which – in the absence of a significant easing of macroeconomic policy, including monetary policy – would be accompanied by a significant and relatively durable deterioration in the financial situation of enterprises and households, a fall in employment and increase in unemployment, and a decline in wage growth. In these conditions, in the absence of a significant easing of NBP's monetary policy, the risk of inflation running below the NBP inflation target in the medium term would also rise. The actions of NBP contributed to the easing of monetary conditions in the economy, including the decrease in interest rates on loans, the fall in yields on government and government-guaranteed bonds, and provided liquidity to the market for these bonds. The monetary policy easing reduced the scale of the fall in economic activity and the cost of the pandemic for the labour market. The fall in real GDP in Poland was less than half the average in the European Union (EU), while the unemployment rate in Poland at the end of 2020 was one of the lowest in the EU. The monetary policy pursued simultaneously ensured the realisation of the basic objective of the activity of NBP, which is to maintain inflation at the level consistent with the NBP's medium-term inflation target ( $2.5\% \pm 1$  percentage point). Consumer price inflation in December 2020 amounted to 2.4% y/y and averaged 3.4% in annual terms. Due to their positive impact on the financial situation of debtors, NBP's measures in 2020 also reduced credit risk, the increase of which was the most important channel of the impact of the pandemic on the banking system stability.

6. In 2020, Narodowy Bank Polski conducted its monetary policy using instruments provided for in the *Monetary Policy Guidelines for 2020*. In addition to the standard instruments used in previous years, due to the scale and nature of the economic shock caused by the pandemic, and hence the scale and the type of the required NBP response, it was necessary to apply instruments that were not used in recent years or were used only in exceptional situations, such as outright purchases of bonds, fine-tuning repo operations, changes in the reserve requirement, bill discount credit and foreign exchange interventions. The NBP interest rates were the key instrument of monetary policy. In 2020, the Monetary Policy Council lowered the NBP interest rates, including the reference rate from 1.50% to 0.10%. By determining the yield on open market operations, the NBP reference rate influenced short-term market interest rates. As in previous years, the operational target of monetary policy was to keep the POLONIA rate close to the NBP reference rate. In the whole of 2020, the POLONIA rate was consistent with the monetary policy stance. In 2020, the average absolute deviation of the POLONIA rate from the NBP reference rate was 17 bps. The operational target of monetary policy was pursued mainly through main open market operations, performed regularly, once a week, usually with a 7-day maturity, with a complementary role of fine-tuning operations. In 2020, the average volume of the NBP bill issue categorised as main open market operations was PLN 133,464 million, while in the case of fine-tuning operations it reached PLN 1,236 million. In March 2020, NBP launched structural open market operations involving the purchase of debt securities in the secondary market. The purpose of these operations was to change the long-term liquidity structure in the banking sector, to ensure liquidity of the secondary market for the purchased securities and to enhance the impact of the NBP interest rate cuts on the economy, i.e. to strengthen the monetary transmission mechanism. As part of its structural operations, NBP purchased government bonds and – from April 2020 – government-guaranteed bonds. In 2020, NBP purchased debt securities with a total nominal value of PLN 107.1 billion in the secondary market, providing the banking sector with liquidity in the amount of PLN 112.9 billion. Launching

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and conducting of the mentioned structural open market operations by NBP in 2020 stabilised the bond market covered by the purchases, increased liquidity of this market and reduced bond yields, and thus strengthened the impact of the NBP interest rate cuts on the economy. On 16 March 2020 NBP also performed a fine-tuning repo operation, injecting liquidity into the banking sector in the amount of PLN 7.3 billion for a period of 4 days. NBP remained ready to conduct such operations later in the year. Moreover, on 17 March 2020, the Monetary Policy Council decided to lower the required reserve ratio from 3.5% to 0.5% and to align the interest rate on required reserve with the level of the NBP reference rate. In April 2020, NBP started offering banks bill discount credit aimed at refinancing loans granted to entrepreneurs. In 2020, the total amount of bill discount credit reached PLN 52.9 million. In 2020, the lombard credit and overnight deposits offered by NBP enabled banks to replenish shortages and deposit their surplus funds with the central bank. The average daily use of these instruments amounted to PLN 0.06 million and PLN 3,193.2 million, respectively. In December 2020, NBP, as part of its foreign exchange interventions, purchased a certain amount of foreign currency in exchange for zloty.

In 2020, the surplus liquidity in the banking sector increased considerably, primarily due to the monetary policy measures taken by NBP. The level of funds at the disposal of the banking sector in excess of the required reserve averaged PLN 183,798 million in December 2020 and was by PLN 97 357 million higher than in the corresponding period of 2019. The increase in the liquidity surplus was driven primarily by purchases of debt securities in the secondary market, conducted by NBP since March 2020 as part of its structural open market operations. The reduction in the basic required reserve ratio also added liquidity to the banking sector. Another factor contributing to higher liquidity surplus in the banking sector was the foreign exchange transactions conducted by NBP, including the purchase of foreign currency from the Ministry of Finance. This increase was partially limited by the NBP sales of foreign currency to the European Commission. On the other hand, excess liquidity in the banking sector was curbed in 2020 by the significant rise in currency in circulation.

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 2020, NBP continued to undertake activities aimed at developing the payment system and safeguarding its smooth functioning. Moreover, Narodowy Bank Polski participated in developing legal provisions on the banking sector, conducted analyses and research on the national banking system and cooperated with the Polish Bank Association.
8. In 2020, the activities for the stability of the financial system consisted mainly in counteracting the risks associated with the COVID-19 pandemic, particularly for the banking sector, and undertaking necessary steps mitigating those risks. Narodowy Bank Polski also conducted regular analyses and research concerning the stability and development of the financial system, both nationally and internationally. The results of the work were presented in periodical publications. In 2020, NBP performed its statutory obligations by organising the work of the Financial Stability Committee for macroprudential supervision (FSC-M) and providing analytical and legal services to the Committee. NBP was also

involved in the 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).

9. The main goal of currency issue by NBP was to ensure safety and liquidity of cash transactions. The value of currency in circulation (including bank vault cash) rose by 34.8% to amount to PLN 321.8 billion at the end of December 2020. This growth considerably exceeded the values recorded in recent years and was associated with the increased demand for cash during the COVID-19 pandemic. Narodowy Bank Polski ensured uninterrupted supply of banknotes and coins to banks despite a higher extent of the increase in the value of currency in circulation. In 2020, NBP issued the following collector items: 4.87 thousand pieces of gold coins and 224 thousand pieces of silver coins as well as 60 thousand pieces of collector notes. Moreover, Narodowy Bank Polski initiated work on the National Cash Security Strategy.
10. In the management of foreign exchange reserves, NBP seeks to ensure the safety and adequate liquidity of invested funds. At the same time, while observing these criteria, it also undertakes measures aimed at raising the yield on the reserves. In 2020, the income on investment related to foreign exchange reserves management, excluding realised and unrealised exchange rate differences, amounted to PLN 6.9 billion (compared to PLN 7.6 billion in 2019). In 2020, Narodowy Bank Polski introduced changes in the investment structure of reserves in order to mitigate financial risks under the COVID-19 pandemic conditions as well as to increase the yield on reserves. It also conducted a review of the strategy of the foreign exchange reserve management. As a result of the review, with the aim to increase long-term yield on the reserves further, gradual extension of investment instruments was assumed.
11. Foreign exchange activity of NBP involves maintaining a register of bureaux de change, issuing decisions on foreign exchange matters and carrying out statutory inspections. In 2020, a total of 644 inspections relating to foreign exchange matters were carried out, 27 decisions on foreign exchange matters and 36 decisions to impose an administrative penalty were issued. As at 31 December 2020, a total of 4752 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. In 2020, Narodowy Bank Polski addressed the Minister of Finance about taking action aimed at more detailed regulation of the legal status of cash payment acceptance. It also started analytical work related to the planned launch in 2025 of a new RTGS system in PLN compliant with the ISO 20022 standard. In addition, it launched preparations for migration to the new settlement model in the STEP2-T system and monitored the payment system infrastructure in view of the possible impact of the COVID-19 pandemic on the functioning of the payment systems and payment schemes.
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 2020, NBP operated 25,719 accounts for 2953 clients. In 2020, NBP participated in the handling of the European instrument for temporary support to mitigate unemployment risks



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in an emergency (SURE) and operated the so-called joint account for collecting tax and non-tax revenues of the state budget with the use of micro-accounts. Narodowy Bank Polski handled the State Budget foreign liabilities and claims and trade in Treasury securities (in total, 38 sale, swap and redemption auctions for these securities were organised) and cooperated with the Ministry of Finance within the Public Debt Management Committee.

14. In 2020, the most important economic research on macroeconomic stability conducted by NBP focused on monetary policy, including macroeconomic effects of monetary easing in Poland, price-setting processes, prices and inflation, macroeconomic forecasting, the fiscal situation and the situation of the economy. Forecasting tools were upgraded (e.g. the NECMOD model was expanded with new categories in order to evaluate the impact of monetary easing) and numerous modelling exercises were carried out. Their results were used in the decision-making process by the NBP Management Board and the Monetary Policy Council. In 2020, two international scientific conferences and two open scientific seminars were organised. Eight academic papers by NBP staff were published in journals from the ISI Master journal of the so-called Philadelphia list.<sup>1</sup>
15. In 2020, 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 2020, the development of Krajowy Rejestr Kredytowy (national credit register) principles continued at NBP, changes in macroprudential statistics were implemented in compliance with the requirements of the EBA project EUCLID, EBA guidelines on new reporting requirements due to the COVID-19 pandemic were introduced and research on migration processes was extended to all voivodeships.
16. In 2020, Narodowy Bank Polski was the initiator and participant of educational projects carried out across the country. In 2020, the offer of Sławomir S. Skrzypek NBP Money Centre was extended to include new electronic content. Moreover, NBP conducted information and promotional campaigns on, among others, popularisation of NBP's measures aimed at counteracting the economic effects of the COVID-19 pandemic and the launch of a new educational facility of NBP – the Kraków Economic Salon.
17. In 2020, NBP participated in the work of the Standing Committee of the Council of Ministers, the Committee for European Affairs and other inter-ministerial bodies and cooperated with government bodies by issuing opinions on draft normative acts regarding economic policy and with relevance for 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 proposals of EU legislation and draft legal acts of individual EU Member States. The drafts covered in particular issues related to financial supervision, financial stability strengthening as well as financial instruments. The national and European legislation reviewed in 2020 also included regulations introduced in response to the COVID-19 pandemic.
18. In 2020, NBP representatives participated in the work of the European bodies, including the General Council of the ECB, the General Council of the European Systemic Risk Board (ESRB), the committees and working groups of the ESCB and the ESRB, the committees

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

and working groups of the Council of the European Union and the European Commission. The most important work focused on completing the establishment of the banking union, deepening of the capital markets union and counteracting the economic impact of the COVID-19 pandemic. In 2020, NBP cooperated with international economic and financial organisations, including the World Bank Group, the International Monetary Fund, the European Bank for Reconstruction and Development and the Bank for International Settlements. In 2020, NBP took action to promote the appointment of a representative of Poland to the position of Executive Director of the World Bank Group and provided professional support in the Director's tasks. Moreover, NBP fulfilled tasks related to the continuation of Poland's participation in the temporary increase of the IMF financial resources (under NAB and the bilateral loan agreement) and carried out assistance activities in the international arena, including the implementation of the twinning project for the National Bank of Ukraine, having won the competition for the provision of such assistance.

19. In 2020, the average headcount at NBP was 43 full-time posts higher than in 2019 and amounted to 3,355 full-time posts. This increase was due, among others, to the extension of tasks in payment system reporting as well as the development and modernisation of NBP IT systems.
20. The financial result of NBP as at the end of 2020 amounted to PLN 9.3 billion. The following factors affected the level of the result: the positive result on the management of foreign exchange reserves (+PLN 6.9 billion), the positive result on exchange rate differences (+PLN 6.3 billion), the positive result on the monetary policy conducted by NBP (+PLN 0.5 billion), operating expenses and depreciation (-PLN 1.3 billion), and expenses on transfer to FX risk provision (-PLN 3.2 billion), due to the obligation arising from the Act on NBP.



Chapter 1

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# 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 2020, 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<sup>1</sup> 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 2020, the President of NBP issued 27 ordinances concerning, in particular, the issue of banknotes and coins, 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, as well as the detailed method and procedure of exchange of banknotes and coins that as a result of their being worn or damaged cease to be legal tender in the Republic of Poland. Moreover, the President of NBP issued 8 announcements: 6 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 2019 and an announcement concerning the publication of the list of convertible currencies.

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 2020, the Monetary Policy Council acted in accordance with the *Monetary Policy Guidelines for 2020*. In 2020, the MPC held 15 meetings (including 12 decision-making meetings), adopting 14 normative resolutions. MPC resolutions were published in *Monitor Polski (Official Gazette)* and *Dziennik Urzędowy Narodowego Banku Polskiego (Official Journal of Narodowy Bank Polski)*.

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<sup>1</sup> Due to the COVID-19 pandemic the majority of events (meetings, conferences, training sessions, etc.) described in this *Annual Report* was conducted remotely.

In 2020, the Monetary Policy Council adopted 3 resolutions on the reference rate, the interest rate on refinancing loans, the interest rate on term deposits and the rediscount rate and the discount rate on the bills of exchange at Narodowy Bank Polski (Table 1.1). It also adopted two resolutions amending the resolution on the required reserve ratio for banks, credit unions and the National Association of Credit Unions and the remuneration on the required reserve (Table 1.2).

**Table 1.1.** NBP interest rates as at the end of 2019 and 2020 (in %)

Reference rate		Lombard rate		Deposit rate		Rediscount rate		Discount rate*	
31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
1.50	0.10	2.50	0.50	0.50	0.00	1.75	0.11	–	0.12

\* On 17 March 2020, the MPC decided to introduce a discount rate on bills of exchange as of 18 March 2020.

Source: NBP data.

**Table 1.2.** Required reserve ratios and the remuneration on the required reserve balances as at the end of 2020

Required reserve ratio / remuneration of the required reserves	in %	In force as of
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	0.50	30.04.2020 r.
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	1.03.2018 r.
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*	0.10	29.05.2020 r.

\* 1.0 of the reference rate.

Source: NBP data.

The resolutions adopted by the MPC in 2020 concerned:

- amending the resolution on the setting of the monetary policy guidelines for 2020,
- the approval of the annual financial statements of Narodowy Bank Polski as at 31 December 2019,
- the approval of the *Report on Monetary Policy Implementation in 2019*,
- the evaluation of the activities of the NBP Management Board regarding the implementation of the monetary policy guidelines for 2019,
- the approval of the *Report on NBP Operations in 2019*,
- amendments to the resolution on the principles concerning accounts, the structure of assets and liabilities on the balance sheet and on the profit and loss account of Narodowy Bank Polski,
- the setting of the monetary policy guidelines for 2021,
- the principles concerning accounting, the templates of the balance sheet and the profit and loss account of Narodowy Bank Polski, as well as notes thereto,
- the approval of the *Financial Plan of Narodowy Bank Polski for 2021*.

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 2019 Q3 and Q4 and for 2020 Q1 and Q2*,
- the *International Investment Position of Poland in 2019*,

- the *Forecast of the Balance of Payments of the Republic of Poland for 2021*,
- the *Opinion on the 2021 Draft Budget Act*.

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

In 2020, due to the COVID-19 pandemic, the participation of the MPC members in conferences, seminars and meetings with Polish and foreign institutions was limited. MPC members participate, among others, in:

- a meeting with the representatives of the OECD Secretariat to discuss the economic review for Poland – Executive Summary and Key Policy Insights,
- selected conferences held in Poland.

### 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 2020, the NBP Management Board performed its basic responsibilities in accordance with the *Monetary Policy Guidelines for 2020*, *Narodowy Bank Polski Plan of Activity for 2020–2022* and the *Financial Plan of Narodowy Bank Polski for 2020*.

Due to the COVID-19 pandemic, the NBP Management Board carried out ongoing monitoring of the Polish financial system and the Polish economy. It took decisions on applying appropriate measures aimed at mitigating the negative effects of the pandemic on the domestic banking sector and the economy, and maintaining stability of the Polish currency.

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.

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

In 2020, the NBP Management Board held 66 meetings. It adopted 106 resolutions (including: 66 normative acts and 40 non-normative acts)<sup>2</sup> and 141 management resolutions.

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

- the types of promissory notes accepted for discount by Narodowy Bank Polski and the rules and method of their discounting,
- the description of certain specific activities carried out by Narodowy Bank Polski in relation to rediscounting and discounting promissory notes,
- the general terms of currency swaps,
- the rules and method of calculating and maintaining the required minimum reserve,
- the procedure and detailed rules for banks submitting to Narodowy Bank Polski the data necessary for preparation of Poland's balance of payments and international investment position,
- 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,
- the introduction of a sample agreement on the services of Narodowy Bank Polski provided to participants of auctions on Treasury securities and guaranteed bonds in the SKARBNET4 system,
- the introduction of the *Rules for refinancing banks with lombard credit and intra-day credit by Narodowy Bank Polski*,
- the terms and conditions of sale by Narodowy Bank Polski of coins, banknotes and numismatic items for collection and other purposes,
- foreign currency reserves management,
- managing accounting at Narodowy Bank Polski,
- the rules of opening and maintaining banks' accounts by Narodowy Bank Polski,
- the implementation of the twinning cooperation project for the National Bank of Ukraine.

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

- the publication of reports discussing possible consequences of the COVID-19 pandemic for the stability of the Polish financial system,
- the publication of the next edition of the report *Koszty instrumentów płatniczych na rynku polskim w podziale na koszty stałe i zmienne* [Cost of payment instruments on the Polish market broken down into fixed and flexible costs] and a material entitled *PayTech – innowacyjne rozwiązania płatnicze na rynku polskim* [PayTech – innovative payment solutions on the Polish market],
- the review of the *Foreign currency reserves management strategy*,
- the continued participation of NBP in pan-European payment system STEP2-T, which services credit transfers in euro in the SEPA standard, and in the planned adjustments due to migration to the new model of gross settlement (Continuous Gross Settlement – CGS),
- further participation of NBP in the New Arrangements to Borrow (NAB) and concluding a new loan agreement between NBP and the International Monetary Fund,

<sup>2</sup> In accordance with Article 53 and 54 of the Act on Narodowy Bank Polski of 29 August 1997 (Journal of Laws of 2020, item 2027), 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.



- continued engagement of NBP in the programme of the IMF and the World Bank to offer financial support to the poorest countries, including by their external debt reduction and lowering the scale of poverty,
- accession by NBP to the Foreign and International Monetary Authority Repo Facility offered by the Federal Reserve Bank of New York,
- preparing modified assumptions for the creation of the Central Credit Register,
- giving approval for the activities aimed at further computerisation of cash desks and customer services in NBP regional branches – in the form of the project “Development and implementation of a new branch IT system (NSO).”

In addition, in 2020 the NBP Management Board prepared the NBP annual financial statements for 2019.<sup>3</sup>

#### 1.4. Narodowy Bank Polski Plan of Activity

In 2020, the *Narodowy Bank Polski Plan of Activity for 2020–2022*, adopted by the NBP Management Board on 29 October 2019, 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 2021–2023*, effective as of 1 January 2021.

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<sup>3</sup> In accordance with Article 17(4)(12) of the Act on Narodowy Bank Polski.

Chapter 2

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# Monetary policy



# Monetary policy<sup>1</sup>

In presenting the *Report on Monetary Policy*, the Monetary Policy Council acts in accordance with Article 227 of the Constitution of the Republic of Poland, which imposes 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 announced 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 2020* is accompanied by appendices presenting selected macroeconomic and financial data, as well as by *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 under 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 2020

In 2020, the Monetary Policy Council, hereinafter referred to as the “Council”, conducted monetary policy in line with the *Monetary Policy Guidelines for 2020*, adopted by Resolution No. 5/2019 from 10 September 2019. On 8 April 2020, the Council adopted a resolution amending the resolution on setting the 2020 monetary policy guidelines, expanding the range of monetary policy instruments to include bill discount credit.

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 (NBP) set out in the Constitution of the Republic of Poland and the Act on Narodowy Bank Polski. According to Article 227 section 1 of the Constitution of the Republic of Poland “Narodowy Bank Polski shall be responsible for the value of Polish currency.” The Act on Narodowy Bank Polski states in Article 3 section 1 that “the basic objective of the activity of NBP shall be to maintain price stability, while supporting the economic policy of the Government, insofar as this does not constrain the pursuit of the basic objective of NBP.”

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<sup>1</sup> The Chapter *Monetary policy* presents the *Report on Monetary Policy in 2020* adopted by the Monetary Policy Council at its meeting on 5 May 2021. 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.

The Council has been pursuing the price stability objective by using a medium-term inflation targeting strategy. Under this strategy, since 2004 the objective of monetary policy has been to keep inflation – understood as the annual percentage change in the consumer price index – at 2.5%, with a symmetric band of deviations of  $\pm 1$  percentage points in the medium term. In countries pursuing the inflation targeting strategy, inflation is lower, on average, than in other countries. From 2004 until the end of 2020, the average inflation in Poland amounted to 2.1%, thus it has been close to 2.5% and remained within the symmetric band for deviations, although in some years price growth strayed outside the band (Table 2.1).

**Table 2.1.** Annual consumer price growth (CPI, %, y/y)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CPI	3.5	2.1	1.0	2.5	4.2	3.5	2.6	4.3	3.7	0.9	0.0	-0.9	-0.6	2.0	1.6	2.3	3.4

Source: GUS data.

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

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

While taking monetary policy decisions, the Council considers the time lags in the monetary policy transmission mechanism. 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 under uncertainty, in particular uncertainty about future economic developments.

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 way that supports the stability of the financial system and mitigates the risk of imbalances accumulating in the economy, by taking into account developments in asset prices (especially of real estate prices) and lending growth. Given free movement of capital and highly integrated financial markets, macroprudential policy plays a primary role in containing macroeconomic and financial imbalances. Owing to its capacity to selectively influence credit aggregates, macroprudential policy can stabilise lending growth with lower costs for economic growth than monetary policy.

Besides monetary and macroprudential policy, fiscal policy 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 implements inflation targeting under the floating exchange rate regime. The floating exchange rate regime does not rule out interventions in the foreign exchange market whenever it is necessary to ensure the country's macroeconomic and financial stability.

## 2.2. Monetary policy and macroeconomic developments in 2020

The onset of the global SARS-CoV-2 pandemic and the related risk of a global economic crisis was one of the greatest challenges to macroeconomic policy in decades. In 2020 in many countries economic activity fell abruptly and unexpectedly, business and household sentiment declined significantly and uncertainty soared. At the same time, global price growth slowed down. In order to mitigate the impact of the pandemic, including to limit long-term economic losses, wide-scale anti-crisis measures were launched in many countries, including a strong easing of monetary policy.

Also in Poland, the pandemic and the related restrictions led to a sharp fall in economic activity, which, had it not been for the anti-crisis measures, would have resulted in a permanent economic loss, including considerably higher unemployment and a decline in inflation below the target in the medium term. Striving to mitigate the economic impact of the pandemic on the Polish economy, and at the same time bearing in mind the primary objective of the central bank, which is to ensure price stability, NBP eased its monetary policy stance in 2020.

Despite the unprecedented scale and nature of the pandemic shock, the inflation targeting strategy pursued by NBP and the instruments provided for in the *Monetary Policy Guidelines for 2020* adopted in September 2019 enabled an effective implementation of the anti-crisis measures by the central bank. The only change to be introduced in the *Monetary Policy Guidelines for 2020* as a result of the pandemic shock was the restoration of bill discount credit as an instrument of monetary policy pursued by NBP (bill discount credit had already been a monetary policy instrument in 2010).

The measures undertaken by NBP, along with the government's fiscal measures that were supported by the monetary policy easing, proved effective in curbing the adverse impact of the pandemic on the Polish economy. In particular, they considerably limited the scale of the recession in 2020 while increasing the potential for a sustained recovery in the coming years. As a consequence, they significantly reduced the pandemic costs for the labour market, in particular they constrained unemployment growth and supported household income. At the same time, the NBP monetary policy ensured price stability.

### NBP's monetary policy measures in 2020

At its meetings on 7–8 January, 4–5 February and 4 March 2020, the Council kept the NBP interest rates unchanged, including the reference rate at 1.5%. At its meetings on 17 March, 8 April and 28 May 2020, the Council cut interest rates, including the reference rate, by a total of 1.4 percentage points (from 1.5% to 0.1%). On 17 March 2020, the Council also decided to

lower the required reserve from 3.5% to 0.5%.<sup>2</sup> For the rest of the year, the Council maintained the NBP interest rates at the unchanged level (Table 2.2).

**Table 2.2.** NBP interest rates at the end of the respective months of 2020 (in %)

Month	Reference rate	Lombard rate	Deposit rate	Rediscount rate	Discount rate
January	1.5	2.5	0.5	1.75	–
February	1.5	2.5	0.5	1.75	–
March	1.0	1.5	0.5	1.05	1.10
April	0.5	1.0	0.0	0.55	0.60
May	0.1	0.5	0.0	0.11	0.12
June	0.1	0.5	0.0	0.11	0.12
July	0.1	0.5	0.0	0.11	0.12
August	0.1	0.5	0.0	0.11	0.12
September	0.1	0.5	0.0	0.11	0.12
October	0.1	0.5	0.0	0.11	0.12
November	0.1	0.5	0.0	0.11	0.12
December	0.1	0.5	0.0	0.11	0.12

Source: NBP data.

In March 2020, NBP launched structural open market operations involving the purchases of government bonds on the secondary market. As of April 2020, the purchases were expanded to include government-guaranteed debt securities. The timing and scale of the operations depended on the market conditions. The total amount of bond purchases by NBP in 2020 was PLN 107.1 billion (in terms of the face value of the bonds purchased).

From April 2020, NBP also made available to banks the use of a bill discount credit facility aimed at refinancing loans granted to enterprises.

The following part of this chapter presents detailed information on the monetary policy decisions in 2020 and their determinants. The decisions are presented in the chronological order, broken down into the following periods: from January to mid-March 2020; from mid-March to May 2020; and from June to December 2020. The chapter ends with a description of the effects of the NBP's monetary policy easing in 2020.

### Monetary policy and macroeconomic developments from January to mid-March 2020

Incoming data in January and February 2020, i.e. before the onset of the SARS-Cov-2 pandemic, showed that the pace of global economic growth had stabilised at a relatively low level. In the United States, economic conditions remained relatively positive, while in the euro area incoming data pointed to a slowdown in economic growth. Inflation in the global economy increased in the period under review, which resulted, above all, from supply-side factors, including a rise in food and energy prices. On the other hand, core inflation indices stabilised at moderate – and in some economies – low levels.

<sup>2</sup> At the same time, the Council changed the remuneration of the required reserve funds from 0.50% to the level of the NBP reference rate.

The European Central Bank kept the deposit rate below zero while conducting asset purchases and signalling the maintenance of loose monetary policy in the coming quarters. The Federal Reserve of the United States, after the interest rate cuts of 2019, kept the rates unchanged.

In Poland, incoming data at the beginning of 2020 suggested that economic conditions remained favourable despite declining annual GDP growth. The slowdown in GDP growth resulted mainly from the slow pace of economic activity growth in the external environment of the Polish economy and a decline in consumption growth. The persistently good economic situation was contributing to a further, albeit slowing, increase in employment and a decline in the unemployment rate. Wage growth remained close to the average of the previous years.

Data incoming in this period confirmed that there was no build-up of macroeconomic imbalances in the economy. Growth in lending to the non-financial sector remained below nominal GDP growth. The current account balance was improving and had been positive since the second half of 2019. The remaining indicators of external imbalances also proved that the Polish economy was well balanced.

Data available at the beginning of 2020 pointed to rising inflation. Consumer price growth increased to 4.3% in January 2020.<sup>3</sup> The increase in inflation above the symmetric band for deviations in early 2020 resulted from the impact of regulatory and supply factors, i.e. factors beyond the direct influence of domestic monetary policy. These included, in particular, an increase in energy prices for households, higher fuel prices, a rise in waste disposal charges, and higher excise tax on alcoholic beverages and tobacco products as well as a further rise in the prices of unprocessed food. The favourable financial situation of households, including an increase in their incomes, and the related rise in consumption demand also added to price growth. However, available forecasts showed that following a temporary rise in inflation in 2020, consumer price growth would slow down in the following year to the middle point of the NBP inflation target.<sup>4</sup>

In view of these conditions, at its meetings on 7–8 January, 4–5 February and 4 March 2020 the Council kept the NBP interest rates unchanged, including the reference rate at 1.5%. The Council was of the opinion that GDP growth in the following quarters would probably be lower than in previous years, emphasising the increased uncertainty about the scale and duration of the observed economic slowdown and its impact on domestic economic activity. In February and the beginning of March 2020, the uncertainty was also considerably boosted by the spread of the new SARS-COV-2 virus in subsequent countries.

#### Monetary policy and macroeconomic developments from mid-March to May 2020

In March, the spread of the SARS-COV-2 virus across the world accelerated and a global pandemic was declared.<sup>5</sup> In effect, restrictions aiming to contain the spread of the virus were introduced in many countries. Combined with a sharp rise in firms' and households' concerns about their current and future financial situation, this led to a collapse in global economic

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<sup>3</sup> Initially, GUS estimated inflation in January 2020 at 4.4% y/y.

<sup>4</sup> This scenario was indicated by both the March NBP projection (based on data available until 18 February 2020) as well as external forecasts, including those of experts participating in the NBP Macroeconomic Survey and of analysts surveyed by Thomson Reuters.

<sup>5</sup> The World Health Organisation announced the state of pandemic on 11 March 2020. The first case of SARS-CoV-2 virus infection in Poland was recorded on 4 March 2020.

activity in March and April 2020, including a slump in world trade.<sup>6</sup> As a result, the forecasts of economic activity around the world, including among Poland's key economic partners, were revised down significantly. This was accompanied by a sharp increase in uncertainty about the economic outlook.

Due to the deterioration in the global economic outlook and the increased uncertainty, risk aversion in global financial markets increased considerably in the period under review. This was reflected in falling prices of many assets as well as a tightening of financing conditions in many countries. In particular, bond markets went through a period of turmoil. Furthermore, there was a marked decline in the global oil prices, as well as a drop in the prices of some unprocessed food commodities. Along with the sharp decline in economic activity, this contributed to lower inflation in many countries, including in Poland's main trading partners.

In order to limit the negative economic effects of the pandemic, many countries eased their macroeconomic policy substantially in the period under review. Anti-crisis fiscal measures were introduced. At the same time, central banks eased monetary policy stance substantially, adjusting their measures to the economic situation in the individual countries. Many central banks cut their interest rates and launched or expanded asset purchase programmes (which concerned not only advanced, but also emerging economies). In effect, in many economies interest rates reached historically low levels, and in almost all advanced economies – as well as some emerging economies – they were close to zero (in some advanced economies, they were negative).

In Poland, the reduction in economic activity occurred from mid-March 2020. It resulted from the collapse in global economic activity and the measures taken around the world and in Poland to contain the spread of the COVID-19 pandemic, including those on the movement and gathering of people, the closure of educational institutions and the temporary suspension of certain types of economic activity. The downscaling of economic activity was also driven by deterioration of firms' and households' sentiment caused by concerns about the further course of the pandemic and its impact on the economy. The sharpest decline in economic activity was recorded in April–May 2020. In April 2020, industrial output growth dropped to -24.6% y/y, construction and assembly output growth to -0.9% y/y and retail sales growth to -22.9% y/y; in May industrial output growth amounted to -17.0% y/y, construction and assembly output to -5.1% y/y and retail sales to -7.7% y/y.

The sectors where business conditions deteriorated the most were the services most affected by the restrictions – among them hotels and restaurants, entertainment and passenger transport. At the same time, incoming information in the months under review indicated a marked fall in consumption in this period, which could be put down to the pandemic-related restrictions and the deterioration in the labour market. There was a sharp fall in industrial output and foreign trade. Lending to enterprises and households also declined. In order to mitigate the adverse impact of the pandemic and the related restrictions on economic activity, a range

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<sup>6</sup> Available data show that the decline in GDP in the euro area in the entire 2020 Q2 amounted to 14.7% y/y, while in the United States it amounted to 9.0% y/y.



of fiscal anti-crisis measures were introduced, which resulted in a considerable increase in general government sector deficit in 2020 Q2.<sup>7</sup>

Amid flagging economic activity, the situation in the labour market deteriorated. In particular, the number of the employed declined, unemployment rose and wage growth slowed down. The registered unemployment rate rose to 6.1% in May 2020 (compared to 5.1% in March 2020, seasonally adjusted data), its growth being curbed by the anti-crisis measures launched at that time. At the same time, there was a marked decline in wage growth in the economy (to 3.8% y/y in 2020 Q2, as against 7.7% in 2020 Q1).

Incoming inflation data in that period indicated that after a temporary rise in 2020 Q1, consumer price growth declined. In April and May 2020 it amounted to 3.4% y/y and 2.9% y/y, respectively. The decline in inflation relative to 2020 Q1 resulted primarily from a strong decline in fuel prices due to a sharp fall in global oil prices, as well as slower food price growth. It was at the same time hampered by the rise in service price growth, including administered prices of housing services and the increase in firms' operating costs amid the pandemic.

Considering the above macroeconomic conditions, the Council at its three consecutive meetings – on 17 March, 8 April and 28 May – reduced the NBP interest rates, including the reference rate from 1.5% in March to 0.1% in May 2020. On 17 March 2020 the Council also decided to lower the required reserve ratio from 3.5% to 0.5%.<sup>8</sup>

At the same time, in March 2020 NBP launched structural open market operations, involving the purchases of government securities in the secondary market. In April, the purchases were extended to include government-guaranteed debt securities. The purpose of these operations was to change the long-term liquidity structure in the banking sector, to ensure liquidity of the secondary market for the purchased securities and to enhance the impact of the NBP interest rate cuts on the economy, i.e. to strengthen the monetary transmission mechanism. The dates and scale of the operations depended on market conditions. Altogether, from March to the end of May 2020 NBP purchased bonds with a nominal value of PLN 85.4 billion.

From April 2020, NBP also made available to banks low-interest bill discount credit designed to refinance the loans granted to businesses.<sup>9</sup>

The easing of monetary policy by NBP during this time was designed to mitigate the negative effects of the pandemic and to support the financial situation of households and enterprises. At the same time, the measures taken by NBP limited the risk of inflation dropping below the NBP inflation target in the medium term. Through its positive impact on the financial situation of borrowers, the NBP measures curbed credit risk, whose increase was the most important channel of the impact of the pandemic on the stability of the banking system.

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<sup>7</sup> These included, among other things, wage subsidies during periods of economic downtime or reduced working hours, direct subsidies or loans to enterprises, including from the Polish Development Fund (Polski Fundusz Rozwoju), exemptions from paying social security contributions, and supplementary care allowance and furlough benefits for the self-employed and those on civil law contracts.

<sup>8</sup> At the same time, the Council changed the remuneration on the required reserve funds from 0.5% to the level of the NBP reference rate.

<sup>9</sup> The interest on the bill discount credit is equal to the discount rate.

The onset of the pandemic and the accompanying sharp rise in risk aversion in global financial markets contributed to a weakening of the zloty against the main currencies. From April, however, as sentiment in the financial markets improved, the zloty's exchange rate strengthened. As a consequence, the scale of the zloty's adjustment to the global shock caused by the pandemic and to the easing of the NBP monetary policy was limited. In March 2020 the volatility of government bond yields also increased. After their marked decline from the beginning of the year, in mid-March 2020 the yields on government bonds increased, which posed a risk of a pro-cyclical tightening of the monetary conditions. The easing of monetary policy, including the NBP interest rate cuts and the launch of structural open market operations, contributed to lowering of the bond yields.

### Monetary policy and macroeconomic developments from June to December 2020

In May and June 2020 the epidemic situation improved in many countries, allowing an easing of the pandemic restrictions. As a result, from June to September 2020 a recovery in global economic activity was under way, which was supported by economic policy measures, including a significant easing of fiscal and monetary policy. Nevertheless, economic activity remained substantially lower than before the outbreak of the pandemic. Uncertainty about the pace and durability of the economic recovery also remained, as well as about the further course of the pandemic.

From October 2020 – amid a worsening of the epidemic situation appearing again and the tightening of the sanitary restrictions in some countries – the pace of the recovery weakened, and in some economies, including in the euro area, there was a renewed decline in economic activity. At the same time, the situation in individual sectors of the economy varied. The situation in industry and international trade proved to be relatively resilient to the epidemic situation in the last months of 2020. On the other hand, the situation in the service sector remained weak, with economic activity indicators in this sector running well below the pre-pandemic levels in many countries.

Despite periodic fluctuations related to the changing epidemic situation, sentiment in the global financial markets was improving. The highly expansionary monetary policy and the fiscal stimulus packages in many economies, as well as the prospect of an improvement in the economic situation in 2021 contributed to this trend. At the end of the year the improvement in sentiment was also supported by information about the emergence of the COVID-19 vaccines and the launch of the vaccinations in some countries. In the period under review, bond yields in the largest developed economies remained low, while stock indexes around the world rose significantly. At the same time, government bond yields in many emerging economies declined significantly, while the currencies of many of these economies appreciated.

From June to December 2020, the prices of many commodities in the global markets, including oil prices, rose gradually, although they were lower than before the pandemic. As a result, amid reduced economic activity, price growth in many countries remained low. In particular, consumer price deflation persisted in the euro area from August 2020.

In these conditions, following the significant easing of monetary policy in response to the outbreak of the pandemic, the majority of the world's central banks continued their expansionary monetary policy. The major central banks kept interest rates low, conducted asset purchases, and declared their readiness to further ease monetary conditions. At the end

of 2020, some of the central banks, including the European Central Bank, further eased monetary policy by increasing the scale of their asset purchases.

In Poland, from June 2020, along with the progressive lifting of the restrictions and stabilisation of the epidemic situation, there was a gradual recovery in economic activity. GDP data shows that following a sharp fall in 2020 Q2 (of 8.3% y/y), in 2020 Q3 there was a significant rebound in economic activity, although GDP continued to be lower than a year before (by 1.7%). The economic rebound was supported by the easing of the epidemic restrictions in Poland and abroad, an improvement in business sentiment, and support from fiscal and monetary policy. However, in 2020 Q4, along with the onset of the second wave of the pandemic and the tightening of restrictions, economic activity declined once again, although the scale of the fall in economic activity was much lower than in 2020 Q2 (GDP fell by 2.7% y/y in 2020 Q4).

The lower economic activity than before the pandemic was accompanied by slowing loan growth in the economy. In the period under discussion, banks – following a tightening of lending standards and some lending terms directly after the outbreak of the pandemic – began to gradually ease them, although they remained cautious when considering loan applications. However, the decline in credit growth to the non-financial sector was mostly the result of lower demand for credit. In the case of households, this mainly concerned demand for consumer loans alongside a limited decline in housing loan growth. At the same time, corporate lending decreased, to a large extent as a result of the reduced demand for bank financing on the part of companies. The lower need for bank financing was the result of the large-scale financial support for enterprises as part of the government's anti-crisis measures, as well as the limited scale of activity and investment of some enterprises amid pandemic conditions and the persistently high uncertainty in the economy.

The conditions in the labour market gradually improved from June 2020, although employment in the enterprise sector remained lower and the unemployment rate higher than before the outbreak of the pandemic (in December 2020 it stood at 6.2%; seasonally adjusted data). At the same time, following a significant decline in April and May 2020 (to 1.9% y/y and 1.2% y/y, respectively), wage growth in the enterprise sector began to rise in the subsequent months. In June–December 2020 it stood at 4.8% y/y on average (wage growth in the economy stood at 4.8% y/y in 2020 Q3 and 5.0% y/y in 2020 Q4).

Long-term government bond yields in the domestic financial market remained low in the period under review, which was supported by the NBP interest rates remaining low, the NBP's ongoing bond purchases, the expectations of market participants regarding the maintenance of low short-term interest rates in the future, and the mild financing conditions abroad.

At the same time, in the period under review the zloty exchange rate fluctuated against the major currencies, largely as a result of global factors. An important factor influencing the zloty exchange rate was the highly expansionary monetary policy of foreign central banks. In particular, from the end of October 2020, despite the downturn in the Polish economy taking place again, the zloty exchange rate was appreciating against the major currencies. This created the risk of a procyclical tightening of monetary conditions, i.e. the one taking place during an economic downturn and thus increasing the economic costs of the pandemic.

From June to November 2020, inflation remained close to 3.0% y/y, and in December 2020 it fell to 2.4% y/y. The main factor contributing to lower inflation in the period under discussion

was the decline in growth of unprocessed food prices, and – to a lesser extent – the decline in growth in prices of market services and non-food products. The decline in inflation was at the same time limited by the statistical effects of the earlier increase in electricity prices for households, the increase in excise tax on alcoholic beverages and tobacco products, and the increase in waste disposal charges during the year.

Incoming forecasts during the period under discussion indicated that following a fall in GDP in 2020, 2021 would see a recovery in economic activity. At the same time, high uncertainty about the economic outlook remained, including about the timing and scale of the recovery. Its source was the further course of the pandemic and its impact on the economic situation in Poland and abroad. It was to be expected that the economic policy measures taken so far, including the easing of NBP's monetary policy, will have a positive impact on the economic situation, although economic activity growth would be limited by the heightened uncertainty and the weaker business sentiment than in previous years. At the same time, the Council judged that the pace of economic recovery might also be reduced by the lack of a visible and more durable adjustment of the zloty exchange rate to the global pandemic shock and the monetary policy easing introduced by NBP.

Against this background, NBP kept interest rates low from June to December 2020, including the reference rate at 0.1%. At the same time, NBP continued its remaining measures launched in response to the pandemic, including further purchases of government securities and government-guaranteed debt securities on the secondary market. As in the earlier months, the timing and scale of the measures was dependent on the market conditions. In June–December 2020, NBP purchased bonds of a total nominal value of PLN 21.7 billion.

In the period under discussion, NBP also continued to offer bill discount credit at low interest rate aimed at refinancing loans granted to enterprises by banks. Against the background of the limited demand for banks' financing from companies during the pandemic coupled by the large scale financial support for firms launched as a government anti-crisis measure in the first half of 2020, the size of the bill discount credit usage by banks was limited.

In December 2020, NBP also intervened in the currency market. These actions were aimed at counteracting the procyclical appreciation of the zloty exchange rate – that is, taking place during an economic downturn – and thus strengthening the impact of the easing of NBP's monetary policy on the economy.

All the measures that NBP conducted during this period mitigated the negative effects of the pandemic, supported economic activity, and stabilised inflation at the level consistent with the NBP's medium-term inflation target. Due to their positive impact on the financial situation of debtors they reduced credit risk, the increase of which was the most important channel of the impact of the pandemic on the banking system stability.

#### Effects of the NBP's monetary policy easing in 2020

When assessing the effects of the monetary policy conducted by NBP in 2020, it should be borne in mind that in the year under analysis the drop in economic activity was the largest and the sharpest in decades. As a result, in 2020 central banks eased monetary policy, wherein the scope and scale of the measures taken by central banks were unprecedented.

In Poland, GDP declined for the first time since the beginning of the economic transition. The fall in GDP in 2020 was accompanied by a rise in unemployment and a decline in wage growth. The negative pandemic shock also contributed to a substantial deterioration in household and business sentiment. In these conditions, investment also fell significantly.

Due to the decline in domestic economic activity and the significant fall in global commodity prices, CPI inflation in Poland in the subsequent months of 2020 declined considerably: from 4.3% y/y in January to 2.4% y/y in December 2020. In annual terms, inflation amounted to 3.4%, thus it was in line with NBP's symmetric inflation target of 2.5% +/-1 percentage point, despite the influence of many regulatory and supply factors remaining beyond the scope of NBP's monetary policy that boosted inflation.

When easing monetary policy in 2020, NBP took into consideration the fact that as a result of the pandemic and the collapse of activity in the global economy there would be a sharp drop in economic activity in Poland, which – in the absence of a significant easing of macroeconomic policy, including monetary policy – would be accompanied by a significant and relatively durable deterioration in the financial situation of enterprises and households, a fall in employment and increase in unemployment, and a decline in wage growth. In these conditions, in the absence of a significant easing of NBP's monetary policy, the risk of inflation running below the NBP inflation target in the medium term would also rise.

The loosening of NBP's monetary policy contributed to the easing of financing conditions in the whole economy. In particular, money market rates fell, as well as interests on loans to the non-financial sector. The average interest rate on total household loans declined from 5.2% in January to 3.5% in December 2020, and for non-financial enterprises it fell from 3.7% in January to 2.3% in December 2020. The interest rate cuts translated into a reduction in loan servicing costs for banks' clients (estimated at PLN 7 billion in annual terms), which supported the financial situation and sentiment of indebted economic entities.

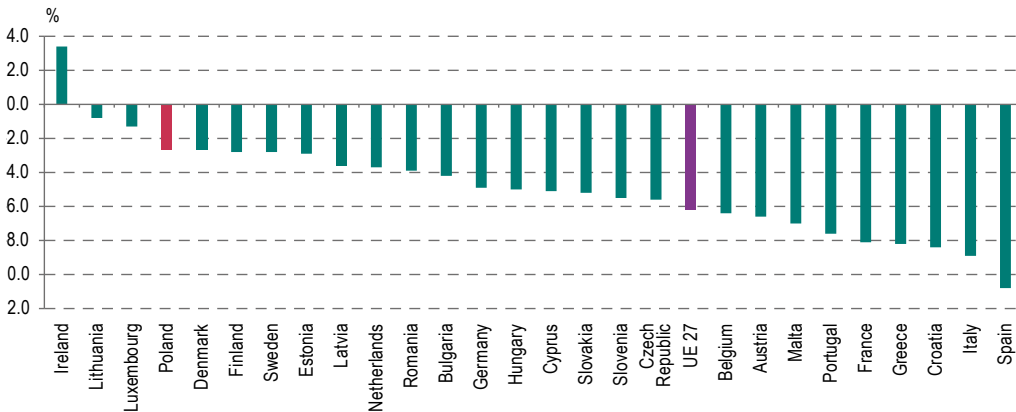
The average interest rate on deposits declined to a lesser extent: in the case of households from 0.8% in January 2020 to 0.2% in December 2020, and in the case of non-financial enterprises – from 0.7% in January to 0.1% in December 2020. Despite the drop in the interest rates, the value of deposits and other household claims on banks increased in 2020 by almost PLN 96 billion, and those of non-financial enterprises by over PLN 60 billion.

NBP's monetary policy easing also contributed to a fall in yields on government and government-guaranteed bonds, despite a significant increase in the public sector needs in 2020 resulting from the necessity to launch the anti-crisis measures, and provided liquidity to the secondary market for these bonds. Average yields on the 10-year government bonds declined from 2.2% in January to 1.3% in December 2020, the 5-year bonds from 1.9% to 0.5%, and the 2-year bonds from 1.5% to 0.1%. In this way, the easing of monetary policy by NBP also supported the economic policy of the government, including the implementation of the anti-crisis financial support programmes for enterprises and households during the pandemic.

By providing favourable financing conditions in the whole economy, NBP's monetary policy in 2020 reduced the scale of the fall in economic activity and the costs of the pandemic for the labour market. The fall in real GDP in Poland (2.7%) was less than half the average in the European Union (6.2%; Figure 2.1), and the unemployment rate in Poland at the end of 2020 was one of the lowest in the European Union (Figure 2.2). NBP's monetary policy

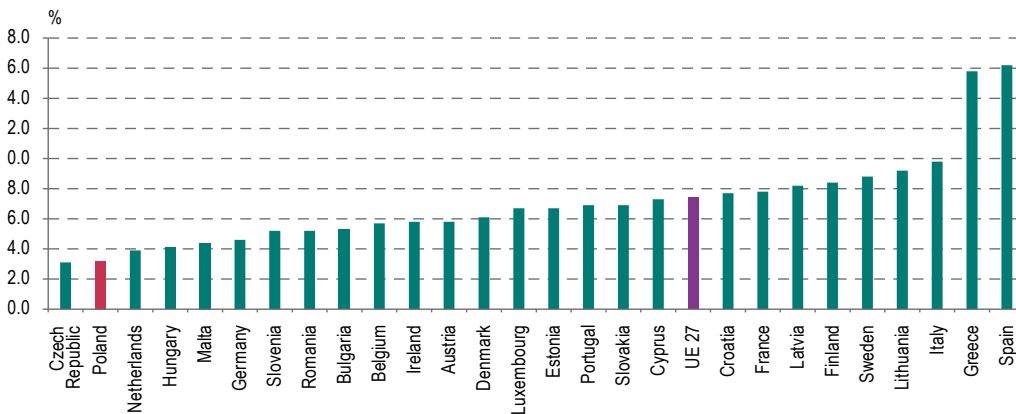
easing effectively limited the rise in unemployment as well as the scale of deterioration in the financial situation of companies. At the same time, it ensured the realisation of the basic objective of the activity of NBP, which is to maintain inflation at the level consistent with NBP's medium-term inflation target.

**Figure 2.1.** Change in real GDP in 2020 in the European Union countries



Source: Eurostat data.

**Figure 2.2.** Unemployment rate in the European Union countries in December 2020



Source: Eurostat data (seasonally adjusted).

Moreover, through its positive impact on the financial situation of debtors, NBP's monetary policy in 2020 also contributed to increasing the borrowers' debt service capacity and limiting the increase in write offs arising from impairment losses on banks' loan portfolios, which are the main channel of the pandemic's impact on the banking system stability.

NBP's analyses show that monetary policy easing in 2020 (including, above all, the NBP interest rate cuts along with the purchases of bonds as part of structural open market operations) contributed directly to reducing the scale of the fall in GDP by 0.3 percentage points and

boosting inflation by 0.3 percentage points in 2020. It is estimated that this easing will increase the scale of the expected growth in GDP by 1.1 percentage points and CPI inflation by 1.0 percentage points in 2021 (Table 2.3). At the same time, monetary policy easing considerably supported the fiscal anti-crisis measures, which enabled to significantly mitigate the negative impact of the pandemic on GDP.

**Table 2.3.** Estimates of the impact of the easing of NBP's monetary policy and the fiscal policy on GDP and inflation in 2020 and 2021

	Impact of the interest rate cuts in 2020 Q1 and Q2		Impact of asset purchases in 2020 Q1–Q3		Impact of the fiscal package		Total impact of monetary policy		Total impact of monetary policy and the fiscal package	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
CPI inflation (y/y, pp.)	0.1	0.5	0.2	0.5	-0.2	1.2	0.3	1.0	0.1	2.2
GDP (y/y, pp.)	0.2	0.6	0.1	0.5	1.9	1.6	0.3	1.1	2.2	2.7

Source: NBP estimates.

The NBP's policy in 2020 was positively assessed by the international institutions, including the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD). In the *Republic of Poland Staff Report for the 2020 Article IV Consultation*, the IMF pointed out that "At the onset of the pandemic, monetary policies were quickly and appropriately eased. The central bank's asset purchase program has been effective in providing liquidity to government securities markets and strengthening monetary policy transmission."<sup>10</sup> At the same time, in the *OECD Economic Survey: Poland 2020*, the OECD pointed out that "Monetary policy has been appropriately accommodative. Monetary policy has reacted forcefully and quickly to the emerging coronavirus crisis."<sup>11</sup>

### 2.3. Monetary policy instruments in 2020

In view of the macroeconomic situation described in Chapter 2.1, NBP eased its monetary policy in 2020, using instruments provided for in the Monetary Policy Guidelines.<sup>12</sup> In addition to the standard instruments used in previous years, due to the scale and nature of the economic shock caused by the pandemic, and hence the scale and the type of the required NBP response, it was necessary to apply instruments that were not used in recent years or were used only in exceptional situations, such as outright purchases of bonds, fine-tuning repo operations, changes in the reserve requirement, bill discount credit and foreign exchange interventions.

<sup>10</sup> Source: Republic of Poland Staff Report for the 2020 Article IV Consultation, IMF (p. 27).

<sup>11</sup> Source: OECD Economic Survey: Poland 2020, OECD (p. 26).

<sup>12</sup> The Monetary Policy Guidelines for 2020 were adopted in September 2019. In April 2020, the Council adopted a Resolution amending the resolution on setting the 2020 monetary policy guidelines, expanding the range of monetary policy instruments to include bill discount credit.

## Banking sector liquidity in 2020

In 2020, the surplus liquidity in the banking sector increased considerably, primarily due to the monetary policy measures taken by NBP. The level of funds at the disposal of the banking sector in excess of the required reserve averaged PLN 183,798 million in December 2020 and was PLN 97,357 million higher than in the corresponding period of the previous year.<sup>13</sup>

The increase in the liquidity surplus was driven primarily by purchases of debt securities in the secondary market, conducted by NBP since March 2020 as part of its structural open market operations (they accounted for a PLN 111,872 million increase in the excess liquidity, comparing the average level observed in December 2020 with the average level observed in December 2019). The reduction in the basic required reserve ratio also added liquidity to the banking sector (by increasing the funds at the disposal of the banking sector by PLN 41,306 million as of 30 April 2020).<sup>14</sup>

Another factor contributing to higher liquidity surplus in the banking sector was the foreign exchange transactions conducted by NBP, including the purchase of foreign currency from the Ministry of Finance. This increase was partially limited by the NBP sales of foreign currency to the European Commission. The prevalence of NBP purchases of foreign currency over its sales resulted in an increase of PLN 26,868 million in the funds at the disposal of the banking sector in 2020 (December 2020 average compared to December 2019 average).

On the other hand, excess liquidity in the banking sector was curbed by the significant rise in currency in circulation, which occurred primarily at the beginning of the pandemic. Due to the increase in the value of currency in circulation, the amount of funds at the disposal of the banking sector decreased by PLN 81,805 million (average value in December 2020 compared to December 2019).

The increase in the liquidity surplus in the banking sector caused the average balance of short-term monetary policy operations to increase as well.<sup>15</sup> In December 2020, this balance amounted to PLN 155,777 million and was PLN 69,447 million (or 80.44%) higher than in December 2019.<sup>16</sup> The remaining funds of the banking sector, above the required reserve level, were held on accounts with NBP.

## NBP interest rates

The NBP interest rates were the key instrument of monetary policy in 2020. By determining the yield on open market operations, the NBP reference rate influenced the level of short-term market interest rates.

<sup>13</sup> The data and calculations in this Chapter are presented in a format where a given month or year refers to the individual required reserve maintenance periods.

<sup>14</sup> The change in the level of the required reserve between the December 2020 required reserve maintenance period and the corresponding period of 2019 amounted to PLN 39,483 million.

<sup>15</sup> This item encompasses the main open market operations (issue of NBP bills), the fine-tuning operations (issue of NBP bills, repo operations), and the NBP standing facilities.

<sup>16</sup> The corresponding item calculated as the average for 2020 amounted to PLN 137,814 million and was PLN 56,296 million, or 69.06% higher than in 2019.



The NBP lombard rate determined the interest on the lombard credit offered by NBP, enabling overnight borrowing from the central bank. The NBP deposit rate determined the interest on the deposit facility, enabling placement of overnight deposits with NBP.

The discount rate determined the interest on the bill discount credit offered by NBP. The Council re-introduced<sup>17</sup> this interest rate as of 18 March 2020.

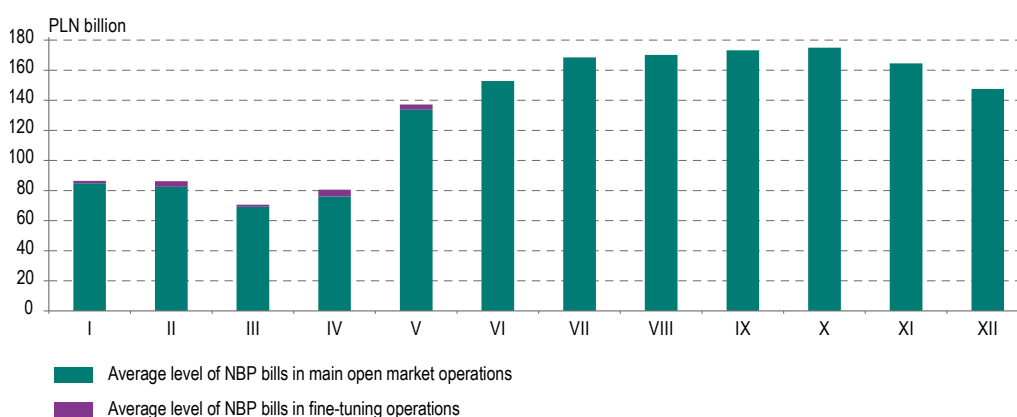
In 2020, the Council changed the NBP interest rates on three occasions. The changes took effect on 18 March, 9 April and 29 May 2020. As a result of the changes, the reference rate was reduced to 0.10% (from 1.50%), the lombard rate to 0.50% (from 2.50%), the discount rate to 0.12% (from 1.10%) and the deposit rate to 0.00% (from 0.50%).

As a consequence of the changes, the width of the NBP interest rate corridor, set by the levels of the NBP lombard rate and the NBP deposit rate, was narrowed down from 200 bps to 50 bps. At the same time, the corridor was asymmetrical (+40/-10 bps from the NBP reference rate).

### Open market operations

As in previous years, the operational target of monetary policy was to keep the POLONIA rate<sup>18</sup> close to the NBP reference rate. The main instrument to achieve this task was the main operations, with a complementary role of the fine-tuning operations. By using these operations, NBP offered banks the opportunity to balance their liquidity positions during the required reserve maintenance periods, striving to ensure that liquidity conditions in the banking sector were appropriate in terms of achieving its operational target.

**Figure 2.3.** Average level of NBP liquidity-absorbing open market operations in individual required reserve maintenance periods in 2020 (nominal value of NBP bills)



Source: NBP data.

<sup>17</sup> The discount rate was introduced by the Council on 1 January 2010. The Council determined the level of this rate until the end of 2010 (it was invariably 4.00%). From 1 January 2011, due to the removal of bill discount credit from NBP's monetary policy instruments, this rate ceased to be determined by the Council.

<sup>18</sup> 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 overnight deposits concluded on a given working day until 4.30 p.m. between the Participants in the POLONIA Reference Rate Fixing.

In 2020, 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.<sup>19</sup> By using the main open market operations, the central bank absorbed most of the surplus liquidity in the banking sector above the required reserve. The yields on the individual operations equalled the level of the NBP reference rate on the day of the operation. In 2020, NBP conducted 52 main operations within the required reserve maintenance periods. In 2020, the average volume of the NBP bill issue categorised as main open market operations was PLN 133,464 million and was PLN 54,802 million higher than in 2019 (Figure 2.3).

In 2020, NBP conducted 4 fine-tuning operations on the last days of the required reserve maintenance periods, and, additionally, 6 fine-tuning operations within the required reserve maintenance periods. Under these operations, NBP bills were issued with maturities of 1, 2, 3 and 4 days. The average level of this category of operations in 2020 amounted to PLN 1,236 million and was PLN 496 million lower than in 2019.

In 2020, banks, on a larger scale than in previous years, sought to hold surplus funds in excess of the reserve requirement on current accounts with NBP and in the form of overnight deposits<sup>20</sup> (i.e. surpluses not absorbed by the main or fine-tuning NBP open market operations). This was largely due to the uncertainty related to the future course of the pandemic and its impact on the business conditions of banks. The narrowing difference between the interest on the funds above the required reserve level and funds placed as O/N deposits (from 9 April, 0.0%) and funds invested in NBP bills under open market operations (from end of May, 0.1%) may also have played a role. Moreover, the reduction, as of 30 April 2020, of level of the required reserve (details are presented further on in this Chapter) may have led banks to accumulate surplus funds above the required reserve level for settlement purposes.

In view of the tendency for banks to hold excess funds, while the POLONIA rate was running close to the NBP reference rate, in June 2020 the central bank decided to suspend the fine-tuning open market operations offered on the last working days of the required reserve maintenance periods.

In 2020, the average absolute deviation of the POLONIA rate from the NBP reference rate was 17 bps and was close to that recorded in 2019 (14 bps) despite the increased volatility of this rate in the first months of 2020 related to increase in uncertainty in the financial markets in that period (Figure 2.4).<sup>21</sup>

In the first two quarters of 2020, the average absolute deviation of the POLONIA rate from the NBP reference rate was 31 bps and 22 bps, respectively. In the remaining two quarters of 2020, the volatility of the POLONIA rate diminished, which may have been due to less uncertainty in the financial markets in this period and a smaller difference between the interest on the funds on current accounts above the required reserve level as well as on overnight deposit facility (0.00% as of 9 April 2020) and the interest on funds placed in NBP bills as part of open

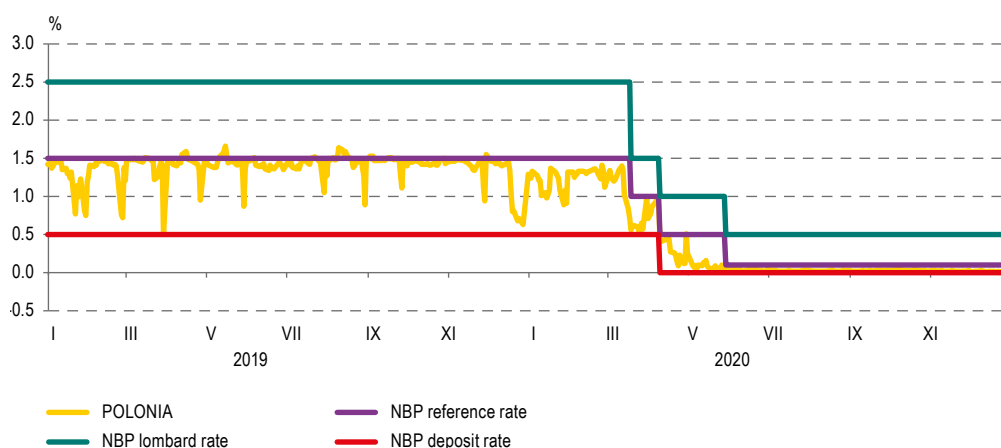
<sup>19</sup> Except for the operations conducted on 3 April, 24 April and 18 December (6-day maturity) as well as 9 April and 30 April (8-day maturity).

<sup>20</sup> Funds held by banks on a current account above the required reserve level are not remunerated. In the case of the overnight deposit, as of 9 April 2020 the interest rate on this instrument was reduced to 0.00%. Before this change, the NBP deposit rate stood at 0.50%.

<sup>21</sup> 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.

market operations. In the second half of 2020, the average absolute deviation of the POLONIA rate from the NBP reference rate was 8 bps. In the whole of 2020, the POLONIA rate was consistent with the monetary policy stance.

**Figure 2.4.** NBP interest rates and the POLONIA rate in 2019–2020



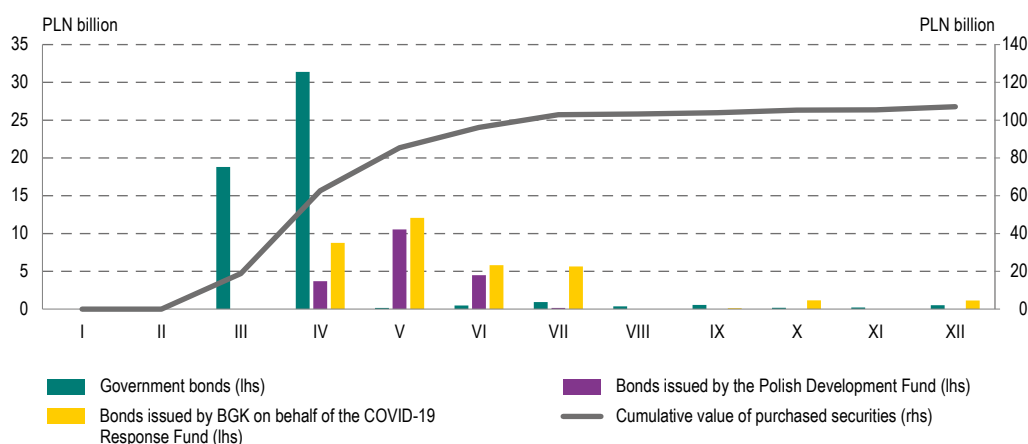
Source: NBP data.

As part of open market operations conducted in 2020, on 16 March 2020 NBP performed a fine-tuning repo operation, as a result of which the banking sector was provided with liquidity on an ad hoc basis in the amount of PLN 7.3 billion for a period of 4 days. The rationale for the decision to perform the operation was the need for the central bank to provide liquidity which certain counterparties of NBP had indicated. Despite NBP remaining ready to retry such operations, the market situation did not require any further operations of this type in the remainder of 2020.

In response to the outbreak of the pandemic, NBP also launched structural open market operations consisting in the purchase of debt securities in the secondary market (since 19 March 2020). As part of these operations, NBP initially purchased government bonds. In April 2020 the purchases were also extended to government-guaranteed bonds (bonds issued by Bank Gospodarstwa Krajowego on behalf of the COVID-19 Response Fund and bonds issued by the Polish Development Fund).

The aim of the debt security purchases conducted by NBP was to change the long-term liquidity structure in the banking sector, ensure liquidity in the secondary market of the purchased securities and enhance the impact of the NBP interest rate cuts on the economy, i.e. strengthen the monetary transmission mechanism.

**Figure 2.5.** Nominal value of the bonds purchased by NBP as part of the structural open market operations in individual required reserve maintenance periods in 2020



\* Nominal value of the bonds calculated according to the dates of the tenders.

Source: NBP data.

In the period March-December 2020, as part of structural open market operations, NBP purchased debt securities with a total nominal value of PLN 107.1 billion in the secondary market, including government bonds with a value of PLN 53.6 billion and government-guaranteed bonds with a value of PLN 53.6 billion (Figure 2.5). As a result, as of the end of December 2020, due to structural operations, the banking sector was provided with liquidity in the amount of PLN 112.9 billion.<sup>22</sup>

Launching and conducting of the above mentioned structural open market operations by NBP in 2020 stabilised the bond market covered by the purchases, increased liquidity of this market and reduced bond yields, and thus strengthened the impact of the NBP interest rate cuts on the economy.

### Reserve requirement

In 2020, banks, branches of credit institutions, branches of foreign banks operating in Poland, credit unions and the National Association of Cooperative Savings and Credit Unions were subject to the reserve requirement.

The average reserve maintenance mechanism enabled entities covered by the required reserve system the freedom to decide on the amount of funds deposited on accounts with the central bank on particular days of the reserve period, provided that the average balance of funds in the accounts at NBP is maintained at a level not lower than the required reserve level. This mechanism helped stabilise short-term market interest rates.

<sup>22</sup> The value of bonds purchased by NBP in the secondary market (at current prices), reflected in the liquidity provided to the banking sector (purchase amount), differed from the nominal value of these bonds.

On 17 March 2020, in order to limit the risk of the economic disruption weighing on credit supply, the Council decided to lower the basic required reserve ratio<sup>23</sup> from 3.5% to 0.5% and align the interest rate on required reserve with the level of the NBP reference rate<sup>24</sup> as of 30 April 2020. As a result, there was a significant reduction in the level of the required reserve (from PLN 47.8 billion to PLN 6.5 billion) and a reduction in the number of cooperative banks and credit unions maintaining the reserve (from 477 to 60 and from 12 to 2, respectively). At the same time, the level of the interest rate on required reserves began to correspond with the yields on the main open market operations.

As at 31 December 2020, the amount of the required reserve was PLN 7,513 million, with the banking sector reserve at PLN 7,486 million and reserves of the credit unions and the National Association of Cooperative Savings and Credit Union at PLN 27 million. The total required reserve at the end of 2020 was PLN 39,332 million lower than the level as at 31 December 2019 (i.e. a decrease of 84%).<sup>25</sup>

In 2020, there were four cases where banks failed to maintain the required reserve at the required level.

In 2020, six banks benefited from the exemption from the reserve requirement (three commercial banks benefited from partial exemption, one commercial bank and two cooperative banks benefited from full exemption).

### Standing facilities

In 2020, the lombard credit offered by NBP enabled banks to obtain funds from the central bank on each operating day on an overnight basis. This credit was collateralised with assets accepted by the central bank (among others, government securities, securities issued by NBP, municipal bonds, covered bonds and high credit quality corporate bonds). The interest on that facility determined the cost of obtaining funds from the central bank.

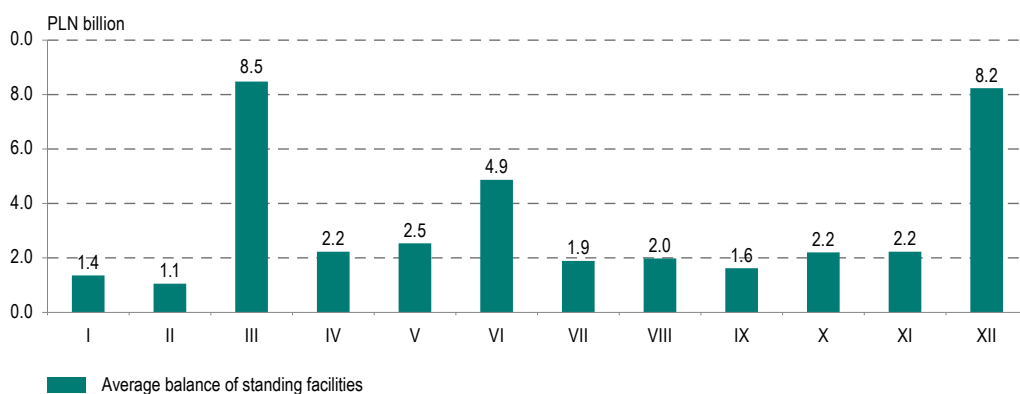
In 2020, similarly as in previous years, banks used the lombard credit only occasionally (Figure 2.6). The total amount of the lombard credit used throughout the year – calculated for the days that it was used – amounted to PLN 20.4 million, and was 168.4% higher than the corresponding value in 2019 (PLN 7.6 million). The observed growth was due to a larger number of banks having recourse to the facility than in the previous year. The average daily use of the lombard credit amounted to PLN 0.06 million (against PLN 0.02 million in 2019).

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<sup>23</sup> The basic required reserve ratio applies to zloty denominated funds and funds in foreign currency held on bank accounts as well as funds obtained from the issue of securities. In 2020 the required reserve ratio for funds obtained in repo and sell-buy-back transactions as well as funds obtained for at least 2 years remained unchanged at 0.0%.

<sup>24</sup> Until 29 April 2020, the interest rate on required reserves was 0.50%, and from the beginning of the May required reserve maintenance period was dependent on the level of the NBP reference rate – between 30 April 2020 and 28 May 2020 it was 0.50%, while from 29 May 2020 it stood at 0.10%.

<sup>25</sup> It should be noted that the mentioned dates, i.e. 31 December 2019 and 31 December 2020, were the first days of the January required reserve maintenance period in 2020 and 2021, respectively.

**Figure 2.6.** Average balance of standing facilities in individual reserve maintenance periods in 2020

Source: NBP data.

In 2020, the deposit facility enabled banks to deposit on each operating day their surplus funds on an overnight basis with the central bank. The interest rate on that facility constitutes the lower limit for the market rate quoted for that particular period.

In 2020 the total value of overnight deposits placed by banks with NBP amounted to PLN 1,168,725.8 million (calculated as the total days of their placement). Its average daily level in the period under analysis amounted to PLN 3,193.2 million (against PLN 1,124.6 million in 2019).

#### Bill discount credit

From 10 April 2020, NBP offered banks bill discount credit aimed at refinancing loans granted to entrepreneurs by banks.

By offering bill discount credit, NBP accepted from banks bills of exchange for discount that were issued by entrepreneurs in connection with the loans granted to them. The interest on the bill discount credit was determined by the NBP discount rate, which was set by the Council.

In 2020, the total amount of bill discount credit reached PLN 52.9 million.

#### Foreign exchange swaps

By using foreign exchange swaps, NBP may purchase (or sell) zloty against a foreign currency on the spot market, with its simultaneous resale (or repurchase) as part of a forward transaction on a specified date.

In 2020, NBP did not conduct any such operations.

#### Foreign exchange interventions

In December 2020, NBP purchased a certain amount of foreign currency in exchange for zloty.



Chapter 3

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# Financial system





# Financial system<sup>1</sup>

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 three fourths of the assets of domestic financial institutions, is of special significance for the preservation of financial stability in Poland.

## 3.1. Macroprudential supervision

In 2020, Narodowy Bank Polski 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), including the analytical and legal support. Six meetings of the Committee were held in 2020.

As part of FSC-M work in 2020 Narodowy Bank Polski:

- Prepared and provided analyses, studies and opinions on the identification and assessment of systemic risk, nationally and internationally, including its 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).
- Prepared the analyses of possible actions aimed at mitigating systemic risk, used by the Committee to formulate statements and recommendations. The recommendations of the Committee aimed at counteracting the threats related to the COVID-19 pandemic referred to:
  - release of the systemic risk buffer; the lack of the obligation to maintain this buffer allowed banks to unlock the capital of approx. PLN 30 billion in the banking system which, in turn, reduced the risk of lowering the flow of credit to the economy;<sup>2</sup>
  - maintenance of the countercyclical capital buffer at the level of 0%;
  - decrease of the risk weight with respect to bank loans secured by mortgages on commercial real estate.<sup>3</sup>

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

<sup>2</sup> This recommendation is included in the Resolution of the Financial Stability Committee No. 35/2020 of 16 March 2020 on the systemic risk buffer. In implementing this recommendation, on 18 March 2020 the Minister of Finance issued a regulation repealing the regulation on the systemic risk buffer. Pursuant to this regulation, banks were granted an exemption from the obligation to maintain the systemic risk buffer.

<sup>3</sup> Resolution No. 38/2020 of the Financial Stability Committee of 13 July 2020 on the Recommendation regarding risk weights for exposures secured by mortgages on commercial real estate.

Moreover, Narodowy Bank Polski:

- continued to implement the FSC-M recommendation issued in 2018 on ensuring availability of data and information on the real estate market,<sup>4</sup>
- following the introduction of the statutory obligation, it took part in the preparation of the Committee's quarterly opinion concerning the level of contributions to the Borrowers' Support Fund,<sup>5</sup>
- cooperated, on behalf of the Committee, with European Union bodies and institutions as well as with macroprudential supervision authorities of other Member States; in particular, on behalf of the FSC-M, it took action aimed at implementing European Systemic Risk Board (ESRB) recommendations, including those related to the impact of the pandemic situation on the European financial system.

A representative of NBP chaired the work of the permanent working group, which provided analytical support to the Committee. In 2020, the working group – using mainly materials prepared by NBP – prepared, among others, analyses concerning the potential sources of systemic risk (COVID-19 pandemic, situation on the real estate financing market), draft opinions on the identification of other systemically important institutions (OSIIs)<sup>6</sup> and analyses concerning the adjustment of the domestic money market reference rates to the BMR requirements.<sup>7</sup>

In 2020, the Committee established a working group for the analysis of the situation in the cooperative banks sector and cooperative savings and credit unions sector, operating under the leadership of NBP. The task of the group is to develop a draft recommendation of the Committee to address feasible actions to support the stable operation of these sectors.

The NBP President – acting as Chairperson of the FSC-M – submitted to the Sejm of the Republic of Poland (the Polish Parliament)<sup>8</sup> the Annual Report on Macroprudential Supervision Activity of the Financial Stability Committee in 2019.

NBP communicated the current work of the Committee to the public and to the financial system participants via the website on macroprudential supervision.<sup>9</sup>

<sup>4</sup> Pursuant to Resolution No. 23/2018 of 11 June 2018, FSC-M addressed the recommendation to NBP on ensuring availability of data and information on the real estate market. This recommendation was a consequence of the recommendation issued in 2016 by the European Systemic Risk Board on closing real estate data gaps (ESRB/2016/14) addressed to national macroprudential authorities of all 28 EU Member States.

<sup>5</sup> Article 16a(4) of the Act of 9 October 2015 on Support to Home Loan Borrowers in a Difficult Financial Situation (Journal of Laws of 2015, item 1925).

<sup>6</sup> O-SII (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 Polish Financial Supervision Authority.

<sup>7</sup> 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 176, 2016).

<sup>8</sup> Pursuant to Article 9(2)(5) of the Act on Macroprudential Supervision.

<sup>9</sup> [www.nbp.pl/nadzormakroostroznosciowy](http://www.nbp.pl/nadzormakroostroznosciowy).

### 3.2. Cooperation with financial safety net institutions

In 2020, Narodowy Bank Polski participated in FSC work in its crisis management capacity (FSC-C). Twelve meetings of the FSC-C were held in 2020. The meetings discussed the economic and financial condition of commercial and cooperative banks and actions 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.<sup>10</sup>

Narodowy Bank Polski also issued opinions on drafts of Polish and EU regulations on financial institutions and markets as well as the financial infrastructure. These opinions were used to prepare Poland's positions for the EU institutions.

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)<sup>11</sup> and membership of two representatives delegated by the President of NBP in the Bank Guarantee Fund (BFG) Council,<sup>12</sup>
- 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.<sup>13</sup>

### 3.3. Financial system analytical and research activities

In 2020, 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 while some of them were published as regular reports. They included:

- *Financial Stability Report* (June, December 2020). The reports focused on the analysis of the impact of the COVID-19 pandemic on the stability of the financial system, including the assessment of the system's resilience to related shocks. It was demonstrated that the Polish financial system was in good condition at the time of the pandemic outbreak, with no significant imbalances recorded. However, the actions aimed at combating the pandemic contributed to the emergence of significant new risks in the financial system and the amplification of existing risks. It concerned, in particular, credit risk and the increase in the scale of loan loss provisions. These were the main reasons for a significant decline of the banking sector's earnings in 2020. Nevertheless, the Polish banking sector remained stable as a result of the high level and good quality of capital accumulated in earlier years and the measures taken by public institutions to support the economy and the banking system. The growing number of FX housing loan agreements challenged by borrowers increased the legal risk of this portfolio, contributing to an increase in the cost

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<sup>10</sup> Pursuant to Article 6(3)(1) of the Act on Macroprudential Supervision.

<sup>11</sup> Pursuant to Article 5(2)(3) of the Act of 21 July 2006 on Financial Market Supervision (Journal of Laws of 2020, item 2059).

<sup>12</sup> 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 of 2020, item 842).

<sup>13</sup> 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.

of provisions and charges. In a longer term, the challenge will be the low profitability of banks, which may be associated with reduced capacity of the banking sector to build its capital base and limiting the development of funding for the economy.

- *Financial System in Poland 2019* (November 2020). The report presents trends and barriers to the development of financial institutions and financial markets in Poland. At the end of 2019, the assets of financial institutions forming the Polish financial system amounted to PLN 2.8 trillion, which represented a 4.6% increase on the 2018 figure. It was mainly the effect of an increase in the value of assets of the banking sector and factoring and leasing companies. Similar to other countries of the region, the banking sector accounted for the largest part of Poland's financial system. 2019 saw a decrease in both the ratio of banks' assets to GDP (to 87% due to a faster GDP growth) and the ratio of assets of the overall domestic financial system to GDP (to 124.5%) compared to the end of 2018. The level of development of individual segments of the financial system remained diversified (financial institutions, including the banking sector, were better developed while financial markets were less developed).
- *Senior loan officer opinion survey on bank lending practices and credit conditions*.<sup>14</sup> In response to the outbreak of the COVID-19 pandemic and the expected increase in credit risk associated with the slowdown in economic growth in the first half of 2020, banks significantly tightened their lending policies. At the same time, the demand for loans in all market segments fell significantly. Despite the introduction of adjustments to certain lending standards and terms in the subsequent months of the year, banks' lending policy remained conservative. On the other hand, a slight increase in demand for loans from households was recorded.
- *The level of the countercyclical capital buffer in Poland*.<sup>15</sup> The credit gap (i.e. the deviation in the ratio of non-financial sector credit to GDP from the long-term trend) was negative, therefore, no reasons to create the countercyclical capital buffer occurred.
- *Report on the situation in the housing and commercial real estate market in Poland in 2019* (September 2020). The study discusses, among others, the results of the first analysis of the municipal real estate stock and the effects of social and housing policy in voivodeship cities.<sup>16</sup> The cyclical (quarterly) analyses of the situation in the residential and commercial real estate market continued. The COVID-19 pandemic affected a slight short-term reduction in transaction prices in the residential primary market, whereas prices in the secondary market remained stable (2020 Q2). In the second half of 2020, an increase in real estate prices was recorded.

Moreover, NBP conducted research aimed at increasing knowledge about financial processes and interdependencies between the financial system and the economy used for the operationalisation of macroprudential policy. The research projects focused, among others, on the development of methods for forecasting the growth and quality of lending to the non-financial sector, the structural dimension of the credit cycle in Poland, the use

<sup>14</sup> This study is based on a quarterly questionnaire survey addressed to chairpersons of the credit committees of commercial banks.

<sup>15</sup> The material is prepared on a quarterly basis.

<sup>16</sup> The results of a survey conducted by the NBP Regional Branches and data available from the Regional Statistical Offices and municipal offices were used to prepare the report.

of simulation methods to calibrate macroprudential instruments for Poland, monitoring the development of technological innovation in the financial system, private sector initiatives in the area of digital assets, in particular payment tokens, and the development of digital financial services during the COVID-19 pandemic.

### 3.4. International cooperation for financial stability

In 2020, Narodowy Bank Polski cooperated with EU institutions responsible for the assessment of systemic risk and counteracting against its 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 concerning: monitoring the scope and impact of guarantee schemes and other fiscal measures introduced in the EU as a result of the COVID-19 pandemic, systemic restrictions on dividend payments by financial institutions, the functioning of central counterparties (CCPs), including the materialisation of liquidity risks arising from CCP margins,<sup>17</sup> macroprudential analysis of recovery and resolution institutions, stress tests for the banking sector and Brexit-related risk.

Moreover, in 2020, NBP representatives participated in meetings of the Board of Supervisors of the European Banking Authority (EBA), the Regional Consultative Group for Europe, Financial Stability Board (FSB), the European Bank Coordination (“Vienna”) Initiative and regional initiatives of central banks.<sup>18</sup>

NBP representatives also participated in the work of resolution colleges established for the European cross-border banking groups comprising banks operating in Poland.

### 3.5. NBP operational activities aimed at maintaining financial stability

In connection with the COVID-19 pandemic and its economic consequences, including risks to the stability of the financial system, Narodowy Bank Polski took measures aimed, directly or indirectly, at maintaining financial stability. The activities of the central bank were targeted at reducing the risk of banking business.

- Reducing the liquidity risk of banks. NBP reinstated repo feeding operations, lowered the reserve requirement rate by 300 basis points, from 3.5% to 0.5%, and purchased Treasury bonds and debt securities guaranteed by the State Treasury from banks on the secondary market as part of structural open market operations.
- Reducing banks’ credit risk. NBP lowered its interest rates – the reference rate was decreased to the total level of 0.10% (i.e. by 140 basis points). Consequently, the current interest rates on loans were reduced and, accordingly, the cost of debt servicing for borrowers was decreased.

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<sup>17</sup> In order to mitigate counterparty credit risk, CCPs require their participants to provide margins with a value that depends, among others, on the volatility of the prices of the instruments cleared. The liquidity risk arises when price volatility is significantly higher than expected and a participant does not hold sufficient liquid funds which it has to deposit against these margins in a short period of time.

<sup>18</sup> The Working Group on Monetary Policy and Financial Stability; Governors’ Club of the Central Asia, Black Sea Region and Balkan Countries.

- Mitigation of banks' funding risk. NBP enabled banks that do not have excess liquidity to raise funds in the form of a bill discount credit for purposes related to lending to entrepreneurs. The aim was to increase the capacity of these banks to create working capital credit and to enable them to raise funding with maturities longer than available in the market (at the end of 2020, one commercial bank used a bill discount credit).

In 2020, 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.

At the end of 2020, four banks which were implementing recovery proceedings or recovery plans, including one cooperative bank, were exempted (in whole or in part) from the obligation to maintain the required reserve.

**Highlights of 2020:**

- addressing and mitigating the risks to the stability of the financial system, in particular the banking sector, posed by the COVID-19 pandemic,
- supporting 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.



Chapter 4

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# The issue of currency





# The issue of currency<sup>1</sup>

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

## 4.1. Currency in circulation

The value of currency in circulation (including bank vault cash), as at 31 December 2020, amounted to PLN 321.8 billion. This represents an increase of PLN 83.0 billion, i.e. 34.8%, compared to 31 December 2019.<sup>2</sup>

This growth rate was record high and comparable to the cumulative increase recorded over the past four years. The increase in the value of currency in circulation resulted from an increased market demand for currency in cash form. This in turn was the consequence of the increased significance of the value storage and precautionary function of cash during the COVID-19 pandemic.

In 2020, manufacturers of legal tender delivered to NBP 407.5 million pieces of notes and 1,102.0 million pieces of coins. This means that in relation to the deliveries in 2019 (314.1 million pieces of notes and 1,044.2 million pieces of coins), the number of notes increased by 29.7%, and the number of coins – by 5.5%.

## 4.2. Issue of collector coins and notes

Narodowy Bank Polski issues collector coins and notes, commemorating important historical anniversaries and famous Poles.

In 2020, in accordance with the *Schedule of Issue of Collector Items and Commemorative Coins*, Narodowy Bank Polski issued 4.87 thousand pieces of gold collector coins, 224 thousand pieces of silver collector coins and 60 thousand collector notes (in 2019, 14.62 thousand gold coins, 367.5 thousand silver coins and 55 thousand collector notes).

In 2020, a total of 26 types of collector coins and a collector note were issued.

The issued collector items included, among others:

- *10th Anniversary of the Smolensk Tragedy* – a gold coin with a face value of 100 zł and a silver coin with a face value of 10 zł,

<sup>1</sup> Tasks in this field are performed pursuant to, among others, Article 4 and Articles 31–37 of the Act on Narodowy Bank Polski.

<sup>2</sup> The denomination breakdown of currency in circulation as at end-2019 and end-2020 is shown in Chapter 15.

- *100th Anniversary of the Birth of Saint John Paul II* – a gold coin with a face value of 500 zł and two silver coins with a face value of 10 zł,
- *700th Anniversary of the Consecration of St. Mary's Basilica in Kraków* – a silver coin with a face value of 50 zł with a glass insert representing a stained glass from the church,
- *The Great Polish Economists* – subsequent coins of the series, commemorating Stanisław Głąbiński, Stanisław Grabski and Leopold Caro.

In 2020, NBP also issued a collector note *Battle of Warsaw 1920* – the first Polish banknote designed in a vertical layout.

In 2020, Narodowy Bank Polski continued to issue gold bullion coins *White-tailed Eagle – 100th Anniversary of Regaining Independence by Poland* and coins of the series *Discover Poland* with the face value of 5 zł with commemorative images, in a general circulation standard.

In 2020, a silver coin with a face value of 20 zł *History of Polish Coin – the szóstak of Jan III Sobieski*, issued in 2019, won the third prize in the Coin Classic category in the Coin Constellation 2020 contest.

### 4.3. The functioning of the currency circulation

In 2020, among others, the following activities related to the functioning of currency circulation were carried out:

- Banks were supplied with notes and coins. In 2020, commercial banks and entities which are authorised by law to withdraw and lodge Polish currency notes and coins from/in NBP lodged PLN 139.8 billion (PLN 184.2 billion in 2019), and withdrew PLN 222.8 billion (PLN 203.5 billion in 2019), of which PLN 89.3 billion in the deposit system (PLN 95.5 billion in 2019), and PLN 133.5 billion in the main system (in 2019 PLN 108.0 billion).<sup>3</sup> 2020 saw an increase in the value of cash withdrawals from NBP and a significant fall in deposits to NBP. The difference in the value of withdrawals and deposits in 2020 amounted to PLN 83.0 billion (in 2019 – PLN 19.3 billion). This was associated with the increased demand for cash due to the COVID-19 pandemic.
- Coins with face values from 10 gr to 1 zł, made with the use of another material, were put into circulation. The change allowed for savings in the area of issue of currency – PLN 27 million in 2020.

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<sup>3</sup> 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.

#### 4.4. Activities aimed at streamlining cash transactions

In 2020, NBP continued working on the streamlining of cash transactions, including the simplification and reduction of labour intensity of cash counting and sorting.<sup>4</sup> The changes concern, in particular:

- introduction of bar codes on packages of notes and coins in NBP, and preparation of participants in the cash handling market for the pilot implementation of such codes,
- enabling aggregate lodging of notes in NBP, without requiring banks to separate notes unfit for machine sorting,
- introduction of new technical solutions in the destruction of notes withdrawn from circulation due to wear and tear (owing to the changes, 99.9% of the withdrawn notes are destroyed automatically following verification by means of special high-performance banknote sorters, while only a small number of the most damaged notes are destroyed manually).

In 2020, work was launched on the National Cash Security Strategy. Narodowy Bank Polski invited banks and entities dealing with professional cash handling as well as institutions and agencies whose activities include ensuring secure access to cash money to citizens to participate in the preparation of the document.

#### 4.5. Counterfeit of Polish currency

The low level of counterfeits which has persisted for years is associated with the high quality of security features of Polish currency notes and coins and the high level of awareness of the public about currency security features, which is a result of NBP's educational activities, among other factors.

In 2020, the number of disclosed counterfeit Polish currency notes and coins decreased as compared with 2019. The number of counterfeit banknotes fell (from 6,467 to 4,697), and so did the number of counterfeit coins (from 718 to 429).

The total number of counterfeit banknotes and coins per million of currency pieces in circulation decreased and amounted to 1.37 pieces, (1.91 in 2019, 1.83 in 2018). As at 31 December 2020, there were 2,812.78 pieces of general circulation banknotes and 936.31 million pieces of 2-złoty<sup>5</sup> and 5-złoty coins in circulation.

Data on the number of counterfeit notes and coins disclosed in 2017–2020 are shown in Table 4.1.

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<sup>4</sup> 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 2020, item 28).

<sup>5</sup> Excluding coins struck from the Nordic Gold alloy.

**Table 4.1.** The number of counterfeit Polish notes and coins disclosed in the years 2017–2020

Counterfeits	2017	2018	2019	2020
Banknotes	5,156	5,601	6,467	4,697
Coins	1,273	825	718	429
Total	6,429	6,426	7,185	5,126

Source: NBP data.

A public opinion survey on the quality of general circulation banknotes in Poland was conducted in 2019–2020. According to the respondents, general circulation banknotes issued by Narodowy Bank Polski are high-quality, whereby 200 zł banknotes were rated highest (85% of positive assessments).

#### Highlights in 2020:

- maintaining an uninterrupted supply of currency notes and coins to banks amid an unprecedented rise in the demand for general circulation banknotes due to the COVID-19 pandemic,
- launching work on the National Cash Security Strategy.



Chapter 5

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# Foreign exchange reserves management



# Foreign exchange reserves management<sup>1</sup>

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

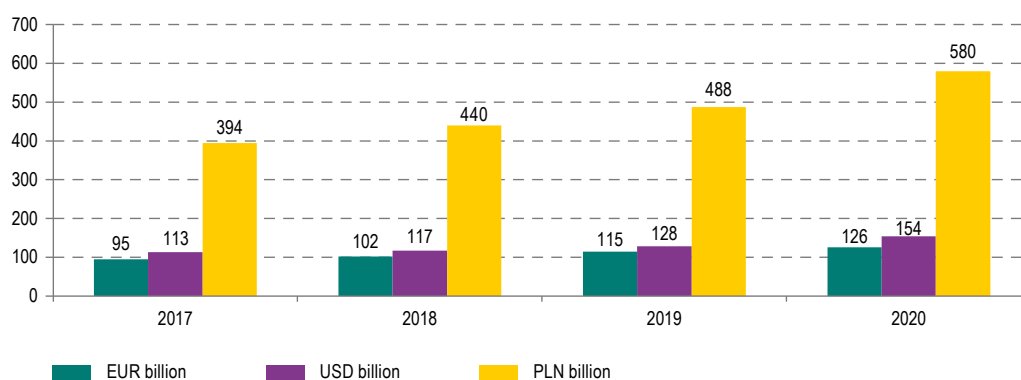
In 2020, the NBP official reserve assets<sup>2</sup> increased:

- in euro terms by EUR 11.1 billion (9.7%) to EUR 125.6 billion,
- in dollar terms by USD 25.8 billion (20.1%) to USD 154.2 billion,
- in zloty terms by PLN 92.1 billion (18.9%) to PLN 579.7 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 change in the price of gold.

As at the end of 2020, NBP gold holdings amounted to 228.7 tonnes.

**Figure 5.1.** Official reserve assets in 2017–2020 (as at the end of a given year)



Source: NBP data.

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

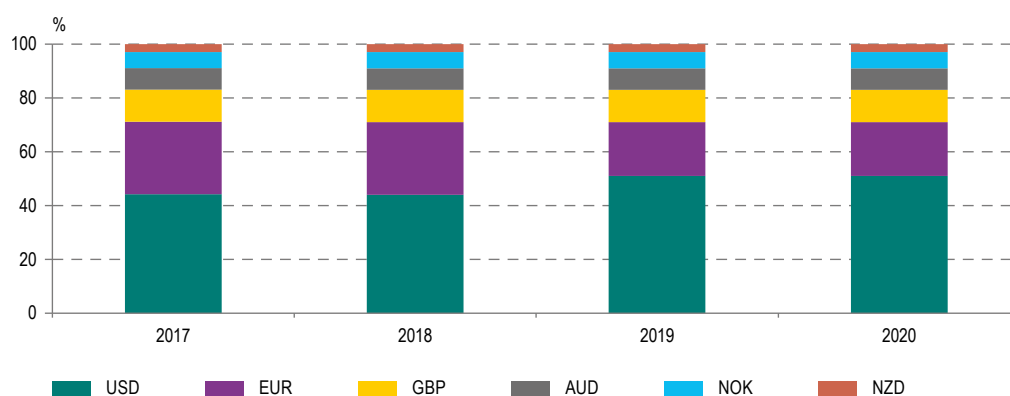
<sup>2</sup> According to the definition of the International Monetary Fund (IMF), official reserve assets include readily available, liquid foreign assets held by the central bank. This category includes monetary gold, special drawing rights (SDRs), the reserve position in the IMF and foreign currency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

## 5.2. Foreign exchange reserves management strategy<sup>3</sup>

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 in the long-term horizon.

Taking into account analyses of the global macroeconomic outlook, forecasts of developments of the global financial markets and the results of the optimisation and simulation analysis, the NBP Management Board took the decision to upkeep in 2020 the existing currency composition of the strategic benchmark (51% USD, 20% EUR, 12% GBP, 8% AUD, 6% NOK and 3% NZD), and the modified duration<sup>4</sup> of the strategic benchmark (2.1).

**Figure 5.2.** Currency composition of the official reserve assets in 2017–2020 (as at the end of a given year)



Source: NBP data.

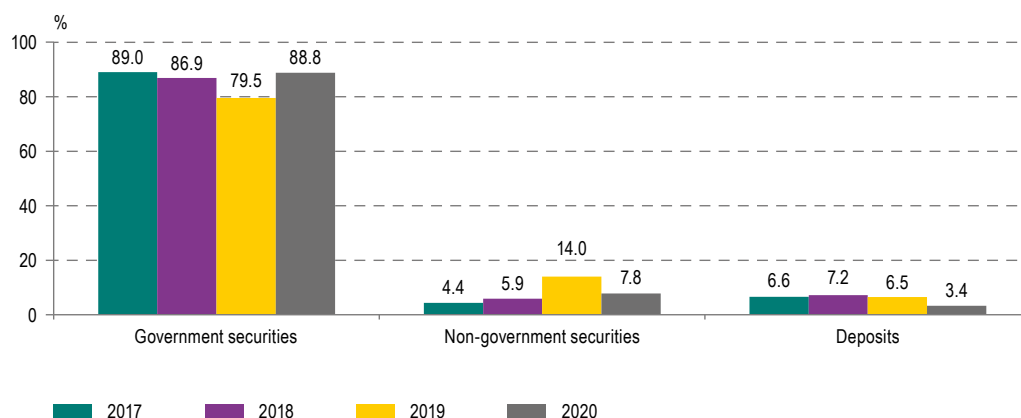
In 2020, in the conditions of global recession as a result of the COVID-19 pandemic, NBP increased the share of government securities characterised by the highest level of security and liquidity (Figure 5.3). It also invested in non-government securities, including in those issued by government agencies and non-financial corporations, and it held part of funds in short-term deposits at banks of high creditworthiness. Futures contracts were used for modified duration management of investment portfolios.

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

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



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



Source: NBP data.

At the end of 2020, the NBP Management Board made a review of the strategy of the foreign exchange reserves management. As a result of the review, with the aim to increase long-term yield on the reserves further, gradual extension of the range of investment instruments was assumed, taking into account the current market conditions.

### 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

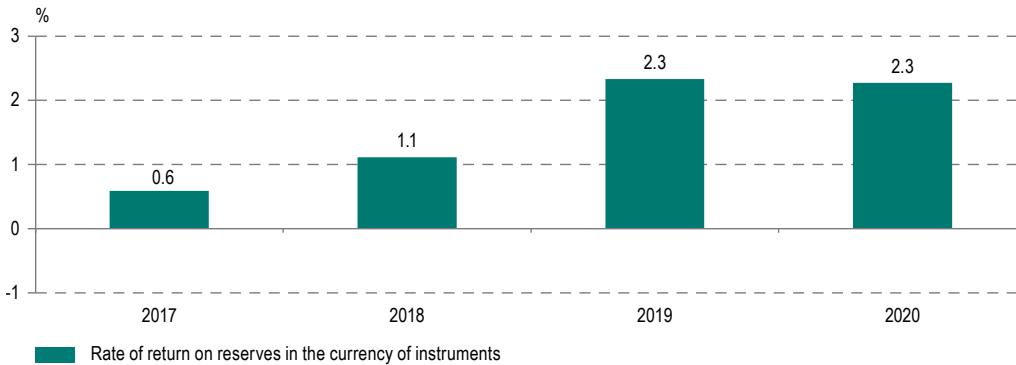
Source: NBP data.

### 5.4. Rate of return on foreign currency reserves<sup>5</sup>

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.

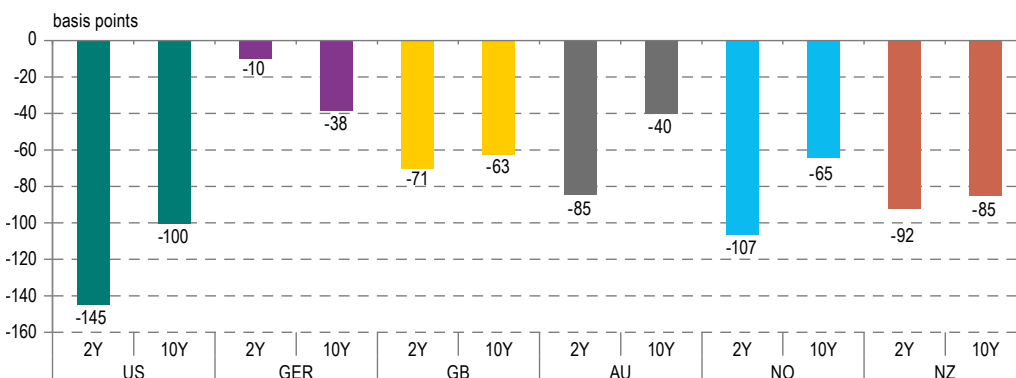
In 2020, the rate of return on foreign currency reserves investment in the currency of the instrument<sup>6</sup> amounted to 2.3%. A high, in historical terms, level of yield on reserves was associated with a decline in yields (or a rise in the prices) of government securities in all markets (Figure 5.4 and Figure 5.5).

**Figure 5.4.** Rate of return on the NBP foreign currency reserves excluding the impact of foreign exchange rate changes in 2017–2020



Source: NBP data.

**Figure 5.5.** Fluctuations in yields on 2-year and 10-year government securities in major markets in 2020

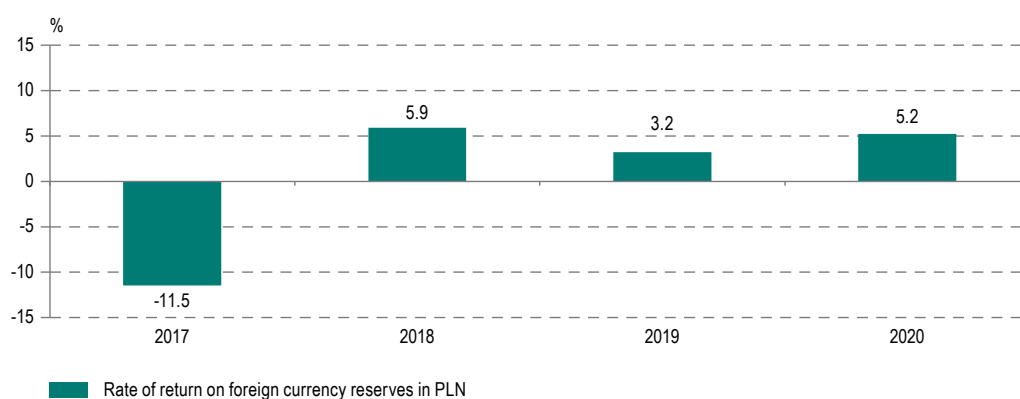


Source: NBP data.

<sup>5</sup> Foreign currency reserves correspond to foreign exchange reserves excluding gold.  
<sup>6</sup> 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 (excluding the impact of the changes in foreign exchange rates).

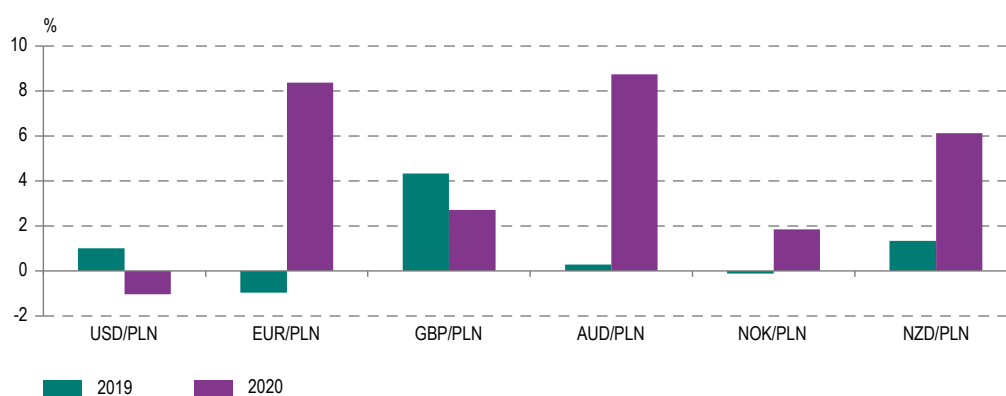
In 2020, the rate of return on the reserves calculated in PLN<sup>7</sup> amounted to 5.2% (Figure 5.6), which was associated with an appreciation of most of the reserve currencies against PLN<sup>8</sup> (Figure 5.7). The biggest appreciation of the reserve currencies against the zloty was observed in 2020 Q1, in the context of a spike in risk aversion related to the spreading of the COVID-19 pandemic.

**Figure 5.6.** Rate of return on NBP foreign currency reserves including the impact of foreign exchange rate changes in 2017–2020



Source: NBP data.

**Figure 5.7.** Fluctuations in the exchange rates of major reserve currencies in relation to PLN in 2019 and 2020



Source: NBP data.

<sup>7</sup> 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.

<sup>8</sup> An increase in the exchange rates: AUD/PLN by 8.7%, EUR/PLN by 8.4%, NZD/PLN by 6.1% and GBP/PLN by 2.7% and NOK/PLN by 1.9%; a decline in the exchange rates of USD/PLN by 1.0% (NBP average exchange rates).

## 5.5. Investment income

In 2020, the income on investment related to foreign exchange reserves management, excluding realised and unrealised exchange rate effects, amounted to PLN 6.9 billion (compared to PLN 7.6 billion in 2019). This was mainly due to a positive net result on interest, discount and premium on securities and deposits in the amount of PLN 2.7 billion and a positive net result on realised price differences on transactions in securities in the amount of PLN 4.0 billion.

In 2020, realised foreign exchange gains amounted to PLN 6.3 billion, whereas unrealised foreign exchange losses amounted to PLN 0.0 billion.<sup>9</sup>

### Highlights in 2020:

- changes in the investment structure of the reserves which contribute to mitigation of financial risk amid COVID-19 pandemic and to their increased rate of return,
- review of the foreign exchange reserves management strategy, which stipulates further extension of the range of investment instruments with the aim to increase the rate of return in a long-term horizon.

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<sup>9</sup> 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

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# Foreign exchange activity



## Foreign exchange activity<sup>1</sup>

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 security of foreign exchange transactions.

### 6.1. Register of bureaux de change

In 2020, 751 entries were made to the register of bureaux de change (as compared to 827 in 2019), of which 139 entries concerned new entities (as compared to 150 in 2019). The remainder regarded the deletion of entities or data updates in the register.

As at 31 December 2020, 4,752 bureaux de change were active in Poland (in 2019 – 4,844).

### 6.2. Foreign exchange-related decisions

In 2020, a total of 27 decisions on foreign exchange were issued, including 17 authorisations and 10 other decisions (35 decisions on foreign exchange were issued in 2019).

The authorisations were granted for the waiver of restrictions on foreign exchange transactions conducted with non-residents from countries that are not members of the EU, the OECD and the EEA. The decisions 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 2020 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.

In 2020, a total of 644 inspections were carried out (in comparison to 1,366 in 2019), including: – 309 inspections of the performance of the reporting obligation for the purposes of balance of payments statistics (in 2019 – 568),

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<sup>1</sup> 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 2020, item 971 as amended) and the provisions of the Act of 27 July 2002 the Foreign Exchange Law (Journal of Laws of 2020, item 1708).

- 334 inspections regarding bureaux de change activity (in 2019 – 797),
- 1 inspection of the use of an individual foreign exchange authorisation (in 2019 – 1).

Irregularities were reported in the course of 314 inspections, i.e. 49% of all the inspections (in 2019 – 41%), including during:

- 150 inspections of the performance of the reporting obligation for the purposes of balance of payments statistics (in 2019 – 246),
- 163 inspections of bureau de change activity (in 2019 – 319),
- 1 inspection of the use of an individual foreign exchange authorisation (in 2019 – 0).

After such irregularities were found, post-inspection recommendations were submitted to the managers of the inspected units. In three cases 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. 36 decisions were also issued to impose an administrative penalty (including 31 decisions to impose a financial penalty and 5 decisions to impose a penalty of publication) 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 331 cases of violation of legal provisions. Having conducted the appropriate proceedings, tax offices and customs and tax offices informed NBP of penalties imposed on 71 bureaux de change, 158 cases of submission of the so-called active repentance and 24 cases of voluntary submission to liability. The results of all the inspections for compliance by entrepreneurs pursuing currency exchange business with 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 in 2020:

- 644 foreign exchange inspections performed,
- 27 foreign exchange decisions and 36 decisions to impose an administrative penalty issued.





Chapter 7

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# Payment system-oriented activities



# Payment system-oriented activities<sup>1</sup>

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, the activities relating to the payment system policy and development, including organising payments and drafting relevant legal regulations and the oversight of the infrastructure of the payment system.

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 the 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 is performed. In an RTGS system, payment orders are executed in accordance with the gross settlement principle (processing of single orders, without their mutual offsetting) and the rule of real time settlement (processing of orders on an on-going basis during the day, instead of at pre-determined hours).

As at 31 December 2020, accounts operated in the SORBNET2 system included zloty current accounts of 45 banks (in 2019 – 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 (KIR SA), Krajowy Depozyt Papierów Wartościowych (Central Securities Depository of Poland, KDPW SA) and KDPW\_CCP SA. In 2020, one current account in PLN was opened.<sup>2</sup>

In 2020, about 4.3 million payment orders were executed in the SORBNET2 system (in 2019 – 4.4 million) totalling PLN 96.7 trillion (in 2019 – PLN 79.3 trillion). This represents a decrease of 91.6 thousand (2.1%) in the number of executed payment orders and a rise of PLN 17.5 trillion (22.0%) compared to 2019. The average value of a single payment order in 2020 was PLN 22.4 million (in 2019 – PLN 18.0 million) and it increased by 24.6% as compared to the previous year.

### 7.1.2. Operation of accounts in EUR 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 2020, the

<sup>1</sup> 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).

<sup>2</sup> On 14 December 2020, a current account was opened for Wielkopolski Bank Spółdzielczy.

TARGET2-NBP system operated accounts in euro for 20 participants: NBP, KIR SA, KDPW SA and KDPW\_CCP SA and 16 commercial banks (no change as compared to the end of 2019).

In 2020, a total of 1.8 million transactions were carried out in the TARGET2-NBP system, totalling EUR 1.6 trillion. As compared to 2019, the number of completed transactions increased by 131.9 thousand (7.9%), and their value dropped by EUR 119.1 billion (6.9%). The average value of a single transaction amounted to EUR 0.9 million and decreased by 13.7% as compared to 2019.

## 7.2. Policy measures and development of the payment system

### 7.2.1. Regulatory, standardisation and research activities

In 2020, as part of regulatory and research activities relating to the payment system:

- NBP participated in legislative work relating to regulations governing the rules of dealing with sort codes and unique identifiers of payment accounts in the event of the use of resolution instruments for payment service providers (PSPs) which are at risk of insolvency.<sup>3</sup>
- The President of NBP addressed the Minister of Finance about taking action aimed at more detailed regulation of the legal status of cash payment acceptance, forwarding draft amendments to the Act on Payment Services. The proposed solutions aim to ensure acceptance of cash payments at points of sale.
- The next edition of the report entitled *The Payment System in Poland* describing institutional, functional and legal aspects of the Polish payment system was released.
- A report summarising the results of a research project on costs of payment instruments on the Polish market (broken down into fixed and variable costs) carried out in 2019–2020 was published on the NBP website.
- The report *PayTech – Innovative Payment Solutions on the Polish Market*, which includes an overview of payment services in Poland from the point of view of technology advancement, was published.

Moreover, in the context of the COVID-19 pandemic and incidents of refusal to accept cash payments in points of sale, NBP called for the universal acceptance by enterprises of banknotes and coins which are legal tender on the territory of the Republic of Poland.<sup>4</sup>

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<sup>3</sup> Draft regulation amending the regulation of the Minister of Development and Finance of 5 July 2017 on identifiers and sort codes assigned to some payment service providers and unique identifiers assigned to payment accounts maintained by these providers (Journal of Laws of 2017, item 1360).

<sup>4</sup> Announcement of 10 April 2020: NBP calls for the universal acceptance of cash payments.

### 7.2.2. Development of domestic large-value payment systems

In 2020, 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,
- analytical work commenced due to the scheduled for 2025 launch of a new RTGS system in PLN which conforms to the ISO 20022 standard,
- work continued 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 2022 a new RTGS system in euro.<sup>5</sup> 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 2020, NBP chose the network service provider (the cooperative society SWIFT) for the new system, specification of the system owner's requirements for NBP-PHA2 was prepared, and work on changes in the NBP IT systems was in progress.

### 7.2.3. SEPA scheme

In 2020, NBP continued to provide intermediation services in accessing the EBA-run pan-European payment system STEP2-T for interested banks, enabling them to settle cross-border credit transfers in euro in the SEPA Credit Transfer (SCT) scheme.<sup>6</sup>

In 2020, planned changes in the functioning of the STEP2-T system were announced, which consist in migration from the then-operational session-based clearing to Continuous Gross Settlement. NBP started adapting to the changes (e.g. signing of a new agreement with EBA Clearing, analytical work, arrangements concerning cooperation between NBP and KIR SA after migration to the new settlement model). The migration of NBP to the new settlement model in STEP2-T model was scheduled for 2022.

### 7.2.4. Payment System Council activity

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

In 2020, the Council primarily discussed the following issues:

- the activity of Krajowa Izba Rozliczeniowa SA (KIR SA) in the scope of the changes planned by KIR SA, i.e. the launch of instant payments in euro (Euro Express Elixir), development of tools for electronic authentication and remote electronic signature (mojeID and mSzaafir),

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<sup>5</sup> In July 2020, the ECB Governing Council adopted a decision to extend the date of implementation by a year – the launch of the new system is scheduled for November 2022.

<sup>6</sup> At the end of 2020, 18 banks used these intermediation services.

- introduction of a service of eParagon (electronic receipt) generated in non-cash transactions upon customer request in the bank issuing the payment instrument,
- changes made pursuant to the implementation of the programme of combating tax fraud and evasion introduced by KIR SA and the banking sector,
- plans of KIR SA and ZBP regarding the launch of an industry support services centre for counteracting money laundering,
- changes in the Euro Elixir system resulting from the planned implementation of Continuous Gross Settlement in STEP2-T,
- activity of KDPW SA Capital Group as relates to adaptation to changes in EU regulations (CSDR, SRD II, SFTR) and the assessment of pertinence of KDPW SA joining the pan-European settlement platform TARGET2-Securities (T2S) with settlements in PLN and EUR,
- results of the implementation of the Cashless Poland programme,
- innovative payment solutions on the Polish market (PayTech),
- assumptions for the Eurosystem strategy on retail payments,
- selected legal aspects of non-bank payment service providers' access to payment systems.

### 7.3. Oversight of the payment system

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 schemes 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 2020, NBP carried out the following payment system oversight activities:

- Payment systems. The NBP President issued 3 decisions authorising modifications to the rules of operation of payment systems. Assessment of the Elixir payment system, operated by KIR SA, was continued, and assessment of the BlueCash payment system, operated by Blue Media SA, was commenced.
- Payment schemes. President of NBP issued one decision authorising modifications to the principles of operation of a payment scheme, and one decision certifying expiry of authorisation to operate a payment scheme. Furthermore, assessment was completed of 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.<sup>7</sup>
- Securities settlement and clearing systems. The President of NBP, at the request of the KNF, issued 5 opinions on changes in the rules of procedure specifying the principles of the operation of the securities settlement and clearing systems operated, respectively,

<sup>7</sup> 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.

by KDPW\_CCP SA and KDPW SA. NBP representatives participated in the work of two committees on CCP (CCP Supervisory Committee and CCP Policy Committee), established by the European Securities and Markets Authority – ESMA.

- Intermediary service in authorising non-cash payments (acquiring). There were 2 procedures under way for the issuance by the President of NBP for the KNF of a decision concerning the planned provision of the service.

Moreover, in 2020:

- Assessment was carried out of the compliance of the SORBNET2 system with the requirements stated in *Cyber resilience oversight expectations for financial market infrastructures* (CROE) developed by the ESCB.
- A survey was completed on the cyber resilience of the Polish payment system (the systems subject to the survey included: Euro Elixir, SORBNET2, Elixir, SKARBNET4, securities settlement and clearing systems operated by KDPW\_CCP SA and KDPW SA).
- In the context of the COVID-19 pandemic on two occasions a survey of the payment system infrastructure overseen by the President of NBP was conducted with the aim to check the impact of the pandemic on the ongoing functioning of the payment systems and payment schemes, in particular on their security and proper operation.

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

In 2020, NBP held shares and participating interests in the following domestic entities:<sup>8</sup>

- 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 clearing 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, the producer and integrator of IT solutions addressed mainly to financial sector institutions, in particular, banks and insurance institutions as well as public administration.

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<sup>8</sup> 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 shares and participating interests held by NBP in Polish commercial law companies, as at 31 December 2020

Name of entity	Share capital (PLN)	Number of shares/participating interests 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 in 2020 :**

- submission to the Minister of Finance of a motion to take legislative initiative aimed at a more detailed regulation of the legal status of cash payments acceptance,
- commencement of analytical work related to the scheduled for 2025 launch of a new RTGS system in PLN which conforms to the ISO 20022 standard,
- start of adaptation work on migration to the new settlement model in the STEP2-T system,
- monitoring of payment system infrastructure in view of possible impact of the COVID-19 pandemic on the functioning of the payment systems and payment schemes.





Chapter 8

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# Services to the State Treasury



# Services to the State Treasury<sup>1</sup>

Tasks performed by Narodowy Bank 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 2020, NBP operated bank accounts referred to in Article 196 of the Public Finances Act, 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.

NBP operates accounts in PLN and foreign currencies, including accounts used to handle funds coming from the EU budget. NBP also maintains term deposit accounts in PLN and foreign currencies. As at 31 December 2020, NBP provided services for 2,953 customers (in 2019 – 2,956), for whom regional branches operated 25,719 accounts, including 12,166 VAT accounts (in 2019 – 23,127 and 8,594, respectively), of which 4,387 accounts were handled under the third party substitution cash service (in 2019 – 5,172 accounts).<sup>2</sup>

### 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 solutions adjusted to the account holder's needs (including micro-accounts and individual reports) as well as 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 was systematically increasing in previous years. In 2020, this number fell to 130.9 million operations (in 2019 – 136.4 million). The decline affected the number of both non-cash and cash transactions performed and resulted from the slowdown in economic activity due to the COVID-19 pandemic.

<sup>1</sup> Tasks in this area are performed pursuant to Article 3(2)(4) and Articles 49, 51 and 52 of the Act on Narodowy Bank Polski, the Public Finances Act of 27 August 2009 (Journal of Laws of 2021, item 305) and the Act of 29 August 1997 – the Banking Law (Journal of Laws of 2020, item 1896, as amended).

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

In 2020, Narodowy Bank Polski participated in the handling of the European instrument for temporary support to mitigate unemployment risks in an emergency (SURE), introduced in connection with the COVID-19 pandemic.<sup>3</sup>

In the framework of this instrument, loans were granted to Member States for purposes directly related to employment protection (after the fulfilment of the criteria indicated). To service these loans, an account was opened with the European Central Bank for NBP (as an account for a national central bank, used to administer the funds). At the same time, an account was opened with NBP for the Minister of Finance (as a dedicated account for the management of the funds by the Member State concerned).

Moreover, 2020 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;
- The third party substitution cash service in a new form was implemented (following the elimination of cash cheques used by NBP account holders at the end of 2019). Other recently introduced services were also developed, i.e. payment cards, cash withdrawal orders in the third party substitution cash service and ATM withdrawals via mobile phone;
- As part of changes implemented since 1 January 2020 by the Ministry of Finance in the collection and redistribution of PIT, CIT and VAT taxes, the so-called joint account was handled 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.<sup>4</sup>
- Changes were introduced in handling VAT accounts of state budgetary units,<sup>5</sup> which resulted in the growth in the number of VAT accounts operated.

## 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 2020, Narodowy Bank Polski handled the State Budget liabilities and claims arising from:

- 51 loans granted by international financial institutions to the government of the Republic of Poland,
- 76 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.

<sup>3</sup> Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency following the COVID-19 outbreak (SURE) (OJ L 159, 20.05.2020). The SURE acronym originates from: Support to mitigate Unemployment Risks in an Emergency.

<sup>4</sup> 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).

<sup>5</sup> Cf. Regulation of the Minister of Finance of 16 June 2020 amending the Regulation on types and procedures of performing operations on bank accounts maintained for servicing the State Budget with regard to the domestic financial resources and the scope of and deadlines for making available information on the balances of funds on these accounts (Journal of Laws of 2020, item 1088).

While acting as a depository 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 2020, the following auctions were organised:

- 5 Treasury bills sale auctions; the total supply amounted to PLN 25.0 billion, the total amount bid was PLN 33.5 billion, bills worth PLN 17.7 billion were allotted;
- 7 Treasury bonds sale auctions; the total supply amounted to PLN 39.0 billion, the total amount bid was PLN 55.7 billion, bonds worth PLN 41.2 billion were allotted, including additional sale amounting to PLN 4.05 billion. The majority of bonds offered by the Ministry of Finance were fixed-rate bonds; their amount allotted constituted 49.9% of the total amount allotted;
- 14 Treasury bond swap auctions where the Ministry of Finance redeemed bonds worth PLN 60.7 billion and allotted bonds worth PLN 60.5 billion. The value of purchase of bonds for cash amounted to PLN 41.4 million; fixed-rate bonds represented the biggest share (64.9%) of bonds allotted at auctions.

In 2020, no bond redemption auction was held, while 12 auctions were held for the sale of Bank Gospodarstwa Krajowego bonds with the guarantee or surety of the State Treasury, issued for the COVID-19 Prevention Fund. Three fixed-rate bond types were sold. The total minimum supply amounted to PLN 12.0 billion, the total amount bid – to PLN 76 billion, bonds worth PLN 60.5 billion were allotted, including additional sale amounting to PLN 4.0 billion.

#### 8.3.2 Treasury Securities Dealer System (DSPW)

In 2020, as in previous years, NBP performed tasks associated with the Treasury Securities Dealer System (DSPW).<sup>6</sup> 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.<sup>7</sup>

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<sup>6</sup> The Treasury Securities Dealer System (DSPW) system was established in 2003 in order to ensure the security of financing of the State budget borrowing needs, improve the liquidity, transparency and effectiveness of the SPW market (SPW – skarbowe papiery wartościowe: Treasury securities). Domestic banks and foreign entities that comply with the requirements set out in the Regulations on fulfilling the DSPW function may apply for the status of the DSPW, which authorises them, among others, to purchase SPW at auctions organised by the Ministry of Finance. More information on the functioning of the DSPW system can be found on the website of the Ministry of Finance.

<sup>7</sup> 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 SPW fixing regulations).

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

In 2020, 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 2020:

- participation in handling the European temporary support instrument SURE,
- handling 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 38 Treasury securities sale, swap and redemption auctions.



Chapter 9

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# Analytical and research activities





# Analytical and research activities<sup>1</sup>

Actions of central banks aimed at ensuring macroeconomic and financial stability require detailed knowledge of developments in the economy and its external environment. While performing these tasks, NBP analyses the current and expected economic situation in Poland and worldwide, relying on a broad range of data and analytical as well as prognostic tools. The Bank also conducts scientific research to assess changes in the economy and verify the applied analytical tools. The findings 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 2020 concerning macroeconomic stability,<sup>2</sup> including price stability, broken down into major thematic groups.

## 9.1. Analyses and research concerning monetary policy

- The monetary policy of major central banks was monitored and analysed.
- NBP research staff carried out comprehensive analyses of the monetary policy transmission mechanism in Poland. The findings of the research were published in the series *Materialy i Studia NBP* and *NBP Working Papers*.
- NBP staff analysed the macroeconomic effects of monetary policy easing in Poland, including the impact of structural open market operations on the Polish economy and the financial markets.
- The impact of the following economic factors on monetary policy was investigated: demographic and migration processes, business behaviour and labour market balance.
- NBP conducted research of the influence of bank heterogeneity on the business cycle.
- Studies were conducted on the role of central bank communication in shaping macroeconomic expectations of the private sector.

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

- NBP staff analysed the formation of inflation expectations among consumers, businesses, financial sector analysts and experts outside the financial sector.

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

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

- Research and analytical work was carried out on trends in inflation indices and price-setting processes, including the phenomenon of price stickiness<sup>3</sup> in the Polish economy, with a particular focus on the impact of the COVID-19 pandemic on these processes.
- Analyses of a popular science character were drawn up concerning the development of the retail market and online shopping in Poland, taking into account changes in consumer preferences due to the COVID-19 pandemic.

### 9.3. Macroeconomic forecasting and the development of prognostic models

- Regular inflation and GDP projections were drawn up, along with estimates and short-term forecasts of GDP and its components to be used in the assessment of macroeconomic stability and the stability of the financial sector.
- Four rounds of the NBP Survey of Professional Forecasters were completed.
- Prognostic work within the DSGE SoePL model continued, with adjustment of the standard prognostic procedures to the situation caused by the COVID-19 pandemic.
- The NECMOD model was expanded to include the impact of key macroeconomic categories of central bank asset purchases in order to evaluate the impact of the monetary policy easing implemented in 2020.

### 9.4. Analyses and studies of the fiscal situation

- Analyses and forecasts were carried out on the following: the situation of the state budget and the whole 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, including anti-crisis measures financed from EU funds.
- Fiscal measures launched in order to counteract the negative impact of the COVID-19 pandemic were analysed, along with their effects on the financial position of the public sector finance, the State's borrowing needs and the pace of GDP growth.

### 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 trade of the Polish economy, along with its price and cost competitiveness, as well as the degree of the external balance of the Polish economy.
- The network of trade links within global value added chains between Poland and selected trading partners was investigated.

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<sup>3</sup> Price stickiness is the process of restoring a disturbed market equilibrium through changes in the supply of a given good (quantity adjustment), with prices remaining at the previous level or their very slight changes.

- The economic situation and economic policies of selected countries were analysed, including those of major world economies and countries of Central and Eastern Europe.
- The economic situation under the pandemic – globally and in Poland – was monitored and analysed on an ongoing basis, based on a broad set of variables comprising time series of various frequencies. NBP research staff developed tools to analyse and forecast business conditions amid a volatile economic situation and disruptions caused by the COVID-19 pandemic.
- Medium- and short-term economic outlook was assessed for the countries where the NBP invests foreign currency reserves.
- Research on the impact of unconventional policies abroad on the Polish economy was completed.

## 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 sources of income, consumption expenditure and savings, consumer climate, and changes in the stock of assets and liabilities.
- The scale and causes of income inequalities in Poland were studied against the background of other European countries.

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

- NBP monitored the situation in the labour market and developed tools for forecasting developments in the corporate sector.
- The influence on the Polish economy of production automation and global expansion of the digital economy was investigated, along with the extent to which the Polish economy is prepared for an influx of digital technologies.
- NBP staff analysed the impact of economic immigration (mainly from Ukraine) on the labour market and economic growth in Poland.
- The number of people directly threatened with a job loss and potential economical inactivity due to the COVID-19 pandemic and the related underutilisation of potential labour resources was estimated.
- The number of persons who benefited from the anti-crisis shields was estimated.

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

- Quarterly NBP Quick Monitoring Surveys were conducted. The surveys studied companies' decisions on the size of output, employment, investment, as well as their financial and pricing decisions and their impact on the banking system. Instruments assessing the impact of the COVID-19 pandemic on the corporate sector were developed and implemented – including transmission channels, effects, remedial actions, as well as instruments to serve as alerts.
- Work continued on instruments to shorten the analytical cycle for survey data and to increase the flexibility of method of collecting information.
- The impact of the COVID-19 pandemic on the potential output in the Polish economy was analysed.
- NBP analysed the significance of the individual sectors (including those affected by the pandemic) for the level of activity in the entire economy, with the use of network models.
- Work was conducted on creating a sectoral model of general equilibrium.

## 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 2020, recognized national and international scientific journals published 38 academic publications by NBP staff, including 6 in Polish and 32 in English. Eight publications were posted on the ISI Master Journal list (see Appendix 2).

## 9.8. Scientific conferences and workshops organised by NBP

In 2020, NBP organized 2 international scientific conferences, which were attended by central bankers and scholars with significant scientific achievements:

- 8–29 May 2020: *Annual Research Conference (ARC) – Labour market and its implications for the monetary policy*. It was the fifth conference organised by NBP in cooperation with the National Bank of Ukraine. The conference dealt with the influence of monetary policy on the labour market and the impact of the processes observed in this market on monetary policy transmission channels.
- 24–25 September 2020: *Adjustments in and to an uncertain world*. A joint NBP and Bank of Lithuania conference was organised for the third time (in cooperation with Central Bank Research Association and Centre for Economic Policy Research). The conference addressed the impact of uncertainty on selected areas of economic activity and economic policy.

Moreover, 2 open scientific seminars were organised. These dealt with monetary policy, labour market issues and other aspects of economic policy (see also Appendix 2).

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

In 2020, as part of cooperation with the scientific community, central banks and international institutions:

- Research projects were conducted jointly with the National Bank of Ukraine and the Bank of Morocco (NBP technical assistance programme),
- Representatives of Narodowy Bank Polski participated in the activities 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 2020:

- analyses concerning the economic situation in Poland and its external environment for the needs of the NBP Management Board and the Monetary Policy Council,
- improvement of forecasting tools and completion of several modelling and analytical-research tasks, including concerning the impact of the COVID-19 pandemic on the economic situation,
- publication of 38 academic papers by NBP staff, including 8 in journals from the ISI Master Journal list,
- organisation of 2 international scientific conferences and 2 scientific seminars open to the public.

Chapter 10

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# Statistics



# Statistics<sup>1</sup>

Narodowy Bank Polski is one of Poland's key institutions that conduct 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 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), the Ministry of Finance and the National Securities Depository (KDPW).

In 2020, 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 (ZBP) and academic

<sup>1</sup> Tasks in this area are performed pursuant to Article 3(2)(7), Article 17(4)(13) and Article 23 of the Act on Narodowy Bank Polski and the Act of 29 June 1995 on Public Statistics (Journal of Laws of 2020, item 443).

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

In 2020, tools for statistical data visualisation and imaging were modernised in NBP and infrastructure for monitoring statistical sources and supporting analytical work was developed further. The impact of the COVID-19 pandemic was taken into account in the conducted analyses and collection of information. Study of the new risk analysis methods in banking activity and of cyclicity of the domestic banking sector's lending activity was undertaken.

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

In 2020, 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).

The cooperation is also of an inter-institutional nature through participation of NBP representatives in topical committees setting up statistical standards.

### 10.2.1. Monetary and financial statistics

In 2020, NBP provided the ECB with harmonised monthly and quarterly data on the aggregated balance sheet of monetary financial institutions (MFIs) as well and 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 RIAD.<sup>2</sup>

Moreover, in 2020 NBP:

- Continued work on assumptions for the creation of Krajowy Rejestr Kredytowy (national credit register). The register will contain individual information on credits and other credit exposures and will be used by NBP to analyse credit phenomena for the needs of monetary policy implementation, ensuring financial stability and performing macroprudential oversight. Data from the register will also support work of other financial safety net institutions.
- Implemented changes to IT systems which streamline processing of data from investment funds offering employee capital plans.
- Started to transmit to the ECB quarterly data on pension funds in compliance with the target methodology, the so called long-term approach.<sup>3</sup>

<sup>2</sup> Register of Institutions and Affiliates Data (RIAD).

<sup>3</sup> Regulation (EU) No. 2018/231 of the European Central Bank of 26 January 2018 on statistical reporting requirements for pension funds (ECB/2018/2).



- Participated in the activities of the ECB Working Group on Monetary and Financial Statistics on amending European provisions on monetary statistics,<sup>4</sup> payment statistics,<sup>5</sup> the quality of data received from insurance institutions and pension funds, the strategy for obtaining data from the sector of captive financial institutions and money lenders and on developing the Integrated Reporting Framework for banks.
- Took part in the work of the following ECB groups: Working Group on Analytical Credit Datasets (WG AnaCredit) and the NEWS1 Expert Group. The work included compilation of data on credit exposures to be transmitted to authorised users and ensuring comparability of AnaCredit reporting with Balance Sheet Items (BSI) statistics, interest rate statistics and financial reporting (FINREP) for macroprudential purposes.
- Participated in the work of the RIAD Hub Network: continued to feed the RIAD with reference data of securities issuers and took part in the work on expanding the RIAD system to include data on borrowers with foreign exposure. Moreover, it participated in the work on harmonised management of information on investment funds – in the context of the planned amendment to the regulation on investment funds statistics.

#### 10.2.2. Prudential statistics

In the area of prudential statistics, in 2020 NBP:

- Implemented the XBRL taxonomy, developed by the European Banking Authority (EBA) for all prudential reports laid down in the Commission Implementing Regulation (EU) No. 680/2014. The changes were mainly of technical nature and were prompted by the need to adjust the national reporting process to changes planned at European level, i.e. the EBA project EUCLID,<sup>6</sup> due to take effect in 2021.
- Implemented, as part of the reporting information system (RIS), new reporting requirements stemming from the amended Commission Implementing Regulation (EU) No. 680/2014, which include: short-term liquidity ratio (LCR2), additional liquidity monitoring metrics (ALMM), funding plans (FP), own funds requirement (COREP), financial reporting (consolidated FINREP) and information on the use of internal methodologies for calculating risk-weighted exposures or own fund requirements, with the exception of supervisory benchmarking (BM).
- Executed, as part of the reporting information system (RIS), a new reporting obligation of EBA,<sup>7</sup> concerning credit exposures subject to moratoria and exposures subject to public guarantee schemes introduced in response to the crisis related to the COVID-19 pandemic.

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<sup>4</sup> Regulation (EU) No. 2021/379 of the European Central Bank of 22 January 2021 on the balance sheet items of credit institutions and of the monetary financial institutions sector (ECB/2021/2).

<sup>5</sup> Regulation (EU) No. 2020/2011 of the European Central Bank of 1 December 2020 amending Regulation (EU) No. 1409/2013 on payment statistics (ECB/2013/43) (ECB/2020/59).

<sup>6</sup> EUCLID (European Centralised Infrastructure of Data) is a system operated by the EBA, to which selected bank reports are transferred.

<sup>7</sup> Guidelines of 2 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07).

- Continued to submit to the ECB reports relating to financial reporting and capital adequacy (consolidated banking data, CBD).

NBP participated also in the works of the ECB and EBA working groups which deal with the issues of: supervisory statistics, the quality of data, accounting, reporting and audit as well as regulation and policy.

### 10.2.3. Statistics of the balance of payments and the international investment

In 2020, NBP:

- Continued to carry out research into migration processes. In 2020, the study covered all voivodeships, which made it possible to acquire information on the impact of migration on local labour markets, sectors in which immigrants were employed and on macroeconomic processes. The impact of the COVID-19 pandemic on the situation of immigrants was also studied. At the same time, the next planned surveys were started.
- Adjusted prognostic models used in the on-going compilation of balance-of-payment data to include the impact of the COVID-19 pandemic on economic activity.
- Prepared changes in reporting for the needs of balance of payment and international investment position related to the dematerialisation of shares<sup>8</sup> planned for 2021.
- 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 international trade in services and foreign direct investment.
- Participated in the work of working groups dealing with the following issues: external relations statistics (within ECB), balance of payment statistics and direct investment statistics (within Eurostat) and foreign investment statistics (within the OECD).
- Participated in the work on updating manuals for international statistics as relates to the System of National Accounts and the Balance of Payments and International Investment Position Manual.

### 10.2.4. Other statistics

- Financial account statistics. NBP submitted quarterly and annual financial accounts to the ECB and Eurostat, respectively; participated in the ECB Working Group on Financial Accounts<sup>9</sup> and participated in the work of EU institutions on ensuring the quality of data used in the Macroeconomic Imbalance Procedure in the EU.

<sup>8</sup> Pursuant to the Act of 30 August 2019 Amending the Act – Code of Commercial Companies and Some Other Acts (Journal of Laws of 2019, item 1798).

<sup>9</sup> Working Group on Financial Accounts and Government Finance Statistics.

- General government sector statistics. In 2020, NBP submitted to the ECB annual data on the statistics of the sector. It also participated in the work of working teams in this area both domestically and within the ECB.<sup>10</sup>
- Real sector statistics. NBP continued to cooperate with the Bank for the Accounts of Companies Harmonized (BACH) Working Group.<sup>11</sup> In 2020, an analysis of the impact of the COVID-19 pandemic on the financial situation of non-financial enterprises in European countries<sup>12</sup> was carried out and the financial situation of enterprises prior to the global crisis of 2008 and before the COVID-19 pandemic was also studied (the results of the study were included in: *European non-financial corporations (a comparison for pre-crisis periods)*).
- 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.
- Statistical tools development. NBP participated in the ECB work on this issue, including under the Network of Experts on Machine Learning.

#### Highlights in 2020:

- continued work on assumptions for the creation of Krajowy Rejestr Kredytowy,
- implementation of changes in the macroprudential statistics, which comply with the requirements of the EBA project EUCLID and of the amended Commission Implementing Regulation (EU) No. 680/2014,
- implementation of EBA guidelines on new reporting requirements due to the COVID-19 pandemic,
- extending the scope of study of the migration processes to all voivodeships.

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<sup>10</sup> General Government Statistics Working Group established by the President of Statistics Poland; Working Group on Financial Accounts and Government Finance Statistics.

<sup>11</sup> BACH Working Group acts as part of the European Committee of Central Balance Sheet Data Offices (ECCBSO).

<sup>12</sup> Unpublished material.

Chapter 11

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# 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 the article 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 2020:

- NBP organised new competitions for dissertations on economic subjects: the NBP President Award competition for the best doctoral and post-doctoral dissertation in economic sciences,<sup>1</sup> the NBP President Award competition for the best MA dissertation in economic sciences<sup>2</sup> and the competition for the best essay in this area targeted at young people.<sup>3</sup>
- Projects co-funded by NBP under grant competitions were carried out: for primary and middle schools (under the competition entitled *The Polish ŻŁOTY is 100 years old!*, funding in 2020 was provided to 15 projects)<sup>4</sup> and for universities (15 projects<sup>5</sup> selected for the competition *Universities to Schools – about Finance with NBP*).
- NBP conducted 4 free webinars for teachers on their digital skills and tools and adjustment of teaching methods in economics and entrepreneurship to the contemporary labour market. In total, 256 persons attended the webinars.
- NBP commissioned a survey of Poles' financial literacy competencies as part of the periodical International Survey of Adult Financial Literacy organized under the OECD/INFE project and another edition of a survey on Poles' economic awareness and knowledge.

<sup>1</sup> Thirty seven doctoral and 19 post-doctoral dissertations were submitted to the competition.

<sup>2</sup> NBP received 37 submissions for the competition.

<sup>3</sup> The topic for the paper for primary school 7th and 8th formers was: *The impact of economic education on financial stability* and for middle school student – *The role of central banks in mitigating the effects of economic crises*. NBP received 235 submissions for the competition.

<sup>4</sup> In total, 98 projects were implemented under the competition.

<sup>5</sup> The beneficiaries of the projects submitted for the competition are primary school 7th and 8th formers and middle school students.

Educational projects co-funded by NBP were addressed at various social groups, including schools,<sup>6</sup> universities, senior citizens and persons at risk of financial exclusion. The NBP sponsoring decisions 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 attached to the Management Board of NBP.<sup>7</sup> Projects with a value below PLN 30,000 were evaluated by the NBP Commission for the Support of Social Educational Initiatives. Conclusions and recommendations of these bodies make an element of the project evaluation process. Projects submitted under the grant competitions were evaluated by separate selection boards.

In total, 132 projects were funded (34 projects endorsed by the Council, 68 projects endorsed by the Commission as well as 30 projects under grant competitions announced in 2019).

All educational projects completed in 2020 were evaluated. The evaluation is carried out by NBP staff, the Council for Economic Education and the Commission for the Support of Social Educational Initiatives as well as by external research agencies selected under a tendering procedure.

#### 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 2020, the activity of the NBP Money Centre was limited due to the COVID-19 pandemic. Nevertheless, the exposition was visited by approx. 90 persons per day. During the year, the Centre received over 31,000 visitors (compared to 79,000 in 2019), of which over 77% were individual visitors.

In 2020, the activity of the NBP Money Centre included, among others:

- Continuation of a series of lectures: on Poland's economic history, in collaboration with the monthly science and history magazine *Mówią Wieki*, on numismatics (in collaboration with the Polish Numismatic Society) and on economics.
- Publication of a cartoon for young people entitled *On the trail of the Polish zloty. A tale about Polish money over the course of the centuries* and production of educational films on the history of money on the Polish lands for the same target group.

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<sup>6</sup> Over 170,000 students and almost 4,500 teachers participated in the activities.

<sup>7</sup> It comprises representatives of social and professional communities associated with the educational and research activity, social communication and financial policy.

- The Money Centre's offer was extended to include, among others, electronic content available on the NBP Money Centre's website, audio guides in Russian and new exhibits.<sup>8</sup>

## 11.2. Information and promotion activities

### 11.2.1. Information and promotion campaigns, other information and promotion activities

In 2020, Narodowy Bank Polski conducted information campaigns concerning:

- popularisation of NBP activities aimed at mitigating the economic effects of the COVID-19 pandemic,
- promotion of a new NBP educational facility, the Kraków Economic Salon at the NBP Regional Branch in Kraków (the campaign was conducted in regional and national media),
- promotion of NBP's educational activities (via multimedia, social media profiles and websites, including the *My NBP* app),
- issue of collector coins and banknotes, including a series of coins on the great Polish economists and the history of the zloty.

### 11.2.2 Presentation of NBP's activity on the Internet

In 2020:

- NBP operated its website and its other on-line services. The total number of visits on all NBP information websites reached almost 112 million (a 2.8% increase compared to 2019).
- NBP internet channels were operated (including NBPtv on YouTube). 139 videos were posted (compared to 93 in 2019, 143 in 2018), attracting almost 10 thousand subscriptions (compared to 4,700 in 2019). The total number of viewings since the launch of the channel has exceeded 4.3 million.
- NBP Facebook, Twitter and LinkedIn profiles recorded significant increases in the number of both followers and viewings.

### 11.2.3 Liaising with the media and market analysts

While liaising with the media and market analysts in 2020, 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 the current activity of the central bank, among others, monetary policy implementation, issuance of the currency (including collector coins and banknotes) and educational activities,

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<sup>8</sup> A silver mug with a set of five coins from the November Uprising of 1831 fitted into the mug, two antique keys dating from the 14th–15th centuries, a cylindrical cabinet dated to ca. 1860 and a collection of 170 rare items from the inter-war period.

- published press releases after one-day meetings of the Monetary Policy Council and in connection with announcing periodical *Inflation Reports*,
- corresponded with journalists by answering their questions on NBP's activity,
- organised the 18th 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 2020, a number of publications were released, including, among others: *Annual Report*, *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 Report*, *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 System*, *Inward Direct Investment in Poland and Polish Outward Direct Investment*, *Report on Cash Circulation 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 Papers* (published in English),<sup>9</sup> *Review of European Issues*, quarterly summaries of the *ECB Economic Bulletin* in Polish). A separate group of publications were educational publications, explaining concepts and contemporary and historical economic processes, including: *Bankoteka* (a quarterly educational journal of the NBP Money Centre, in Polish, English and Russian) and a series of educational booklets for students and teachers launched in 2020.

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 in Poland relating to economic sciences, specifically banking, finance and management. In 2020, the NBP Central Library was visited by over 4,000 readers (approximately 3,000 less than in 2019 due to the COVID-19 pandemic). The collection of the NBP Central Library comprises over 153,300 book volumes (in 2020, the collection expanded by over 1,500 items).

### 11.4. Petitions, complaints, requests and letters

In 2020, NBP handled a total of 2,995 queries (3,261 in 2019), of which 2,830 were in the form of letters (3,032 in 2019), and 165 complains and requests (229 in 2019), of which 70 were requests for public information. Out of these, 2,860 were handled directly at NBP, while the remaining 135 were referred to the appropriate banks and other institutions, in line with their remit.

<sup>9</sup> A detailed list of publications of *Materiały i Studia* and *NBP Working Papers* series issued in 2020 is contained in Appendix 2.



As in previous years, the matters handled by NBP concerned, among others: 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 cooperation and NBP's patronage, statistical information, information on NBP monetary policy and information on FX loans.

Moreover, matters referred to NBP in 2020 related to the current activities of the central bank, including those focusing on mitigating the adverse effects of the COVID-19 pandemic.

**Highlights of 2020:**

- providing funding for 132 economic education projects carried out all over the country,
- expanding the Sławomir S. Skrzypek NBP Money Centre's offer to include new materials available in electronic version,
- conducting information campaigns on, among others, popularisation of NBP's measures aimed at counteracting the economic effects of the COVID-19 pandemic and the launch of the Kraków Economic Salon.

Chapter 12

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# Legislative activity



# Legislative activity<sup>1</sup>

## 12.1. Legislation by the NBP governing bodies

In 2020, the governing bodies of NBP issued 155 legal acts, including 35 by the President of NBP, 14 by the Monetary Policy Council, and six by the Management Board of NBP.

Out of the legal acts issued by the governing bodies of NBP<sup>2</sup> in 2020, 30 were promulgated in Monitor Polski (the Official Gazette of the Republic of Poland) and 31 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 for 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 2020, NBP received:

- 1,190 documents sent as part of the work of the Standing Committee of the Council of Ministers, including 208 bills, for which 21 opinions (NBP positions) were drawn up,
- 103 draft legal acts sent as part of inter-ministerial consultations, including 27 bills and 76 draft regulations, for which 67 opinions (NBP positions) were drawn up,
- 72 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,
- 26 draft legal acts sent as part of the work of the European Union Affairs Committee.

As part of legislative activity in 2020:

- NBP participated in the legislative work of the European Union Affairs Committee,
- NBP representatives participated in six consultative conferences, as well as in 16 meetings of Sejm and Senate committees and subcommittees.

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,

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<sup>1</sup> 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.

<sup>2</sup> These include one ordinance of the President of NBP of 30 December 2019.

- the Export Insurance Policy Committee,
- the Financial Market Development Council,
- the Social Dialogue Council.

#### 12.2.1. Draft legislation related to the operation of the banking system

The most important draft legal acts related to the operation of the banking sector that NBP issued its opinion on in 2020 included:

- bills which subsequently became:
  - the Act of 19 June 2020 on Subsidies to Interest on Bank Loans Granted to Ensure Liquidity to Entrepreneurs Affected by the Repercussions of COVID-19 and on Simplified Procedure for the Approval of Arrangement in Connection with the COVID-19 Outbreak (Journal of Laws of 23 June 2020, item 1086);
- bills:
  - government Bill amending the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution and Some Other Acts,
  - government Bill amending the Act on State Aid in the Repayment of Some Housing Loans, Granting Guarantee Premiums and Refunding Paid Guarantee Premiums to Banks and Some Other Acts,
  - government Bill amending the Act – the Banking Law and Some Other Acts (Sejm printed matter No. 859),
  - government Bill amending the Act on Trading in Financial Instruments and Some Other Acts (bill of 22 June 2020),
  - government Bill amending the Act on Trading in Financial Instruments and Some Other Acts (bill of 8 July 2020).

#### 12.2.2. Other bills

In 2020, Narodowy Bank Polski participated in issuing opinions on draft legal acts not related directly to the banking sector.

The most important bills of subsequently adopted acts concerned the implementation of special measures related to the prevention and counteracting of the COVID-19 pandemic. The bills also concerned other measures related to the pandemic: the implementation of operational programmes, support instruments, protective measures, provision of public assistance aimed at rescuing or restructuring enterprises, support for the trade credit insurance market and electronic delivery services.

### 12.3. Consulting the European Central Bank's draft opinions to draft Community laws and draft national legislation of the EU Member States by NBP

In 2020, NBP participated in assessing 35 proposals for legislative acts (Community laws and national legislation of the EU Member States) on which the ECB issued opinions.<sup>3</sup> The ECB opinions on draft Community laws related to:

- amendments to the Union prudential framework in response to the COVID-19 pandemic,
- adjustments to the securitisation framework in response to the COVID-19 pandemic,
- establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak,
- exemption of certain third country foreign exchange benchmarks and the designation of replacement benchmarks for certain benchmarks in cessation.

In addition, the consultations concerned numerous draft legal acts of the EU Member States. They regulated, among other things, issues related to financial supervision, financial stability strengthening, the introduction of macroprudential tools, recovery proceedings and resolution with respect to central counterparties, oversight of payment systems and the counteracting of money laundering.

#### Highlights in 2020:

- co-working with the state authorities on draft legal acts with relevance for the banking system and the economy, including in relation to the COVID-19 pandemic,
- 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, financial stability strengthening as well as financial and payment instruments.

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<sup>3</sup> According to the provisions of the Treaty on the Functioning of the European Union and the Statutes of the ESCB and the ECB, the ECB is entrusted with the task of issuing opinions on Member State and Community level draft legislative acts concerning the issue of currency, legal tenders, the status and activities of national central banks, the monetary statistics, payment systems and financial institutions.

Chapter 13

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# International activity



# International activity<sup>1</sup>

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

In 2020, 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, and committees and working groups of the Council of the European Union and the European Commission.

An important area of work were activities focused on amending EU legislation concerning the functioning of the banking sector and capital markets in response to the COVID-19 pandemic. They were related, among others, to: capital requirements (CRR and CRR II), markets in financial instruments (MiFID II) and the establishment of a general framework for securitisation.

The activities also covered:

- Improving crisis management (including agreeing on a targeted approach to the harmonisation of creditor hierarchy) to mitigate risks in the banking sector of the European Union.
- Agreeing on a reform of the European Stability Mechanism (ESM)<sup>2</sup> as part of completing the creation of the banking union. As a result, a common safety mechanism (“common backstop”) was established for the Single Resolution Fund (SRF). Poland participated in the work on the reform together with the signatory states to the ESM Treaty.
- NBP participation in the work on amendments to regulations concerning indices used as benchmarks and on a legislation package comprising the EU digital finance strategy.
- NBP activities on national and Community level relating to negotiations of agreements regulating the relations between the EU and the United Kingdom and to preparations for the end of the transition period under the agreement on the UK's withdrawal from the EU.

### 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 amid the COVID-19 pandemic, determinants of monetary policy of the countries outside the euro area and the

<sup>1</sup> 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.

<sup>2</sup> The agreement amending the ESM Treaty was signed in January 2021.

monitoring of central bank activities with regard to the prohibition of financing of the public sector with central bank funds and prohibition of privileged access, as well as the development of Big Tech companies in the EU, particularly in relation to retail payments.

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 situation in the EU in connection with the COVID-19 pandemic (macroeconomic conditions, risks to the financial system arising from the situation in the commercial real estate market, banks' reaction to the crisis and low interest rates),
- risks in the non-banking sector,
- identification of factors restricting the use by banks of the capital buffers released as part of macroprudential measures,
- work on the methodology of stress tests,
- the consolidation of the TARGET2 system with the securities settlement platform T2S,
- implementation of the PISA (payment instruments, schemes and arrangements) package comprising a single oversight framework for payment schemes,
- uniformisation of licencing/notification regimes for payment system operators in the EU,
- launching a database of individual bank loans in the euro area (AnaCredit).

In 2020, NBP representatives participated in 34 visits to central banks and the ECB, and in 20 visits to other European institutions (in 2019, 314 and 98, respectively).

#### 13.1.2. Collaboration with other EU bodies

In 2020, NBP representatives participated in the activities of the following EU bodies:

- the Economic and Financial Committee (EFC) of the Council of the EU,
- 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 2020, NBP experts participated in meetings of thematic committees and working groups of the OECD.

In February 2020, NBP representatives and members of the Monetary Policy Council 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, among others, the current economic situation, monetary policy and stability of the financial system in Poland.

In September 2020, the OECD Economic and Development Review Committee held a meeting during which it summarised the results of the survey. The survey was published in December 2020.



### 13.2.2. The World Bank Group (WBG)

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

- the Spring and Annual Meetings of the Boards of Governors of the WB and the IMF,
- four meetings of the International Development Association (IDA)<sup>3</sup> concerning the implementation of the provisions of the 19th IDA Replenishment aimed at providing assistance to the world's poorest countries in connection with the COVID-19 pandemic.

On 1 November 2020, owing to NBP activity in the international arena, a representative of Poland was for the first time appointed – for two years – to the position of Executive Director, representing a group of nine member states of the WBG.<sup>4</sup> This appointment confirms the high standing of Poland and the Polish central bank in the international forum. Narodowy Bank Polski, in cooperation with the public administration, supports the Executive Director in her work.

In addition, in January 2020 NBP organised the presentation of the World Bank report entitled *January 2020 Global Economic Prospects*.

### 13.2.3. The International Monetary Fund (IMF)

In 2020, as part of cooperation with the IMF, NBP participated in meetings with IMF representatives under Article IV of the IMF Agreement and provided professional support to the Polish representatives at the Fund.<sup>5</sup>

In addition, in 2020 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);
- acting as a signatory of the bilateral loan agreement with the IMF for the amount of EUR 6.27 billion.

In June 2020, the NBP Management Board (having consulted the Minister of Finance in the capacity of the Governor of Poland at the IMF) consented to the NBP participation in the increased NAB<sup>6</sup> and to the conclusion of another bilateral loan agreement between NBP and the IMF. The details of the arrangements are as follows:

- NAB are effective from 1 January 2021 to 31 December 2025, while the NBP share increased from SDR 1.29 billion to SDR 2.57 billion,

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<sup>3</sup> IDA is a unit of the WBG specialising in providing development assistance to the world's poorest countries.

<sup>4</sup> They are: Poland, Azerbaijan, Kazakhstan, Kyrgyzstan, Serbia, Switzerland, Tajikistan, Turkmenistan and Uzbekistan.

<sup>5</sup> The Polish Minister of Finance acts in the capacity of the Governor of the Republic of Poland at the IMF, and the NBP representative is the Deputy Governor.

<sup>6</sup> On 16 January 2020, the IMF Executive Board decided to double the total amount of NAB from the previous SDR 182.4 billion to SDR 364.7 billion. In order to come into effect, the decision required the consent of NAB participants representing 85% of the total value of the liabilities under NAB. The decision came into effect on 1 January 2021.

- the bilateral loan agreement came into force on 1 January 2021 and will remain effective through 2023, with the possibility of being extended by one more year subject to NBP's consent,
- upon the entry into force of the increased NAB, the loan amount under the new agreement was automatically reduced from EUR 6.27 billion to EUR 2.7 billion,
- the funds made available by NBP to the IMF both under NAB and the bilateral loan agreement will retain their status as foreign currency reserves.

So far, the IMF has not used the funds made available under the bilateral loan. Under NAB, as at the end of 2020 the IMF had used the amount corresponding to SDR 61.4 million.<sup>7</sup>

In 2020, NBP continued its involvement in financial assistance to the world's poorest countries as part of the Poverty Reduction and Growth – Heavily Indebted Poor Countries, PRG-HIPC Trust.<sup>8</sup>

#### 13.2.4. The European Bank for Reconstruction and Development (EBRD)

In 2020, NBP representatives participated in the 29th Annual Meeting of the EBRD Board of Governors, during which, inter alia, a new President of the EBRD was elected. They also participated in consultations concerning investment documents and projects considered at the meetings of the EBRD Board of Directors.<sup>9</sup>

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

In 2020, NBP representatives participated in:

- Governors' meetings of BIS; in June 2020, the General Shareholders Meeting of BIS decided not to pay the dividend for the financial year 2019/2020;
- the meeting of the IBEC Council and working meetings related to the current activities of the bank;
- the Annual Meeting of the AIIB Board of Governors, during which the AIIB President was elected for the second term, inter alia; NBP representatives also issued opinions on the documents considered by the AIIB Board of Directors.

#### 13.2.6. Other activities on the international arena

In 2020, in the framework of the technical cooperation of Narodowy Bank Polski with central banks from countries in economic transition, NBP implemented a total of 60 projects, including:

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<sup>7</sup> In 2011–2020 NBP granted loans to the IMF under NAB in the total amount of SDR 451.2 million and received a repayment of the loan in the total amount of SDR 389.8 million.

<sup>8</sup> In June 2020, NBP and the IMF signed an agreement for a non-interest bearing deposit for the amount equivalent to SDR 7.1 million, extending the validity of the previous agreement by ten years, i.e. until 12 June 2030.

<sup>9</sup> The President of NBP acts in the capacity of the Governor of the Republic of Poland at the EBRD.

- 6 study visits,
- 4 expert visits,
- 4 webinars devoted to economic education, Bayesian econometrics, panel data analysis and public procurement,
- 1 traineeship devoted to monetary policy and inflation projections,
- 45 expert missions within international assistance projects.

In addition, NBP gave 20 consultations on cash turnover, financial risk management, payment system, principles of public procurement awarding and human resources management.

In June 2020, NBP won a competition for the implementation of a twinning project for the National Bank of Ukraine. The project is being implemented in consortium with the Bank of Lithuania and in cooperation with the central banks of Greece, the Kingdom of the Netherlands, Portugal, Sweden and Hungary. NBP also continued the two-year twinning project for the National Bank of Georgia and participated in the European Commission's support programme for the central banks of the Western Balkan countries.

In addition, Narodowy Bank Polski was represented during prestigious international economic events, e.g. the annual economic symposium of the Federal Reserve Bank of Kansas City, the annual economic conference of the International Monetary Fund, the meeting of the Central Bank Governors' Club of Central Asia, Black Sea Region and Balkan Countries, and the annual central banking forum of the European Central Bank.

Moreover, NBP employees represented Narodowy Bank Polski during international visits (international conferences: in 2020 – 12 visits, in 2019 – 120 visits), and visits to international institutions (in 2020 – 4, in 2019 – 70).

**Highlights of 2020:**

- participation in the work of EU bodies on completing the establishment of the banking union, deepening the capital markets union and counteracting the COVID-19 pandemic,
- NBP actions promoting the (first-time) appointment of a representative of Poland to the position of Executive Director in the World Bank Group and providing professional support in the Director's tasks,
- continuation of Poland's participation in the temporary increase of the IMF financial resources under NAB and the bilateral loan agreement,
- NBP's assistance activity in the international arena, including the implementation – having won the competition – of the twinning project for the National Bank of Ukraine.

Chapter 14

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# Internal development of NBP



# Internal development of NBP

## 14.1. Human resources management

### 14.1.1. NBP headcount

In 2020, the average headcount at NBP amounted to 3,355 full-time posts and was by 43 posts higher than in 2019. This increase was due, among others, to the extension of tasks in payment system reporting as well as the development and upgrading of NBP IT systems.

Expenses related to the remuneration of employees, along with the related social contributions, were 6.7% higher in 2020 than in 2019 and, including provisions for future liabilities to employees, they went up by 5.5%.

The change in the NBP average head count in 2017–2020 is presented in Table 14.1.

**Table 14.1.** Change in the NBP average head count in 2017–2020

Specification	2017	2018	2019	2020	2020–2019
Total	3,281	3,280	3,312	3,355	43
Head Office	1,949	1,950	1,983	2,008	25
Regional branches	1,332	1,330	1,329	1,347	18

Source: NBP data.

### 14.1.2. Developing NBP staff qualifications

The purpose of the NBP training activity is to ensure competence and reliability of the staff. In 2020, every employee participated, on average, in 2.7 training events (in 2019 – 2.6).

In 2020, training activities focused on the development of professional expertise of employees. The induction of newly recruited staff was also undertaken. In response to the particular circumstances associated with the COVID-19 pandemic, training was provided on: maintaining high personal effectiveness in crisis situations, using remote working tools and improving the skills of the management staff in managing distributed teams and organising work under conditions of uncertainty.

Internships for 9 students of Polish and foreign universities preparing their theses in finance and banking were also organised.

## 14.2. Operational risk management

In 2020, NBP continued actions aimed at minimising the probability of the materialisation 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, including those stemming from the COVID-19 pandemic.

The activities supporting NBP employees in applying the *Code of Ethics for NBP Employees* were also continued.

### 14.3. Investment activity

In 2020, expenditure on investment purchases of NBP amounted to PLN 83.4 million (compared to PLN 78.0 million in 2019). Main areas of investment activities in NBP included ICT and construction infrastructure.

The ICT investment in 2020 involved the strengthening of cyber security, the technological exchange and upgrading of the existing server and network infrastructure, the upgrading of the existing and the implementation of new IT systems and applications as well as the adjustment of transaction systems to changes in legal provisions. Due to the epidemic situation, purchases of computer equipment in 2020 included mobile devices for remote working.

Construction investments focused on the modernisation of NBP's regional infrastructure, including the completion of works concerning the development of the operating room area of the Regional Branch in Kraków for conference and educational purposes (the Kraków Economic Salon).

### 14.4. IT support for the banking system and NBP

The most important activities in the IT area performed at NBP in 2020 included:

- development of the assumptions for the construction of Krajowy Rejestr Kredytowy (National Credit Register),
- changes in the NBP accounting system (ZSK) and the electronic banking system (NBE) related to: centralisation of MF tax accounts, launching a cash withdrawal service for NBP customers through PKO BP and updating the SWIFT Release 2020 standard, as well as technological improvements to these systems,
- development of the preliminary assumptions for the New Branch System (NSO),
- implementation of the financial planning support system,
- introduction of an electronic flow of orders for transport by company cars.

Moreover, other IT systems were upgraded in the following areas: internal accounting settlements, payment system, monetary policy and foreign exchange rates.

The development of the IT infrastructure enabled the provision of enhanced computing capacity, throughput and availability of NBP systems, as well as better protection against advanced cyber threats.

### 14.5. Internal audit

In 2019, 29 audits were conducted. The audits covered, in particular, issues related to IT activity, cash-and-issue activity, educational activity and security. Issues of monetary policy,

management of foreign exchange reserves, the financial and payment system as well as research, accounting and international cooperation were also audited.

The audit covered 15 departments of the NBP Head Office and 5 NBP regional branches. The audits resulted in 105 instructions and 83 recommendations aimed at increasing the efficiency of operations and improving the organisational solutions applied as well as removing any irregularities found.

## 14.6. Activity of NBP regional branches

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

In 2020, the regional branches:

- in the framework of banking services provided to the State Budget, continued to promote new services for NBP account holders, i.e. payment cards, orders for cash withdrawals in the third-party substitution cash service and ATM withdrawals using a mobile phone,
- participated in analytical research in the statistical and exchange area, in research on enterprises and micro-enterprises, the real estate market and migration, and in additional surveys on the impact of the COVID-19 pandemic on the situation of enterprises,
- participated in the organisation of numerous training courses, contests, exhibitions and other educational, promotional and information activities at NBP.

## 14.7. Safety and security

In 2020, activities aimed at ensuring and maintaining an adequate level of security at NBP were carried out, including:

- the development of systems and tools used by the Security Operations Centre, which affected the extension of the possibilities of the NBP activity in the cyber security area,
- the use of electronic signatures at NBP was popularised, including by equipping the key personnel with qualified certificates,
- the implementation of organisational and technical solutions in the NBP security system to reduce the risk of the spread of the COVID-19 pandemic.

### Highlights of 2020:

- upgrade of the existing IT systems and introduction of new ones, including for the purpose of enhancing their cyber security,
- promotion of new services for NBP account holders, conducting questionnaire surveys of entrepreneurs, including in relation to COVID-19.

Chapter 15

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# **Review of the financial position and performance of NBP as at 31 December 2020**





# Review of the financial position and performance of NBP as at 31 December 2020

## 15.1. Introduction

The aim of this chapter is to present summarised information on financial position and performance of NBP for 2020 and comparative data for 2019.<sup>1</sup> It describes, from the financial perspective, the areas of activity of the central bank, primarily the management of foreign exchange reserves, the conduct of monetary policy, the issuing activity as well as operating expenses and depreciation and amortisation expenses.<sup>2</sup>

In particular, the chapter includes information concerning the Balance Sheet and the Profit and Loss Account in 2020 compared to the previous year. The following are presented in the Balance Sheet: change in the balance sheet total, change in the structure of assets and liabilities, major items of assets and liabilities broken down by foreign currencies and domestic currency. In the Profit and Loss Account, items comprising the net result are presented (e.g. net result on interest, discount and premium, net result on financial operations, net result on fees and commissions) and broken down into the main areas which can be separated from the profit and loss account (net result on the management of foreign exchange reserves, net result on foreign exchange gains/losses, net result on monetary policy, operating expenses and depreciation and amortisation expenses). This information is preceded by the description of the selected areas of NBP's activity from the financial perspective.

In addition to financial data for 2020 and 2019, in order to show the information presented over a broader time horizon the chapter also presents historical data, i.e. the developments in the financial position and performance of NBP on a five-year basis (2016–2020).

The information contained in this chapter is complementary to the *Financial Statements of Narodowy Bank Polski as at 31 December 2020*, available on the NBP website together with the *Independent Auditor's Report*.<sup>3</sup>

A summary of changes in the NBP Balance Sheet and the NBP Profit and Loss Account in 2016–2020 is presented below (Figures 15.1 and 15.2).

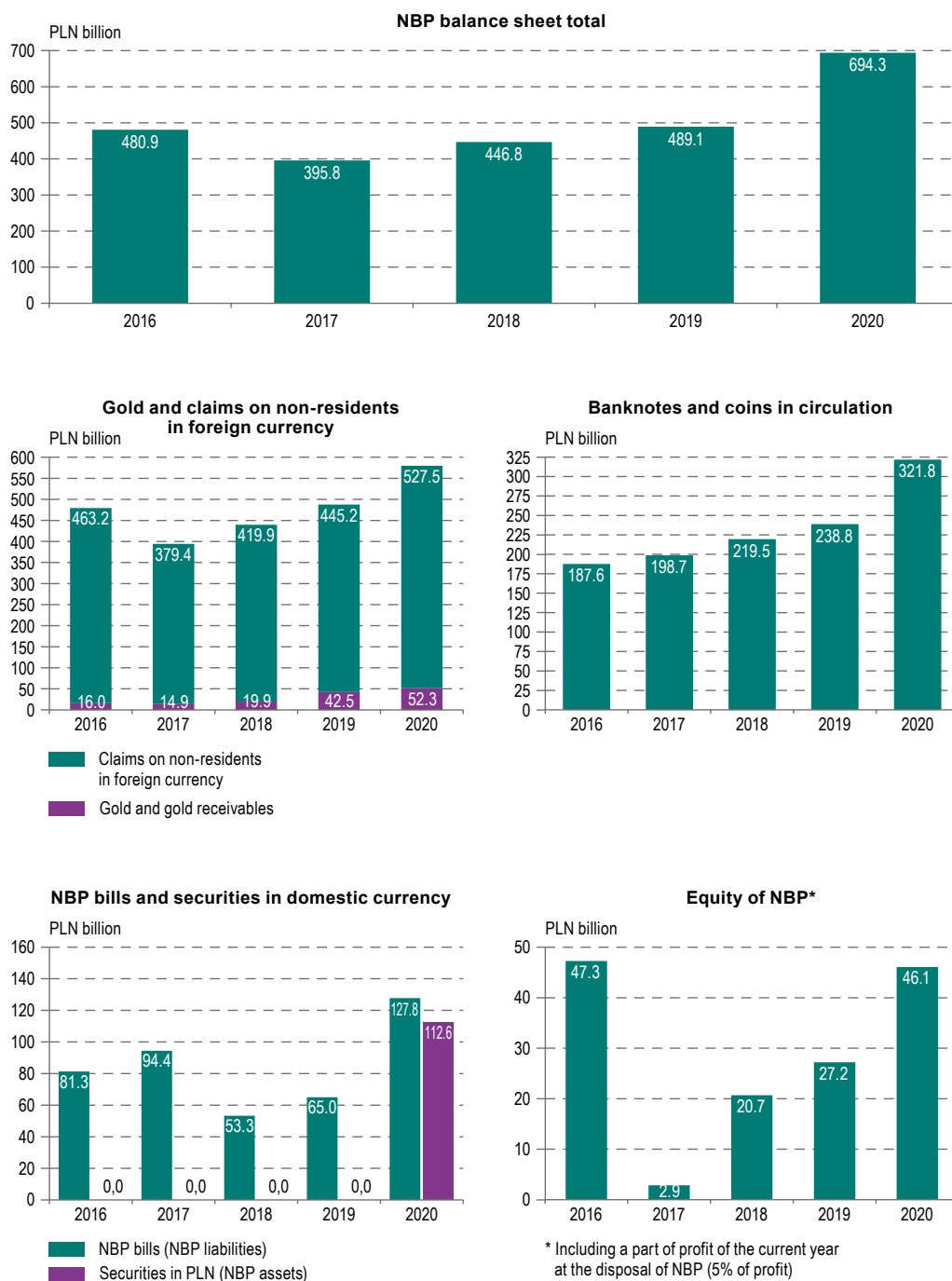
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<sup>1</sup> All data included in this chapter are NBP data, including the data from the accounting books of NBP. The figures may not add up to totals due to rounding.

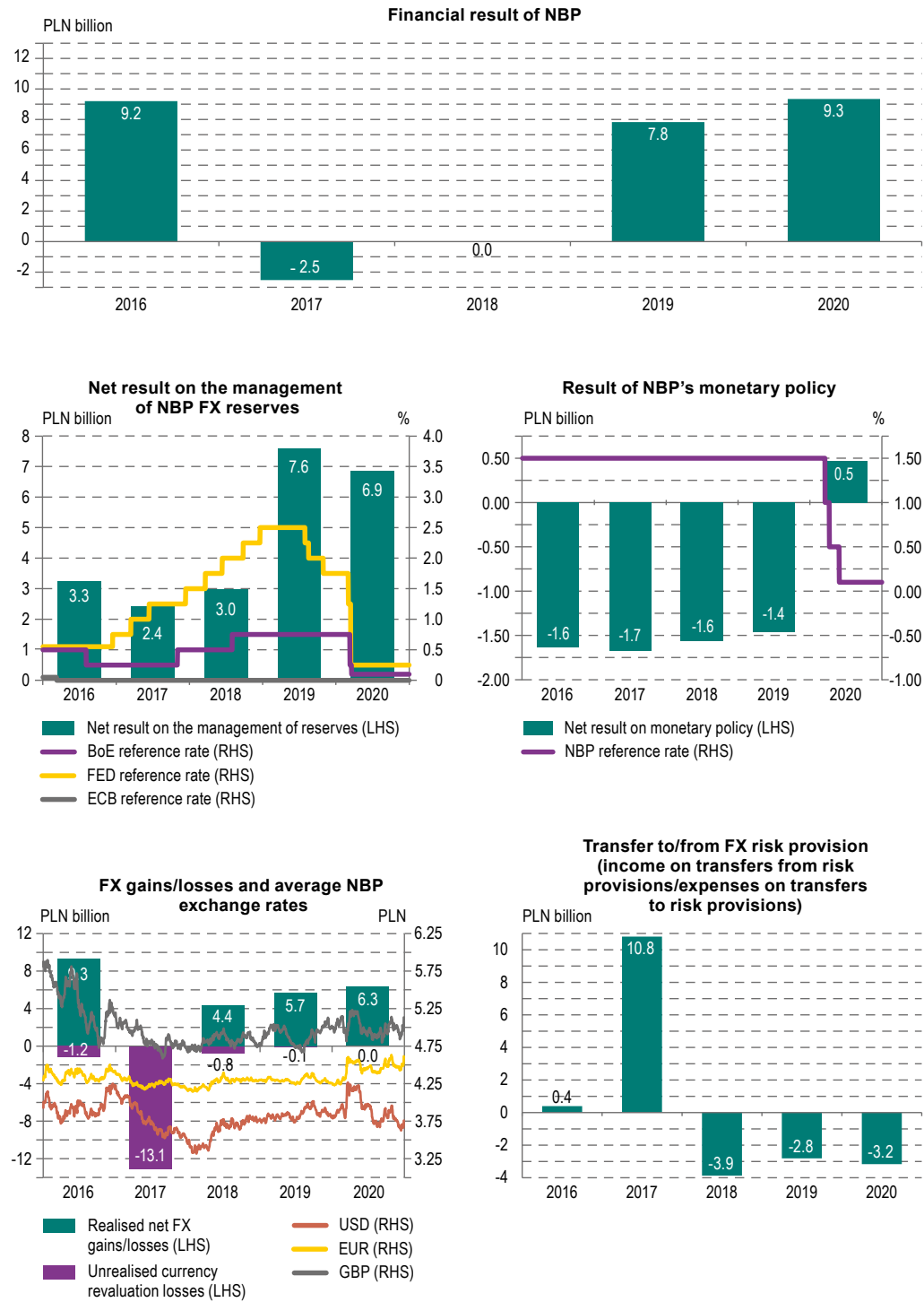
<sup>2</sup> Operating expenses comprise expenses on salaries, administrative expenses and expenses on issue of banknotes and coins.

<sup>3</sup> In the Statistics tab, under Accounting.

Figure 15.1. Changes in the NBP Balance Sheet in 2016–2020 (according to balance sheet date data)



**Figure 15.2.** Changes in the NBP Profit and Loss Account in 2016–2020 (according to data for the financial year indicated)



#### 15.1.1. Management of foreign exchange reserves (foreign currency reserves and gold)

Narodowy Bank Polski holds and manages foreign exchange reserves pursuant to the Act on NBP. Foreign exchange reserves have the highest share in NBP assets. They are invested in instruments commonly used by central banks, primarily in securities issued by governments, government agencies and international institutions and, to a lesser extent, in term deposits and bonds of non-financial corporations. In addition, a minor part of foreign currency reserves is held in current accounts, mainly with foreign central banks. In order to gain additional income, NBP concludes reverse repo transactions (presented under assets in the balance sheet), usually accompanied by repo transactions (presented under liabilities in the balance sheet). Foreign currency reserves are invested in instruments denominated in USD, EUR, GBP, AUD, NOK and NZD.

In addition, NBP holds gold (presented under assets in the balance sheet), held at the Bank of England (on the current account or on term deposit accounts) and in NBP vaults.

The financial result of NBP is mainly determined by the management of foreign exchange reserves. Income and expenses related to investment instruments of foreign exchange reserves mainly involve interest on securities and deposits (presented in net result on interest, discount and premium of the Profit and Loss Account), net result on sale and price revaluation of securities (only revaluation losses)<sup>4</sup> and net result on off-balance sheet financial instruments (presented in net result on financial operations of the Profit and Loss Account).<sup>5</sup>

The net result on the management of foreign exchange reserves is largely determined by the trends in factors beyond NBP's control. These factors include mainly: the volume of the inflow of funds in foreign currency from abroad and their exchange into domestic currency in NBP (which leads to an increase in the level of foreign exchange reserves) and the developments in financial markets – exchange rates against the zloty and interest rates in foreign markets. The net result on the management of foreign exchange reserves is also affected by the adopted investment structure of foreign exchange reserves, i.e. their currency composition and the type of financial instruments used.

#### 15.1.2. Monetary policy

Narodowy Bank Polski implements monetary policy using a set of instruments adopted by the Monetary Policy Council (MPC). Monetary policy is conducted amid a liquidity surplus prevailing in the banking sector. In order to implement the operational objective of the monetary policy, NBP uses selected instruments, in particular open market operations based on the issue of NBP bills (presented under liabilities in the Balance Sheet).

The reserve requirement is also a monetary policy instrument used by NBP. The obligation to maintain the required minimum reserve (presented under liabilities in the Balance Sheet) limits the scale of open market operations performed to absorb the excess liquidity from the banking sector.

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<sup>4</sup> Securities denominated in foreign currency are valued according to the average market price or based on yield curve rates (if market prices are not available). In accordance with the principle of prudence, revaluation gains are included under liabilities in the NBP Balance Sheet (as an element of the equity of NBP) and therefore they do not increase the financial result of NBP.

<sup>5</sup> Refers to the valuation of derivatives used in connection with the management of foreign currency reserves.

Narodowy Bank Polski provides standing facilities to domestic banks and enables them to locate liquidity surpluses in NBP in the form of overnight deposits (presented under liabilities in the Balance Sheet) or to supplement liquidity needs with the use of Lombard credit (presented under assets in the Balance Sheet). NBP may also, under certain conditions, grant a refinancing loan in PLN to banks to replenish their cash resources (presented under assets in the balance sheet).

In connection with the COVID-19 pandemic, due to the severity of the situation and the risk to the Polish economy, in 2020 NBP included additional measures in its monetary policy with the aim of mitigating the adverse effects of the pandemic (presented under assets in the balance sheet):

- it conducted purchases of Treasury bonds and securities guaranteed by the Treasury on the secondary market as part of structural open market operations,
- it made bill discount credit available to banks, enabling them to refinance the loans they grant to entrepreneurs,
- it conducted a reverse repo operation providing banks with liquidity.

Moreover, the NBP interest rates and the required minimum reserve ratio were lowered in 2020. It was agreed that the interest on funds held in NBP under the required minimum reserve would be equal to the NBP reference rate.

As a result of the continuing excess liquidity in the domestic banking sector, NBP incurs discount expenses on NBP bills issued (like interest expenses on the required minimum reserve, they are presented in net result on interest, discount and premium of the NBP Profit and Loss Account). The level of expenses on monetary policy mainly depends on the level of interest rates set by the MPC, the excess liquidity of the banking sector (calculated as the volume of issue of NBP bills as well as the standing facilities of NBP), the required minimum reserve rate and its interest rate.

On the other hand, the NBP's measures to counteract the negative impact of the COVID-19 pandemic resulted in an increase in net income in the NBP net result – mainly due to income on interest on the securities purchased.<sup>6</sup>

### 15.1.3. The issue of currency

The issue of currency is based on the exercise by NBP of its constitutional right to issue currency of the Republic of Poland. NBP issues banknotes and coins of general circulation as well as collector banknotes and coins of various denominations. The volume of money issue depends on exogenous factors, in particular on the development of the demand for cash in the economy.

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<sup>6</sup> Securities denominated in domestic currency held for monetary policy purposes are valued at purchase price adjusted for the amortised discount/premium, less impairment. As at the end of 2020, no indication of securities' impairment was identified.

Banknotes and coins issued represent a liability of NBP which, together with liabilities related to monetary policy, is the most significant liability item on the Balance Sheet of NBP.

The issue of currency is associated with the costs of producing banknotes and coins (NBP orders the production of banknotes and coins). Expenses on issue of banknotes and coins depend primarily on the number (volume) of banknotes and coins ordered and their purchase prices as well as the cost of purchasing bullion for coin production.

### Currency asymmetry and FX risk provision

The balance sheet of NBP is characterised by currency asymmetry. This means that assets denominated in foreign currency (foreign exchange reserves) form the prevailing part of assets, while liabilities denominated in domestic currency (monetary policy, issue of banknotes and coins) prevail on the liabilities side. Therefore, NBP holds an open FX position, i.e. a surplus of assets over liabilities denominated in foreign currency. It is thus exposed to FX risk.

The impact of fluctuations of foreign exchange rates on the financial result of NBP (net result of foreign exchange gains/losses) depends on the trends in the exchange rate of the zloty against foreign currencies both during the year (realised foreign exchange gains/losses on transactions) and at the balance sheet date (revaluation gains and losses of foreign currency holdings). Realised foreign exchange gains/losses are presented in net result on financial operations of the Profit and Loss Account. At the end of the year, however, the impact on the NBP financial result due to foreign currency holdings is asymmetrical. Currency revaluation losses (unrealised losses) decrease the financial result of NBP and are presented in net result on financial operations of the Profit and Loss Account of NBP (like currency revaluation gains and losses on transactions during the year). On the other hand, currency revaluation gains (unrealised gains) increase the equity of NBP and are not recognised in the NBP Profit and Loss Account.

Currency asymmetry generates the risk of a loss as a result of exchange rate volatility, while the probability of its occurrence increases parallel to the scale of appreciation of the zloty against foreign currencies. In order to counteract the negative impact of volatility in the zloty exchange rate on the NBP financial result, the Act on Narodowy Bank Polski requires NBP to create a provision against the foreign exchange rate risk of the zloty (referred to FX risk provision). The principles for creating and releasing the FX risk provision are determined by the MPC.<sup>1</sup> The creation of the provision decreases the financial result of NBP, while its release increases it, thereby limiting a potential loss that might result from currency revaluation. The result of the transfer to/from the provision is presented in the Profit and Loss Account (in net result on financial operations), while the balance of the provision is presented under liabilities in the Balance Sheet (as an element of the equity of NBP – under the item of Capital and reserves).

<sup>1</sup> 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).

#### 15.1.4. Other activities of NBP

In addition to the areas of activity outlined above, the financial position and performance of NBP is also affected by the performance of other tasks by the Bank:

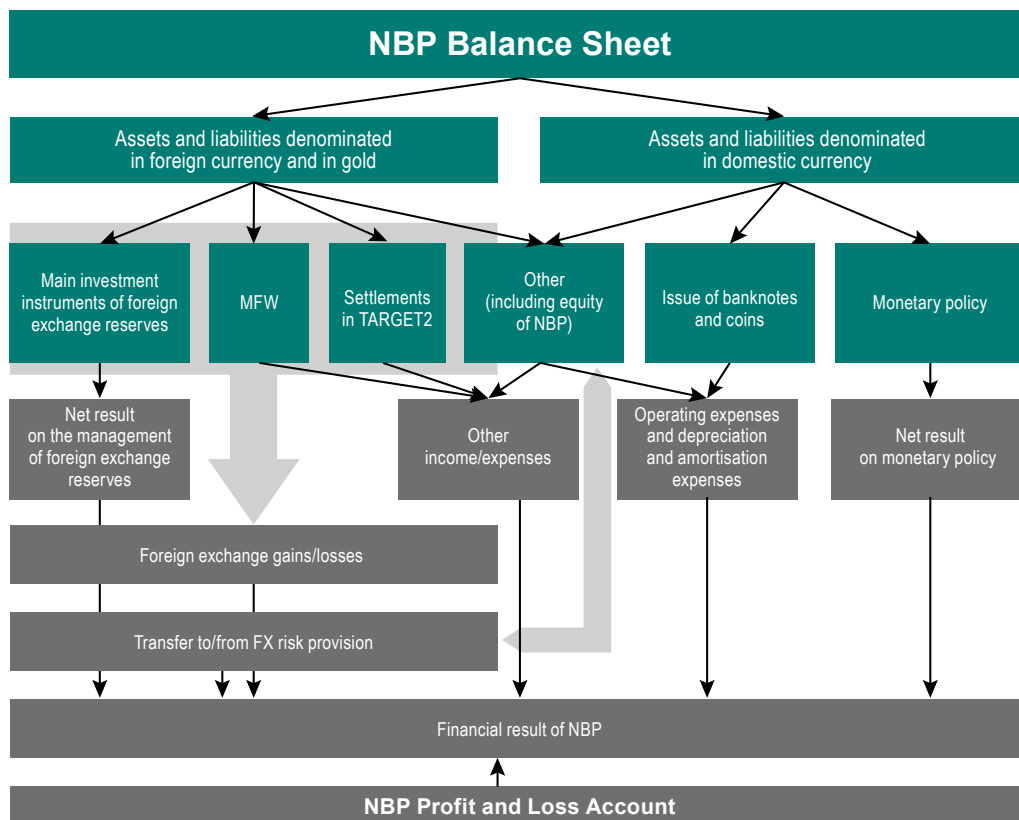
- In the balance sheet, NBP presents receivables and liabilities related to the participation of the Republic of Poland in the International Monetary Fund (NBP acts as an agent of the government of the Republic of Poland in relations with the IMF); the assets include, among others, the Republic of Poland's member quota in the IMF paid in foreign currency (the so-called reserve tranche), the current account in SDR used for settlements with the IMF, and loans granted to the IMF. On the other hand, liabilities refer to SDR allocation granted to Poland and are presented under liabilities of the balance sheet. Both receivables and liabilities bear the interest while income and expenses are presented in the Profit and Loss Account (net result on interest, discount and premium).
- Narodowy Bank Polski operates the Polish component of the pan-European settlement system for euro-denominated payments (TARGET2-NBP). Within the system, it operates the accounts of participants in this system, mainly domestic banks (presented under liabilities of the balance sheet) and also maintains the balance on the current account with the ECB (presented under assets of the balance sheet). Due to the current negative interest rate on balances maintained by NBP on its current account with the ECB, the Bank incurs interest expenses, which are mostly reimbursed by the system participants keeping euro accounts with the NBP for settlements in TARGET2. Both interest and expenses are presented in the Profit and Loss Account (net result on interest, discount and premium).
- Narodowy Bank Polski also maintains bank accounts for the government sector, including mainly for the State budget. These accounts are presented under liabilities of the Balance Sheet; their operation involves interest expenses (presented under net result on interest, discount and premium in the Profit and Loss Account).

#### 15.1.5. Operating expenses and depreciation and amortisation expenses

The implementation of the NBP tasks involves the commitment of appropriate resources and their management. These are primarily human resources and tangible resources (tangible fixed assets and intangible fixed assets). NBP also makes use of external resources, including the services of third parties (e.g. IT services). There are expenses associated with these resources management for NBP, which are recognised in the Profit and Loss Account (as expenses on salaries, administrative expenses, depreciation and amortisation expenses). The aforementioned expenses, together with expenses on issue of banknotes and coins, are referred to as operating expenses and depreciation and amortisation expenses.

Figure 15.3 provides a simplified analysis of the financial position and performance of NBP.

**Figure 15.3.** Financial position and performance of NBP





## 15.2. Characteristics of the NBP Balance Sheet

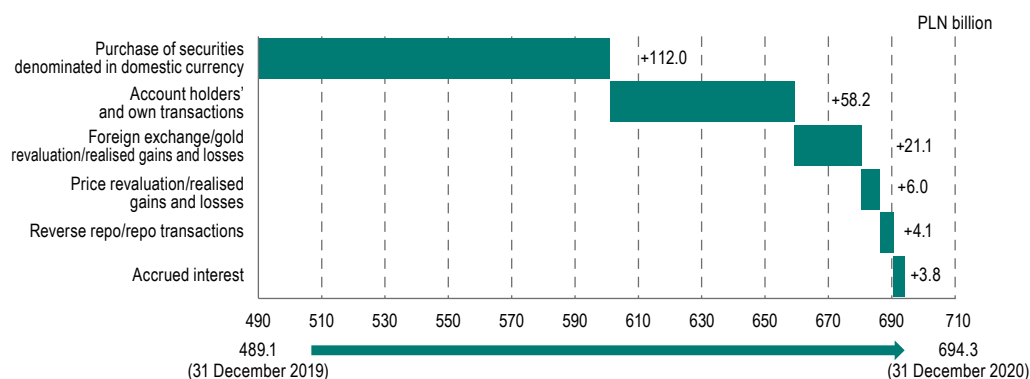
As at 31 December 2020, the NBP balance sheet total amounted to PLN 694.3 billion and was higher by PLN 205.2 thousand (42.0%) compared to 31 December 2019.

**Table 15.1.** NBP assets and liabilities at the end of 2020 and 2019 (PLN billion)

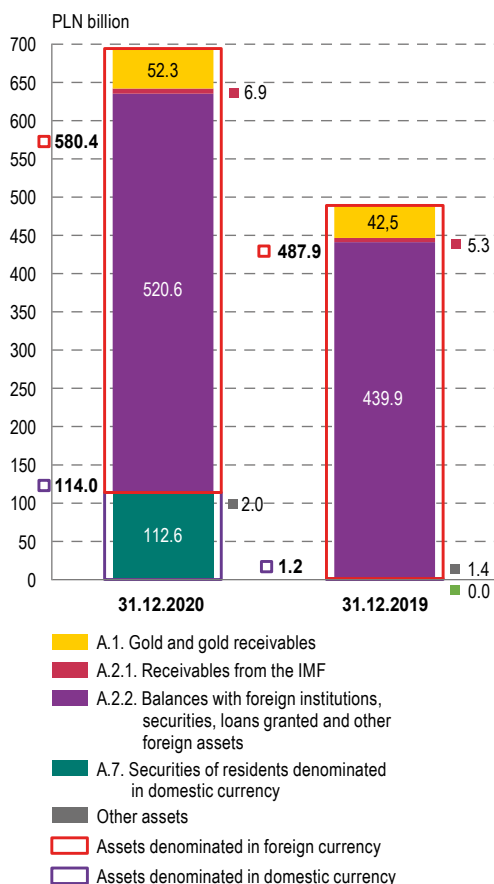
Assets	2020	2019	Change
A.1. Gold and gold receivables	52.3	42.5	9.8
A.2. Claims on non-residents denominated in foreign currency	527.5	445.2	82.3
2.1. Receivables from the IMF	6.9	5.3	1.6
2.2. Balances with foreign institutions, securities, loans granted and other foreign assets	520.6	439.9	80.7
A.5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	0.1	0.0	0.1
A.6. Other claims on other domestic monetary financial institutions denominated in domestic currency	0.0	0.0	0.0
A.7. Securities of residents denominated in domestic currency	112.6	0.0	112.6
A.10. Other assets	2.0	1.4	0.6
<b>Total assets</b>	<b>694.3</b>	<b>489.1</b>	<b>205.2</b>
Liabilities	2020	2019	Change
L.1. Banknotes and coins in circulation	321.8	238.8	83.0
L.2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	62.6	65.4	-2.8
L.3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	0.4	0.4	0.1
L.4. Liabilities due to issued securities denominated in domestic currency	127.8	65.0	62.8
L.5. Liabilities to other residents denominated in domestic currency	24.9	9.3	15.5
L.6. Liabilities to non-residents denominated in domestic currency	2.2	2.3	-0.1
L.7. Liabilities to residents denominated in foreign currency	46.3	22.4	23.9
L.8. Liabilities to non-residents denominated in foreign currency	45.4	43.7	1.7
L.9. Liabilities to the IMF	7.1	6.9	0.3
L.11. Other liabilities	0.7	0.2	0.5
L.12. Provisions for future liabilities	0.2	0.2	0.0
L.13. Revaluation accounts	45.7	30.5	15.2
L.14. Capital and reserves	11.7	8.2	3.6
14.1. Statutory fund	1.5	1.5	0.0
14.2. Reserve fund	0.4	0.0	0.4
14.3. Reserves	9.9	6.7	3.2
L.15. Financial result	-2.5	-4.0	1.5
15.1. Financial result for the current year	9.3	7.8	1.5
15.2. Loss of previous years	-11.9	-11.9	0.0
<b>Total liabilities</b>	<b>694.3</b>	<b>489.1</b>	<b>205.2</b>

In 2020, due to the purchase of securities denominated in zloty for monetary policy purposes, the share of assets denominated in zloty in the total assets of NBP increased. In addition, the above operations also had the highest impact on the increase in the balance sheet total of NBP in 2020. Furthermore, the increase in the NBP balance sheet total resulted, among others, from account holders' transactions as well as the currency and price revaluation of balance sheet items (revaluation to current exchange rates and market prices).

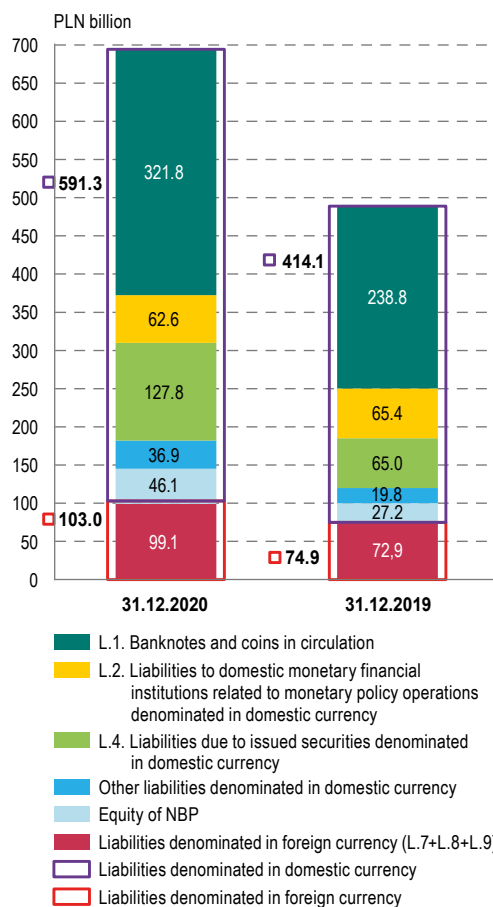
**Figure 15.4.** Change in the balance sheet total of NBP in 2020 compared to 2019



**Figure 15.5.** Structure of assets



**Figure 15.6.** Structure of liabilities



## 15.2.1. Assets and liabilities in foreign currency and in gold

**Table 15.2.** NBP assets and liabilities in gold and in foreign currency by selected areas of activity at the end of 2020 and 2019 (PLN billion)

	Main investment instruments of foreign exchange reserves		IMF		Settlements in TARGET2		Other		Total		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	Change
A.1. Gold and gold receivables	28.3 <sup>1</sup>	23.0 <sup>1</sup>					24.0 <sup>2</sup>	19.5 <sup>2</sup>	52.3	42.5	9.8
A.2. Claims on non-residents denominated in foreign currency	517.5	436.2	6.9	5.3	2.9	3.5	0.3	0.2	527.5	445.2	82.3
A.10. Other assets							0.6	0.1	0.6	0.1	0.5
<b>Total assets</b>	<b>545.8</b>	<b>459.3</b>	<b>6.9</b>	<b>5.3</b>	<b>2.9</b>	<b>3.5</b>	<b>24.9</b>	<b>19.8</b>	<b>580.4</b>	<b>487.9</b>	<b>92.6</b>
P.7. Liabilities to residents denominated in foreign currency					2.9	3.5	43.4	18.8	46.3	22.4	23.9
P.8. Liabilities to non-residents denominated in foreign currency	45.2	42.9					0.1	0.7	45.4	43.7	1.7
P.9. Liabilities to the IMF			7.1	6.9					7.1	6.9	0.3
P.11. Other liabilities							0.4	0.0	0.4	0.0	0.4
P.13. Revaluation accounts							3.9	2.1	3.9	2.1	1.8
<b>Total liabilities</b>	<b>45.2</b>	<b>42.9</b>	<b>7.1</b>	<b>6.9</b>	<b>2.9</b>	<b>3.5</b>	<b>47.8</b>	<b>21.7</b>	<b>103.0</b>	<b>74.9</b>	<b>28.1</b>
Net balance sheet item	500.5	416.3	-0.2	-1.6	0.0	0.0	-22.8	-1.9	477.4	412.9	64.5

<sup>1</sup>Gold on the current account and term deposits.

<sup>2</sup>Gold in NBP vaults.

**Table 15.3.** Holdings of gold and main foreign currencies at the end of 2020 and 2019 (PLN billion)

	2020			2019		
	Holdings at the average cost of holding	Holdings at the average NBP exchange rate	Unrealised gains (+) / losses (-)	Holdings at the average cost of holding	Holdings at the average NBP exchange rate	Unrealised gains (+) / losses (-)
Gold	24.7	52.3	27.5	24.7	42.5	17.8
USD	223.9	225.3	1.4	180.5	187.7	7.2
EUR	84.2	88.5	4.3	74.7	74.7	-0.0
GBP	50.9	53.0	2.1	43.7	45.2	1.5
AUD	33.0	35.6	2.6	30.3	30.3	0.0
NOK	25.3	26.8	1.5	23.0	22.9	-0.1
NZD	12.8	13.6	0.8	10.9	11.1	0.2
IMF (SDR)	-0.2	-0.2	0.0	-1.6	-1.6	0.1
Unrealised gains (balance sheet)			40.3	Unrealised gains (balance sheet)		26.8
Unrealised losses (financial result)			0.0	Unrealised losses (financial result)		-0.1

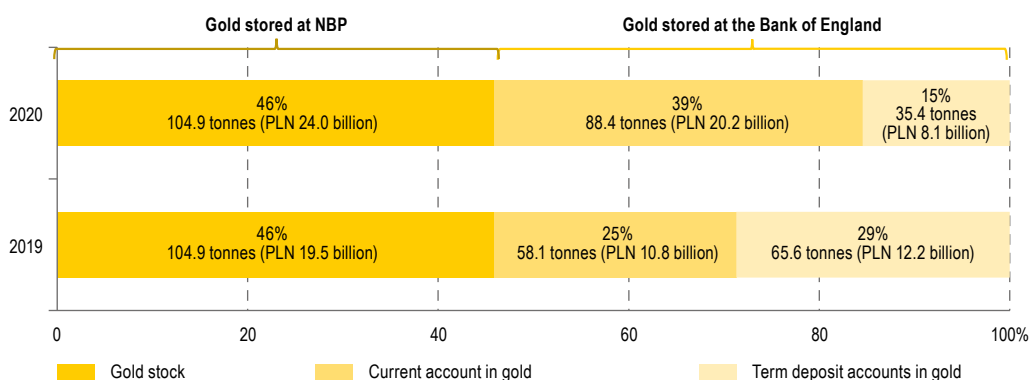
The difference between the equivalent of foreign currency holdings and gold holdings at the average NBP exchange rate and the equivalent of these holdings at the average cost of the holding (i.e. the average purchase price) represents unrealised currency/gold

revaluation gains or losses. Unrealised gains are presented under liabilities in the balance sheet (as part of the equity of NBP under the item of revaluation accounts – see Table 15.8), while unrealised losses are presented in the NBP Profit and Loss Account (net result on financial operations, see Table 15.12).

### 15.2.1.1. Gold

Gold holdings held by NBP amounted to 228.7 tonnes (PLN 52.3 billion) and accounted for 7.5% of NBP assets as at the end of 2020.

**Figure 15.7.** Gold and gold receivables as at the end of 2020 and 2019



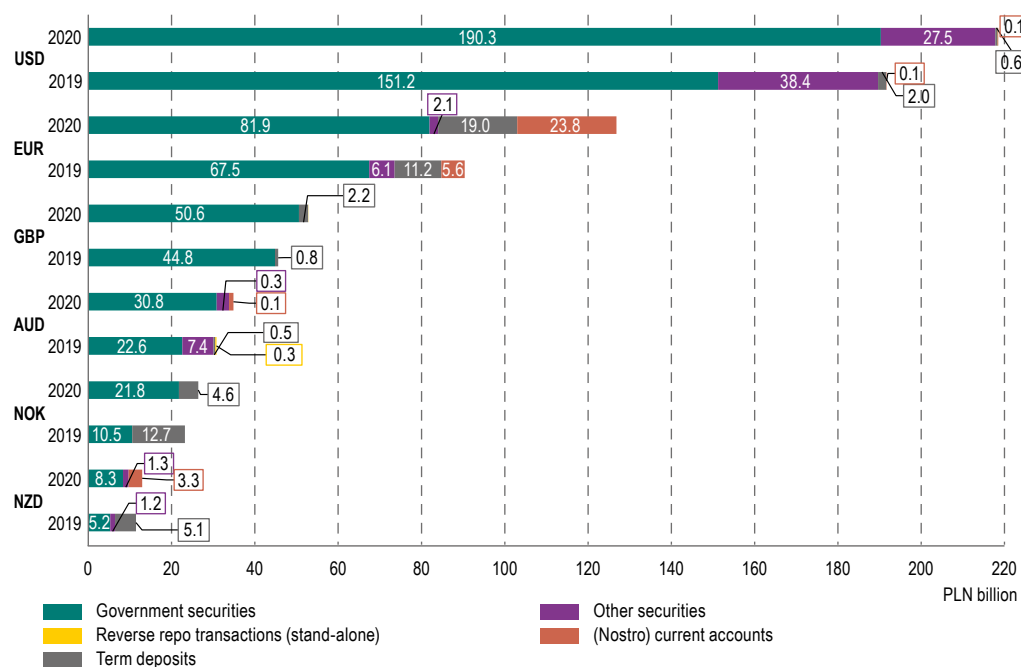
### 15.2.1.2. Main investment instruments of foreign exchange reserves (other than gold)

In the process of managing foreign exchange reserves, NBP invests funds mainly in securities. In order to increase the profitability of reserves, NBP concludes simultaneous reverse repo/repo transactions. Moreover, short-term deposits are used, to a minor extent, as part of investment (a portion of investments in term deposits is linked to funds of account holders with the NBP).

**Table 15.4.** Main investment instruments of foreign exchange reserves at the end of 2020 and 2019; assets (+), liabilities (-) (PLN billion)

	2020	2019	Change
A.2.2. (Nostro) current accounts	28.3	5.7	22.5
A.2.2. Term deposits	26.4	32.2	-5.8
A.2.2. Reverse repo transactions	45.2	43.2	2.0
P.8. Repo transactions	-45.2	-42.9	-2.3
A.2.2. Securities	417.6	355.0	62.6
<b>Total</b>	<b>472.2</b>	<b>393.2</b>	<b>79.0</b>

**Figure 15.8.** Currency composition of the main investment instruments of foreign exchange reserves as at the end of 2020 and 2019



### 15.2.1.3. Receivables from and liabilities to the International Monetary Fund

The NBP foreign exchange position in SDR is mainly the result of operations with the IMF<sup>7</sup> on the basis of concluded loan agreements and borrowing agreements. This item is mainly affected by funds transferred by NBP to IMF borrowers, related to meeting the IMF's borrowing needs (increasing the reserve tranche), and repayments to NBP by IMF borrowers (decreasing the reserve tranche). In addition, the interest on receivables (loans extended to the IMF, the interest-bearing part of the reserve tranche, the current account) and interest on liabilities to the IMF (SDR allocation) change the position.

<sup>7</sup> NBP also holds SDR-denominated shares in the Bank for International Settlements (PLN 54.6 million as at the end of 2020).

**Table 15.5.** Receivables (+) from and liabilities (-) to the IMF denominated in SDR as at the end of 2020 and 2019 (PLN billion)

	2020	2019	Change
A.2.1. Reserve tranche	4.9	3.3	1.6
A.2.1. Current account with the IMF	1.6	1.5	0.1
A.2.1. Term deposits in the IMF	0.0	0.0	0.0
A.2.1. Loans extended to the IMF	0.3	0.3	-0.0
L.9. SDR allocation	-7.1	-6.9	-0.3
<b>Total</b>	<b>-0.2</b>	<b>-1.6</b>	<b>1.4</b>

### 15.2.2. Assets and liabilities denominated in domestic currency

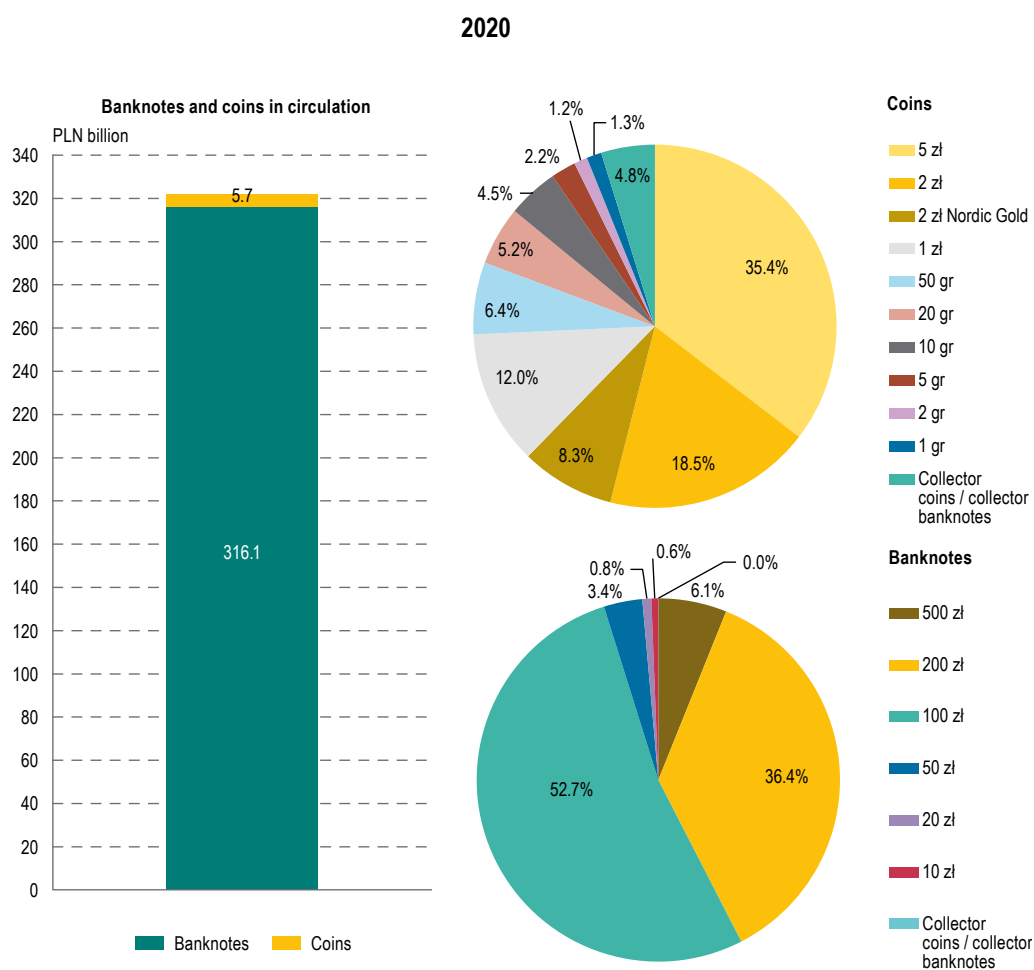
**Table 15.6.** Assets and liabilities in PLN by selected areas of NBP activity as at the end of 2020 and 2019 (PLN billion)

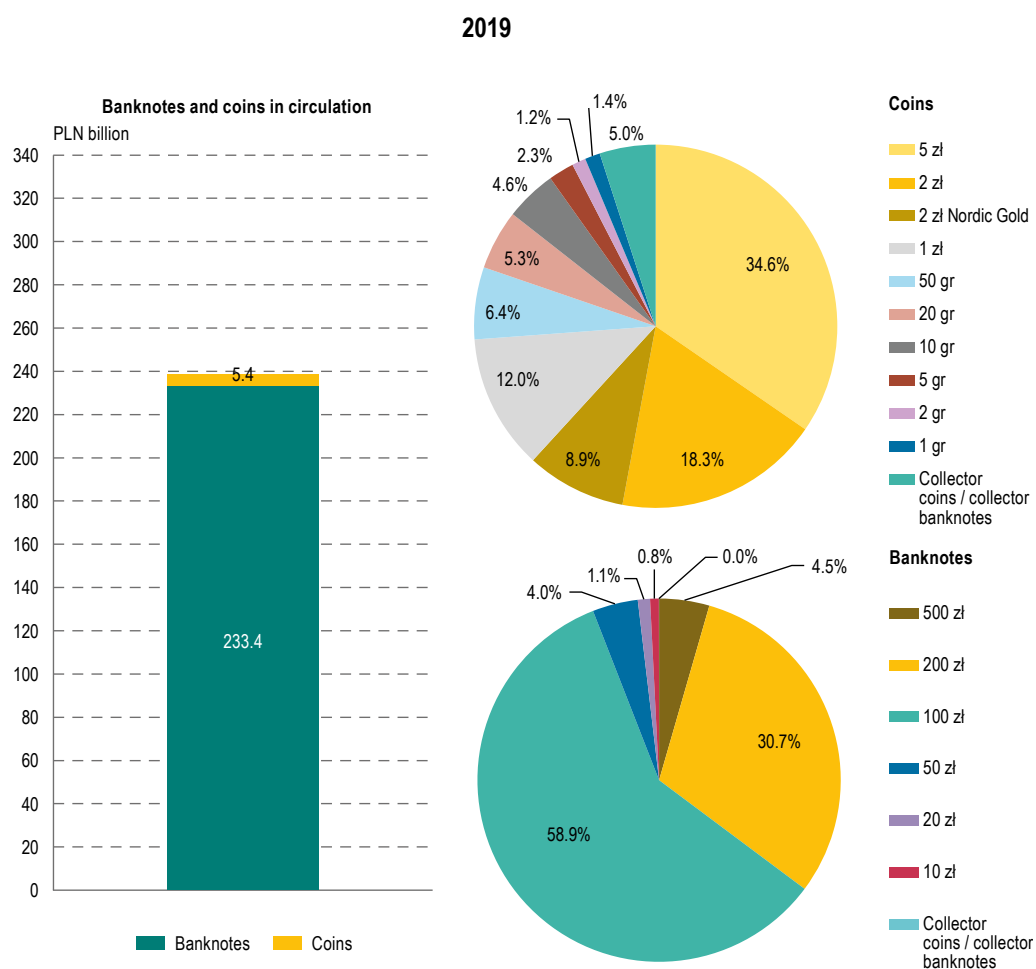
	Issue of banknotes and coins		Monetary policy		Other		Total		
	2020	2019	2020	2019	2020	2019	2020	2019	Change
A.5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency			0.1	0.0			0.1	0.0	0.1
A.6. Other claims on other domestic monetary financial institutions denominated in domestic currency					0.0	0.0	0.0	0.0	0.0
A.7. Securities of residents denominated in domestic currency			112.6	0.0			112.6	0.0	112.6
A.10. Other assets					1.3	1.2	1.3	1.2	0.1
<b>Total assets</b>	<b>0.0</b>	<b>0.0</b>	<b>112.6</b>	<b>0.0</b>	<b>1.3</b>	<b>1.2</b>	<b>114.0</b>	<b>1.2</b>	<b>112.7</b>
L.1. Banknotes and coins in circulation	321.8	238.8					321.8	238.8	83.0
L.2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency			62.6	65.4			62.6	65.4	-2.8
L.3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency					0.4	0.4	0.4	0.4	0.1
L.4. Liabilities due to issued securities in domestic currency			127.8	65.0			127.8	65.0	62.8
L.5. Liabilities to other residents denominated in domestic currency					24.9	9.3	24.9	9.3	15.5
L.6. Liabilities to non-residents denominated in domestic currency					2.2	2.3	2.2	2.3	-0.1
L.11. Other liabilities					0.3	0.2	0.3	0.2	0.2
L.12. Provisions for future liabilities					0.2	0.2	0.2	0.2	0.0
L.13. Revaluation accounts					41.9	28.4	41.9	28.4	13.4
L.14. Capital and reserves					11.7	8.2	11.7	8.2	3.6
L.15.1. Financial result for the current year					9.3	7.8	9.3	7.8	1.5
L.15.2. Loss of previous years					-11.9	-11.9	-11.9	-11.9	0.0
<b>Total liabilities</b>	<b>321.8</b>	<b>238.8</b>	<b>190.4</b>	<b>130.4</b>	<b>79.1</b>	<b>44.9</b>	<b>591.3</b>	<b>414.1</b>	<b>177.2</b>
Net balance sheet item	-321.8	-238.8	-77.8	-130.4	-77.8	-43.7	-477.4	-412.9	-64.5

## 15.2.2.1. Banknotes and coins in circulation

The year 2020 saw a significant increase in the market demand for cash, mainly as a result of the growing importance of the value-storing and precautionary functions of cash amid the COVID-19 pandemic as well as the decline in deposit interest rates in banks following the interest rate cuts by the MPC.

**Figure 15.9.** The denomination breakdown of currency in circulation as at the end of 2020 and 2019



**Figure 15.9.** The denomination breakdown of currency in circulation as at the end of 2020 and 2019, cont'd


### 15.2.2.2. Monetary policy

**Table 15.7.** Assets (+) and liabilities (-) related to monetary policy as at the end of 2020 and 2019 (PLN billion)

	2020	2019	Change
A.5. Bill discount credits	0.1	0.0	0.1
A.7. Securities denominated in domestic currency	112.6	0.0	112.6
L.2. Current accounts (including required minimum reserve accounts)	-30.4	-50.7	20.3
L.2. Deposit facilities	-32.3	-14.8	-17.5
L.4. NBP bills	-127.8	-65.0	-62.8
<b>Total</b>	<b>-77.8</b>	<b>-130.4</b>	<b>52.6</b>



## 15.2.2.3. Equity of NBP

**Table 15.8.** Equity of NBP as at the end of 2020 and 2019 (PLN billion)

	2020	2019	Change
L.14. Statutory fund	1.5	1.5	0.0
L.14. Reserve fund	0.4	0.0	0.4
L.14. FX risk provision	9.9	6.7	3.2
L.13. Gold revaluation account	1.6	1.6	0.0
L.13. Gold holding revaluation gains	27.5	17.8	9.7
L.13. Currency revaluation gains	12.7	9.0	3.7
L.13. Price revaluation gains	3.9	2.1	1.8
L.15. Loss of previous years	-11.9	-11.9	0.0
L.15. Financial result for the current year retained at NBP <sup>1</sup>	0.5	0.4	0.1
<b>Total</b>	<b>46.1</b>	<b>27.2</b>	<b>18.9</b>
% of NBP balance sheet total	6.6%	5.6%	1.1%
Sensitivity of the equity of NBP to:			
– decrease in the average NBP exchange rate by 1% <sup>2</sup>	-4.4	-3.7	-0.7
– increase in interest rates by 100 basis points <sup>3</sup>	-9.1	-7.6	-1.5

<sup>1</sup> The financial result for the current year, after the approval of the NBP financial statements by the Council of Ministers, is allocated as a contribution from profit to NBP's reserve fund (5%) and as a contribution from profit to the State budget (95%).

<sup>2</sup> The figures represent the total decrease in unrealised currency revaluation gains or increase in unrealised currency revaluation losses in the case of an even 1% decrease in the average NBP exchange rates of the main reserve currencies as at the balance sheet date.

<sup>3</sup> For foreign currencies – based on the MD (modified duration) ratio, the cumulative decrease in unrealised price revaluation gains or increase in unrealised price revaluation losses in the case of an even increase in yield curves of 100 basis points as at the balance sheet date.

The most volatile components of the equity of NBP include currency and price revaluation gains (unrealised gains) and the FX risk provision.

Changes in revaluation gains are mainly affected by the trends in the market exchange rates of foreign currencies and gold (currency revaluation gains) and prices of securities (price revaluation gains).

The change in the FX risk provision depends on the estimated FX risk, the realised foreign exchange gains/losses on transactions in foreign currency during the year and the amount of revaluation losses as at the balance sheet date (unrealised losses).

## 15.2.3. NBP Balance Sheet – five-year statement

**Table 15.9.** NBP Balance Sheet in 2016–2020 (PLN billion) as at the balance sheet date

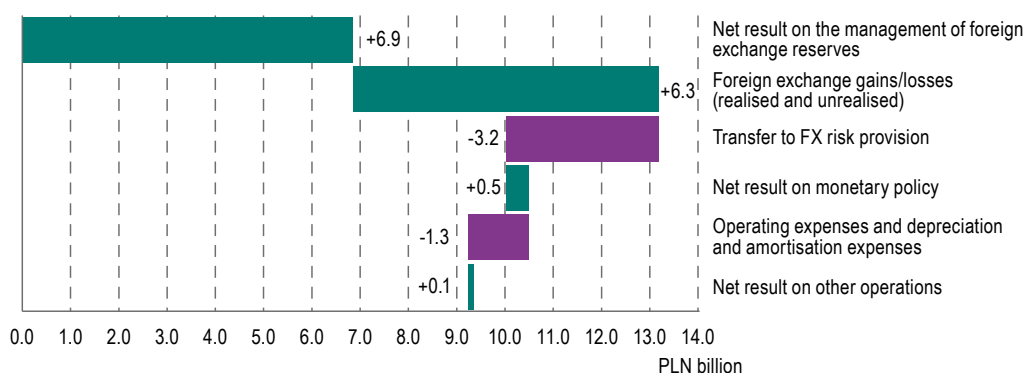
Assets		2020	2019	2018	2017	2016
A.1.	Gold and gold receivables	52.3	42.5	19.9	14.9	16.0
A.2.	Claims on non-residents denominated in foreign currency	527.5	445.2	419.9	379.4	463.2
	2.1. Receivables from the IMF	6.9	5.3	4.8	3.4	4.4
	2.2. Balances with foreign institutions, securities, loans granted and other foreign assets	520.6	439.9	415.0	376.1	458.9
A.5.	Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	0.1	0.0	0.0	0.0	0.0
A.6.	Other claims on other domestic monetary financial institutions denominated in domestic currency	0.0	0.0	5.6	0.0	0.0
A.7.	Securities of residents denominated in domestic currency	112.6	0.0	0.0	0.0	0.0
A.10.	Other assets	2.0	1.4	1.4	1.4	1.6
<b>Total assets</b>		<b>694.3</b>	<b>489.1</b>	<b>446.8</b>	<b>395.8</b>	<b>480.9</b>
Liabilities		2020	2019	2018	2017	2016
L.1.	Banknotes and coins in circulation	321.8	238.8	219.5	198.7	187.6
L.2.	Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	62.6	65.4	72.9	33.6	33.2
L.3.	Other liabilities to other domestic monetary financial institutions denominated in domestic currency	0.4	0.4	0.4	0.5	0.5
L.4.	Liabilities due to issued securities in domestic currency	127.8	65.0	53.3	94.4	81.3
L.5.	Liabilities to other residents denominated in domestic currency	24.9	9.3	7.3	7.6	5.0
L.6.	Liabilities to non-residents denominated in domestic currency	2.2	2.3	2.6	2.9	4.4
L.7.	Liabilities to residents denominated in foreign currency	46.3	22.4	25.1	19.3	27.3
L.8.	Liabilities to non-residents denominated in foreign currency	45.4	43.7	37.9	29.2	77.7
L.9.	Liabilities to the IMF	7.1	6.9	6.8	6.5	7.4
L.11.	Other liabilities	0.7	0.2	0.2	0.2	0.4
L.12.	Provisions for future liabilities	0.2	0.2	0.1	0.1	0.1
L.13.	Revaluation accounts	45.7	30.5	27.2	13.2	44.3
L.14.	Capital and reserves	11.7	8.2	5.4	3.0	13.3
	14.1. Statutory fund	1.5	1.5	1.5	1.5	1.5
	14.2. Reserve fund	0.4	0.0	0.0	1.5	1.0
	14.3. Reserves	9.9	6.7	3.9	0.0	10.8
L.15.	Financial result	-2.5	-4.0	-11.9	-13.3	-1.6
	15.1. Financial result for the current year	9.3	7.8	0.0	-2.5	9.2
	15.2. Loss of previous years	-11.9	-11.9	-11.9	-10.8	-10.8
<b>Total liabilities</b>		<b>694.3</b>	<b>489.1</b>	<b>446.8</b>	<b>395.8</b>	<b>480.9</b>

### 15.3. Characteristics of the NBP Profit and Loss Account

**Table 15.10.** Financial result of NBP for 2020 and 2019 (PLN billion)

	2020	2019
P&L 1. Net result on interest, discount and premium	3.1	3.3
1.1. Interest, discount and premium income	8.2	8.4
1.2. Interest, discount and premium expenses	-5.0	-5.1
P&L 2. Net result on financial operations	7.3	5.6
2.1. Net result on realised financial operations	10.6	8.8
2.2. Unrealised losses	-0.1	-0.4
2.3. Impairment of financial assets	0.0	0.0
2.4. Transfer to/from FX risk provision	-3.2	-2.8
P&L 3. Net result on fees and commissions	0.0	0.0
P&L 4. Income on shares and participating interests	0.0	0.0
P&L 5. Other income	0.1	0.1
<b>P&amp;L A. Total net income</b>	<b>10.6</b>	<b>9.0</b>
P&L 6. Salaries	-0.6	-0.6
P&L 7. Administrative expenses	-0.2	-0.3
P&L 8. Depreciation and amortisation expenses	-0.1	-0.1
P&L 9. Expenses on issue of banknotes and coins	-0.3	-0.3
P&L 10. Other expenses	0.0	0.0
<b>P&amp;L B. Financial result for the current year</b>	<b>9.3</b>	<b>7.8</b>

**Figure 15.10.** Financial result of NBP for 2020 by areas



#### 15.3.1. Net result on the management of foreign exchange reserves

Income on the management of foreign exchange reserves represented the main element determining the financial result of NBP in 2020 and 2019.

Despite the increase in the average annual level of NBP currency reserves amid an average annual depreciation of the zloty against most foreign currencies, 2020 saw a decrease in the result on the management of foreign exchange reserves by PLN 0.7 billion (-9.8%) compared to 2019. This was mainly driven by a decrease in net result on interest, discount and premium (resulting from a decline in interest rates in foreign markets) with a simultaneous increase in realised price gains (net result on financial operations) related to the sale transactions in securities amid falling yields.

**Table 15.11.** Net result on the management of foreign exchange reserves in 2020 and 2019 by currency

2020	USD <sup>1</sup>	EUR	GBP	AUD	NOK	NZD	Total
P&L 1. Net result on interest, discount and premium	2.4	-0.6	0.2	0.3	0.2	0.2	2.7
Term deposits	0.0	-0.1	0.0	0.0	0.1	0.0	0.0
Reverse repo transactions	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Repo transactions	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
Securities	2.4	-0.4	0.2	0.3	0.2	0.2	2.7
P&L 2. Net result on financial operations	2.3	0.4	0.7	0.8	0.0	0.0	4.2
Realised price gains/losses	2.3	0.4	0.7	0.8	0.0	0.0	4.2
Price revaluation losses	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
Financial result for the current year	4.7	-0.2	0.9	1.1	0.2	0.2	6.9
2019	USD <sup>1</sup>	EUR	GBP	AUD	NOK	NZD	Total
P&L 1. Net result on interest, discount and premium	3.9	-0.5	0.3	0.5	0.3	0.2	4.8
Term deposits	0.1	-0.1	0.0	0.0	0.1	0.1	0.2
Reverse repo transactions	0.2	0.0	0.1	0.0	0.0	0.0	0.3
Repo transactions	-0.2	0.0	-0.1	0.0	0.0	0.0	-0.3
Securities	3.9	-0.4	0.3	0.5	0.2	0.2	4.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P&L 2. Net result on financial operations	1.6	0.5	0.2	0.5	0.0	0.0	2.8
Realised price gains/losses	1.7	0.6	0.3	0.5	0.0	0.0	3.1
Price revaluation losses	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.2
Financial result for the current year	5.5	0.0	0.6	1.0	0.3	0.3	7.6
Change of financial result of the current year	-0.8	-0.2	0.3	0.1	-0.1	0.0	-0.7

<sup>1</sup> Interest on term deposits in gold is also included, which is accrued and paid in USD.

### 15.3.2. Foreign exchange gains/losses and transfer to/from FX risk provision

The most volatile components of the NBP financial result are foreign exchange gains/losses. The net result on foreign exchange gains/losses in 2020 increased by PLN 0.7 billion (12.5%) compared to 2019, mainly driven by an increase in the average annual difference between the average NBP exchange rate and the average cost of a holding for AUD, EUR and NZD and an increase in the sale volume of AUD and NZD.

The FX risk provision protects the central bank against the impact of materialisation of FX risk on the financial result (in the case of NBP, the value of foreign currency assets is negatively affected by the appreciation of the zloty). In 2020, NBP continued to build up the provision (fully used in 2017), which was replenished by the amount of PLN 3.2 billion (to PLN 9.9 billion).

**Table 15.12.** Foreign exchange gains/losses by currency and change in FX risk provision in 2020 and 2019

	2020							
	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
<b>P&amp;L 2. Net result on financial operations</b>	<b>3.8</b>	<b>1.4</b>	<b>0.7</b>	<b>0.4</b>	<b>-0.2</b>	<b>0.3</b>	<b>0.0</b>	<b>3.2</b>
Foreign exchange gains/losses	3.8	1.4	0.7	0.4	-0.2	0.3	0.0	6.3
– realised foreign exchange gains/losses	3.8	1.4	0.7	0.4	-0.2	0.3	0.0	6.3
– currency revaluation losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer to FX risk provision								-3.2
	2019							
	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
<b>P&amp;L 2. Net result on financial operations</b>	<b>3.8</b>	<b>1.2</b>	<b>0.5</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.8</b>
Foreign exchange gains/losses	3.8	1.2	0.5	0.1	0.0	0.0	0.0	5.6
– realised foreign exchange gains/losses	3.8	1.2	0.5	0.1	0.1	0.0	0.0	5.7
– currency revaluation losses	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1
Transfer to FX risk provision								-2.8
<b>Change in net result on financial operations</b>	<b>0.0</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>-0.3</b>	<b>0.2</b>	<b>0.0</b>	<b>0.4</b>

### 15.3.3. Net result on monetary policy

Due to the purchase of securities denominated in domestic currency in 2020 and the NBP interest rate cuts, the Bank posted a positive net result on its monetary policy in the amount of PLN 0.5 billion for 2020 (PLN -1.4 billion in 2019).

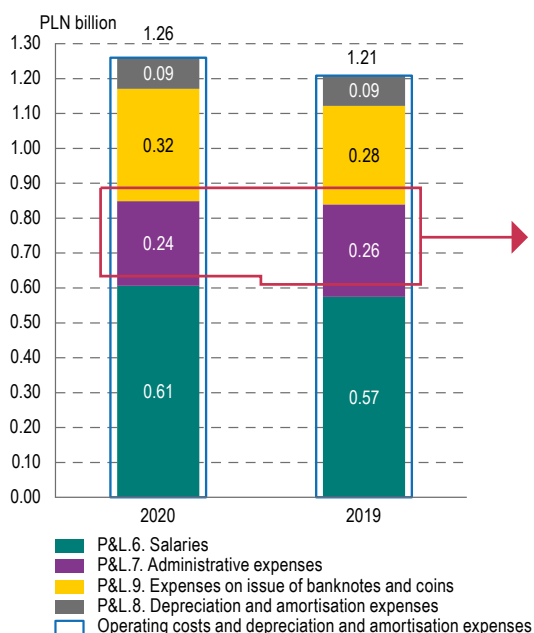
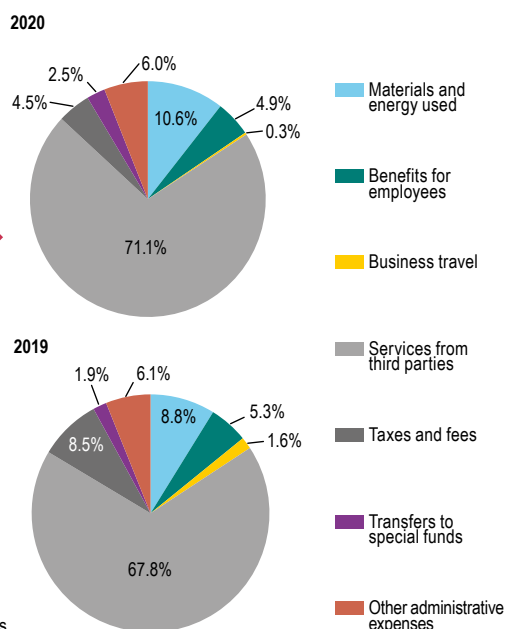
**Table 15.13.** Net result on monetary policy conducted in 2020 and 2019 (PLN billion)

	2020	2019	Change
<b>P&amp;L 1. Net result on interest, discount and premium</b>	<b>0,5</b>	<b>-1,4</b>	<b>1,9</b>
NBP bills	-0,5	-1,2	0,7
Required minimum reserve	-0,1	-0,2	0,1
Deposit facility	0,0	0,0	0,0
Securities in PLN	1,1	0,0	1,1

### 15.3.4. Operating expenses and depreciation and amortisation expenses

In terms of NBP's own administrative activities in 2020, NBP recorded an increase in expenses by PLN 0.05 billion (4.3%) compared to 2019. This was associated, among others, with an increase in salaries in line with the adopted HR and payroll policy and expenses on issue of banknotes and coins, while administrative expenses decreased.<sup>8</sup>

<sup>8</sup> Compared to 2019, expenses related to the remuneration of employees, along with the related social contributions and expenses on provisions for future liabilities to employees in 2020 were 5.5% higher. Administrative expenses were 8.5% lower, while expenses on issue of banknotes and coins grew by 14.0%.

**Figure 15.11.** Structure of operating expenses and depreciation and amortisation expenses in 2020 and 2019

**Figure 15.12.** Structure of administrative expenses in 2020 and 2019


### 15.3.5. Allocation of the financial result and contribution to the State budget

The financial result of NBP as at the end of 2020 amounted to PLN 9.3 billion.

Pursuant to the Act on NBP, PLN 8.9 billion is allocated to the State budget as contribution from NBP's profit, while the amount of PLN 0.5 billion increases the NBP reserve fund. Contribution from profit is made after the Financial Statements of Narodowy Bank Polski for 2020 have been approved by the Council of Ministers.

#### Seigniorage

The issue of cash involves the cost of purchasing banknotes and coins. Unlike other NBP liabilities, the liability due to the issue of banknotes and coins does not bear interest and therefore does not generate interest expenses. On the other hand, financial assets acquired in return generate certain income for NBP.

Income earned on assets whose source of financing is the liability due to the issue of banknotes and coins, less expenses on the issue, is referred to as the seigniorage; it represents the income from the issue of money.

Bearing in mind that the main assets of NBP are foreign exchange reserves (including gold) and – since 2020 – also securities denominated in domestic currency held for monetary policy purposes, in simple terms it can be assumed that what constitutes the income on the issue of money is net result on the management of foreign exchange reserves, foreign exchange gains/losses and net result on securities denominated in domestic currency, in a part respectively corresponding to the share of liabilities due to the issue of money in the total assets of NBP less expenses on the issue of banknotes and coins. In 2020, the estimated seigniorage amounted to PLN 6.5 billion (PLN 6.4 billion in 2019).

### 15.3.6. NBP profit and loss account – five-year statement

**Table 15.14.** NBP Profit and Loss Account in 2016–2020 (PLN billion)

	2020	2019	2018	2017	2016
P&L 1. Net result on interest, discount and premium	3.1	3.3	2.6	0.8	0.9
P&L 2. Net result on financial operations	7.3	5.6	-1.5	-2.4	9.3
P&L 3. Net result on fees and commissions	0.0	0.0	0.0	0.0	0.0
P&L 4. Income on shares and participating interests	0.0	0.0	0.0	0.0	0.0
P&L 5. Other income	0.1	0.1	0.1	0.1	0.1
P&L A. Total net income	10.6	9.0	1.2	-1.4	10.3
P&L 6. Salaries	-0.6	-0.6	-0.5	-0.5	-0.5
P&L 7. Administrative expenses	-0.2	-0.3	-0.3	-0.2	-0.2
P&L 8. Depreciation and amortisation expenses	-0.1	-0.1	-0.1	-0.1	-0.1
P&L 9. Expenses on issue of banknotes and coins	-0.3	-0.3	-0.3	-0.3	-0.3
P&L 10. Other expenses	0.0	0.0	0.0	0.0	0.0
P&L B. Financial result for the current year	9.3	7.8	0.0	-2.5	9.2
A contribution from profit to the State budget <sup>1</sup>	8.9	7.4	0.0	0.0	8.7

<sup>1</sup> A contribution from profit is made in the following year after the approval of the Financial Statements of Narodowy Bank Polski for a given year by the Council of Ministers.

Appendix 1

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# Selected macroeconomic and financial data





## Selected macroeconomic and financial data

Table A1. GDP and its components in the years 2012 to 2020

	Current prices (PLN billion)	% GDP	Annual growth at previous year's prices (in %)													
			2020	2012	2013	2014	2015	2016	2017	2018	2019	2020	2020			
													Q1	Q2	Q3	Q4
GDP	2,323.9	100.0	1.3	1.1	3.4	4.2	3.1	4.8	5.4	4.7	-2.7	2.0	-8.3	-1.7	-2.7	
Domestic demand	2,165.8	93.2	-0.6	-0.6	4.8	3.7	2.3	4.9	5.6	3.6	-3.7	0.9	-9.5	-3.2	-2.9	
Consumption	1,766.8	76.0	0.3	0.8	2.8	3.4	3.5	4.2	4.3	4.5	-1.3	1.5	-7.5	0.9	-0.2	
Household consumption	1,301.1	56.0	0.5	0.3	2.6	3.8	3.9	4.8	4.3	4.0	-3.0	1.2	-10.8	0.4	-3.2	
Capital formation	399.0	17.2	-3.8	-5.8	12.8	4.7	-2.0	7.6	10.5	0.3	-12.9	-2.1	-17.6	-20.0	-10.4	
Gross fixed capital formation	387.5	16.7	-1.8	-1.1	10.0	6.1	-8.2	4.0	9.4	6.1	-9.6	1.7	-9.8	-8.2	-15.4	
Eksports	1,296.9	55.8	4.3	5.5	6.7	8.0	9.3	9.6	6.9	5.2	-0.2	2.7	-13.7	2.3	7.6	
Imports	1,138.9	49.0	-0.4	1.6	9.9	6.9	7.9	10.2	7.4	3.0	-1.9	0.8	-16.6	-0.3	8.2	
Value added	2,045.2	88.0	1.4	1.2	3.4	4.1	3.1	4.7	5.3	4.6	-2.8	2.0	-8.0	-2.0	-3.0	
Industry	503.3	21.7	2.4	0.7	4.7	4.3	4.2	2.3	5.4	3.0	-0.2	1.0	-11.9	3.0	4.9	
Construction	151.3	6.5	-4.1	-5.5	9.0	7.2	-8.1	6.5	11.8	-0.3	-3.7	4.8	-0.9	-9.1	-5.5	
Market services and agriculture	1,077.9	46.4	2.1	2.5	2.5	4.0	4.8	6.3	5.3	6.3	-5.5	1.6	-10.1	-4.2	-8.6	
Non-market services	312.8	13.5	0.2	0.9	1.7	2.0	1.3	2.2	1.7	3.9	3.2	4.0	2.9	2.9	2.9	
<b>Contribution to GDP growth at previous year's prices (in percentage points)</b>																
Domestic demand	-	-	-0.6	-0.6	4.7	3.6	2.2	4.8	5.4	3.5	-3.5	0.9	-9.0	-3.1	-2.8	
Consumption	-	-	0.2	0.6	2.3	2.7	2.7	3.3	3.3	3.4	-1.0	1.2	-5.7	0.7	-0.1	
Household consumption	-	-	0.3	0.2	1.6	2.2	2.2	2.8	2.5	2.3	-1.7	0.7	-6.2	0.2	-1.6	
Capital formation	-	-	-0.9	-1.2	2.5	1.0	-0.4	1.5	2.1	0.1	-2.6	-0.3	-3.3	-3.8	-2.7	
Gross fixed capital formation	-	-	-0.4	-0.2	1.9	1.2	-1.6	0.7	1.6	1.1	-1.8	0.2	-1.6	-1.4	-4.1	
Net exports	-	-	2.0	1.7	-1.3	0.6	0.9	0.1	0.0	1.3	0.8	1.1	0.8	1.4	0.1	
<b>Contribution to value added growth at previous year's prices (in percentage points)</b>																
Industry	-	-	0.6	0.2	1.1	1.1	1.1	0.6	1.4	0.7	0.0	0.3	-2.7	0.7	1.3	
Construction	-	-	-0.4	-0.4	0.7	0.6	-0.6	0.5	0.8	0.0	-0.3	0.2	-0.1	-0.7	-0.4	
Market services and agriculture	-	-	1.1	1.3	1.3	2.1	2.5	3.3	2.8	3.3	-2.9	0.8	-5.7	-2.3	-4.3	
Non-market services	-	-	0.0	0.1	0.3	0.3	0.2	0.3	0.3	0.6	0.5	0.7	0.4	0.4	0.4	

### Notes:

Market services and agriculture are covered by sections A, G–N and R–U of the PKD classification [Polish Classification of Economic Activity]: agriculture, trade, transportation, accommodation and catering, information and communication, financial and insurance activity, 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 the 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 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 2020, per cent	Change (y/y)														Average in 2020	Average in 2019
		2020															
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII				
CPI	100.0	4.3	4.7	4.6	3.4	2.9	3.3	3.0	2.9	3.2	3.1	3.0	2.4	3.4	2.3		
Core inflation	59.1	3.1	3.6	3.6	3.6	3.8	4.1	4.3	4.0	4.3	4.2	4.3	3.7	3.9	2.0		
Goods	32.2	0.8	1.2	1.2	1.1	1.0	1.4	1.7	1.9	1.7	1.6	1.4	1.4	1.4	0.3		
Services	26.9	5.9	6.4	6.5	6.5	7.1	7.4	7.3	6.6	7.2	7.3	7.8	6.4	6.9	3.9		
Food and non-alcoholic beverages	25.3	7.5	7.5	8.0	7.4	6.2	5.7	3.9	3.0	2.8	2.4	2.0	0.8	4.7	4.9		
Processed	13.6	3.1	3.3	3.7	4.0	4.1	3.9	3.3	3.2	2.8	2.6	2.5	2.4	3.2	2.5		
Unprocessed	11.7	13.0	12.6	13.2	11.4	8.6	7.8	4.6	2.8	2.7	2.1	1.3	-1.1	6.5	7.8		
Meat	6.1	14.1	14.0	15.3	11.0	7.1	6.7	5.4	4.3	3.5	2.4	1.3	-2.3	6.7	5.6		
Vegetables	3.0	11.5	8.5	7.9	8.1	2.2	0.0	-8.0	-9.7	-5.8	-3.8	-2.0	-4.7	0.3	19.8		
Fruit	1.7	15.8	18.7	19.3	22.1	27.9	27.7	24.1	18.5	13.5	10.0	6.2	7.2	17.6	-1.3		
Energy	15.7	3.8	4.4	2.5	-3.5	-5.3	-3.8	-3.0	-1.5	-0.3	-0.2	-0.2	0.0	-0.6	-0.4		
Energy carriers	10.1	4.0	5.5	5.5	5.2	5.2	5.1	4.5	4.5	4.6	4.8	4.7	4.7	4.9	-1.4		
Fuels	5.6	3.5	2.4	-2.9	-18.8	-23.4	-19.3	-16.1	-12.3	-9.2	-9.2	-9.2	-8.4	-10.4	1.6		
According to 12 COICOP groups																	
Food and non-alcoholic beverages	25.3	7.5	7.5	8.0	7.4	6.2	5.7	3.9	3.0	2.8	2.4	2.0	0.8	4.7	4.9		
Alcoholic beverages and tobacco products	6.3	2.6	4.1	4.3	4.9	4.5	4.6	4.7	4.8	4.7	4.8	4.3	4.3	4.4	1.3		
Clothing and footwear	5.0	-1.6	-1.0	-1.7	-3.4	-4.2	-3.2	-1.9	-1.9	-2.0	-2.4	-3.4	-4.1	-2.6	-1.9		
Home maintenance and energy carriers	18.4	6.2	7.3	7.5	7.5	7.5	7.5	7.2	7.2	7.3	7.5	7.4	7.5	7.3	1.5		
Home equipment and household maintenance	5.8	0.3	0.3	0.6	0.7	0.5	1.0	1.2	0.9	1.5	1.4	1.8	1.9	1.0	0.7		
Health	5.3	3.6	3.7	4.2	4.4	5.5	5.6	5.3	5.4	5.0	5.1	5.2	5.1	4.8	3.2		
Transport	9.9	2.1	1.4	-1.4	-9.9	-12.8	-10.4	-8.5	-7.1	-4.9	-4.6	-4.4	-5.7	-5.6	0.7		
Communications	4.5	1.9	1.9	2.4	2.7	3.2	3.8	4.1	3.4	5.5	4.6	5.5	4.4	3.6	-0.7		
Recreation and culture	6.6	3.3	3.7	2.5	2.0	2.0	3.1	2.4	2.2	3.6	3.3	3.0	2.9	2.8	2.6		
Education	1.1	4.8	4.9	5.0	5.1	4.8	5.6	5.7	5.8	5.8	5.8	5.7	5.7	5.4	3.6		
Restaurants and hotels	6.1	5.6	6.3	6.3	6.3	6.0	6.0	6.0	5.7	5.3	5.1	5.8	5.7	5.8	4.4		
Miscellaneous goods and services	5.7	1.5	2.1	2.6	1.5	3.6	3.4	4.2	4.4	2.9	3.2	3.7	2.1	2.9	1.4		
	Weights in 2020, per cent	Contribution to annual CPI growth (in percentage points)														Average in 2020	Average in 2019
		2020															
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII				
CPI	100.0	4.3	4.7	4.6	3.4	2.9	3.3	3.0	2.9	3.2	3.1	3.0	2.4	3.4	2.3		
Core inflation	59.1	1.8	2.1	2.2	2.1	2.2	2.4	2.5	2.4	2.5	2.5	2.6	2.2	2.3	1.1		
Goods	32.2	0.3	0.4	0.4	0.4	0.3	0.4	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.1		
Services	26.9	1.6	1.7	1.7	1.7	1.9	2.0	2.0	1.8	2.0	2.0	2.1	1.7	1.8	1.0		
Food and non-alcoholic beverages	25.3	1.9	1.9	2.0	1.9	1.6	1.5	1.0	0.8	0.7	0.6	0.5	0.2	1.2	1.2		
Processed	13.6	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.3		
Unprocessed	11.7	1.5	1.4	1.5	1.3	1.0	0.9	0.5	0.3	0.3	0.2	0.2	-0.1	0.8	0.9		
Meat	6.1	0.8	0.8	0.9	0.7	0.4	0.4	0.3	0.3	0.2	0.2	0.1	-0.1	0.4	0.3		
Vegetables	3.0	0.3	0.3	0.2	0.2	0.1	0.0	-0.2	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.5		
Fruit	1.7	0.3	0.3	0.3	0.4	0.5	0.5	0.4	0.3	0.2	0.2	0.1	0.1	0.3	0.0		
Energy	15.7	0.6	0.7	0.4	-0.6	-0.8	-0.6	-0.5	-0.2	0.0	0.0	0.0	0.0	-0.1	-0.1		
Energy carriers	10.1	0.4	0.6	0.6	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	-0.1		
Fuels	5.6	0.2	0.1	-0.2	-1.1	-1.4	-1.1	-0.9	-0.7	-0.5	-0.5	-0.5	-0.5	-0.6	0.1		

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

	Weights in 2020, per cent	According to 12 COICOP groups														Average in 2020	Average in 2019
		2020															
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII				
Food and non-alcoholic beverages	25.3	1.9	1.9	2.0	1.9	1.6	1.5	1.0	0.8	0.7	0.6	0.5	0.2	1.2	1.2		
Alcoholic beverages and tobacco products	6.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.1		
Clothing and footwear	5.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1		
Home maintenance and energy carriers	18.4	1.2	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.3	0.3		
Home equipment and household maintenance	5.8	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0		
Health	5.3	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		
Transport	9.9	0.2	0.1	-0.1	-1.0	-1.3	-1.0	-0.8	-0.7	-0.5	-0.4	-0.4	-0.6	-0.5	0.1		
Communications	4.5	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.0		
Recreation and culture	6.6	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2		
Education	1.1	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	0.0		
Restaurants and hotels	6.1	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.3		
Miscellaneous goods and services	5.7	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.1	0.2	0.1		

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) in the years 2012 to 2020

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current account	-65,617	-29,647	-44,347	-16,517	-14,668	-6,347	-27,990	11,162	82,430
Balance of trade in goods	-40,562	-11,248	-23,478	3,432	8,881	-1,465	-26,504	5,162	55,434
Balance of services	26,372	33,425	39,456	45,459	60,006	75,885	90,631	101,622	104,433
Balance of primary income	-50,808	-50,077	-58,750	-61,718	-77,281	-80,150	-85,979	-87,797	-70,447
Balance of secondary income	-619	-1,747	-1,575	-3,690	-6,274	-617	-6,138	-7,825	-6,990
Capital account	35,711	37,857	41,990	42,510	19,471	25,002	44,605	45,283	56,338
Financial account	-37,313	-19,039	-20,064	1,978	5,943	-9,541	5,108	33,741	99,769
Balance of direct investment	-19,692	-13,311	-40,728	-38,666	-16,594	-28,833	-54,667	-36,808	-32,209
Balance of portfolio investment	-64,097	-761	7,132	11,547	-14,769	-17,620	15,964	47,158	31,996
Balance of other investment	18,847	-5,781	11,654	29,644	-52,724	71,720	21,877	-12,031	32,153
Derivative financial instruments	-8,942	-2,200	-62	-3,663	762	-4,256	-4,628	-4,136	-4,381
Official reserve assets	36,571	3,014	1,940	3,116	89,268	-30,552	26,562	39,558	72,210
Errors and omissions	-7,407	-27,249	-17,707	-24,015	1,140	-28,196	-11,507	-22,704	-38,999

Source: NBP data.

**Table A4.** Selected external stability indicators in the years 2012 to 2020

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current account balance/GDP (%)	-4.0	-1.8	-2.6	-0.9	-0.8	-0.3	-1.3	0.5	3.5
Current and capital account balance/GDP (%)	-1.8	0.5	-0.1	1.4	0.3	0.9	0.8	2.5	6.0
Balance of trade in goods and services/GDP (%)	-0.9	1.3	0.9	2.7	3.7	3.7	3.0	4.7	6.9
Official reserve assets in terms of monthly imports of goods and services	5.5	5.2	5.3	5.3	6.4	4.7	4.8	5.0	6.1
Gross external debt/GDP (%)	70.4	70.3	73.1	71.7	76.3	67.0	64.2	58.6	60.2
Net international investment position/GDP (%)	-65.6	-69.4	-69.4	-62.1	-61.5	-61.2	-55.9	-49.3	-44.2

Source: NBP and GUS data, NBP calculations.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020
M3	921,412	978,908	1,059,015	1,154,993	1,265,662	1,324,369	1,446,093	1,565,575	1,822,650
Repo operations	13,047	12,278	10,350	7,267	6,239	6,478	11,240	6,809	2,836
Issue of debt securities with original maturity of up to 2 years (inclusive)	8,029	6,286	4,112	2,467	3,211	5,043	6,620	6,117	5,143
Issue of shares/units in money market funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
M2	900,337	960,345	1,044,553	1,145,259	1,256,212	1,312,847	1,428,233	1,552,648	1,814,671
Deposits and other liabilities falling due within 2 years (inclusive)	415,524	404,510	438,270	453,134	440,908	406,473	415,880	397,776	283,035
Households	278,114	263,777	290,770	304,874	302,917	279,207	282,755	277,564	190,210
Other financial institutions	36,467	34,038	33,350	30,516	23,244	22,190	24,489	26,225	19,600
Non-financial corporations	88,526	94,029	101,639	103,365	99,234	88,269	87,586	82,830	65,214
Non-commercial institutions operating for the benefit of households	7,106	6,889	6,800	7,022	7,251	7,515	7,779	7,373	3,886
Local government institutions	4,708	4,645	4,526	5,633	5,887	6,046	4,562	3,244	3,272
Social security funds	602	1,133	1,184	1,724	2,375	3,245	8,710	540	853
M1	484,813	555,835	606,283	692,124	815,304	906,375	1,012,353	1,154,872	1,531,636
Cash in circulation (outside MFI vaults)	102,470	114,403	130,030	149,716	174,401	184,486	203,212	224,073	306,735
Current deposits and other current liabilities	382,343	441,432	476,253	542,409	640,903	721,888	809,141	930,799	1,224,901
Households	236,791	279,832	300,786	341,115	402,001	453,227	523,307	603,824	786,845
Other financial institutions	15,912	17,665	18,574	20,302	25,899	31,589	32,800	26,065	31,195
Non-financial corporations	99,253	112,497	124,239	145,975	169,753	187,139	199,722	233,409	311,218
Non-commercial institutions operating for the benefit of households	9,392	10,393	11,305	12,518	14,912	16,426	18,290	19,471	25,717
Local government institutions	19,775	19,659	19,494	18,868	25,255	26,744	27,722	33,936	50,999
Social security funds	1,220	1,387	1,853	3,630	3,084	6,764	7,299	14,093	18,926

Note: MFI – monetary financial institutions.

Source: NBP data.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net foreign assets	169,185	142,995	172,947	187,103	234,209	232,528	290,278	344,825	428,790
Foreign assets	409,939	388,096	437,358	451,322	572,727	483,804	544,419	590,795	700,711
Foreign liabilities	240,754	245,101	264,411	264,219	338,519	251,276	254,141	245,969	271,921
Claims	910,052	947,800	1,017,017	1,089,011	1,137,243	1,175,789	1,264,010	1,324,871	1,385,182
Loans and other receivables	872,436	904,029	963,655	1,029,145	1,076,440	1,113,993	1,197,892	1,259,552	1,262,854
Households	538,120	562,380	593,273	632,523	665,062	676,362	723,233	766,334	789,079
Other financial institutions	34,566	42,992	53,346	58,344	58,546	65,782	74,182	83,732	81,761
Non-financial corporations	256,982	259,049	275,774	297,950	314,533	333,362	358,589	366,114	348,155
Non-commercial institutions operating for the benefit of households	4,847	5,306	5,683	6,068	6,485	6,946	7,296	7,621	7,995
Local government institutions	37,080	34,302	35,579	34,260	31,814	31,541	34,592	35,750	35,865
Social security funds	840	0	0	0	0	0	0	0	0
Debt securities	28,681	33,385	41,985	47,229	48,020	47,502	47,610	46,910	103,729
Other financial institutions	1,005	761	1,713	2,359	3,959	3,496	3,500	3,164	61,778
Non-financial corporations	13,438	15,542	22,588	26,100	25,423	24,941	22,584	19,637	16,558
Local government institutions	14,238	17,082	17,684	18,770	18,638	19,064	21,526	24,109	25,393
Equity and other shares/units in funds other than money market funds	8,935	10,386	11,377	12,637	12,783	14,294	18,508	18,409	18,598
Other financial institutions	5,915	6,554	8,971	10,381	10,601	12,070	15,676	15,882	16,183
Non-financial corporations	3,020	3,832	2,406	2,256	2,182	2,222	2,831	2,526	2,413

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net debt of central government institutions	108,380	145,337	168,872	201,343	253,371	268,824	275,697	310,283	411,607
Claims on central government institutions	160,909	182,792	224,409	239,787	311,159	321,398	346,352	383,746	533,706
Loans	810	781	701	1,142	961	1,011	1,043	1,127	1,287
Debt securities	119,192	138,615	180,804	193,333	259,586	267,216	293,297	331,138	475,201
Liabilities to central government institutions	52,529	37,456	55,536	38,444	57,788	52,574	70,655	73,464	122,099
Long-term financial liabilities	295,938	293,510	336,409	359,605	389,984	374,963	407,306	438,021	513,631
Deposits and other liabilities falling due after 2 years (inclusive)	10,844	17,154	20,512	22,001	25,189	25,784	25,676	28,812	28,956
Households	4,572	10,067	13,756	16,552	19,839	21,344	21,836	25,362	25,549
Other financial institutions	4,104	5,485	5,851	4,624	4,452	3,483	2,939	2,541	2,312
Non-financial corporations	2,055	1,492	813	733	777	789	772	784	948
Non-commercial institutions operating for the benefit of households	96	79	64	68	102	144	100	100	118
Local government institutions	18	30	27	25	19	24	29	26	28
Social security funds	0	0	0	0	0	0	0	0	0
Issue of debt securities with original maturity of 2 years or more	35,871	40,875	40,422	43,879	53,782	69,762	72,267	78,530	106,211
Capital and reserves	249,224	235,482	275,475	293,725	311,013	279,417	309,363	330,679	378,464
Fixed assets (net of financial assets)	45,160	48,474	50,382	51,475	52,610	53,221	54,777	61,958	65,524
Net balance of other items	-15,426	-12,187	-13,794	-14,334	-21,788	-31,031	-31,364	-38,341	45,178

Source: NBP data.



Appendix 2

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# **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 2020, NBP hosted 2 open-to-public academic seminars (the title of the seminar is followed by the name(s) and affiliation of the speaker(s)):

- *Effects of the minimum wage*, Attila Lindner – University College London.
- *Przepływ informacji i nastrojów a międzynarodowa zbieżność cykli koniunkturalnych*, Michał Brzoza-Brzezina – NBP, Warsaw School of Economics.

In 2020, the following publications by NBP staff were included in the ISI Master Journal List:

- Kristina Bluwstein, Michał Brzoza-Brzezina, Paolo Gelain, Marcin Kolasa, *Multiperiod loans, occasionally binding constraints and monetary policy: a quantitative evaluation*, “Journal of Money, Credit and Banking, Blackwell Publishing”, vol. 52, issue 7, 1691–1718.
- Tomasz Chmielewski, Tomasz Łyziak, Ewa Stanisławska, *Risk-taking channel and its non-linearities: the case of an emerging market economy*, “Czech Journal of Economics and Finance (Finance a uver)”, vol. 70, issue 1, 2–25.
- Jakub Growiec, Jakub Mućk, *Isoelastic elasticity of substitution production functions*, “Macroeconomic Dynamics”, vol. 24, issue 7, 1597–1634.
- Małgorzata Iwanicz-Drozdowska, Paola Bongini, Paweł Smaga, Bartosz Witkowski, *Foreign-owned banks and foreign trade in CESEE countries – a growth-enhancing duo?*, “Applied Economics Letters”, vol. 27, issue 4, 325–328.
- Marcin Kolasa, Grzegorz Wesołowski, *International spillovers of quantitative easing*, “Journal of International Economics”, vol. 126(C).
- Paweł Kopiec, *Employment prospects and the propagation of fiscal stimulus*, “Journal of Economic Dynamics & Control”, vol. 117.
- Kamila Kuziemska-Pawlak, Jakub Mućk, *Structural current accounts in the European Union countries: cross-sectional exploration*, “Economic Modelling”, vol. 93, 445–464.
- Thomas Y. Mathä, Stephen Millard, Tairi Rõõm, Ladislav Wintr, Robert Wyszynski, *Shocks and labour cost adjustment: evidence from a survey of European firms*, “Oxford Economic Papers”, 1–26.

In the series *Materiały i Studia*, the following papers were published in 2020:

- Magdalena Kozińska, Jarosław Michalewicz, Justyna Pycka, Beata Zdanowicz, *Implikacje doświadczeń krajowych i międzynarodowych dla procesu zarządzania kryzysowego w polskim systemie finansowym*.
- Tomasz Chmielewski, Andrzej Kocięcki, Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Małgorzata Walerych, Ewa Wróbel, *Mechanizm transmisji polityki pieniężnej w Polsce. Stan wiedzy w 2019 roku. (Monetary policy transmission mechanism in Poland. What do we know in 2019?)*.
- Aneta Błażejowska, *Determinanty cen żywności w Unii Europejskiej*.
- Krzysztof Kruszewski, Mikołaj Szadkowski, *Wpływ wyniku finansowego banku centralnego na transfery korzyści między sektorami gospodarki. (The impact of central bank's financial result on inter-sectoral transfers)*.

In 2020, the following papers were published in the *NBP Working Paper* series:

- Paweł Strzelecki, Jakub Growiec, Robert Wyszynski, *The contribution of immigration from Ukraine to economic growth in Poland*.
- Paweł Baranowski, Hamza Bennani, Wirginia Doryń, *Do ECB introductory statements help to predict monetary policy: evidence from tone analysis*.
- Jan Hagemeyer, Aleksandra Hałka, Jacek Kotłowski, *Global value chains and exchange rate pass-through: the role of non-linearities*.
- Marcin Borsuk, Oskar Krzesicki, *InSTA – integrated stress-testing approach at NBP. The past, present and future perspectives*.
- Paweł Baranowski, Wirginia Doryń, Tomasz Łyziak, Ewa Stanisławska, *Words and deeds in managing expectations: empirical evidence on an inflation targeting economy*.
- Marcin Bielecki, Michał Brzoza-Brzezina, Marcin Kolasa, *Distributional consequences of conventional and unconventional monetary policy*.
- William A. Allen, *Poland, the international monetary system and the Bank of England, 1921–1939*.
- Tomasz Chmielewski, Andrzej Kocięcki, Tomasz Łyziak, Jan Przystupa, Ewa Stanisławska, Małgorzata Walerych, Ewa Wróbel, *Monetary policy transmission mechanism in Poland. What do we know in 2019?*
- Oliver de Groot, Grzegorz Wesołowski, *Business cycle implications of banking system heterogeneity and complexity*.
- Zbigniew Polański, Mikołaj Szadkowski, *Seigniorage and central banks' financial results in times of unconventional monetary policy*.

- Jan Fidrmuc, Martin Hulényi, Olga Zajkowska, *The elusive quest for the holy grail of an impact of EU funds on regional growth.*
- Michał Ledóchowski, Piotr Żuk, *What drives portfolio capital inflows into emerging market economies? The role of the Fed's and ECB's balance sheet policies.*
- Michał Gradzewicz, Jakub Mućk, *Unravelling the markups changes: the role of demand elasticity and concentration.*
- Joanna Niedźwiedzińska, *Initial monetary policy response to the COVID-19 pandemic in inflation targeting economies.*

Appendix 3

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# **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 2020 are presented below.

Date	Subject matter of motion or resolution	Voting of the MPC members:	
		For	Against
8 January 2020	Motion to raise the NBP interest rates by 15 basis points  Motion did not pass	E. Gatnar Ł.J. Hardt K. Zubelewicz	A. Glapiński G.M. Ancyparowicz C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura J. Żyżyński
8 January 2020	Motion to lower the NBP interest rates by 25 basis points  Motion did not pass	E.M. Łon	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski J.J. Kropiwnicki R. Sura K. Zubelewicz J. Żyżyński
5 February 2020	Motion to lower the NBP interest rates by 25 basis points  Motion did not pass	E.M. Łon	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski J.J. Kropiwnicki K. Zubelewicz J. Żyżyński
		R. Sura was absent	
4 March 2020	Motion to lower the NBP interest rates by 25 basis points  Motion did not pass	E.M. Łon	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski J.J. Kropiwnicki R. Sura K. Zubelewicz J. Żyżyński
17 March 2020	Motion to lower the NBP reference rate by 50 basis points, to 1.00% and to set the remaining NBP interest rates as follows: – lombard rate 1.50% – deposit rate 0.50% – rediscount rate 1.05% – discount rate 1.10%  Motion passed	A. Glapiński G.M. Ancyparowicz C. Kochalski E.M. Łon R. Sura J. Żyżyński	Ł.J. Hardt J.J. Kropiwnicki K. Zubelewicz
		E. Gatnar was 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
17 March 2020	<p>Resolution No. 1/2020 on reference rate, refinancing credit rate, deposit rate as well as the rediscount and discount rates at NBP</p> <p>MPC lowered the reference rate by 0.50 percentage points to 1.00% and set the remaining NBP interest rates as follows:</p> <ul style="list-style-type: none"> <li>– lombard rate 1.50%</li> <li>– deposit rate 0.50%</li> <li>– rediscount rate 1.05%</li> <li>– discount rate 1.10%</li> </ul>	<p>A. Glapiński G.M. Ancyparowicz C. Kochalski E.M. Łon R. Sura J. Żyżyński</p>	<p>Ł. J. Hardt J.J. Kropiwnicki K. Zubelewicz</p>
E. Gatnar was absent			
17 March 2020	<p>Motion to lower the required reserve ratio from 3.5% to 0.25%</p> <p>Motion did not pass</p>	<p>Ł. J. Hardt J.J. Kropiwnicki K. Zubelewicz</p>	<p>A. Glapiński G.M. Ancyparowicz C. Kochalski E.M. Łon R. Sura J. Żyżyński</p>
E. Gatnar was absent			
17 March 2020	<p>Motion to lower the required reserve ratio from 3.5% to 0.50%</p> <p>Motion passed</p>	<p>A. Glapiński G.M. Ancyparowicz C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura K. Zubelewicz J. Żyżyński</p>	<p>Ł. J. Hardt</p>
E. Gatnar was absent			
17 March 2020	<p>Resolution No. 2/2020 amending the resolution on the required reserve ratios for banks, cooperative savings and credit unions and the National Association of Cooperative Savings and Credit Unions and the remuneration of required reserves</p> <p>MPC lowered the required reserve ratio from 3.5% to 0.50%</p>	<p>A. Glapiński G.M. Ancyparowicz C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura K. Zubelewicz J. Żyżyński</p>	<p>Ł. J. Hardt</p>
E. Gatnar was absent			
17 March 2020	<p>Motion to raise the remuneration of the required reserve funds from 0.50% to 1.0 of the NBP reference rate</p> <p>Motion passed</p>	<p>A. Glapiński G.M. Ancyparowicz Ł. J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura K. Zubelewicz J. Żyżyński</p>	<p>No-one</p>
E. Gatnar was absent			
17 March 2020	<p>Resolution No. 3/2020 amending the resolution on the required reserve ratios for banks, cooperative savings and credit unions and the National Association of Cooperative Savings and Credit Unions and the remuneration of required reserves</p> <p>MPC raised the remuneration of the required reserve funds from 0.50% to 1.0 of the NBP reference rate</p>	<p>A. Glapiński G.M. Ancyparowicz Ł. J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura K. Zubelewicz J. Żyżyński</p>	<p>No-one</p>
E. Gatnar was absent			

### Appendix 3

Date	Subject matter of motion or resolution	Voting of the MPC members:	
		For	Against
8 April 2020	Motion to lower the NBP interest rates by 50 basis points  Motion passed	A. Glapiński G.M. Ancyparowicz C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura J. Żyżyński	Ł.J. Hardt
		E. Gatnar and K. Zubelewicz were absent	
8 April 2020	Resolution No. 4/2020 on reference rate, refinancing credit rate, deposit rate as well as the rediscount and discount rates at the NBP  MPC lowered the NBP interest rates by 0.50 percentage points	A. Glapiński G.M. Ancyparowicz C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura J. Żyżyński	Ł.J. Hardt
		E. Gatnar and K. Zubelewicz were absent	
8 April 2020	Resolution No. 5/2020 amending the resolution on monetary policy guidelines for 2020	A. Glapiński G.M. Ancyparowicz Ł.J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura J. Żyżyński	No-one
		E. Gatnar and K. Zubelewicz were absent	
8 April 2020	Resolution No. 6/2020 on approving the Annual Financial Statement of Narodowy Bank Polski prepared as of 31 December 2019	A. Glapiński G.M. Ancyparowicz Ł.J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura J. Żyżyński	No-one
		E. Gatnar and K. Zubelewicz were absent	
8 April 2020	Motion to introduce repo operations with a maturity of over 2 years and yield of 0.25%  Motion did not pass	Ł.J. Hardt	A. Glapiński G.M. Ancyparowicz C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura J. Żyżyński
		E. Gatnar and K. Zubelewicz were absent	
28 May 2020	Motion to lower the NBP interest rate by 40 basis points and to set the remaining NBP interest rates as follows: – reference rate 0.10%; – lombard rate 0.50% – deposit rate 0.00% – rediscount rate 0.11% – discount rate 0.12%  Motion passed	A. Glapiński G.M. Ancyparowicz C. Kochalski E.M. Łon R. Sura J. Żyżyński	E. Gatnar Ł.J. Hardt J.J. Kropiwnicki K. Zubelewicz

## 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
28 May 2020	<p>Resolution No. 7/2020 on reference rate, refinancing credit rate, deposit rate as well as the rediscount and discount rates at NBP</p> <p>The MPC lowered the NBP reference rate by 40 basis points and set the remaining rates as follows:</p> <ul style="list-style-type: none"> <li>– reference rate 0.10%;</li> <li>– lombard rate 0.50%</li> <li>– deposit rate 0.00%</li> <li>– rediscount rate 0.11%</li> <li>– discount rate 0.12%</li> </ul>	A. Glapiński G.M. Ancyparowicz C. Kochalski E.M. Łon R. Sura J. Żyżyński	E. Gatnar Ł.J. Hardt J.J. Kropiwnicki K. Zubelewicz
28 May 2020	Resolution No. 8/2020 on approving the Report on monetary policy in 2019	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura K. Zubelewicz J. Żyżyński	No-one
28 May 2020	Resolution No. 9/2020 on evaluation of the activities of the NBP Management Board as regards the implementation of monetary policy guidelines for 2019	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura K. Zubelewicz J. Żyżyński	No-one
28 May 2020	Resolution No. 10/2020 on approving the report on the operations of Narodowy Bank Polski in 2019	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura J. Żyżyński	K. Zubelewicz
28 May 2020	Resolution No. 11/2020 amending the resolution on accounting principles, the layout of balance sheet assets and liabilities and profit and loss account of Narodowy Bank Polski	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura K. Zubelewicz J. Żyżyński	No-one
15 September 2020	Motion to change the NBP inflation target of 2.5% with a symmetrical tolerance band of +/- 1 percentage point to 2% with a symmetrical tolerance band of +/- 1 percentage point	K. Zubelewicz	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski E.M. Łon R. Sura J. Żyżyński
		J.J. Kropiwnicki was absent	



Date	Subject matter of motion or resolution	Voting of the MPC members:	
		For	Against
15 September 2020	Motion to widen the symmetrical tolerance band for the inflation target of 2.5% from +/- 1 percentage point to +/- 2 percentage points	E.M. Łon	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski R. Sura K. Zubelewicz J. Żyżyński
		J.J. Kropiwnicki was absent	
15 September 2020	Resolution No. 12/2020 on adopting monetary policy guidelines for 2021	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski E.M. Łon R. Sura J. Żyżyński	K. Zubelewicz
		J.J. Kropiwnicki was absent	
6 November 2020	Resolution No. 13/2020 on the accounting principles of Narodowy Bank Polski, the layout of the balance sheet, the profit and loss account, and the contents of notes	A. Glapiński G.M. Ancyparowicz C. Kochalski R. Sura J. Żyżyński	J.J. Kropiwnicki K. Zubelewicz
		E. Gatnar, Ł.J. Hardt and E.M. Łon were absent	
2 December 2020	Resolution No. 14/2020 on approving the financial plan of Narodowy Bank Polski for 2021	A. Glapiński G.M. Ancyparowicz E. Gatnar Ł.J. Hardt C. Kochalski J.J. Kropiwnicki E.M. Łon R. Sura K. Zubelewicz J. Żyżyński	No-one

Appendix 4

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**Financial Statements  
of Narodowy Bank Polski  
as at 31 December 2020  
together with the Independent  
Auditor's Report**



## Balance Sheet of NBP as at 31 December 2020

Assets	Note	31.12.2020	31.12.2019
		<i>PLN thousand</i>	
1. Gold and gold receivables	1	52,252,619.6	42,518,790.2
2. Claims on non-residents denominated in foreign currency		527,465,943.1	445,195,431.8
2.1. <i>Receivables from the IMF</i>	2	6,879,394.5	5,271,036.0
2.2. <i>Balances with foreign institutions, securities, loans granted and other foreign assets</i>	3.1	520,586,548.6	439,924,395.8
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	3.2	52,955.4	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
5.6. <i>Other monetary policy operations</i>		52,955.4	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency		16.0	10.4
7. Securities of residents denominated in domestic currency	3.2	112,563,027.9	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		1,978,942.9	1,386,084.0
10.1. <i>Tangible and intangible fixed assets</i>	4	1,031,541.1	898,026.4
10.2. <i>Other financial assets</i>	3.3	297,239.1	272,163.0
10.3. <i>Off-balance-sheet instruments revaluation differences</i>	10	444,371.2	10,497.9
10.4. <i>Accruals and prepaid expenses</i>	8	37,263.3	31,299.8
10.5. <i>Sundry</i>	3.4	168,528.2	174,096.9
<b>Total assets</b>		<b>694,313,504.9</b>	<b>489,100,316.4</b>

Liabilities	Note	31.12.2020	31.12.2019
		PLN thousand	
1. Banknotes and coins in circulation	5	321,800,665.9	238,777,248.0
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	6.1	62,629,413.3	65,410,357.6
2.1. <i>Current accounts (incl. the required minimum reserve accounts)</i>		30,351,413.3	50,655,941.5
2.2. <i>Deposit facilities</i>		32,278,000.0	14,754,416.1
2.3. <i>Fixed-interest deposits</i>		0.0	0.0
2.4. <i>Other monetary policy operations</i>		0.0	0.0
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	6.2	444,908.2	385,342.2
4. Liabilities due to issued securities denominated in domestic currency	6.1	127,767,680.0	64,985,650.0
5. Liabilities to other residents denominated in domestic currency	6.3	24,859,721.0	9,346,735.8
5.1. <i>Liabilities to general government</i>		23,852,886.1	9,326,302.8
5.2. <i>Other liabilities</i>		1,006,834.9	20,433.0
6. Liabilities to non-residents denominated in domestic currency	6.4	2,196,156.7	2,266,129.9
7. Liabilities to residents denominated in foreign currency	6.5	46,262,773.2	22,356,217.5
8. Liabilities to non-residents denominated in foreign currency	6.6	45,352,526.9	43,665,689.7
9. Liabilities to the IMF	2	7,128,746.3	6,875,252.6
10. Items in course of settlement		0.0	0.0
11. Other liabilities		729,945.2	222,477.3
11.1. <i>Off-balance-sheet instruments revaluation differences</i>	10	111.8	6,356.5
11.2. <i>Accruals and deferred income</i>	8	90,135.9	144,302.7
11.3. <i>Sundry</i>	6.7	639,697.5	71,818.1
12. Provisions for future liabilities	7	179,569.6	165,628.8
13. Revaluation accounts	9.1	45,740,356.1	30,494,130.6
14. Capital and reserves	9	11,742,344.4	8,186,317.3
14.1. <i>Statutory fund</i>		1,500,000.0	1,500,000.0
14.2. <i>Reserve fund</i>		391,425.1	0.0
14.3. <i>Reserves</i>	9.2	9,850,919.3	6,686,317.3
15. Financial result	9.3	-2,521,301.9	-4,036,860.9
15.1. <i>Financial result for the current year</i>		9,344,061.5	7,828,502.5
15.2. <i>Loss of previous years</i>		-11,865,363.4	-11,865,363.4
<b>Total liabilities</b>		<b>694,313,504.9</b>	<b>489,100,316.4</b>

## Profit and Loss Account of NBP for the year ended 31 December 2020

	Note	2020	2019
		PLN thousand	
1. Net result on interest, discount and premium	11	3,141,511.1	3,293,959.8
1.1. Interest, discount and premium income		8,158,572.5	8,358,201.4
1.2. Interest, discount and premium expenses		-5,017,061.4	-5,064,241.6
2. Net result on financial operations		7,339,131.4	5,621,395.0
2.1. Net result on realised financial operations, of which:	12.1	10,587,467.3	8,789,558.1
- net result on realised foreign exchange gains/losses on transactions in foreign currency		6,329,209.6	5,733,405.1
- net result on realised price gains/losses		4,249,573.7	3,056,125.5
2.2. Unrealised losses, of which:	12.2	-83,733.9	-356,233.2
- currency revaluation losses		-5.6	-109,545.3
- price revaluation losses		-83,728.3	-246,687.9
2.3. Impairment of financial assets		0.0	0.0
2.4. Transfer to/from FX risk provision	12.3	-3,164,602.0	-2,811,929.9
3. Net result on fees and commissions	13	8,686.2	10,238.8
3.1. Fees and commissions income		48,426.8	49,565.6
3.2. Fees and commissions expenses		-39,740.6	-39,326.8
4. Income on shares and participating interests	14	13,478.2	23,372.2
5. Other income	19	109,648.6	97,704.1
<b>A. Total net income</b>		<b>10,612,455.5</b>	<b>9,046,669.9</b>
6. Salaries	15	-606,498.8	-574,712.9
7. Administrative expenses	16	-242,149.3	-264,559.4
8. Depreciation and amortisation expenses	17	-89,487.4	-86,674.3
9. Expenses on issue of banknotes and coins	18	-321,754.6	-282,254.9
10. Other expenses	19	-8,503.9	-9,965.9
<b>B. Financial result for the current year</b>		<b>9,344,061.5</b>	<b>7,828,502.5</b>

# 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 2020, item 2027), hereinafter referred to as the "Act on NBP",
- the Act of 29 August 1997 – Banking Law (Journal of Laws of 2020, item 1896, as amended),
- 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 2020 was as follows:

#### **President of NBP**

*Adam Glapiński*

#### **Monetary Policy Council**

<b>Chairperson</b>	<i>Adam Glapiński</i>		
<b>Members</b>	<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 NBP<sup>1</sup>**

<b>Chairperson</b>	<i>Adam Glapiński</i>		
<b>Vice President of NBP - First Deputy President of NBP</b>	<i>Marta Kightley</i>		
<b>Vice President of NBP</b>	<i>Adam Lipiński</i>		
<b>Members</b>	<i>Andrzej Kaźmierczak</i>	<i>Piotr Pogonowski</i>	
	<i>Ryszard Kokoszczyński</i>	<i>Paweł Szalamacha</i>	

<sup>1</sup> On 17 February 2020 Paweł Samecki ceased to act as member of the Management Board of NBP (after his term of office ended).

On 29 February 2020 Teresa Czerwińska ceased to act as member of the Management Board of NBP (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.

On 3 November 2020 Anna Trzecińska ceased to act as member of the Management Board of NBP (after her term of office ended).

On 4 November 2020 Adam Lipiński was appointed member of the Management Board of NBP.

On 1 January 2021 Marta Gajęcka was appointed member of the Management Board of NBP.

## 1.2. Legal basis of preparation of the financial statements

The Management Board of NBP has prepared the financial statements of NBP as at 31 December 2020 on the basis of the following provisions:

- the Act on NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the Balance Sheet and the Profit and Loss Account of Narodowy Bank Polski (NBP Official Journal of 2020, item 15), 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.
- Resolution No. 64/2020 of the Management Board of Narodowy Bank Polski of 21 December 2020 on the rules on the organisation of accounting at Narodowy Bank Polski, referred hereinafter as "Resolution No. 64/2020 of the NBP Management Board".

These regulations constitute the NBP accounting policy.

## 1.3. Period covered by the financial statements

The financial statements cover the financial year from 1 January 2020 to 31 December 2020. Comparative data in the financial statements cover the financial year from 1 January 2019 to 31 December 2019.

## 1.4. Certified auditor and its selection

The annual financial statements of NBP prepared as at 31 December 2020 are subject to audit 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 2019

The annual financial statements of NBP prepared as at 31 December 2019 were adopted by the MPC by Resolution No. 6/2020 on 8 April 2020 (NBP Official Journal, item 8) and approved by the Council of



Ministers by Resolution No. 58/2020 on 19 May 2020. The certified auditor in charge of auditing the financial statements – KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. – issued an unmodified (unqualified) opinion on the audited financial statements.

In the financial statements prepared as at 31 December 2019, NBP recorded a net financial result of PLN 7,828,502.5 thousand. Therefore, in 2020 in accordance with Article 69 para. 4 of the Act on NBP, NBP paid a contribution from profit in the amount of PLN 7,437,077.4 thousand to the State budget. In accordance with Article 62 of the Act on NBP, 5% of NBP's profit, i.e. the amount of PLN 391,425.1 thousand, was allocated 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 (EU) 2016/2249 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 of NBP**

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 NBP 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.

Securities purchased or sold in a spot transaction are recognised in the 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 and off-balance-sheet financial instruments<sup>2</sup> 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*.

The value of individual assets and liabilities and gains and losses are determined separately, without netting the value of items which differ in kind.

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 denominated in foreign currency are quoted in an active market<sup>3</sup> and 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.

Securities denominated in domestic currency are held for monetary policy purposes and are valued at purchase price, adjusted for the amortised discount/premium, less impairment.

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

<sup>2</sup> Off-balance-sheet items in foreign currency arising from foreign exchange forwards and foreign exchange swaps are valued at the average NBP exchange rate.

<sup>3</sup> 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 (on the basis of the yield curve, in particular).

Futures contracts 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.

Assets not valued according to market prices are checked whether any indications of impairment have occurred, i.e. if it is highly probable that a given asset will not generate expected economic benefits in the future. If such indications of impairment are identified, the amount of expected impairment is determined for such assets by comparing their book value with their useful value, recoverable value or market value.

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 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 2020, the prices/exchange rates announced on 31 December 2020 were used and for comparative data – those announced on 31 December 2019.

## **2.5. 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**

Changes in the NBP accounting policy in 2020 were introduced by Resolution No. 11/2020 of the MPC of 28 May 2020 amending Resolution No. 16/2003 of the MPC and Resolution No. 64/2020 of the Management Board of NBP.

### *Securities held for monetary policy purposes*

Amendments to Resolution No. 16/2003 of the MPC mainly concerned the introduction of a new category of securities – securities held for monetary policy purposes. To counteract the economic fallout of COVID-19, in 2020 NBP started to purchase securities denominated in domestic currency as part of structural open market operations (see Note 3.2). Resolution No. 16/2003 of the MPC was amended with the aim to appropriately reflect these operations in the NBP accounting books, which means appropriately to the nature and economic significance of these economic events and with due consideration given to the intent of such securities purchase, that is the intent to hold them as part of monetary policy implementation. Securities denominated in domestic currency purchased in 2020,

which are held for monetary policy purposes, are valued at purchase price adjusted for the amortised discount/premium, less impairment.<sup>4</sup>

### *The layout of the NBP Balance Sheet*

A new item of assets “5.6. Other monetary policy operations”, which presents, among others, claims on extended bill discount credits purported to refinance loans granted by banks to non-financial corporations, was added to the layout of the NBP Balance Sheet. The possibility to grant bill discount credit by NBP was introduced by Resolution No. 5/2020 of the Monetary Policy Council of 8 April 2020, amending the resolution on setting the monetary policy guidelines for 2020 (Monitor Polski, item 342).

### *Lease assets and liabilities*

Bearing in mind regulations concerning leases contained in the International Financial Reporting Standard No. 16 (IFRS 16) and practice of central banks, including the ECB, from 2020 NBP has changed, based on Resolution No. 64/2020, the principles of record-keeping and presenting assets, liabilities and financial result related to assets used based on administrative decisions and lease contracts.

Narodowy Bank Polski performed a review of received decisions and concluded contracts. The asset items were identified which should be categorised, based on the above-mentioned regulations, as leases and the present value of future payments related to these asset items was evaluated. The value of lease liabilities was presented in *Liabilities* in Item 11.3 *Sundry* (see Note 6.7) whereas lease assets corresponding to these liabilities (in accordance with the modified retrospective approach) were presented in Item 10.1 *Tangible and intangible fixed assets* (see Note 4).

Changes introduced to the balance sheet relate mainly to the method of recognising the right of perpetual usufruct of land (until 31 December 2019 they were presented under *Tangible fixed assets and accruals and deferred income* – see Note 4 and Note 8). The changes to the presentation of lease assets and liabilities are shown in the table below.

<i>PLN thousand</i>	<b>Note</b>	<b>01.01.2020</b>	<b>31.12.2019</b>	<b>Change</b>
Tangible fixed assets, of which	4	738,091.6	794,217.3	-56,125.7
- <i>right of perpetual usufruct of land</i>		0.0	56,125.7	-56,125.7
Lease assets, of which	4	187,373.8	0.0	187,373.8
- <i>right of perpetual usufruct of land</i>		175,983.5	0.0	175,983.5
- <i>other lease assets</i>		11,390.3	0.0	11,390.3
Other liabilities, of which	6.7	259,191.9	71,818.1	187,373.8
- <i>lease liabilities</i>		187,373.8	0.0	187,373.8
Deferred income, of which	8	3,894.7	60,020.4	-56,125.7
- <i>right of perpetual usufruct of land</i>		0.0	56,125.7	-56,125.7

<sup>4</sup> The method of valuation of securities held for monetary policy purposes is in compliance with the ECB Guideline.

Whereas starting from 2020, the Profit and Loss Account of NBP presents interest expenses due to leases in Item 1. Net result on interest, discount and premium (see Note 11), and depreciation/amortisation expenses of lease assets are presented in Item 8. Depreciation and amortisation expenses (see Note 17; until 31 December 2019, expenses on lease fees, including fees due to the right of perpetual usufruct of land, were presented under administrative expenses – see Note 16).

#### **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 preparation of the financial statements. 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 NBP-made estimates are reviewed on a regular basis.

The key area where NBP makes estimates is the calculation of the amount of provision against the foreign exchange rate risk of the zloty (hereinafter referred to as FX risk provision. In accordance with Resolution No. 6/2019 of the MPC, the estimated FX risk provision is equal to the amount that would cover a 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 Note 9 and Note 9.2).

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

- the amount of provisions for liabilities due to retirement and disability severance payments and jubilee awards (provisions are estimated on the basis of actuarial assessment carried out periodically by an independent actuary),
- the periods of use of tangible and intangible fixed assets,
- the discount rates of outstanding lease fees (the rates are used to determine the value of lease payments, and consequently to determine the value of lease assets – see Note 4 and Note 6.7),
- write-downs due to assets impairment.

## 5. Explanatory notes

### Note 1 Gold and gold receivables

Gold purchased is recognised in the NBP accounting books at purchase price, while gold receivables – at the average market price of gold as at the date of recognition of the economic event in the NBP accounting books. The prices of an ounce of gold in the US dollar 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 NBP accounting books.

Gold assets constitute a holding of gold for which the average cost is estimated. 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 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.

PLN thousand	31.12.2020	31.12.2019	Change
Gold stored at NBP	23,961,404.3	19,499,160.2	4,462,244.1
Gold on accounts with foreign banks, of which:	28,291,215.3	23,019,630.0	5,271,585.3
- current account in gold	20,210,979.9	10,813,438.9	9,397,541.0
- term deposits in gold	8,080,235.4	12,206,191.1	-4,125,955.7
<b>Total</b>	<b>52,252,619.6</b>	<b>42,518,790.2</b>	<b>9,733,829.4</b>
<i>of which gold revaluation differences</i>	<i>27,525,036.9</i>	<i>17,794,911.6</i>	<i>9,730,125.3</i>

		31.12.2020	31.12.2019	Change
Gold stored at NBP	thousands of ounces	3,371.2	3,371.2	0.0
	(tons)	(104.9)	(104.9)	(0.0)
Gold on accounts with foreign banks, of which:	thousands of ounces	3,980.5	3,980.0	0.5
	(tons)	(123.8)	(123.7)	(0.1)
- current account in gold	thousands of ounces	2,843.6	1,869.6	974.0
	(tons)	(88.4)	(58.1)	(30.3)
- term deposits in gold	thousands of ounces	1,136.9	2,110.4	-973.5
	(tons)	(35.4)	(65.6)	(-30.2)
<b>Total</b>	<b>thousands of ounces</b>	<b>7,351.7</b>	<b>7,351.2</b>	<b>0.5</b>
	<b>(tons)</b>	<b>(228.7)</b>	<b>(228.6)</b>	<b>(0.1)</b>

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 financial institutions; interest on term deposits in gold is accrued and paid in USD (see Note 3.1 and Note 11).

The increase in the balance by 0.5 thousand ounces resulted mainly from the settlement of deposit transactions in gold and related to the difference in the weight of gold bars received at the end of term deposit as compared to the gold bars delivered as deposit (the differences are settled in USD).

The domestic currency value of the item was mainly affected by the revaluation of the holding of gold (see Note 9.1).

## Note 2 Receivables from and liabilities to the IMF

Operations with the International Monetary Fund (hereinafter “the IMF”) are recognised in the NBP accounting books at nominal value. As at the balance-sheet date, the amounts of receivables from and liabilities to the IMF are valued according to the outstanding amount.

The balances resulting from operations with the IMF are denominated in Special Drawing Rights (SDR) or in the zloty. The SDR is construed as a separate foreign currency.

The balances in SDR are translated into domestic currency at the average NBP exchange rate as at the balance-sheet date.

Items related to the IMF:

- **Reserve tranche** corresponds to the Republic of Poland's member quota in the IMF, reduced by liabilities due to the account in domestic currency operated by NBP for the IMF (so-called No. 1 Account).

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.

- **Current account with the IMF** includes funds received under SDR allocation and payments in SDR due to loans extended to the IMF, as well as due to settlements arising from interest and fees on balances and transactions related to the IMF.
- **Term deposit** (non-interest bearing) in the IMF-administered PRG-HIPC Trust (Poverty Reduction and Growth – Heavily Indebted Poor Countries Initiative); in 2020 the deposit was extended till June 2030.

▪ **Loans in foreign currency extended to the IMF** – see Note 21.

Since 2011 NBP has been a participant in the New Arrangements to Borrow (NAB). 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 (as at the end of 2019 and 2020 the maximum limit of loans amounted to SDR 1,285,400.0 thousand).

Under the bilateral borrowing agreement (BBA) of 2017 concluded by NBP and the IMF, by the end of 2020 NBP has made a commitment to extend interest-bearing loans to the IMF amounting up to the SDR equivalent of EUR 6,270,000.0 thousand. The funds may 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. Neither in 2019 nor in 2020 did the IMF borrow funds under BBA.

▪ **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.

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, loans extended to the IMF and SDR allocation are remunerated on the basis of the interest rate determined by the IMF.

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Reserve tranche, of which		4,903,695.4	3,337,230.8	1,566,464.6
- Member quota in the IMF		21,905,925.0	21,796,747.9	109,177.1
- No. 1 Account of the IMF		-17,002,229.6	-18,459,517.1	1,457,287.5
Current account with the IMF		1,601,691.4	1,547,266.4	54,425.0
Term deposit with the IMF		38,645.5	37,229.3	1,416.2
Loans extended to the IMF		335,362.2	349,309.5	-13,947.3
<b>Total assets (Receivables from the IMF)</b>	A.2.1	<b>6,879,394.5</b>	<b>5,271,036.0</b>	<b>1,608,358.5</b>
<b>SDR allocation (Liabilities to the IMF)</b>	L.9	<b>7,128,746.3</b>	<b>6,875,252.6</b>	<b>253,493.7</b>
<b>Net item</b>		<b>-249,351.8</b>	<b>-1,604,216.6</b>	<b>1,354,864.8</b>
<i>of which SDR currency revaluation differences</i>		3,209.7	83,352.6	-80,142.9



<i>SDR thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Reserve tranche		897,586.7	634,092.9	263,493.8
- Member quota in the IMF		4,095,400.0	4,095,400.0	0.0
- No. 1 Account of the IMF		-3,197,813.3	-3,461,307.1	263,493.8
Current account with the IMF		293,178.2	293,989.4	-811.2
Term deposit with the IMF		7,073.8	7,073.8	0.0
Loans extended to the IMF		61,385.7	66,370.8	-4,985.1
<b>Total assets (Receivables from the IMF)</b>	A.2.1	<b>1,259,224.4</b>	<b>1,001,526.9</b>	<b>257,697.5</b>
<b>SDR allocation (Liabilities to the IMF)</b>	L.9	<b>1,304,866.4</b>	<b>1,306,337.2</b>	<b>-1,470.8</b>
<b>Net item</b>		<b>-45,642.0</b>	<b>-304,810.3</b>	<b>259,168.3</b>

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

- transactions under the FTPs – payments in favour of IMF member countries made by the IMF from No. 1 Account of the IMF with NBP, and
- crediting No. 2 Account of the IMF (see Note 6.4) with funds from No. 1 Account of the IMF.

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 the NAB, which was mainly a result of the repayment of a portion of debt towards NBP by the IMF,<sup>5</sup>
- a decrease in the current account with the IMF, mainly as a result of accrued interest and fees as well as settlements with the IMF due to other operations (see Note 12.1).
- a decrease in NBP's liabilities under SDR allocation as a result of lower accrued interest due to the allocation.

The domestic currency value of the receivables from the IMF and liabilities to the IMF was also affected by the currency revaluation of SDR (see Note 9.1).

<sup>5</sup> As at 31 December 2020, NBP's commitment to the IMF under the NAB amounted to SDR 1,224,025.0 thousand (PLN 6,687,093.4 thousand according to the average NBP exchange rate as at 31 December 2020). As at 31 December 2019, 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).

## Note 3 Other financial assets

### ▪ Securities

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 according to the straight-line method.

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

For securities, 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, securities denominated in foreign currencies 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.

As at the balance sheet date, securities denominated in domestic currency held for monetary policy purposes are valued at purchase price adjusted for the amortised discount/premium, less impairment.

### ▪ Reverse 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 assets as a loan granted, collateralised with securities whose holding is not increased on the trade date. Securities purchased in reverse repo transactions are not subject to valuation and no income or expense on these securities is recognised in the financial result.

The difference between the agreed purchasing and re-selling price of securities that constitute a collateral of the reverse repo transactions is recognised in the financial result at the end of each operating day in amounts calculated according to the straight-line method.

As at the balance-sheet date, reverse repo transactions are valued according to the outstanding amount.

### ▪ Term deposits

Term deposits are recognised in the NBP accounting books at nominal value. As at the balance-sheet date, term deposits are valued according to the outstanding amount.

- **Current accounts, margins related to futures, foreign banknotes and coins in stock**

Current accounts, margins deposited in cash and foreign banknotes and coins in stock are recognised in NBP accounting books and priced as at the balance sheet date according to their nominal value.

- **Non-marketable shares, participating interests**

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

- **Credit and loans granted, other claims**

Credit and loans granted and other claims are recognised in the NBP accounting books at nominal value. As at the balance sheet date, credit and loans granted and other claims are valued according to the outstanding amount.

- **Financial assets in foreign currency**

After the valuation of financial assets in foreign currency is made according to the above principles, the balances are translated into domestic currency at the average NBP exchange rate as at the balance-sheet date.

- **Inventories**

Inventories are recognised in NBP accounting books and valued as at the balance sheet date at:

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

### Note 3.1 Balances with foreign institutions, securities, loans granted and other foreign assets

PLN thousand	31.12.2020	31.12.2019	Change
Current accounts, of which	31,124,418.7	9,259,141.9	21,865,276.8
- current account with the ECB for settlements in TARGET2	2,857,132.0	3,507,926.5	-650,794.5
Term deposits	26,407,882.5	32,168,428.6	-5,760,546.1
Reverse repo transactions	45,225,495.5	43,215,223.2	2,010,272.3
Securities	417,564,746.5	354,961,158.9	62,603,587.6
Foreign banknotes and coins in stock	263,278.9	179,119.9	84,159.0
Other claims, of which	726.5	141,323.3	-140,596.8
- margins related to futures transactions	722.9	141,124.2	-140,401.3
- interest on term deposits in gold	3.6	199.1	-195.5
<b>Total</b>	<b>520,586,548.6</b>	<b>439,924,395.8</b>	<b>80,662,152.8</b>
<i>of which</i>			
- currency revaluation differences	15,866,753.7	10,411,877.0	5,454,876.7
- price revaluation differences	3,784,535.7	1,814,526.9	1,970,008.8

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,
- term deposits,
- reverse repo transactions – under the NBP investment process, reverse repo transactions are usually executed simultaneously with repo transactions<sup>6</sup> (see Note 6.6).

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

31.12.2020						
thousand units of original currency	USD	EUR	GBP	AUD	NOK	NZD
Term deposits	151,800.0	4,115,991.0	432,900.0	0.0	10,502,127.8	0.0
Reverse repo transactions	4,409,715.6	1,157,260.8	3,775,517.4	897,227.5	0.0	492,194.3
Securities	57,947,757.4	18,204,454.8	9,849,525.4	11,670,754.7	49,468,275.2	3,559,060.2
<b>Total</b>	<b>62,509,273.0</b>	<b>23,477,706.6</b>	<b>14,057,942.8</b>	<b>12,567,982.2</b>	<b>59,970,403.0</b>	<b>4,051,254.5</b>

<sup>6</sup> As at 31 December 2020 securities for the value of PLN 45,085,487.1 thousand were collateral to repo transactions (PLN 42,593,876.7 thousand as at 31 December 2019).

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
<b>Total</b>	<b>57,435,031.3</b>	<b>20,402,259.0</b>	<b>11,718,103.8</b>	<b>12,066,206.0</b>	<b>53,721,933.3</b>	<b>4,478,935.3</b>

Change						
<i>thousand units of original currency</i>	USD	EUR	GBP	AUD	NOK	NZD
Term deposits	-363,600.0	1,477,309.5	277,700.0	-174,400.0	-18,848,401.8	-1,977,145.4
Reverse repo transactions	-2,572,510.2	663,574.7	1,181,354.2	283,807.6	0.0	492,194.3
Securities	8,010,351.9	934,563.4	880,784.8	392,368.6	25,096,871.5	1,057,270.3
<b>Total</b>	<b>5,074,241.7</b>	<b>3,075,447.6</b>	<b>2,339,839.0</b>	<b>501,776.2</b>	<b>6,248,469.7</b>	<b>-427,680.8</b>

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

- the inflow of funds in foreign currency due to transactions of holders of account with NBP (see Note 6.1, Note 6.5 and Note 6.6);
- a positive result on the management of foreign currency reserves investment instruments and the effects of price revaluation (see Note 11 and Note 12.1 as well as Note 9.1 and Note 12.2);
- the IMF financing under the FTP (see Note 2),
- a change in the investment structure of foreign currency reserves – a decrease in the share of term to increase the share of securities (see Chapter 7.1.1.1).
- a change in the investment in simultaneous reverse repo and repo transactions (see Note 6.6).

Additionally, the increase in the item was a result of currency and price revaluation (see Note 9.1 and Note 12.2).

### Note 3.2 Claims related to monetary policy operations denominated in domestic currency

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Bill discount credits	A.5.6	52,955.4	0.0	52,955.4
Securities, of which	A.7	112,563,027.9	0.0	112,563,027.9
- Treasury securities		58,528,091.6	0.0	58,528,091.6
- securities guaranteed by the State Treasury		54,034,936.3	0.0	54,034,936.3
<b>Total</b>		<b>112,615,983.3</b>	<b>0.0</b>	<b>112,615,983.3</b>

In 2020, NBP offered bill discount credit with the aim to enable banks to refinance loans extended to entrepreneurs. These credits were collateralised with bills of exchange which banks accepted as collateral to the loans extended to entrepreneurs (see Chapter 7.1.1.2.2).

Furthermore, in 2020 NBP purchased Treasury bonds and securities guaranteed by the Treasury in the secondary market, as part of structural open market operations. The operations were conducted with the aim to change the liquidity structure of the banking sector in the long term, as well as to provide liquidity of the secondary market of purchased securities and strengthen the monetary policy transmission mechanism (see Chapter 3 and Note 20).

### Note 3.3 Other financial assets

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Shares and participating interests in domestic entities, of which	128,848.9	128,848.9	0.0
- shares in Krajowy Depozyt Papierów Wartościowych S.A.	51,708.1	51,708.1	0.0
- shares in Krajowa Izba Rozliczeniowa S.A.	75,312.5	75,312.5	0.0
- participating interests in Bazy i Systemy Bankowe Sp. z o.o.	1,820.0	1,820.0	0.0
- other	8.3	8.3	0.0
Shares and participating interests in foreign entities, of which	168,390.2	143,314.1	25,076.1
- participating interests in the European Central Bank	113,026.8	90,009.2	23,017.6
- shares in the Bank for International Settlements	54,632.0	52,630.0	2,002.0
- participating interests in S.W.I.F.T.	731.4	674.9	56.5
<b>Total</b>	<b>297,239.1</b>	<b>272,163.0</b>	<b>25,076.1</b>

An increase in the value of the item resulted from the increase in NBP's paid up share in the ECB's capital due to an adjustment of the subscription key of the ECB capital which 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. The increase in the value of the item resulted also from the currency revaluation of shares and participating interests of NBP in foreign entities.

The participation of NBP in domestic entities did not change in comparison to 31 December 2019, and as at 31 December 2020 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 (%)
	31.12.2020	31.12.2020	31.12.2020	31.12.2020
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:

- 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 2020, the capital paid up by NBP to the ECB amounted to EUR 24,492.3 thousand (EUR 21,136.4 thousand as at 31 December 2019).

In accordance with Article 28(2) 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(1) 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. The last regular adjustment of the key was made in 2019. 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.<sup>7</sup> Following this adjustment, the share of NBP in the ECB's subscribed capital increased from 5.2068% to 6.0335%, which corresponds to an increase in participating interest from EUR 563,636.5 thousand to EUR 653,126.8 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

<sup>7</sup> The amount of the ECB's subscribed capital has not changed as a result of the withdrawal of the Bank of England from the ESCB and amounts to EUR 10,825,007.1 thousand. The share of the Bank of England in the ECB's subscribed capital, which as at 31 December 2019 amounted to 14.3374%, was allocated to the remaining central banks of the ESCB.

its losses. As a result of the above mentioned adjustment of the subscription key of the ECB capital related to the exit of the United Kingdom from the European Union, the share of NBP in the paid-up capital of the ECB rose in 2020 from EUR 21,136.4 thousand to EUR 24,492.3 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 628,634.5 thousand.

- shares of the Bank for International Settlements, hereinafter referred to as "BIS".  
As at 31 December 2020 and 31 December 2019, 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 1.41%.
- participating interests in S.W.I.F.T. (The Society for Worldwide Interbank Financial Telecommunication)  
As at 31 December 2020 and as at 31 December 2019, NBP had 53 shares (in the amount of EUR 158.5 thousand), which represented less than 0.05% of the total number of votes.

### Note 3.4 Sundry

PLN thousand	31.12.2020	31.12.2019	Change
Inventories, of which	27,555.3	33,794.2	-6,238.9
- precious metals	26,505.9	30,457.1	-3,951.2
- collector items not in circulation	364.7	2,781.1	-2,416.4
- other	684.7	556.0	128.7
Credits and loans extended in domestic currency, of which	89,773.3	107,027.3	-17,254.0
- loans to employees, of which	22,784.1	22,149.3	634.8
• loans extended from the Employee Benefit Fund	12,266.3	12,220.1	46.2
- other loans	66,989.2	84,878.0	-17,888.8
Other claims, of which	29,710.3	22,868.4	6,841.9
- to public authorities	0.2	226.0	-225.8
- on customers and suppliers	15,574.8	10,393.1	5,181.7
- other	14,135.3	12,249.3	1,886.0
Funds of the Employee Benefit Fund	6,420.9	4,761.7	1,659.2
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	15,068.4	5,645.4	9,423.0
<b>Total</b>	<b>168,528.2</b>	<b>174,096.9</b>	<b>-5,568.7</b>

The decrease in the item *Other loans*, which includes a claim due to a refinancing loan in another form specified by the Management Board of NBP granted in 2015, 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 7.1.1.2.3).



*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 increase in the item is the result of the volume of these transactions as at the end of the year (see Note 10.1) and the difference between the average cost of holding and the purchase/sale price of the transaction.

## Note 4 Tangible and intangible fixed assets

### ▪ Tangible and intangible fixed assets

Tangible and intangible fixed assets are recognised in the NBP accounting books 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 2020.

Tangible fixed assets	Periods of use (in months)
Land, objects of art	unlimited
Buildings and premises	480 or 780
Land and water engineering objects	267-480
Machines, devices, appliances, tools, and other equipment	36-300 <sup>1</sup>
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

<sup>1</sup> A period of 300 months applies to other turbine generator sets and electric generating sets, including AC electric generating units or sets of a voltage below 1000V, as well as 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.

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.

- **Lease assets**

Lease assets comprise rights to use assets subject to lease (excluding intangible assets), including also the right of perpetual usufruct of land. Lease assets are recognised in the NBP accounting books at cost, including in particular:

- the amount of initial valuation of the lease liability (see Note 6),
- lease fees paid on the date of commencement or before the date of commencement of the lease, less lease incentives received,
- initial direct costs incurred by NBP.

The value of a lease assets item is depreciated or amortised throughout the period of lease or the period of use of this assets item, whichever is shorter, using the straight-line method, starting from the month of the item's initial recognition.

As at the balance-sheet date, the value of lease assets is valued at the initial value less revaluation of the lease liability (see Note 6.7) and less depreciation/amortisation and impairment.

In the case of a change of lease conditions, lease assets and liabilities are adjusted accordingly (see Note 6).

Fees related to short-term lease (i.e. when the period of lease is no longer than 12 months and when no purchase of underlying asset is foreseen) or low-value lease (i.e. where the underlying asset is worth less than PLN 10.0 thousand) are not settled according to the above principles and are recognised as expense throughout the lease period.

PLN	31.12.2020	31.12.2019	Change
Fixed assets	732,938.5	794,217.3	-61,278.8
Lease assets*	185,954.0	0.0	185,954.0
Intangible fixed assets	112,648.6	103,809.1	8,839.5
<b>Total</b>	<b>1,031,541.1</b>	<b>898,026.4</b>	<b>133,514.7</b>

\* See Chapter 3.

Change in tangible fixed assets, lease assets and intangible fixed assets in 2020 <i>(due to rounding, individual figures in the table may not add up to totals)</i> PLN thousand	Tangible fixed assets				Lease assets			Intangible fixed assets				Total
	Land, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total	Right of perpetual usufruct of land	Other lease assets	Total	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction		
Gross value as at start of period	932,621.8	651,584.4	26,320.0	1,610,526.1	175,983.5	11,390.3	187,373.8	470,580.4	18,965.9	4,145.4	493,691.8	
Increases	17,341.3	39,970.2	33,567.3	90,878.8	0.0	8,150.7	8,150.7	33,444.4	1,073.2	27,839.3	62,356.9	
Decreases	-20.4	-9,669.8	-38,481.0	-48,171.2	0.0	-2,289.3	-2,289.3	-38,431.3	-120.6	-30,534.7	-69,086.6	
Gross value as at end of period	949,942.7	681,884.8	21,406.2	1,653,233.7	175,983.5	17,251.6	193,235.2	465,593.5	19,918.5	1,450.0	486,962.1	
of which fully depreciated/amortised	1,547.2	249,804.4	0.0	251,351.6	0.0	0.0	0.0	123,831.7	2,952.1	0.0	126,783.8	
Depreciation/amortisation as at start of period	-410,162.0	-461,525.3	0.0	-871,687.3	0.0	0.0	0.0	-381,816.0	-8,057.7	0.0	-389,873.7	
Increases	-13,144.4	-43,831.4	0.0	-56,975.8	-2,542.7	-7,027.8	-9,570.5	-21,547.1	-1,397.5	0.0	-22,944.6	
Decreases	19.0	9,096.1	0.0	9,115.1	0.0	2,289.3	2,289.3	38,392.4	121.3	0.0	38,513.7	
Depreciation/amortisation as at end of period	-423,287.3	-496,260.7	0.0	-919,548.0	-2,542.7	-4,738.5	-7,281.2	-364,970.7	-9,333.9	0.0	-374,304.6	
Impairment as at start of period	-272.9	-474.3	0.0	-747.2	0.0	0.0	0.0	-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	0.0	0.0	0.0	
Decreases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Impairment as at end of period	-272.9	-474.3	0.0	-747.2	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Net value as at end of period	526,382.4	185,149.8	21,406.2	732,938.5	173,440.9	12,513.1	185,954.0	100,613.9	10,584.6	1,450.0	112,648.6	
Change in tangible fixed assets, lease assets and intangible fixed assets in 2019 <i>(due to rounding, individual figures in the table may not add up to totals)</i> PLN thousand	Tangible fixed assets				Lease assets			Intangible fixed assets				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	Right of perpetual usufruct of land	Other lease assets	Total	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction		
Gross value as at start of period	1,014,908.1	653,848.5	12,059.8	1,680,816.4	0.0	0.0	0.0	464,017.2	15,429.4	4,386.0	483,832.6	
Increases	3,618.1	36,966.3	37,587.7	78,174.1	0.0	0.0	0.0	20,636.6	3,763.0	20,424.0	44,823.6	
Decreases	-278.6	-39,232.5	-23,327.5	-62,838.6	0.0	0.0	0.0	-14,073.3	-226.4	-20,664.6	-34,964.4	
Gross value as at end of period	1,018,247.6	651,584.4	26,220.0	1,696,152.0	0.0	0.0	0.0	470,580.4	18,965.9	4,145.4	493,691.8	
of which fully depreciated/amortised	2,423.2	233,842.8	0.0	236,266.0	0.0	0.0	0.0	138,359.6	2,370.4	0.0	140,730.0	
Depreciation/amortisation as at start of period	-425,840.9	-451,634.8	0.0	-877,475.7	0.0	0.0	0.0	-372,838.4	-7,061.3	0.0	-379,899.7	
Increases	-14,099.9	-48,319.2	0.0	-62,419.1	0.0	0.0	0.0	-23,047.5	-1,222.8	0.0	-24,270.3	
Decreases	278.6	38,428.7	0.0	38,707.4	0.0	0.0	0.0	14,069.8	226.4	0.0	14,296.3	
Depreciation/amortisation as at end of period	-439,662.1	-461,525.3	0.0	-901,187.5	0.0	0.0	0.0	-381,816.0	-8,057.7	0.0	-389,873.7	
Impairment as at end of period	-272.9	-321.1	0.0	-594.0	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Increases	0.0	-158.2	0.0	-158.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Decreases	0.0	5.1	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Impairment as at end of period	-272.9	-474.3	0.0	-747.2	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Net value as at end of period	576,312.6	189,584.7	26,320.0	792,217.3	0.0	0.0	0.0	88,755.5	10,982.2	4,145.4	103,809.1	

\* 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 (see Chapter 3).

## Note 5 Banknotes and coins in circulation

Banknotes and coins in circulation are recognised as liabilities and are valued at the balance-sheet date at a nominal value of banknotes and coins issued, decreased by a 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.

PLN thousand	31.12.2020	31.12.2019	Change
Domestic banknotes in circulation	316,074,943.6	233,384,973.1	82,689,970.5
Domestic coins in circulation	5,725,722.3	5,392,274.9	333,447.4
<b>Total</b>	<b>321,800,665.9</b>	<b>238,777,248.0</b>	<b>83,023,417.9</b>

The item comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2020 amounted to PLN 304,515.9 thousand, as compared with PLN 297,749.1 thousand as at 31 December 2019. The increase in the item was a result of higher demand for cash, which was the effect of an increase in the significance of cash in its value storing and precautionary functions amid COVID-19 pandemic, as well as a drop in deposit interest rates in banks (lower opportunity cost).

The average level of banknotes and coins in circulation throughout 2020 amounted to PLN 287,577.3 million as compared with PLN 228,433.1 million in 2019.

## Note 6 Other financial liabilities

### ▪ Current accounts and term deposits operated by NBP

Liabilities due to balances on current accounts and term deposit accounts operated by NBP are recognised in the NBP accounting books at nominal value. As at the balance-sheet date, these liabilities are valued according to the outstanding amount.

### ▪ Issued securities

Issued securities are recognised in the NBP accounting books and valued as at the balance sheet date at nominal value (see Note 8).

### ▪ Repo transactions

A repo transaction is a contract under which an entity agrees to sell securities and, simultaneously, agrees to re-purchase these securities after a stated time, for an agreed price. This transaction is

recognised in liabilities as a received deposit, collateralised with securities whose holding is not decreased on the trade date.

The difference between the agreed selling and re-purchasing price of securities that constitute a collateral of the repo transactions is taken to the financial result at the end of each operating day in amounts calculated according to the straight-line method.

As at the balance-sheet date, repo transactions are valued according to the outstanding amount.

- **Lease liabilities**

A lease liability is recognised in the NBP accounting books at the discounted value of outstanding lease fees. For fees on the rights of perpetual usufruct of land, the interest rate of long-term Treasury bonds in wholesale offering set as at the date of recognition in the NBP accounting books is taken as the rate of discount of lease fees. For the remaining lease liabilities, the NBP reference rate binding on the day of their recognition in the NBP accounting books is used as the rate of discount.

As at the balance sheet date, the value of lease liabilities is adjusted for the value of interest rate calculated according to the adopted discount rate and outstanding lease fees.

In the case of change of lease conditions, assets and lease liabilities are adjusted for the value of lease assets and lease liabilities (see Note 4).

- **Other financial liabilities**

Other financial liabilities are recognised in the NBP accounting books at their nominal value. As at the balance-sheet date, these liabilities are valued according to the outstanding amount.

- **Financial liabilities in foreign currency**

Following the valuation of financial liabilities in foreign currency according to the above principles, the balances are translated into domestic currency at the average NBP exchange rate as at the balance-sheet date.

## Note 6.1 Liabilities related to monetary policy operations

PLN thousand	Balance sheet item	31.12.2020	31.12.2019	Change
	Current accounts (incl. required minimum reserve accounts), of which	30,351,413.3	50,655,941.5	-20,304,528.2
	- current accounts of banks and KSKOK	30,010,468.9	49,866,531.5	-19,856,062.6
	- required minimum reserve accounts of banks not having a current account with NBP	340,944.4	789,410.0	-448,465.6
	Deposit facilities, of which	32,278,000.0	14,754,416.1	17,523,583.9
	- accrued interest	0.0	202.1	-202.1
	<b>Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency</b>	<b>62,629,413.3</b>	<b>65,410,357.6</b>	<b>-2,780,944.3</b>
	NBP bills issued under main operations	127,767,680.0	64,985,650.0	62,782,030.0
	<b>Liabilities due to issued securities denominated in domestic currency</b>	<b>127,767,680.0</b>	<b>64,985,650.0</b>	<b>62,782,030.0</b>
	<b>Total</b>	<b>190,397,093.3</b>	<b>130,396,007.6</b>	<b>60,001,085.7</b>

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

The amount of funds held by banks and KSKOK<sup>8</sup> with NBP due to the required minimum reserve depends on the basis for calculating the required minimum reserve and the required minimum reserve ratio 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 of bills by NBP under open market main<sup>9</sup> and fine-tuning operations<sup>10</sup> aimed to absorb liquidity.<sup>11</sup>

The funds of the required minimum reserve and deposit facilities bear interest, whereas NBP bills are issued at a discount (see Note 8). As at 31 December 2020 and 31 December 2019, the interest rates which are the basis for remuneration of the required minimum reserve funds, deposit facilities and for determining discount on bills issued by NBP under open market operations were as follows:

%	31.12.2020	31.12.2019
Required minimum reserve*	0.10	0.50
Deposit facility**	0.00	0.50
NBP bills***	0.10	1.50

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

\*\* NBP deposit rate.

\*\*\* NBP reference rate.

<sup>8</sup> Credit unions hold their required minimum reserve at their accounts with the National Association of Cooperative Savings and Credit Unions [Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa, "KSKOK"].

<sup>9</sup> In 2020 and in 2019, the maturity of main operations was 6, 7 and 8 days.

<sup>10</sup> In 2020, the maturity of fine-tuning operations was 1 day, 2, 3 and 4 days (in 2019 it was 1 day, 2 and 3 days).

<sup>11</sup> Pursuant to Resolution No. 30/2003 of the NBP Management Board of 12 September 2003 on the issue of bills of Narodowy Bank Polski (NBP Official Journal, No. 15, item 24, as amended), NBP bills can be purchased by domestic banks, branches of foreign banks and branches of foreign credit institutions, the Bank Guarantee Fund and the National Association of Cooperative Savings and Credit Unions.

The increase in the total liabilities of NBP related to monetary policy operations by PLN 60,001,085.7 thousand as at 31 December 2020 as compared with 31 December 2019 resulted mainly from:

- NBP's own operations, including purchase of securities by NBP under the structural open market operations (see Note 3.2),
- the purchase of foreign currency incoming to NBP due to transactions by holders of accounts with NBP (see Note 3.1, Note 6.5 and Note 6.6),

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

- an increase in the volume of cash in circulation in 2020 (see Note 5).

The balance of funds held by banks at NBP is allocated between NBP bills, deposit facility or a current account according to individual decisions made by banks.

## Note 6.2 Other liabilities to other domestic monetary financial institutions denominated in domestic currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Settlements in the domestic payment systems of Krajowa Izba Rozliczeniowa S.A., of which	444,908.2	383,523.3	61,384.9
- in the Elixir system	84,561.7	120,892.1	-36,330.4
- in the Express Elixir system	360,346.5	262,631.2	97,715.3
Liabilities due to substitution cash services	0.0	1,818.9	-1,818.9
<b>Total</b>	<b>444,908.2</b>	<b>385,342.2</b>	<b>59,566.0</b>

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

## Note 6.3 Liabilities to other residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Liabilities to general government, of which	23,852,886.1	9,326,302.8	14,526,583.3
- State budget accounts	6,017,708.9	5,199,873.9	817,835.0
- accounts of social insurance funds	17,534,326.2	4,058,661.0	13,475,665.2
- accounts of other entities of general government sector	300,825.0	67,750.6	233,074.4
- other liabilities to general government	26.0	17.3	8.7
Other liabilities	1,006,834.9	20,433.0	986,401.9
<b>Total</b>	<b>24,859,721.0</b>	<b>9,346,735.8</b>	<b>15,512,985.2</b>

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

#### Note 6.4 Liabilities to non-residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Accounts of international financial institutions and central banks, of which	343,796.4	9,379.0	334,417.4
- No. 2 Account of the IMF	21,066.0	89.5	20,976.5
Accounts of international non-financial organisations	1,852,360.3	2,256,750.9	-404,390.6
<b>Total</b>	<b>2,196,156.7</b>	<b>2,266,129.9</b>	<b>-69,973.2</b>

The item comprises current accounts in domestic currency operated by NBP for international financial and non-financial organisations and central banks, including the account operated by NBP for the IMF, which is used for the Fund's administrative expenditures (so-called No. 2 Account) – see Note 12.1.

#### Note 6.5 Liabilities to residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
State budget accounts	42,867,098.8	16,267,552.3	26,599,546.5
Accounts of domestic banks for settlements in TARGET2	2,857,108.2	3,507,913.5	-650,805.3
Other liabilities	538,566.2	2,580,751.7	-2,042,185.5
<b>Total</b>	<b>46,262,773.2</b>	<b>22,356,217.5</b>	<b>23,906,555.7</b>
<i>of which currency revaluation differences</i>	<i>2,180,657.8</i>	<i>137,270.4</i>	<i>2,043,387.4</i>

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 decrease in this item resulted from a lower value of unsettled payment orders of the account holders.

#### Note 6.6 Liabilities to non-residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Repo transactions	45,222,015.4	42,919,855.6	2,302,159.8
Accounts of international non-financial organisations	130,498.1	745,834.1	-615,336.0
Other liabilities	13.4	0.0	13.4
<b>Total</b>	<b>45,352,526.9</b>	<b>43,665,689.7</b>	<b>1,686,837.2</b>
<i>of which currency revaluation differences</i>	<i>1,409,114.7</i>	<i>1,448,909.7</i>	<i>-39,795.0</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 3.1).

Repo transactions by foreign currency are presented below.

<i>thousand units of original currency</i>	USD	EUR	GBP	AUD	NZD
31.12.2020	4,409,614.4	1,157,171.5	3,775,008.6	897,212.0	492,182.8
31.12.2019	6,982,119.4	493,665.6	2,593,794.5	503,356.2	0.0
<b>Change</b>	-2,572,505.0	663,505.9	1,181,214.1	393,855.8	492,182.8

## Note 6.7 Sundry

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Lease liabilities	188,057.2	0.0	188,057.2
Other liabilities, of which	61,007.3	44,804.2	16,203.1
- to public authorities	19,041.1	17,774.4	1,266.7
- to suppliers	25,512.6	18,326.6	7,186.0
- other	16,453.6	8,703.2	7,750.4
Employee Benefit Fund	18,686.9	16,981.0	1,705.9
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	371,946.1	10,032.9	361,913.2
<b>Total</b>	<b>639,697.5</b>	<b>71,818.1</b>	<b>567,879.4</b>

*Lease liabilities* comprise present (discounted) value of outstanding lease fees. They mainly relate to the right to perpetual usufruct of land (see Chapter 3 and Note 4 and Note 11).

*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 9.1).

## Note 7 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.

PLN thousand	31.12.2020	31.12.2019	Change
Provisions for future liabilities to employees	171,187.2	156,899.5	14,287.7
Other provisions	8,382.4	8,729.3	-346.9
<b>Total</b>	<b>179,569.6</b>	<b>165,628.8</b>	<b>13,940.8</b>

The changes in provisions in 2020 and 2019 by allocation into particular categories are presented in tables below (see also Note 15).

PLN thousand	01.01.2020	Increase	Use	Decrease	31.12.2020
Provisions for future liabilities to employees, of which	156,899.5	28,986.6	-14,081.8	-617.1	171,187.2
- due to retirement severance payments	81,228.6	18,281.2	-6,143.5	0.0	93,366.3
- due to disability severance payments	2,021.0	280.0	-132.1	0.0	2,168.9
- due to jubilee awards	57,276.4	10,362.5	-7,629.1	0.0	60,009.8
- due to untaken leaves	15,530.5	0.0	-144.2	-578.1	14,808.2
- due to statutory and additional severance payments for employees under employment contracts who are laid off for reasons unrelated to employees	843.0	62.9	-32.9	-39.0	834.0
Other provisions, of which	8,729.3	319.5	-664.6	-1.8	8,382.4
- for future liabilities due to court proceedings	8,671.6	319.5	-664.6	-1.2	8,325.3
- for future liabilities resulting from financial operations in domestic currency	57.7	0.0	0.0	-0.6	57.1
<b>Total</b>	<b>165,628.8</b>	<b>29,306.1</b>	<b>-14,746.4</b>	<b>-618.9</b>	<b>179,569.6</b>

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 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
<b>Total</b>	<b>145,368.3</b>	<b>33,788.3</b>	<b>-13,501.5</b>	<b>-26.3</b>	<b>165,628.8</b>

## Note 8 Accruals and prepaid expenses/deferred income

Discount on securities issued by NBP is recorded in assets as accruals and recognised in the financial result (as discount expenses) in the amounts calculated for the period for which a given security was issued, according to the straight-line method (see Note 6.1).

Expenses and income related to future periods are recognised in the NBP accounting books, respectively, as components of assets and liabilities.

Expenses incurred in a given financial year, for which no amount or repayment date were specified, are recognised in the NBP accounting books as liability at estimated value.

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Accruals related to discount on NBP bills*		2,459.5	5,421.6	-2,962.1
Prepaid expenses related to services		34,803.8	25,878.2	8,925.6
<b>Total assets (Accruals and prepaid expenses)</b>	A.10.4	<b>37,263.3</b>	<b>31,299.8</b>	<b>5,963.5</b>
Accruals		88,597.8	84,282.3	4,315.5
Deferred income		1,538.1	60,020.4	-58,482.3
<b>Total liabilities (Accruals and deferred income)</b>	L.11.2	<b>90,135.9</b>	<b>144,302.7</b>	<b>-54,166.8</b>

\* See Note 6.1 .

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).

The balance of deferred income as at 31 December 2019 related mainly to the value of tangible fixed assets received free of charge in previous years. The decrease in the balance was related mainly to the change in the classification of rights of perpetual usufruct of land (see Chapter 3 and Note 4 and Note 6.7).

## Note 9 Equity

In line with the practice adopted by central banks of the ESCB, NBP classifies the following as its capital components:

- 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,
- gold revaluation account,
- gold, currency and price revaluation gains,
- loss of previous years,
- 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.

- **Gold, currency and price revaluation gains**

Revaluation gains on gold holding 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 of gold holding.

Foreign 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 of foreign currency holding.

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 of securities holding.

Price revaluation gains on forward transactions in securities are determined by comparing the contract price discounted as at the settlement date (spot) with a lower (in the case of forward sale) or higher (in the case of forward purchase) average market price of securities as at valuation date.

The value of gold holdings revaluation differences, foreign exchange revaluation in individual foreign currencies and price revaluation on securities are determined separately, without netting the value of individual items which differ in kind.

- **Gold revaluation account**

Gold revaluation account comprises surpluses of unrealised gains over unrealised losses which arose before 1 January 2004.

Gold revaluation account is released as income in the amount:

- of unrealised gold revaluation losses recognised in the financial result at 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.

- **FX risk provision**

The provision is estimated on the basis of financial risk assessment methods which are generally accepted and consistently applied by NBP (see Chapter 7.1.4.).

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 FX risk provision.

The provision is created and released at the balance sheet date.

The provision is created as expense in the amount equal to half of the surplus of income on realised FX gains over realised and unrealised FX 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 losses arising from changes in the foreign exchange rate of the zloty, increased by the surplus of the realised FX losses over realised FX gains, in the amount that could result in a loss.

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

PLN thousand	L.14 Capital and reserves			L.13 Revaluation accounts		L.15 Financial result		Total
	Statutory fund	Reserve fund	FX risk provision	Gold revaluation account	Revaluation accounts*	Loss of previous years	Financial result for the current year	
<b>As at 31.12.2018</b>	<b>1,500,000.0</b>	<b>0.0</b>	<b>3,874,387.4</b>	<b>1,618,023.2</b>	<b>25,575,147.1</b>	<b>-11,865,363.4</b>	<b>0.0</b>	<b>20,702,194.3</b>
Gold holding, currency and price revaluation					3,300,960.3			3,300,960.3
Transfer to/from FX risk provision			2,811,929.9					2,811,929.9
Financial result for the current year							7,828,502.5	7,828,502.5
<b>As at 31.12.2019</b>	<b>1,500,000.0</b>	<b>0.0</b>	<b>6,686,317.3</b>	<b>1,618,023.2</b>	<b>28,876,107.4</b>	<b>-11,865,363.4</b>	<b>7,828,502.5</b>	<b>34,643,587.0</b>
Contribution from NBP's profit to the State budget							-7,437,077.4	-7,437,077.4
Allocation of NBP's profit to reserve fund		391,425.1					-391,425.1	0.0
Gold holding, currency and price revaluation gain/loss					15,246,225.5			15,246,225.5
Transfer to/from FX risk provision			3,164,602.0					3,164,602.0
Financial result for the current year							9,344,061.5	9,344,061.5
<b>As at 31.12.2020</b>	<b>1,500,000.0</b>	<b>391,425.1</b>	<b>9,850,919.3</b>	<b>1,618,023.2</b>	<b>44,122,332.9</b>	<b>-11,865,363.4</b>	<b>9,344,061.5</b>	<b>54,961,398.6</b>
Contribution from NBP's profit to the State budget							-8,876,858.4	-8,876,858.4
Allocation of NBP profit to reserve fund		467,203.1					-467,203.1	0.0
<b>Balance after allocation of financial result**</b>	<b>1,500,000.0</b>	<b>858,628.2</b>	<b>9,850,919.3</b>	<b>1,618,023.2</b>	<b>44,122,332.9</b>	<b>-11,865,363.4</b>	<b>0.0</b>	<b>46,084,540.2</b>

\* Revaluation accounts concern gold revaluation gains, currency revaluation gains and price revaluation gains on securities and off-balance-sheet financial instruments (see Note 9.1)

\*\* Financial result for the current year, following the approval of the NBP annual financial statements by the Council of Ministers, is allocated to NBP's reserve fund and contribution from NBP's profit to the State budget.

## Note 9.1 Revaluation accounts

PLN thousand	31.12.2020	31.12.2019	Change
Gold holding revaluation gains	27,525,036.9	17,794,911.6	9,730,125.3
Currency revaluation gains	12,729,143.9	9,019,122.4	3,710,021.5
Price revaluation gains, of which	3,868,152.1	2,062,073.4	1,806,078.7
- on securities	3,868,152.1	2,061,214.8	1,806,937.3
- on off-balance-sheet financial instruments	0.0	858.6	-858.6
Gold revaluation account	1,618,023.2	1,618,023.2	0.0
<b>Total</b>	<b>45,740,356.1</b>	<b>30,494,130.6</b>	<b>15,246,225.5</b>

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

PLN	Average cost of holding	Average NBP exchange rate / Average price of gold	Average cost of holding	Average NBP exchange rate / Average price of gold
	31.12.2020		31.12.2019	
USD	3.7354	3.7584	3.6517	3.7977
EUR	4.3906	4.6148	4.2588	4.2585
GBP	4.9275	5.1327	4.8319	4.9971
AUD	2.6837	2.8950	2.6600	2.6624
NOK	0.4148	0.4400	0.4340	0.4320
NZD	2.5552	2.7132	2.5106	2.5567
SDR	5.5335	5.4632	5.5365	5.2630
Ounce of gold*	3,363.4973	7,107.5102	3,363.2276	5,783.8971

\* Price of an ounce of gold in USD was respectively: USD 1,891.10 as at 31 December 2020 and USD 1,523.00 as at 31 December 2019.

#### ▪ Currency revaluation gains

PLN thousand	31.12.2020	31.12.2019	Change
USD	1,377,723.8	7,215,159.5	-5,837,435.7
EUR	4,301,254.9	0.0	4,301,254.9
GBP	2,120,771.6	1,495,388.6	625,383.0
AUD	2,599,836.7	27,163.9	2,572,672.8
NOK	1,536,138.4	0.0	1,536,138.4
NZD	789,091.0	200,522.3	588,568.7
SDR	2,506.5	80,618.1	-78,111.6
Other	1,821.0	270.0	1,551.0
<b>Total</b>	<b>12,729,143.9</b>	<b>9,019,122.4</b>	<b>3,710,021.5</b>

#### ▪ Price revaluation gains on securities

PLN thousand	31.12.2020	31.12.2019	Change
Securities in USD	2,283,063.6	788,135.0	1,494,928.6
Securities in EUR	273,597.1	195,235.2	78,361.9
Securities in GBP	424,298.7	248,152.7	176,146.0
Securities in AUD	370,358.5	502,012.8	-131,654.3
Securities in NOK	200,971.3	68,874.1	132,097.2
Securities in NZD	315,862.9	258,805.0	57,057.9
<b>Total</b>	<b>3,868,152.1</b>	<b>2,061,214.8</b>	<b>1,806,937.3</b>

- **Price revaluation gains on off-balance sheet financial instruments**

As at 31 December 2019, price revaluation gains on off-balance-sheet financial instruments related to forward sale transactions in securities denominated in AUD (see Note 10 and Note 10.2).

- **Gold revaluation account**

Due to the fact that as at 31 December 2020:

- 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 2019, did not release the gold revaluation account.

## **Note 9.2 FX risk provision**

As at 31 December 2020, the estimation of the FX risk provision (equal to the amount of value at risk less unrealised gains on the foreign exchange rate of the zloty) amounted to PLN 63,641,590.1 thousand (PLN 22,783,369.8 thousand as at 31 December 2019). Pursuant to Resolution No. 6/2019 of the MPC as at 31 December 2020 the provision was supplemented by the amount of PLN 3,164,602.0 thousand (PLN 2,811,929.9 thousand as at 31 December 2019), that is an amount equal to half of the surplus of income of realised foreign exchange gains over realised and unrealised foreign exchange losses on foreign currencies recognised in the financial result for the financial year (see Note 12.1, Note 12.2 and Note 12.3). As at 31 December 2020, the FX risk provision amounted to PLN 9,850,919.3 thousand (PLN 6,686,317.3 thousand as at 31 December 2019).

## **Note 9.3 Financial result**

- **Financial result for the current year**

The NBP financial result for 2020 amounted to PLN 9,344,061.5 thousand.

In accordance with Article 62 and Article 69 of the Act on NBP, 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 467,203.1 thousand,
- contribution from NBP's profit to the State budget – PLN 8,876,858.4 thousand.

- **Loss of previous years**

Uncovered loss of previous years in the amount of PLN 11,865,363.4 thousand 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.

## Note 10 Off-balance-sheet items

### ▪ Spot transactions recognised on off-balance-sheet accounts

Foreign currency purchased or sold by NBP for foreign or domestic currency is recognised on off-balance-sheet accounts from the transaction date to the settlement date at the value of the currency quoted in the transaction, which is translated into domestic currency at the average exchange rate effective as at the date of recognition of the economic event in the NBP accounting books.

The results of an adjustment to the average cost of foreign currency holding and revaluation gains or losses on transactions in foreign currency recognised on off-balance-sheet accounts are presented in the NBP balance sheet according to the balance of adjustment and revaluation of these transactions, determined separately for each foreign currency – gains as assets, losses as liabilities.

### ▪ Securities purchased or sold in a forward transaction

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 securities or the rate of the yield curve (in the event of unavailability of market prices) with the price set in the agreement, discounted as at the settlement date of the spot transaction. The common rules for recognition of unrealised gains and losses are applied to revaluation gains and losses.

Price valuation gains or losses on forward transactions in securities denominated in foreign currency recognised in off-balance-sheet accounts are presented in the NBP balance sheet – gains as assets, while losses as liabilities.

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.

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



### ▪ Futures contracts

Futures contracts 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.

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

The list of currency revaluation gains and losses on spot transactions in foreign currency recognised in off-balance-sheet transactions and of price revaluation gains and losses on forward transactions in securities denominated in foreign currency is presented below (see Note 9.1 and Note 12.2).

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Currency revaluation gains		444,371.2	9,639.3	434,731.9
- on spot transactions in foreign currency		444,371.2	9,639.3	434,731.9
Price revaluation gains		0.0	858.6	-858.6
- on forward transactions in securities in foreign currency		0.0	858.6	-858.6
<b>Total assets (Off-balance-sheet instruments revaluation gains/losses)</b>	<b>A.10.3</b>	<b>444,371.2</b>	<b>10,497.9</b>	<b>433,873.3</b>
Currency revaluation losses		0.0	6,356.5	-6,356.5
- on spot transactions in foreign currency		0.0	6,356.5	-6,356.5
Price revaluation losses		111.8	0.0	111.8
- on forward transactions in securities in foreign currency		111.8	0.0	111.8
<b>Total liabilities (Off-balance-sheet instruments revaluation gains/losses)</b>	<b>L.11.1</b>	<b>111.8</b>	<b>6,356.5</b>	<b>-6,244.7</b>

### Note 10.1 Spot transactions recognised on off-balance-sheet accounts

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Currency to be received in spot transactions	-	31,352,880.3	438,772.9	30,914,107.4
Currency to be delivered in spot transactions	-	31,352,880.3	438,772.9	30,914,107.4
Gains on adjustments to the average costs of holding	A.10.5	15,068.4	5,645.4	9,423.0
Losses on adjustments to the average costs of holding	L.11.3	371,946.1	10,032.9	361,913.2
Currency revaluation gains on spot transactions	A.10.3	444,371.2	9,639.3	434,731.9
Currency revaluation losses on spot transactions	L.11.1	0.0	6,356.5	-6,356.5

The increase in off-balance-sheet items resulted from a higher volume of spot transactions carried out by NBP.

The change in the adjustment to the average cost of holding of spot transactions in foreign currency recognised in off-balance-sheet accounts is related to the volume of those transactions as at the year-end

and the difference between the average cost of holding and the exchange rate of purchase/sale of those transactions.

The change in the currency valuation of spot transactions denominated in foreign currency recognised in off-balance-sheet accounts is related to the volume of those transactions as at the year-end and the difference between the average cost of holding and the average NBP exchange rate.

## Note 10.2 Securities purchased or sold in a forward transaction

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Securities denominated in foreign currency sold in forward transactions, of which		3,025,403.6	715,747.3	2,309,656.3
- securities in AUD		0.0	715,747.3	-715,747.3
- securities in USD		3,025,403.6	0.0	3,025,403.6
Price revaluation gains	A.10.3	0.0	858.6	-858.6
Price revaluation losses	L.11.1	111.8	0.0	111.8

Forward transactions in securities denominated in foreign currency are used by NBP under the foreign currency reserves management.

The change in the price valuation of forward transactions in securities denominated in foreign currency recognised in off-balance-sheet accounts is related to the volume of those transactions as at the year-end and the difference between the market price of these securities and their contract price.

## Note 10.3 Futures contracts

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Bond futures purchased, of which	0.0	8,315,511.7	-8,315,511.7
- bond futures in USD	0.0	4,950,243.2	-4,950,243.2
- bond futures in EUR	0.0	1,468,441.4	-1,468,441.4
- bond futures in GBP	0.0	1,376,491.0	-1,376,491.0
- bond futures in AUD	0.0	520,336.1	-520,336.1
Depo futures purchased, of which	4,946,000.0	7,472,725.0	-2,526,725.0
- depo futures in GBP	4,946,000.0	7,472,725.0	-2,526,725.0
Depo futures sold, of which	4,946,000.0	5,041,400.0	-95,400.0
- depo futures in GBP	4,946,000.0	5,041,400.0	-95,400.0

Futures contracts are used by NBP as part of the foreign currency reserves management (see Note 3.1).

## Note 11 Net result on interest, discount and premium

Discount and premium on securities purchased are recognised in the financial result in amounts calculated according to the internal rate of return.

Discount on securities issued by NBP is recognised in the financial result in amounts calculated for the period for which a given security was issued according to the straight-line method.

Interest on financial assets and liabilities is recognised in the financial result at the end of each operating day in amounts calculated according to the straight-line method, except for interest:

- to be received due to a failure to maintain the required minimum reserve, which is recognised in the financial result on the payment date,
- to be paid due to the required minimum reserve, which is recognised in the financial result in amounts calculated at the end of each month,
- on funds deposited in current accounts in other banks, which is recognised in the financial result on the payment date,
- on initial margins related to futures, which is recognised in the financial result on the payment date,
- on assets and liabilities related to NBP's own administrative activities, including on lease liabilities, which is recognised at the end of month.

Interest on term deposits in gold is accrued and paid in USD (see Note 1 and 3.1).

Accrued interest, discount and premiums in foreign currency are translated into domestic currency at the average NBP exchange rate.

PLN thousand	Income		Expenses		Net result		
	2020	2019	2020	2019	2020	2019	Change
Investment instruments of foreign exchange reserves, of which	6,544,787.8	8,272,055.7	-3,855,175.6	-3,482,507.9	2,689,612.2	4,789,547.8	-2,099,935.6
- securities*	6,325,338.5	7,634,903.1	-3,610,156.2	-3,058,595.6	2,715,182.3	4,576,307.5	-1,861,125.2
- term deposits**	101,152.8	282,342.0	-147,342.3	-96,850.3	-46,189.5	185,491.7	-231,681.2
- reverse repo transactions**	113,095.2	350,776.4	-3,302.5	-1,217.0	109,792.7	349,559.4	-239,766.7
- repo transactions***	4,514.9	1,684.2	-93,130.5	-325,519.3	-88,615.6	-323,835.1	235,219.5
- other**	686.4	2,350.0	-1,244.1	-325.7	-557.7	2,024.3	-2,582.0
Gold**	5,064.0	5,960.2	0.0	-164.7	5,064.0	5,795.5	-731.5
International Monetary Fund	10,860.7	47,657.7	-14,158.3	-68,878.6	-3,297.6	-21,220.9	17,923.3
Monetary policy instruments, of which	1,579,158.9	20,571.5	-1,106,326.8	-1,455,090.9	472,832.1	-1,434,519.4	1,907,351.5
- NBP bills	0.0	0.0	-489,710.4	-1,224,402.8	-489,710.4	-1,224,402.8	734,692.4
- securities*	1,577,680.4	0.0	-526,751.0	0.0	1,050,929.4	0.0	1,050,929.4
- required minimum reserve****	144.6	90.1	-85,256.3	-225,021.2	-85,111.7	-224,931.1	139,819.4
- deposit facility	0.0	0.0	-4,609.1	-5,666.9	-4,609.1	-5,666.9	1,057.8
- reverse repo transactions	1,209.7	0.0	0.0	0.0	1,209.7	0.0	1,209.7
- bill discount credit	14.8	0.0	0.0	0.0	14.8	0.0	14.8
- refinancing credit*****	0.0	20,480.9	0.0	0.0	0.0	20,480.9	-20,480.9
- lombard credit	0.4	0.5	0.0	0.0	0.4	0.5	-0.1
- intraday credit	109.0	0.0	0.0	0.0	109.0	0.0	109.0
Other interest income/expense*****	18,701.1	11,956.3	-41,400.7	-57,599.5	-22,699.6	-45,643.2	22,943.6
<b>Total</b>	<b>8,158,572.5</b>	<b>8,358,201.4</b>	<b>-5,017,061.4</b>	<b>-5,064,241.6</b>	<b>3,141,511.1</b>	<b>3,293,959.8</b>	<b>-152,448.7</b>

\* Income includes discount and premium 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

\*\*\*\*\* In the Financial Statements of Narodowy Bank Polski as at 31 December 2019 interest income on refinancing credit was presented in the item *Other interest income/expenses*.

### Net result on interest, discount and premium on investment instruments of foreign currency reserves (see Note 3.1 and Note 6.6)

2020								
PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
Securities	2,379,324.3	-435,179.2	174,205.2	258,693.5	169,231.0	168,907.5	0.0	2,715,182.3
Term deposits	4,824.1	-147,100.0	1,094.6	722.6	67,516.9	26,752.3	0.0	-46,189.5
Reverse repo transactions	75,492.4	-3,302.5	35,989.7	1,036.4	0.0	576.7	0.0	109,792.7
Repo transactions	-64,791.5	3,747.0	-26,743.0	-641.7	0.0	-186.4	0.0	-88,615.6
Other	647.0	-1,206.8	2.2	7.2	6.5	0.5	-14.3	-557.7
<b>Total</b>	<b>2,395,496.3</b>	<b>-583,041.5</b>	<b>184,548.7</b>	<b>259,818.0</b>	<b>236,754.4</b>	<b>196,050.6</b>	<b>-14.3</b>	<b>2,689,612.2</b>
2019								
PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
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
<b>Total</b>	<b>3,931,213.7</b>	<b>-530,587.4</b>	<b>327,648.3</b>	<b>502,501.1</b>	<b>308,846.8</b>	<b>249,935.2</b>	<b>-9.9</b>	<b>4,789,547.8</b>

PLN thousand	Change							Total
	USD	EUR	GBP	AUD	NOK	NZD	Other	
Securities	-1,481,625.2	-1,396.5	-140,230.8	-236,993.5	9,191.8	-10,071.0	0.0	-1,861,125.2
Term deposits	-48,453.3	-50,249.7	-5,417.0	-2,107.5	-81,282.7	-44,171.0	0.0	-231,681.2
Reverse repo transactions	-164,401.5	-2,085.6	-55,916.8	-17,438.3	0.0	75.5	0.0	-239,766.7
Repo transactions	160,414.8	2,184.7	58,478.4	13,863.9	0.0	277.7	0.0	235,219.5
Other	-1,652.2	-907.0	-13.4	-7.7	-1.5	4.2	-4.4	-2,582.0
<b>Total</b>	<b>-1,535,717.4</b>	<b>-52,454.1</b>	<b>-143,099.6</b>	<b>-242,683.1</b>	<b>-72,092.4</b>	<b>-53,884.6</b>	<b>-4.4</b>	<b>-2,099,935.6</b>

The decrease of PLN 2,099,935.6 thousand in the net result on interest, discount and premium on investment instruments of foreign currency reserves was recorded amid:

- a decrease in the average annual interest on securities in USD, AUD, GBP and NZD,
  - a decrease in the average annual interest on term deposits
- with a simultaneous:
- increase in the level of foreign currency reserves – their average annual level<sup>12</sup> was PLN 414,889.3 million in 2020 as compared with PLN 375,498.2 million in 2019 (see also Note 3.1),
  - average annual depreciation of the zloty against USD, EUR, GBP, AUD and NZD (see table below).

Average annual foreign exchange rates

PLN	2020	2019	Change
USD	3.8993	3.8395	0.0598
EUR	4.4448	4.2980	0.1468
GBP	5.0003	4.8995	0.1008
AUD	2.6878	2.6687	0.0191
NOK	0.4147	0.4364	-0.0217
NZD	2.5323	2.5295	0.0028

#### *Interest income on gold (see Note 1 and Note 3.1)*

The item includes net result on interest on term deposits in gold, which is accrued and paid in USD. The decrease in the item in 2020 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.

<sup>12</sup> Calculations are based on nominal values on a daily basis.

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

PLN thousand	Income		Expenses		Net result		
	2020	2019	2020	2019	2020	2019	Change
Interest on reserve tranche	6,888.7	27,051.0	0.0	0.0	6,888.7	27,051.0	-20,162.3
Interest on current account with the IMF	3,278.8	15,591.1	0.0	0.0	3,278.8	15,591.1	-12,312.3
Interest on loans extended to the IMF	693.2	5,015.6	0.0	0.0	693.2	5,015.6	-4,322.4
Interest on SDR allocation	0.0	0.0	-14,158.3	-68,878.6	-14,158.3	-68,878.6	54,720.3
<b>Total</b>	<b>10,860.7</b>	<b>47,657.7</b>	<b>-14,158.3</b>	<b>-68,878.6</b>	<b>-3,297.6</b>	<b>-21,220.9</b>	<b>17,923.3</b>

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 tranche<sup>13</sup>, current account with the IMF and loans extended to the IMF, see Note 2). The decrease in the negative result was mainly a result of the lower surplus of liabilities over receivables in SDR, as well as a lower average annual interest on SDR in the context of a depreciation of the zloty against SDR in average annual terms (an increase of the exchange rate from 5.3045 in 2019 to 5.4301 in 2020).

*Net result on interest, discount and premium on monetary policy instruments (see Note 3.2 and Note 6.1)*

The increase, by PLN 1,907,351.5 thousand, in the net result on interest and discount on instruments used in monetary policy operations was mostly driven by:

- a positive result on securities purchased under the structural open market operations (see Note 3.2),

PLN thousand	2020	2019	Change
Net result on securities held for monetary policy purposes	1,050,929.4	0.0	1,050,929.4
- Treasury securities	489,972.8	0.0	489,972.8
- securities guaranteed by the Treasury	560,956.6	0.0	560,956.6

- lower, by PLN 734,692.4 thousand, discount expenses on NBP bills (see Note 6.1),

PLN thousand	2020	2019	Change
Discount expenses on NBP bills issued under main monetary policy operations	-478,240.0	-1,198,018.2	719,778.2
Discount expenses on NBP bills issued under fine-tuning monetary policy operations	-11,470.4	-26,384.6	14,914.2
<b>Total</b>	<b>-489,710.4</b>	<b>-1,224,402.8</b>	<b>734,692.4</b>

<sup>13</sup> The value of non-interest-bearing part of the reserve tranche is fixed and amounts to SDR 56,236.0 thousand (see Note 2).

The above change resulted from the decrease in the average annual NBP reference rate amid a higher average annual level of the issue of NBP bills under main monetary policy operations.

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

PLN million / %	2020	2019	Change
Main operations	133,635.4	78,693.8	54,941.6
Fine-tuning operations	1,235.6	1,731.6	-496.0
NBP reference rate	0.51	1.50	-0.99 p.p.

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

- lower, by PLN 139,764.9 thousand, interest expenses on the required minimum reserve, which resulted from a decrease in the average level of the required minimum reserve during the year (see Note 6.1 ) and a decrease in the average annual interest on the required minimum reserve.

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

PLN million / %	2020	2019	Change
Required minimum reserve	20,396.7	45,006.0	-24,609.3
Interest rate on required minimum reserve	0.30	0.50	-0.20 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 and interest income and expenses related to settlements in TARGET2. The item also comprises interest expenses on lease liabilities (PLN 6,964.1 thousand in 2020 – see Chapter 3, Note 4 and Note 6.7).

## Note 12 Net result on financial operations

### Note 12.1 Net result on realised financial operations

- **Realised foreign exchange gains/losses on transactions in foreign currency and on transactions in gold**

Income and expense on transactions in foreign currency and transactions in gold are recognised in the financial result on the day when the change took place, in the amount of:

- the difference between the value obtained from a sale transaction in domestic currency and the value determined according to the average daily purchase cost of foreign currency (gold) – with respect to foreign currency (gold) purchased and simultaneously sold on the same operating day,

- the difference between the value obtained from a sale transaction in domestic currency and the value determined according to the average purchase cost of foreign currency (gold) holding – with respect to the surplus of foreign currency (gold) sold over foreign currency (gold) purchased on the same operating day (net sale).

- Realised price gains/losses**

Gains or losses resulting from spot and forward sale transactions in securities bearing the same code are recognised in the financial result on the settlement day, in the amount equal to the difference between the sale amount and the amount determined according to the average cost of holding of the securities determined at the end of the current business day.

The result of the settlement of transactions in securities 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, adjusted for revaluation losses recognised at the balance sheet date, and the average cost of a securities holding.

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

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.

PLN thousand	2020	2019	Change
Realised foreign exchange gains/losses on transactions in foreign currency	6,329,209.6	5,733,405.1	595,804.5
Realised gains/losses on transactions in gold*	12.6	32.1	-19.5
Realised price gains/losses, of which	4,249,573.7	3,056,125.5	1,193,448.2
- on spot transactions in securities	2,867,965.3	2,887,114.3	-19,149.0
- on off-balance-sheet financial instruments, of which	1,381,608.4	169,011.2	1,212,597.2
* on forward transactions in securities	1,082,335.4	279,688.1	802,647.3
• on futures, of which:	299,273.0	-110,676.9	409,949.9
# on bond futures	298,894.7	-110,265.8	409,160.5
# on depo futures	378.3	-411.1	789.4
Other financial assets**	8,671.4	-4.6	8,676.0
<b>Total</b>	<b>10,587,467.3</b>	<b>8,789,558.1</b>	<b>1,797,909.2</b>

\* Realised gains on the settlement of term deposits in gold (see Note 1).

\*\* The increase in the item resulted from an income of PLN 6,911.9 thousand as a result of the settlement of the IMF's transactions (see Note 2) and a higher result of the valuation of the balance of Account No. 2 for the IMF (PLN 1,759.5 thousand in 2020 as compared with PLN -4.6 thousand in 2019) – due to a higher balance of the account (see Note 6.4).



*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
<b>2020</b>	3,805,216.0	1,436,384.4	688,504.0	392,851.5	-245,329.7	260,373.0	-11,849.8	3,060.2	<b>6,329,209.6</b>
<b>2019</b>	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	<b>5,733,405.1</b>
<b>Change</b>	-1,555.2	262,890.7	165,134.9	339,499.1	-361,447.9	241,882.5	-50,712.1	112.5	<b>595,804.5</b>

The net result on realised foreign exchange gains/losses in 2020 concerned mostly sale transactions in USD and EUR. The increase in the net result was mainly driven by a higher volume of sale of AUD and NZD and an increase in the average annual difference between the NBP average exchange rate and the average cost of holding for AUD, EUR and NZD.

*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
<b>2020</b>	1,557,709.5	248,210.0	589,761.3	439,090.0	4,194.8	28,999.7	<b>2,867,965.3</b>
<b>2019</b>	1,550,220.0	609,002.4	290,364.3	422,828.1	8,859.4	5,840.1	<b>2,887,114.3</b>
<b>Change</b>	7,489.5	-360,792.4	299,397.0	16,261.9	-4,664.6	23,159.6	<b>-19,149.0</b>

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

<i>PLN thousand</i>	USD	EUR	GBP	AUD	NZD	Total
<b>2020</b>	595,788.5	59,145.2	42,080.7	385,236.1	84.9	<b>1,082,335.4</b>
<b>2019</b>	190,536.9	17,108.0	-155.0	72,198.2	0.0	<b>279,688.1</b>
<b>Change</b>	405,251.6	42,037.2	42,235.7	313,037.9	84.9	<b>802,647.3</b>

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

<i>PLN thousand</i>	USD	EUR	GBP	AUD	Total
<b>Bond futures</b>					
<b>2020</b>	179,978.7	53,555.5	40,101.8	25,258.7	<b>298,894.7</b>
<b>2019</b>	-22,693.2	-67,659.2	-9,548.1	-10,365.3	<b>-110,265.8</b>
<b>Change</b>	202,671.9	121,214.7	49,649.9	35,624.0	<b>409,160.5</b>
<b>Depo futures</b>					
<b>2020</b>	-1,376.4	0.0	1,754.7	0.0	<b>378.3</b>
<b>2019</b>	0.0	0.0	-411.1	0.0	<b>-411.1</b>
<b>Change</b>	-1,376.4	0.0	2,165.8	0.0	<b>789.4</b>

The higher net result on realised price gains/losses in 2020 was mostly related to forward transactions in securities and bond futures, and resulted mainly from transactions carried out in the first half of 2020 amid falling yields in the USD, GBP and AUD markets.

## Note 12.2 Unrealised losses

### ▪ Currency revaluation losses

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 cost (in the case of a positive foreign currency holding) or by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average holding (in the case of a negative foreign currency holding) – see Note 9.1.

### ▪ Price revaluation losses

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 on forward transactions in securities are determined by comparing the contract price discounted as at the settlement date (spot) with a lower (in the case of forward purchase) or a higher (in the case of forward sale) current market price of the instrument.

<i>PLN thousand</i>	2020	2019	Change
Currency revaluation losses	-5.6	-109,545.3	109,539.7
Price revaluation losses, of which	-83,728.3	-246,687.9	162,959.6
- revaluation losses on securities	-83,616.5	-246,687.9	163,071.4
- revaluation losses on off-balance-sheet financial instruments	-111.8	0.0	-111.8
<b>Total</b>	<b>-83,733.9</b>	<b>-356,233.2</b>	<b>272,499.3</b>

Currency revaluation losses by foreign currency are presented below.

<i>PLN thousand</i>	2020	2019	Change
EUR	0.0	-5,817.7	5,817.7
NOK	0.0	-103,646.7	103,646.7
Other	-5.6	-80.9	75.3
<b>Total</b>	<b>-5.6</b>	<b>-109,545.3</b>	<b>109,539.7</b>

Price revaluation losses by securities denominated in foreign currencies are presented below.

<i>PLN thousand</i>	2020	2019	Change
Securities in USD	-74,703.8	-147,292.3	72,588.5
Securities in EUR	-2,510.6	-54,730.5	52,219.9
Securities in GBP	-3,937.6	-33,333.6	29,396.0
Securities in AUD	-2,080.1	-11,331.5	9,251.4
Securities in NOK	-384.4	0.0	-384.4
<b>Total</b>	<b>-83,616.5</b>	<b>-246,687.9</b>	<b>163,071.4</b>

Price revaluation losses on off-balance-sheet financial instruments mainly relate to forward sale transactions in securities denominated in USD (see Note 10.2).

### Note 12.3 Transfer to/from FX risk provision

See Note 9.2 and Chapter 7.1.4.

### Note 13 Net result on fees and commissions

<i>PLN thousand</i>	P&L Item	2020	2019	Change
Income on the execution of payment orders		31,279.7	32,388.7	-1,109.0
Other fees and commissions income		17,147.1	17,176.9	-29.8
<b>Fees and commissions income</b>	<b>P&amp;L 3.1</b>	<b>48,426.8</b>	<b>49,565.6</b>	<b>-1,138.8</b>
Expenses due to fees for NBP's TARGET2 participation		-16,226.2	-14,640.6	-1,585.6
Expenses on opening and operation of NBP accounts (including gold and securities accounts)		-12,839.1	-7,963.7	-4,875.4
Expenses on the execution of own payment orders		-5,257.0	-4,979.8	-277.2
Expenses due to substitution cash services		-1,801.7	-3,693.5	1,891.8
Other fees and commissions expenses		-3,616.6	-8,049.2	4,432.6
<b>Fees and commissions expenses</b>	<b>P&amp;L 3.2</b>	<b>-39,740.6</b>	<b>-39,326.8</b>	<b>-413.8</b>
<b>Net result on fees and commissions</b>		<b>8,686.2</b>	<b>10,238.8</b>	<b>-1,552.6</b>

The decrease in the net result on fees and commissions in 2020 was mainly the effect of:

- an increase in expenses on the operation of NBP accounts was mainly related to higher expenses on a deposit of securities denominated in domestic currency purchased under structural open market operations (see Note 3.2),

with a simultaneous

- decrease in income and expenses due to non-delivery of securities in time (fails charges<sup>14</sup>) by, respectively, PLN 3,483.2 thousand and PLN 4,523.1 thousand,
- decrease in expenses due to substitution cash services<sup>15</sup> related to account holders' lower interest in these services in the context of COVID-19 epidemic(see Note 20) and the accessibility of substitution banking services provided by NBP.

<sup>14</sup> Fails charges relate to securities purchase/sale transactions and repo/reverse repo transactions in USD. Fails charges are calculated when one of the transaction parties delivers securities to the other party at a date later than agreed. In the event of a late delivery of securities to NBP by the counterparty, NBP receives income therefrom. In such case, NBP may also incur expenses due to its being unable to transfer the required securities to other counterparties.

<sup>15</sup> 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.

## Note 14 Income on shares and participating interests

Income on dividends from shares and participating interests held by NBP is recognised in the financial result on the day they are received. Dividends received in foreign currency are translated into domestic currency at the average exchange rate effective on that day.

The item comprises income on dividends from shares and participating interests held by NBP in domestic and foreign entities (see Note 3.3).

PLN thousand	2020	2019	Change
<b>Dividends received, of which</b>	<b>13,478.2</b>	<b>23,372.2</b>	<b>-9,894.0</b>
- Krajowy Depozyt Papierów Wartościowych S.A.	5,187.0	6,565.5	-1,378.5
- Krajowa Izba Rozliczeniowa S.A.	8,291.2	6,570.0	1,721.2
- Bank for International Settlements	0.0	10,236.7	-10,236.7

## Note 15 Salaries

PLN thousand	2020	2019	Change
Expenses on salaries	-470,700.7	-442,092.8	-28,607.9
Expenses on provisions for future liabilities to employees	-28,923.7	-33,218.0	4,294.3
Expenses on social contributions, of which	-106,874.4	-99,402.1	-7,472.3
- Occupational Pension Scheme	-29,656.4	-27,888.2	-1,768.2
<b>Total</b>	<b>-606,498.8</b>	<b>-574,712.9</b>	<b>-31,785.9</b>

In 2020, the average headcount at NBP amounted to 3,355 employees and was higher by 43 employees as compared with 2019. This increase was caused by, among others, expanding the reporting responsibilities in the area of payment systems), and development and modernisation of NBP's IT systems.

In 2020, higher salary expenses resulted mainly from the adopted Human Resources and payroll policy.

The decrease in expenses on provisions for future liabilities to employees was mainly driven by a lack of expenses on the creation of provisions for future liabilities due to untaken leaves. In 2020 and 2019, expenses on the creation of provisions for future liabilities to employees by categories were as follows (see Note 7).

PLN thousand	2020		2019	
	Expenses on provisions	of which actuarial gains/losses*	Expenses on provisions	of which actuarial gains/losses*
<b>Expenses on provisions for future liabilities to employees, of which</b>	<b>-28,923.7</b>	<b>-18,204.2</b>	<b>-33,218.0</b>	<b>-20,163.5</b>
- due to retirement severance payments	-18,281.2	-13,127.7	-15,168.1	-10,506.3
- due to disability severance payments	-280.0	-45.0	-268.1	-73.3
- due to jubilee awards	-10,362.5	-5,031.5	-14,259.8	-9,583.9
- due to untaken leaves	0.0**	-	-3,522.0	-

\* 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.

\*\* In the case of a provision for liabilities due to untaken leaves in 2020, an income from its partial release was taken to the Item *Other income*.

## Note 16 Administrative expenses

PLN thousand	2020	2019	Change
Materials and energy used	-25,586.8	-23,329.4	-2,257.4
Benefits for employees and other eligible persons	-11,897.2	-14,077.1	2,179.9
Business travel	-703.8	-4,264.0	3,560.2
Services from third parties	-172,274.4	-179,471.9	7,197.5
Taxes and fees	-10,997.7	-22,363.3	11,365.6
Transfers to Employee Benefit Fund	-6,151.4	-4,914.5	-1,236.9
Other administrative expenses	-14,538.0	-16,139.2	1,601.2
<b>Total</b>	<b>-242,149.3</b>	<b>-264,559.4</b>	<b>22,410.1</b>

The decrease in administrative expenses in 2020 was mainly a result of:

- changes in the presentation of expenses on lease fees (see Chapter 3, Note 4 and 17); until 31 December 2019 these expenses were mainly recognised as expenses on services from third parties and expenses on taxes and fees (fees expenses due to the right to perpetual usufruct of land),
- activities of NBP in the context of COVID-19, which led first of all to a reduction in expenses on business travel, benefits for employees and services from third parties,

with a simultaneous:

- increase in expenses on services from third parties related to IT systems maintenance.

**Note 17 Depreciation and amortisation expenses**

<i>PLN thousand</i>	2020	2019	Change
Tangible fixed assets depreciation expenses	-56,972.3	-62,404.0	5,431.7
Lease assets depreciation expenses	-9,570.5	0.0	-9,570.5
Intangible fixed assets amortisation expenses	-22,944.6	-24,270.3	1,325.7
<b>Total</b>	<b>-89,487.4</b>	<b>-86,674.3</b>	<b>-2,813.1</b>

The increase in depreciation and amortisation expenses in 2020 was mainly related to the change in the principles of presentation of leases (see Chapter 3 and Note 4 and Note 16).

**Note 18 Expenses on issue of banknotes and coins**

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

The item comprises expenses on the issue of banknotes and coins, including collector banknotes and coins.

In 2020, the item amounted to PLN 321,754.6 thousand and was by PLN 39,499.7 thousand higher as compared with 2019. The increase in the item resulted mainly from higher expenses on the issue of:

- general circulation banknotes, as a result of the increase in the overall number of ordered banknotes,
- collector coins, mostly resulting from a rise in the cost of materials used for their production.

**Note 19 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. The increase in the balance of other income was mainly the result of an increase in this income.

**6. Other explanatory notes****Note 20 Activities related to COVID-19 pandemic**

Taking into account the gravity of the situation and risk to the Polish economy resulting from the COVID-19 pandemic, since March 2020 NBP has implemented measures to reduce the negative impact of the pandemic.

In the area of monetary policy, NBP:

- purchased Treasury bonds and securities guaranteed by the State Treasury in the secondary market, as part of structural open market operations (see Note 3.2 and Note 11),
- conducted a repo transaction as a liquidity-providing operation for banks (see Note 11).

- offered bill discount credit to banks which enabled them to refinance loans granted to non-financial corporations (see Note 3.2 and Note 11),
- lowered interest rates, including the required minimum reserve rate, setting the remuneration of funds held with NBP under the required minimum reserve at the level of the NBP reference rate (see Note 6 and Note 11).

Moreover, the pandemic had an impact on NBP's financial position and performance as relates to:

- the issue of banknotes and coins – through higher market demand for cash (see Note 5).
- foreign currency reserves management – due to the altered conditions in the global economy caused by COVID-19 pandemic (i.a. lower interest rate on foreign markets), and investment policy adjustments aimed at mitigating financial risk amid elevated market uncertainty (see Chapter 7.1.1.1).
- NBP's own administrative activities – through cost rationalisation of NBP operations (see Note 16).

## **Note 21 Events after the balance sheet date**

### *Change in limits on foreign currency loans extended to the IMF (see Note 2)*

As of 1 January 2021, the limit of loans available for the IMF under the New Arrangements to Borrow (NAB) was changed. Following the entry into force of the decision to increase NAB from 1 January 2021 to 31 December 2025 the limit of loans under NAB has increased from SDR 1,285,400.0 thousand to SDR 2,570,800.0 thousand (i.e. from PLN 7,022,397.3 thousand to PLN 14,044,794.6 thousand according to the average NBP exchange rate as at 31 December 2020).

As of 1 January 2021, the limit of loans available for the IMF under the Bilateral Borrowing Agreement (BBA) has also changed. The BBA entered between NBP and the IMF in 2020 is in force from 1 January 2021 to 31 December 2023, with a possibility to extend it for one year, subject to NBP consent. The available loan limit was lowered from EUR 6,270,000.0 thousand to EUR 2,701,000.0 thousand (i.e. from PLN 28,934,796.0 thousand to PLN 12,464,574.8 thousand according to the average NBP exchange rate as at 31 December 2020), which is related to the increased limit of loans under NAB. As in the previous BBA, funds will be transferred by NBP at the request of the IMF. The IMF will be able to use these funds provided that it has exhausted other available resources originating from quotas of member countries and loans under the NAB.

### *FX swap transactions with domestic banks*

In the first quarter of 2021, NBP executed a FX swap transaction on the CHF/PLN currency pair.

## Note 22 Other issues

In 2020 Narodowy Bank Polski has been party to swap arrangements with the Swiss National Bank and the National Bank of Ukraine (NBU)<sup>16</sup> since 2012 and 2015, respectively. These arrangements had no bearing on the NBP Balance Sheet or Profit and Loss Account in 2020 and 2019.

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<sup>16</sup> The swap arrangement with the NBU expired in February 2020.



## 7. 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 NBP Head Office department responsible for financial risk management;
- as relates to operational risk (see Chapter 7.2) – management at the following levels:
  - decentralised operational risk management by directors of the 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 NBP Head Office 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 Commission for Operational Risk Management and the Management Board of NBP,
  - the 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.

### 7.1. 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. NBP's exposure to individual types of risk stems from its performance of statutory tasks of the central bank, i.e. managing the foreign currency reserves and implementing monetary policy, including regulating the liquidity of banks and providing them with refinancing facilities. The Financial Risk Management Department monitors, on an ongoing basis, the Bank's exposure to financial risk and presents the analysis of financial risk to the Management Board of NBP.

### 7.1.1. 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.

#### 7.1.1.1. Credit risk in foreign currency reserve management

Exposure to credit risk in the process of foreign currency reserve management is mitigated using the following 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 repo/reverse repo transactions.

Credit risk analysis is 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.

NBP's exposure to credit risk due to the main investment instruments of foreign currency reserves is presented below.<sup>17</sup>

<i>PLN thousand</i>	31.12.2020	31.12.2019	Balance sheet item	Note
Current account in gold	20,210,979.9	10,813,438.9	A.1	1
Term deposits in gold	8,080,235.4	12,206,191.1	A.1	1
Current accounts in foreign currency*	28,267,286.7	5,751,215.4	A.2.2	3.1
Term deposits in foreign currency	26,407,882.5	32,168,428.6	A.2.2	3.1
Reverse repo transactions	45,225,495.5	43,215,223.2	A.2.2	3.1
Securities denominated in foreign currency	417,564,746.5	354,961,158.9	A.2.2	3.1
Margins related to futures transactions	722.9	141,124.2	A.2.2	3.1
Interest on term deposits in gold	3.6	199.1	A.2.2	3.1
<b>Total</b>	<b>545,757,353.0</b>	<b>459,256,979.4</b>		

\* Current accounts, excluding the current accounts in the ECB, used for settlements in TARGET2 (see Note 3.1).

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.

<sup>17</sup> It is assumed that the exposure to the IMF (claims on the IMF – see Note 2) does not generate credit risk.

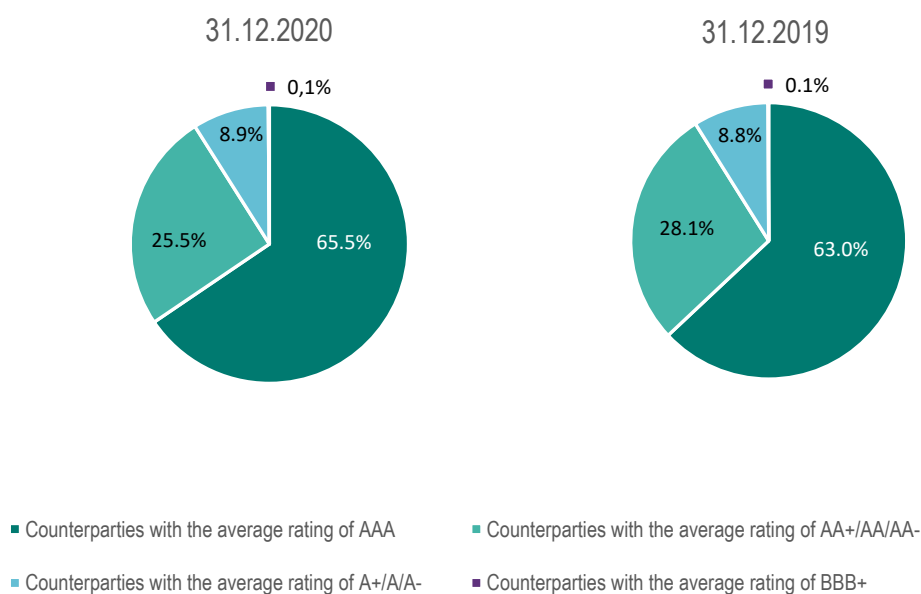
The scale of investment in the corporate bond market is small. The share of term deposits in foreign currency reserves is also low – transactions are concluded for short periods with banks of high creditworthiness. NBP also holds funds in current accounts, mainly operated by central banks, in the process of foreign currency reserves management.

When estimating the credit quality of securities issued by governments and central banks, the creditworthiness ratings of the country of the securities issuer are, among others, considered. The credit quality of issuers of other securities, as well as counterparties with which term deposits are concluded (with the exception of central banks), is assessed based on the scoring models that take into account, among others, ratings assigned by rating agencies and individual issuer's financial data. The financial standing of issuers and NBP's counterparties is subject to on-going monitoring based on daily information provided by rating agencies about changes in creditworthiness ratings and rating forecasts, as well as implied ratings derived from CDS (Credit Default Swap).

Below, exposure to credit risk for term deposits and securities related to foreign currency reserve management is presented by issuer/counterparty's sector, geographical location and credit rating.

<i>PLN thousand</i>	31.12.2020	31.12.2019
General government institutions	394,553,133.1	321,835,806.5
- Foreign central government institutions	383,704,758.3	301,854,448.9
- Other	10,848,374.8	19,981,357.6
Monetary financial institutions	44,121,163.7	57,120,517.1
- Foreign credit institutions	31,652,839.4	55,554,628.4
- Central banks	12,468,324.3	1,565,888.7
International financial organisations	0.0	4,582,535.4
Non-monetary financial institutions	8,634,691.6	11,436,888.7
Non-financial sector	4,743,879.6	4,360,230.0
<b>Total</b>	<b>452,052,868.0</b>	<b>399,335,977.7</b>

<i>PLN thousand</i>	31.12.2020	31.12.2019
United States	192,927,896.6	152,922,430.7
Euro area	114,837,106.4	119,624,326.1
United Kingdom	61,109,955.6	57,981,475.2
Australia	33,786,834.9	30,040,175.3
Norway	22,206,036.8	14,262,038.5
Asian countries	14,671,705.2	9,688,303.6
New Zealand	9,656,442.0	6,396,326.2
Denmark	1,474,880.0	1,394,496.0
Canada	1,342,844.8	0.0
Switzerland	0.0	825,240.2
Sweden	0.0	1,489,661.6
Other	39,165.7	4,711,504.3
<b>Total</b>	<b>452,052,868.0</b>	<b>399,335,977.7</b>



### 7.1.1.2. Credit risk underlying domestic operations

#### 7.1.1.2.1. Securities

In 2020, NBP purchased Treasury bonds and securities guaranteed by the Treasury in the secondary market, as part of its structural open market operations. In line with the business intent, securities purchased in domestic currency are held for monetary policy purposes and valued at purchase price, adjusted for the amortised discount/premium, less impairment. As a result of the operations conducted

as of 31 December 2020, NBP held Treasury securities in zloty and securities guaranteed by the Treasury in zloty for a total accounting book value of PLN 112,563,027.9 thousand (see Chapter 3 and Note 3.2).

Securities held for monetary policy purposes were issued or fully guaranteed by the State Treasury. The results of the analysis performed as at 31 December 2020 revealed that no indications of their impairment have occurred.

#### 7.1.1.2.2. Claims on 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. In 2020, NBP offered bill discount credit to banks with the aim to enable them to refinance loans extended to entrepreneurs (see Note 3.2).

<i>PLN million / EUR</i>	2020	2019	Change
Lombard credit*	20.4	7.6	12.8
Intraday credit	16,692,407.7	12,106,854.1	4,585,553.6
Refinancing loan extended in another form specified by the Management Board of NBP**	67.0	84.9	-17.9
Bill discount credit	53.0	0.0	53.0
Intraday credit in EUR	55,477.7	68,263.3	-12,785.6

\* The values of intraday credit and intraday credit in euro are the sum total of the daily drawings of these loans. The values of a refinancing loan granted in another form specified by the Management Board of NBP and bill discount credit are accounting book value as at the balance sheet date (see Note 3.4, Chapter 7.1.1.2.3 and Note 3.2).

The risk underlying these operations is mitigated through the use of eligible collateral that meets the criteria set by NBP. When setting the required level of collateral, the haircut rate is applied, with the purpose to take into account the risk of unfavourable changes of the market value of collateral, in particular of market prices and exchange rates.

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 the Central Securities Depository of Poland [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.

Bill discount credit is extended to banks that meet, among others, the minimum capital adequacy and liquidity requirements. This credit is collateralised with bills of exchange which banks accept as collateral to the loans extended to entrepreneurs.

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.

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 and accepted by the ECB (in addition, haircut related to the exchange rate risk is taken into account).

As at 31 December 2020 the following were reported:

- claims due to bill discount credit (see Note 3.2); no indications of impairment of the credit occurred, therefore no impairment loss was recognised,
- claim due to a refinancing loan extended in another form specified by the Management Board of NBP (see Chapter 7.1.1.2.3).

#### **7.1.1.2.3. Overdue claims on credit operations**

As at 31 December 2020, NBP had an overdue claim in the amount of PLN 66,989.2 thousand (PLN 84,878.0 thousand as at 31 December 2019) 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 3.44). As at the balance-sheet date, the outstanding portion of the loan was collateralised with the claims of the domestic bank under the loan agreements which were assigned in favour of NBP. Under the assessment carried out, it was established that as at 31 December 2020 the discounted value of expected cash flows from collateral fully covers the carrying amount of the claim. Claims of the domestic bank arising from the 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 Law<sup>18</sup> (Journal of Laws of 2015, item 233, as amended).

#### **7.1.2. 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

<sup>18</sup> 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 title of the act was replaced by "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.

for the stability of domestic currency. The assumptions of monetary policy are set annually by the MPC, which, based on the above assumptions, also approves the financial plan of NBP.

In the process of foreign currency reserves management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in the markets that ensure immediate availability of funds – reserve currencies and investment instruments are principally characterised by high liquidity.

#### **7.1.2.1. 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 2020 and 31 December 2019.<sup>19</sup>

Moreover, when joining the IMF borrowing programmes (see Note 2 and Note 21), NBP committed 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 2020 was SDR 1,224,025.0 thousand,
- bilateral borrowing agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2020 was EUR 6,270,000.0 thousand.

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<sup>19</sup> Liabilities due to current transactions recognised on off-balance-sheet accounts are presented in Note 10.1. Liabilities related to NBP's own administrative activities were not included, as bearing no material impact.

31.12.2020 PLN thousand	Total	Avista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance-sheet value	L.7 Liabilities to residents denominated in foreign currency	L.8 Liabilities to non- residents denominated in foreign currency	L.9 Liabilities to the IMF	L.11 Other liabilities
Current/auxiliary accounts in foreign currency operated by NBP	45,866,771.3	45,866,771.3	0.0	0.0	0.0	45,866,771.3	45,736,273.2	130,498.1	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	6,661.6	0.0	6,661.6	0.0	0.0	6,661.6	6,661.6	0.0	0.0	0.0
Repo transactions	45,222,443.4	0.0	37,191,442.7	3,790,510.3	4,240,490.4	45,222,015.4	0.0	45,222,015.4	0.0	0.0
Other financial liabilities denominated in foreign currency	527,529.6	0.0	527,402.1	127.5	0.0	527,304.1	519,838.4	13.4	0.0	7,452.3
SDR allocation	7,129,155.5	0.0	1,648.0	0.0	7,127,507.5	7,128,746.3	0.0	0.0	7,128,746.3	0.0
<b>Total</b>	<b>98,752,561.4</b>	<b>45,866,771.3</b>	<b>37,727,154.4</b>	<b>3,790,637.8</b>	<b>11,367,997.9</b>	<b>98,751,498.7</b>	<b>46,262,773.2</b>	<b>45,352,526.9</b>	<b>7,128,746.3</b>	<b>7,452.3</b>
31.12.2019 PLN thousand	TOTAL	Avista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance-sheet value	L.7 Liabilities to residents denominated in foreign currency	L.8 Liabilities to non- residents denominated in foreign currency	L.9 Liabilities to the IMF	L.11 Other liabilities
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	42,934,107.1	0.0	38,326,005.1	4,608,102.0	0.0	42,919,855.6	0.0	42,919,855.6	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
<b>Total</b>	<b>72,921,888.6</b>	<b>20,508,301.2</b>	<b>40,939,098.4</b>	<b>4,608,170.3</b>	<b>6,866,318.7</b>	<b>72,903,332.9</b>	<b>22,356,217.5</b>	<b>43,665,689.7</b>	<b>6,875,252.6</b>	<b>6,173.1</b>



### 7.1.3. 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 portfolios values to changes in the yield on financial instruments.

To mitigate the interest rate risk in the process of managing foreign currency reserves, NBP defines the benchmark level of MD of foreign currency reserves, along with admissible fluctuation bands. In 2020, the MD of the reserves was kept at a level binding in the preceding year.

Sensitivity analysis, conducted based on MD,<sup>20</sup> has shown 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 9,091.1 million as at 31 December 2020 (as at 31 December 2019 – by PLN 7,583.4 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	31.12.2020	31.12.2019	Change
USD	3,795.1	3,345.4	449.7
EUR	1,579.7	1,377.7	202.0
GBP	1,618.1	1,398.4	219.7
AUD	1,069.5	937.8	131.7
NOK	714.2	352.7	361.5
NZD	314.5	171.4	143.1
<b>Total</b>	<b>9,091.1</b>	<b>7,583.4</b>	<b>1,507.7</b>

In accordance with the accounting principles of NBP, price revaluation gains on securities denominated in foreign currency at the end of the year are recorded as revaluation accounts on the liabilities side of the Balance Sheet, while losses on price revaluation of these securities are debited to NBP’s financial result.

<sup>20</sup> In its sensitivity analysis NBP applied the MD ratio for individual foreign-currency securities portfolios as at 31 December 2020 and 31 December 2019 as a linear measure of the relationship between price and yield, as well as the holding of securities portfolios as at 31 December 2020 and 31 December 2019 based on values used in the monitoring of MD.

Securities denominated in domestic currency held for monetary policy purposes are valued at purchase price, adjusted for the amortised discount/premium, less impairment (see Chapter 3 and Note 3.2).

#### 7.1.4. 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 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 FX risk provision (see Chapter 4 and Note 9).

In the process of foreign currency reserves management, NBP defines the currency structure of the strategic benchmark<sup>21</sup>, along with admissible fluctuation bands. As at 31 December 2020, similarly to 31 December 2019, the currency structure of the strategic benchmark included:

- 51% USD,
- 20% EUR,
- 12% GBP,
- 8% AUD,
- 6% NOK,
- 3% NZD.

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 changes in the market price of gold.

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 Note 9.1).

The balance-sheet values of foreign currency holdings and gold holding of NBP as at 31 December 2020 and 31 December 2019 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.

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<sup>21</sup> 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.

31.12.2020	PLN	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
PLN thousand											
<b>ASSETS</b>											
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52,252,619.6	0.0	52,252,619.6
2. Claims on non-residents denominated in foreign currency	0.0	235,117,265.3	135,170,102.7	72,165,735.7	37,427,034.4	26,395,128.0	14,275,939.9	6,879,394.5	0.0	29,342.6	527,465,943.1
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	52,955.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52,955.4
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0
7. Securities of residents denominated in domestic currency	112,563,027.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	112,563,027.9
10. Other assets	1,346,430.3	79,705.4	297,776.4	27,804.3	84,315.1	34,426.0	53,851.9	54,632.0	0.0	1.5	1,978,942.9
<i>of which, adjustment and revaluation differences on off-balance sheet items</i>	0.0	79,705.4	179,335.4	27,804.3	84,315.1	34,426.0	53,851.9	0.0	0.0	1.5	469,499.6
<b>Total assets</b>	<b>113,967,429.6</b>	<b>235,196,970.7</b>	<b>135,467,879.1</b>	<b>72,196,540.0</b>	<b>37,511,349.5</b>	<b>26,429,554.0</b>	<b>14,332,791.8</b>	<b>6,934,026.5</b>	<b>52,252,619.6</b>	<b>29,344.1</b>	<b>694,313,504.9</b>
<b>LIABILITIES</b>											
1. Banknotes and coins in circulation	321,800,665.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	321,800,665.9
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	62,629,413.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62,629,413.3
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	444,908.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	444,908.2
4. Liabilities due to issued securities denominated in domestic currency	127,767,680.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	127,767,680.0
5. Liabilities to other residents denominated in domestic currency	24,659,721.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24,659,721.0
6. Liabilities to non-residents denominated in domestic currency	2,196,166.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,196,166.7
7. Liabilities to residents denominated in foreign currency	0.0	1,565,192.4	44,679,925.5	17,620.9	0.0	0.0	0.0	0.0	0.0	34.4	46,262,773.2
8. Liabilities to non-residents denominated in foreign currency	0.0	16,573,094.9	5,470,626.4	19,375,986.5	2,597,428.8	0.0	1,335,390.3	0.0	0.0	0.0	45,352,526.9
9. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,128,746.3	0.0	0.0	7,128,746.3
11. Other liabilities	348,081.5	156.9	242,180.4	11,327.5	66,902.8	23,704.7	37,567.2	0.0	0.0	24.2	729,945.2
<i>of which, adjustment and revaluation differences on off-balance sheet items</i>	0.0	0.0	232,592.5	11,206.0	66,877.0	23,703.4	37,567.2	0.0	0.0	0.0	371,946.1
12. Provisions for future liabilities	179,589.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	179,589.6
13. Revaluation accounts	41,872,204.0	2,283,063.6	275,597.1	424,298.7	370,368.5	200,971.3	315,862.9	0.0	0.0	0.0	45,740,366.1
14. Capital and reserves	11,742,344.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11,742,344.4
15. Financial result	-2,621,301.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2,621,301.9
<b>Total liabilities</b>	<b>591,319,442.7</b>	<b>20,421,507.8</b>	<b>50,666,329.4</b>	<b>19,629,233.6</b>	<b>3,034,690.1</b>	<b>224,676.0</b>	<b>1,688,820.4</b>	<b>7,128,746.3</b>	<b>0.0</b>	<b>58.6</b>	<b>694,313,504.9</b>

31.12.2019	PLN	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
<b>ASSETS</b>											
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	218,342,530.6	96,137,916.9	58,606,832.1	32,140,848.3	23,215,158.5	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 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
<b>Total assets</b>	<b>1,222,539.6</b>	<b>218,351,206.8</b>	<b>96,232,742.6</b>	<b>58,611,169.8</b>	<b>32,141,706.9</b>	<b>23,216,121.6</b>	<b>11,453,388.9</b>	<b>5,323,666.0</b>	<b>42,518,790.2</b>	<b>28,984.0</b>	<b>489,100,316.4</b>
<b>LIABILITIES</b>											
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 monetary 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	3,588,664.6	18,743,067.6	16,645.0	0.0	0.2	0.0	0.0	0.0	7,840.1	22,356,217.5
8. Liabilities to non-residents denominated in foreign currency	0.0	26,515,994.7	2,848,108.9	12,961,450.4	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	0.0	0.0	0.0	0.0
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 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	30,494,130.6
14. Capital and reserves	8,186,317.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,186,317.3
15. Financial result	-4,036,860.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4,036,860.9
<b>Total liabilities</b>	<b>414,118,520.8</b>	<b>30,901,959.8</b>	<b>21,792,206.2</b>	<b>13,231,277.8</b>	<b>1,843,027.3</b>	<b>70,036.3</b>	<b>260,188.5</b>	<b>6,875,252.6</b>	<b>0.0</b>	<b>7,847.1</b>	<b>489,100,316.4</b>

### 7.1.5. Market value of financial assets and liabilities and off-balance-sheet financial instruments

Narodowy Bank Polski 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,
- securities held for monetary policy purposes,
- banknotes and coins in circulation,
- securities issued by NBP,
- other financial assets and liabilities (presented in items A.10 and L.11).

Securities denominated in domestic currency held for monetary policy purposes are valued according to purchase price, adjusted for the amortised discount/premium, less impairment.

Bearing in mind the nature of other 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 levels 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 into this category securities purchased by NBP, except for securities priced based on yield curve 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"> <li>• securities priced based on the yield curves values for a given type of securities having the same credit risk of the issuer,</li> <li>• forward transactions in securities for the revaluation of which it uses the model with input parameters coming directly from the market.</li> </ul>	<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 2020 and 31 December 2019, NBP did not classify any financial assets and liabilities and off-balance-sheet financial instruments into this category.</p>

\* Gold is also subject to revaluation 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 2020 and 31 December 2019 according to market value, assigned to individual levels, are presented below.

31.12.2020 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
<b>ASSETS</b>					
Securities purchased by NBP	403,940,645.4	13,624,101.1	0.0	417,564,746.5	A.2.2
Forward transactions in securities (revaluation gains)	0.0	0.0	0.0	0.0	A.10.3
<b>LIABILITIES</b>					
Forward transactions in securities (revaluation losses)	0.0	111.8	0.0	111.8	L.11.1

31.12.2019 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
<b>ASSETS</b>					
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
<b>LIABILITIES</b>					
Forward transactions in securities (revaluation losses)	0.0	0.0	0.0	0.0	L.11.1

In 2020 and 2019, there were no transfers between Level 1 and Level 2.

Narodowy Bank Polski also invests in futures transactions. These transactions are marked to market (Level 1) and settled on a daily basis (see Chapter 2.4 and Note 12.1).

## 7.2. 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 the reputation of NBP, 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:

- 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 2020, Operational Risk and Compliance Department monitored, on an ongoing basis, operational risk in NBP activity, including events resulting from the COVID-19 pandemic. In 2020, the Commission for Operational Risk Management held 11 sessions during which topics were discussed related to the assessment of the current activities aimed to ensure the proper execution of NBP tasks in the context of the pandemic and counteracting its effects. On top of that, the Commission discussed risks related to a possible 'hard Brexit' and cyber-threats, and the choice of risk mitigating mechanisms. The level of risk at NBP in 2020 was monitored on an ongoing basis and mitigating measures were also systematically adopted.

Warsaw, 25 March 2021

Director of the Accounting  
and Finance Department  
of Narodowy Bank Polski:

/-/ Krzysztof Kruszewski

Management Board  
of Narodowy Bank Polski:

/-/ Adam Glapiński  
/-/ Marta Kightley  
/-/ Adam Lipiński  
/-/ Marta Gajęcka  
/-/ 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 2020;
- the profit and loss account for the year ended 31 December 2020;

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 2020 and of its financial result for the year ended 31 December 2020 in accordance with the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2020 item 2027) (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 15), 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), Resolution No. 45/2013 of the Management Board of Narodowy Bank Polski of 12 December 2013 on performing tasks in the area of accounting at Narodowy Bank Polski (with subsequent amendments) and Resolution No. 64/2020 of the Management Board of Narodowy Bank Polski of 21 December 2020 on the principles for organization of accounting in Narodowy Bank Polski (all together "the legal basis for preparation of the Narodowy Bank Polski 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.





### Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors as National Standards on Auditing (the “NSA”) by the resolution no. 3430/52a/2019 dated 21 March 2019 and the resolution no. 1107/15a/2020 dated 8 September 2020; and
- the act on statutory auditors, audit firms and public oversight dated 11 May 2017 (the “Act on statutory auditors”);

- other applicable laws.

Our responsibilities under those regulations 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) as adopted by the resolution of the National Council of Statutory Auditors, together with the ethical requirements that are

relevant to our audit of the financial statements in Poland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During our audit the key statutory auditor and the audit firm remained independent of NBP in accordance with requirements of the Act on statutory 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

Marcin Podsiadły

Key Statutory Auditor  
Registration No. 12774  
Limited Partner, Proxy

Signed on the Polish original

Tadeusz de Ville

Limited Partner, Proxy

Warsaw, 25 March 2021



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# 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 PLN	%	%	million PLN	%	%	%	%	%	%	
1	2	3	4	5	6	7	8	9	10	11	
December 2019	119,998.4	103.8	90.6	12,435.3	96.7	123.7	103.4	100.8	103.4	101.0	100.1
January 2020	125,492.0	101.1	104.5	5,331.4	106.4	42.7	104.3	100.9	100.9	100.9	100.1
February	127,856.6	104.8	102.2	6,098.9	105.5	114.1	104.7	100.7	101.6	100.2	99.8
March	130,580.3	97.5	102.2	7,634.9	103.7	125.0	104.6	100.2	101.8	99.7	99.6
April	96,926.1	75.4	74.5	7,821.0	99.1	102.4	103.4	99.9	101.7	98.6	99.4
May	106,487.2	83.1	110.3	7,900.9	94.9	100.8	102.9	99.8	101.5	98.3	99.8
June	121,762.6	100.5	113.9	8,905.4	97.7	112.5	103.3	100.6	102.1	99.2	100.4
July	126,160.5	101.1	103.4	8,603.7	89.0	96.4	103.0	99.8	101.9	99.4	100.3
August	118,402.2	101.5	94.3	8,328.9	88.0	96.6	102.9	99.9	101.8	98.7	99.6
September	136,808.8	105.7	115.3	9,644.6	90.2	115.5	103.2	100.2	102.0	98.6	100.3
October	141,692.6	101.0	103.1	9,699.4	94.2	100.5	103.1	100.1	102.2	99.6	100.5
November	139,460.1	105.4	98.4	9,774.7	95.1	100.6	103.0	100.1	102.2	99.8	100.0
December	133,517.1	111.1	95.5	13,155.1	103.4	134.4	102.4	100.1	102.4	100.1	100.3

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 and expenditure		
	the same month previous year = 100	previous month = 100						revenue	expenditure	financial surplus/ deficit and net foreign lending/ borrowing
	%	%	thousands	thousands	thousands	%	PLN	million PLN	million PLN	million PLN
	12	13	14	15	16	17	18	19	20	21
December 2019	102.9	100.2	6,721	6,396	866.4	5.2	5,604.3	400,575.0	414,240.6	-35,607.1
January 2020	103.0	100.3	6,757	6,441	922.2	5.5	5,282.8	40,271.7	36,845.0	4,542.3
February	103.1	100.3	6,764	6,446	919.9	5.5	5,330.5	69,933.0	73,245.1	539.3
March	103.0	100.2	6,750	6,412	909.4	5.4	5,489.2	96,198.2	105,552.6	-5,147.7
April	102.8	100.2	6,702	6,259	965.8	5.8	5,285.0	129,640.0	148,522.8	-14,557.0
May	102.6	100.2	6,662	6,174	1,011.7	6.0	5,119.9	157,069.7	182,951.4	-22,596.4
June	102.5	100.2	6,657	6,186	1,026.5	6.1	5,286.0	197,393.9	214,512.3	-20,385.2
July	102.5	100.2	6,652	6,252	1,029.5	6.1	5,381.7	235,806.9	252,101.4	-21,586.4
August	102.5	100.2	6,649	6,295	1,028.0	6.1	5,337.7	268,909.8	282,208.4	-22,560.2
September	102.5	100.3	6,660	6,312	1,023.7	6.1	5,371.6	304,511.8	318,266.4	-25,010.6
October	102.4	100.2	6,674	6,318	1,018.4	6.1	5,458.9	343,972.7	356,042.9	-28,673.4
November	102.4	100.2	6,688	6,319	1,025.7	6.1	5,484.1	.	.	.
December	102.7	100.2	6,683	6,329	1,046.4	6.2	5,973.8	419,836.8	504,851.0	-111,383.4

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 PLN	million PLN	million PLN	million PLN	million PLN	million PLN	million PLN	%	%	%	million PLN	million PLN	million PLN
22	23	24	25	26	27	28	29	30	31	32	33	34	
December 2019	3,235,515.6	1,902,120.9	3,088,204.9	1,975,153.4	147,310.6	26,121.9	121,188.8	95.4	3.7	98.9	1,083,662.9	370,600.3	375,453.1
January 2020	.	.	.	.	.	.	.	.	.	.	.	.	.
February	.	.	.	.	.	.	.	.	.	.	.	.	.
March	786,700.6	456,878.5	762,799.7	478,946.9	23,900.9	5,338.4	18,562.5	97.0	2.4	100.3	1,102,727.8	378,399.4	374,740.9
April	.	.	.	.	.	.	.	.	.	.	.	.	.
May	.	.	.	.	.	.	.	.	.	.	.	.	.
June	1,489,641.6	868,768.2	1,427,029.3	906,537.9	62,612.3	12,221.2	50,391.1	95.8	3.4	102.9	1,091,997.6	349,445.8	333,998.1
July	.	.	.	.	.	.	.	.	.	.	.	.	.
August	.	.	.	.	.	.	.	.	.	.	.	.	.
September	2,285,069.2	1,339,213.8	2,180,755.1	1,391,226.5	104,314.0	18,866.7	85,447.3	95.4	3.7	104.0	1,126,733.0	371,755.9	362,234.0
October	.	.	.	.	.	.	.	.	.	.	.	.	.
November	.	.	.	.	.	.	.	.	.	.	.	.	.
December	3,206,898.4	1,868,661.9	3,064,359.9	1,942,184.0	142,538.4	26,288.4	116,250.0	95.6	3.6	103.4	1,144,847.5	365,175.6	375,813.3

**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 (PLN equivalent)		Reserve requirement ratio on repo operations	Interest on reserve requirement	Total required reserves held
						demand	time	demand	time			
	%	%	%	%	%	%	%	%	%	%	%	million PLN
1	2	3	4	5	6	7	8	9	10	11	12	
December 2019	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	46,845.2
January 2020	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	47,274.4
February	1.50	2.50	0.50	1.75	.	3.5	3.5	3.5	3.5	0.0	0.5	47,274.4
March	1.00	1.50	0.50	1.05	1.10	3.5	3.5	3.5	3.5	0.0	0.5	47,834.6
April	0.50	1.00	0.00	0.55	0.60	0.5	0.5	0.5	0.5	0.0	0.5	6,528.7
May	0.10	0.50	0.00	0.11	0.12	0.5	0.5	0.5	0.5	0.0	0.1	6,528.7
June	0.10	0.50	0.00	0.11	0.12	0.5	0.5	0.5	0.5	0.0	0.1	7,061.1
July	0.10	0.50	0.00	0.11	0.12	0.5	0.5	0.5	0.5	0.0	0.1	7,274.2
August	0.10	0.50	0.00	0.11	0.12	0.5	0.5	0.5	0.5	0.0	0.1	7,290.7
September	0.10	0.50	0.00	0.11	0.12	0.5	0.5	0.5	0.5	0.0	0.1	7,283.8
October	0.10	0.50	0.00	0.11	0.12	0.5	0.5	0.5	0.5	0.0	0.1	7,283.8
November	0.10	0.50	0.00	0.11	0.12	0.5	0.5	0.5	0.5	0.0	0.1	7,318.3
December	0.10	0.50	0.00	0.11	0.12	0.5	0.5	0.5	0.5	0.0	0.1	7,513.0

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 PLN	million PLN	million PLN	%	million PLN
	13	14	15	16	17	18
December 2019	0	0.00	0.00	0.00	0.00	0.00
January 2020	0	0.00	0.00	0.00	0.00	0.00
February	0	0.00	0.00	0.00	0.00	0.00
March	1	4,000.00	8,457.00	3,561.10	0.90	0.00
April	4	21,000.00	25,042.90	13,131.10	0.65	17,653.88
May	0	0.00	0.00	0.00	0.00	17,653.88
June	0	0.00	0.00	0.00	0.00	17,653.88
July	0	0.00	0.00	0.00	0.00	16,717.11
August	0	0.00	0.00	0.00	0.00	12,161.72
September	0	0.00	0.00	0.00	0.00	10,843.57
October	0	0.00	0.00	0.00	0.00	10,843.57
November	0	0.00	0.00	0.00	0.00	10,843.57
December	0	0.00	0.00	0.00	0.00	10,843.57

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 PLN	million PLN	million PLN	%	million PLN
	19	20	21	22	23	24
December 2019	5	416,000.00	354,405.01	354,405.01	1.50	64,966.67
January 2020	7	500,000.00	454,503.36	447,518.48	1.50	81,363.55
February	6	432,500.00	366,929.03	366,929.03	1.50	106,833.16
March	5	365,000.00	315,976.96	310,562.56	1.23	65,313.34
April	7	570,000.00	493,129.06	489,139.11	0.57	117,169.40
May	7	678,000.00	602,610.50	602,610.50	0.40	150,828.18
June	4	701,000.00	609,963.34	609,963.34	0.10	146,624.31
July	5	922,000.00	847,204.04	847,204.04	0.10	163,799.07
August	4	743,000.00	681,739.60	681,739.60	0.10	160,535.35
September	4	737,000.00	700,409.21	700,409.21	0.10	173,768.18
October	5	930,000.00	867,458.45	867,458.45	0.10	161,106.79
November	4	725,000.00	656,092.20	656,092.20	0.10	157,111.26
December	5	906,000.00	712,275.53	712,275.53	0.10	127,764.87

Period	5. Repurchase agreements (credit repo)				6. Structural outright buy operations			
	number of tenders during month	assets earmarked by NBP for purchase of securities	nominal value of bids declared by banks	nominal value of bids accepted	number of tenders during month	nominal value of securities earmarked for purchase by NBP	nominal value of bids declared by banks	nominal value of bids accepted
		mIn PLN	mIn PLN	mIn PLN		mIn PLN	mIn PLN	mIn PLN
	25	26	27	28	29	30	31	32
December 2019	0	0.00	0.00	0.00	0	0.00	0.00	0.00
January 2020	0	0.00	0.00	0.00	0	0.00	0.00	0.00
February	0	0.00	0.00	0.00	0	0.00	0.00	0.00
March	1	zero pool	7,264.55	7,254.52	3	10,000.00 <sup>1</sup>	24,242.62	18,798.67
April	0	0.00	0.00	0.00	2	15,000.00 <sup>2</sup>	46,583.43	43,837.13
May	0	0.00	0.00	0.00	2	30,000.00	28,779.10	22,767.80
June	0	0.00	0.00	0.00	2	24,000.00	11,665.24	10,774.24
July	0	0.00	0.00	0.00	2	22,000.00	8,171.89	6,724.29
August	0	0.00	0.00	0.00	1	10,000.00	1,373.00	357.00
September	0	0.00	0.00	0.00	1	5,000.00	1,575.56	685.00
October	0	0.00	0.00	0.00	1	3,000.00	1,849.90	1,319.90
November	0	0.00	0.00	0.00	1	3,000.00	1,361.35	214.49
December	0	0.00	0.00	0.00	1	3,000.00	2,052.42	1,662.42

<sup>1</sup> In March 2020 one tender with total amount allotted PLN 10,000, two tenders with no amount allotted.

<sup>2</sup> In April 2020 one tender with total amount allotted PLN 15,000, two tenders with no amount allotted.



**Table II. Financial market – basic information, cont'd**

Period	7. 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 PLN								million PLN	%
	33	34	35	36	37	38	39	40	41	42	43
December 2019	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
January 2020	449	539,343.4	15.0	2,065.9	2,145.9	4,008.8	4,035.5	12,616.9	12,534.2	18,106.2	40.1
February	448	472,142.6	13.3	1,768.9	2,056.2	3,582.3	3,990.1	11,628.3	12,732.1	17,297.2	41.4
March	447	404,185.1	11.1	1,512.8	1,542.5	2,850.1	3,102.5	10,261.3	10,447.9	25,658.1	72.4
April	445	439,435.3	14.4	1,648.7	1,594.2	3,276.8	3,127.3	11,709.6	11,009.1	23,521.8	71.3
May	445	460,279.8	20.2	1,722.7	1,632.0	3,359.4	3,267.2	12,436.9	11,976.9	20,497.5	59.1
June	440	472,860.2	25.0	1,758.8	1,790.1	3,468.5	3,538.0	13,412.0	13,265.2	26,355.9	67.1
July	437	480,971.2	32.7	1,767.5	1,804.1	3,563.6	3,617.3	14,427.6	14,273.3	23,407.9	54.4
August	437	489,700.5	32.0	1,800.2	1,832.6	3,705.9	3,670.8	14,718.0	14,774.8	17,384.2	43.6
September	436	467,931.1	40.4	1,712.7	1,736.0	3,562.0	3,572.8	14,222.0	14,252.1	22,213.5	51.3
October	434	408,030.1	42.2	1,516.0	1,655.0	3,196.8	3,520.3	12,896.7	13,749.4	37,696.7	59.7
November	432	495,178.7	56.8	1,830.0	1,768.2	3,728.7	3,628.3	14,856.3	14,490.8	30,634.0	70.0
December	433	538,751.5	53.2	1,984.0	1,951.6	3,976.5	3,815.8	16,096.4	15,376.5	34,491.5	80.7

**Table III. PLN/USD and PLN/EUR daily exchange rates**

Days	December 2019			January 2020			February 2020		
	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	3.9288	4.3236	1.1005	3.7977	4.2585	1.1213	3.8999	4.3010	1.1028
2	3.9047	4.3008	1.1014	3.8000	4.2571	1.1203	3.8999	4.3010	1.1028
3	3.8706	4.2900	1.1084	3.8213	4.2569	1.1140	3.8864	4.3034	1.1073
4	3.8647	4.2792	1.1073	3.8213	4.2569	1.1140	3.8773	4.2867	1.1056
5	3.8566	4.2777	1.1092	3.8213	4.2569	1.1140	3.8654	4.2620	1.1026
6	3.8500	4.2721	1.1096	3.8213	4.2569	1.1140	3.8672	4.2535	1.0999
7	3.8500	4.2721	1.1096	3.7861	4.2347	1.1185	3.8947	4.2664	1.0954
8	3.8500	4.2721	1.1096	3.8123	4.2465	1.1139	3.8947	4.2664	1.0954
9	3.8704	4.2830	1.1066	3.8251	4.2459	1.1100	3.8947	4.2664	1.0954
10	3.8711	4.2880	1.1077	3.8272	4.2467	1.1096	3.8996	4.2699	1.0950
11	3.8660	4.2851	1.1084	3.8272	4.2467	1.1096	3.9041	4.2609	1.0914
12	3.8505	4.2846	1.1127	3.8272	4.2467	1.1096	3.9010	4.2599	1.0920
13	3.8234	4.2747	1.1180	3.8101	4.2353	1.1116	3.9104	4.2557	1.0883
14	3.8234	4.2747	1.1180	3.8019	4.2323	1.1132	3.9098	4.2402	1.0845
15	3.8234	4.2747	1.1180	3.7992	4.2279	1.1128	3.9098	4.2402	1.0845
16	3.8311	4.2659	1.1135	3.7968	4.2348	1.1154	3.9098	4.2402	1.0845
17	3.8211	4.2605	1.1150	3.8053	4.2344	1.1128	3.9189	4.2502	1.0845
18	3.8302	4.2644	1.1134	3.8053	4.2344	1.1128	3.9448	4.2714	1.0828
19	3.8281	4.2632	1.1137	3.8053	4.2344	1.1128	3.9556	4.2732	1.0803
20	3.8311	4.2604	1.1121	3.8277	4.2447	1.1089	3.9621	4.2789	1.0800
21	3.8311	4.2604	1.1121	3.8284	4.2459	1.1091	3.9623	4.2831	1.0810
22	3.8311	4.2604	1.1121	3.8202	4.2370	1.1091	3.9623	4.2831	1.0810
23	3.8394	4.2554	1.1084	3.8308	4.2463	1.1085	3.9623	4.2831	1.0810
24	3.8487	4.2624	1.1075	3.8475	4.2461	1.1036	3.9772	4.3017	1.0816
25	3.8487	4.2624	1.1075	3.8475	4.2461	1.1036	3.9624	4.2996	1.0851
26	3.8487	4.2624	1.1075	3.8475	4.2461	1.1036	3.9573	4.3093	1.0889
27	3.8266	4.2624	1.1139	3.8725	4.2679	1.1021	3.9413	4.3100	1.0935
28	3.8266	4.2624	1.1139	3.8844	4.2794	1.1017	3.9255	4.3355	1.1044
29	3.8266	4.2624	1.1139	3.8871	4.2766	1.1002	3.9255	4.3355	1.1044
30	3.8027	4.2588	1.1199	3.8856	4.2813	1.1018			
31	3.7977	4.2585	1.1213	3.8999	4.3010	1.1028			
Average monthly rate	3.8443	4.2721	X	3.8287	4.2504	X	3.9201	4.2789	X

Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd

Days	March 2020			April 2020			May 2020		
	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	3.9255	4.3355	1.1044	4.1701	4.5694	1.0958	4.1729	4.5424	1.0885
2	3.9023	4.3237	1.1080	4.1917	4.5769	1.0919	4.1729	4.5424	1.0885
3	3.8804	4.3173	1.1126	4.2396	4.5792	1.0801	4.1729	4.5424	1.0885
4	3.8536	4.2993	1.1157	4.2396	4.5792	1.0801	4.1646	4.5582	1.0945
5	3.8479	4.2994	1.1173	4.2396	4.5792	1.0801	4.1927	4.5476	1.0846
6	3.8231	4.3178	1.1294	4.2257	4.5612	1.0794	4.2022	4.5390	1.0801
7	3.8231	4.3178	1.1294	4.1717	4.5342	1.0869	4.2162	4.5505	1.0793
8	3.8231	4.3178	1.1294	4.1801	4.5362	1.0852	4.2065	4.5577	1.0835
9	3.7899	4.3176	1.1392	4.1744	4.5370	1.0869	4.2065	4.5577	1.0835
10	3.8058	4.3200	1.1351	4.1566	4.5484	1.0943	4.2065	4.5577	1.0835
11	3.8186	4.3167	1.1304	4.1566	4.5484	1.0943	4.2126	4.5572	1.0818
12	3.8642	4.3451	1.1245	4.1566	4.5484	1.0943	4.2095	4.5549	1.0821
13	3.9067	4.3618	1.1165	4.1566	4.5484	1.0943	4.2111	4.5661	1.0843
14	3.9067	4.3618	1.1165	4.1666	4.5512	1.0923	4.2269	4.5693	1.0810
15	3.9067	4.3618	1.1165	4.1519	4.5389	1.0932	4.2135	4.5552	1.0811
16	3.9231	4.3911	1.1193	4.1631	4.5326	1.0888	4.2135	4.5552	1.0811
17	4.0460	4.4886	1.1094	4.1886	4.5367	1.0831	4.2135	4.5552	1.0811
18	4.0749	4.4806	1.0996	4.1886	4.5367	1.0831	4.2224	4.5644	1.0810
19	4.2421	4.5917	1.0824	4.1886	4.5367	1.0831	4.1645	4.5610	1.0952
20	4.2400	4.5459	1.0721	4.1525	4.5175	1.0879	4.1619	4.5540	1.0942
21	4.2400	4.5459	1.0721	4.1779	4.5276	1.0837	4.1346	4.5365	1.0972
22	4.2400	4.5459	1.0721	4.1736	4.5329	1.0861	4.1503	4.5234	1.0899
23	4.2654	4.5571	1.0684	4.2093	4.5444	1.0796	4.1503	4.5234	1.0899
24	4.2421	4.6044	1.0854	4.2142	4.5330	1.0756	4.1503	4.5234	1.0899
25	4.2220	4.5779	1.0843	4.2142	4.5330	1.0756	4.1428	4.5111	1.0889
26	4.1988	4.5962	1.0946	4.2142	4.5330	1.0756	4.0885	4.4800	1.0958
27	4.1127	4.5246	1.1002	4.1696	4.5240	1.0850	4.0504	4.4378	1.0956
28	4.1127	4.5246	1.1002	4.1840	4.5399	1.0851	4.0244	4.4264	1.0999
29	4.1127	4.5246	1.1002	4.1807	4.5432	1.0867	4.0031	4.4503	1.1117
30	4.0933	4.5395	1.1090	4.1729	4.5424	1.0885	4.0031	4.4503	1.1117
31	4.1466	4.5523	1.0978				4.0031	4.4503	1.1117
Average monthly rate	4.0126	4.4356	X	4.1856	4.5450	X	4.1569	4.5291	X

**Table III. PLN/USD and PLN/EUR daily exchange rates, cont'd**

Days	June 2020			July 2020			August 2020		
	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	3.9680	4.4202	1.1140	3.9591	4.4465	1.1231	3.7166	4.4072	1.1858
2	3.9303	4.3902	1.1170	3.9528	4.4659	1.1298	3.7166	4.4072	1.1858
3	3.9121	4.3859	1.1211	3.9764	4.4671	1.1234	3.7499	4.4168	1.1778
4	3.9573	4.4347	1.1206	3.9764	4.4671	1.1234	3.7364	4.4060	1.1792
5	3.9217	4.4443	1.1333	3.9764	4.4671	1.1234	3.7143	4.3979	1.1840
6	3.9217	4.4443	1.1333	3.9588	4.4697	1.1291	3.7240	4.4101	1.1842
7	3.9217	4.4443	1.1333	3.9689	4.4710	1.1265	3.7302	4.4139	1.1833
8	3.9197	4.4291	1.1300	3.9666	4.4739	1.1279	3.7302	4.4139	1.1833
9	3.9453	4.4436	1.1263	3.9486	4.4738	1.1330	3.7302	4.4139	1.1833
10	3.9180	4.4544	1.1369	3.9646	4.4745	1.1286	3.7393	4.4023	1.1773
11	3.9180	4.4544	1.1369	3.9646	4.4745	1.1286	3.7390	4.4016	1.1772
12	3.9299	4.4506	1.1325	3.9646	4.4745	1.1286	3.7558	4.4123	1.1748
13	3.9299	4.4506	1.1325	3.9564	4.4745	1.1310	3.7176	4.4011	1.1839
14	3.9299	4.4506	1.1325	3.9570	4.4916	1.1351	3.7227	4.3988	1.1816
15	3.9413	4.4403	1.1266	3.9117	4.4738	1.1437	3.7227	4.3988	1.1816
16	3.9058	4.4278	1.1336	3.9422	4.4913	1.1393	3.7227	4.3988	1.1816
17	3.9532	4.4503	1.1257	3.9263	4.4827	1.1417	3.7076	4.3892	1.1838
18	3.9589	4.4534	1.1249	3.9263	4.4827	1.1417	3.6895	4.3953	1.1913
19	3.9741	4.4573	1.1216	3.9263	4.4827	1.1417	3.6732	4.3864	1.1942
20	3.9741	4.4573	1.1216	3.8997	4.4683	1.1458	3.7164	4.3991	1.1837
21	3.9741	4.4573	1.1216	3.8812	4.4417	1.1444	3.7164	4.3902	1.1813
22	3.9667	4.4524	1.1224	3.8534	4.4401	1.1523	3.7164	4.3902	1.1813
23	3.9311	4.4386	1.1291	3.8060	4.4108	1.1589	3.7164	4.3902	1.1813
24	3.9395	4.4532	1.1304	3.8029	4.4117	1.1601	3.7273	4.4064	1.1822
25	3.9623	4.4495	1.1230	3.8029	4.4117	1.1601	3.7144	4.3915	1.1823
26	3.9697	4.4616	1.1239	3.8029	4.4117	1.1601	3.7269	4.4032	1.1815
27	3.9697	4.4616	1.1239	3.7643	4.4023	1.1695	3.7286	4.4124	1.1834
28	3.9697	4.4616	1.1239	3.7532	4.3987	1.1720	3.6983	4.4043	1.1909
29	3.9656	4.4631	1.1255	3.7610	4.4194	1.1751	3.6983	4.4043	1.1909
30	3.9806	4.4660	1.1219	3.7549	4.4090	1.1742	3.6983	4.4043	1.1909
31				3.7166	4.4072	1.1858	3.6924	4.3969	1.1908
Average monthly rate	3.9453	4.4450	X	3.8943	4.4528	X	3.7190	4.4021	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		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	28	29	30	31	32	33	34	35	36	37	38	39
1	3.6707	4.3946	1.1972	3.8513	4.5153	1.1724	3.9563	4.6188	1.1675	3.7367	4.4769	1.1981
2	3.7191	4.4097	1.1857	3.8366	4.4940	1.1713	3.9557	4.6048	1.1641	3.7038	4.4642	1.2053
3	3.7337	4.4181	1.1833	3.8366	4.4940	1.1713	3.9069	4.5699	1.1697	3.6981	4.4789	1.2111
4	3.7533	4.4508	1.1858	3.8366	4.4940	1.1713	3.8996	4.5532	1.1676	3.6765	4.4732	1.2167
5	3.7533	4.4508	1.1858	3.8252	4.4944	1.1749	3.8353	4.5233	1.1794	3.6765	4.4732	1.2167
6	3.7533	4.4508	1.1858	3.8180	4.4961	1.1776	3.8194	4.5277	1.1854	3.6765	4.4732	1.2167
7	3.7666	4.4570	1.1833	3.8126	4.4832	1.1759	3.8194	4.5277	1.1854	3.7001	4.4745	1.2093
8	3.7652	4.4461	1.1808	3.8175	4.4900	1.1762	3.8194	4.5277	1.1854	3.6914	4.4767	1.2127
9	3.7871	4.4550	1.1764	3.7913	4.4745	1.1802	3.7787	4.4870	1.1874	3.6657	4.4449	1.2126
10	3.7610	4.4504	1.1833	3.7913	4.4745	1.1802	3.8168	4.5063	1.1806	3.6574	4.4276	1.2106
11	3.7534	4.4504	1.1857	3.7913	4.4745	1.1802	3.8168	4.5063	1.1806	3.6630	4.4385	1.2117
12	3.7534	4.4504	1.1857	3.7927	4.4798	1.1812	3.7995	4.4868	1.1809	3.6630	4.4385	1.2117
13	3.7534	4.4504	1.1857	3.7932	4.4737	1.1794	3.8015	4.4960	1.1827	3.6630	4.4385	1.2117
14	3.7522	4.4490	1.1857	3.8301	4.4963	1.1739	3.8015	4.4960	1.1827	3.6548	4.4432	1.2157
15	3.7445	4.4492	1.1882	3.8904	4.5545	1.1707	3.8015	4.4960	1.1827	3.6554	4.4441	1.2158
16	3.7526	4.4528	1.1866	3.8976	4.5621	1.1705	3.7782	4.4753	1.1845	3.6334	4.4347	1.2205
17	3.7713	4.4514	1.1803	3.8976	4.5621	1.1705	3.7877	4.4953	1.1868	3.6254	4.4348	1.2233
18	3.7585	4.4574	1.1860	3.8976	4.5621	1.1705	3.7621	4.4729	1.1889	3.6322	4.4493	1.2250
19	3.7585	4.4574	1.1860	3.8761	4.5498	1.1738	3.7872	4.4799	1.1829	3.6322	4.4493	1.2250
20	3.7585	4.4574	1.1860	3.8926	4.5865	1.1783	3.7677	4.4679	1.1858	3.6322	4.4493	1.2250
21	3.7963	4.4800	1.1801	3.8706	4.5869	1.1851	3.7677	4.4679	1.1858	3.7082	4.5149	1.2175
22	3.8359	4.5055	1.1746	3.8734	4.5877	1.1844	3.7677	4.4679	1.1858	3.6921	4.5069	1.2207
23	3.8399	4.4946	1.1705	3.8665	4.5772	1.1838	3.7616	4.4680	1.1878	3.6919	4.5019	1.2194
24	3.8833	4.5272	1.1658	3.8665	4.5772	1.1838	3.7625	4.4714	1.1884	3.6981	4.5084	1.2191
25	3.9016	4.5477	1.1656	3.8665	4.5772	1.1838	3.7556	4.4710	1.1905	3.6981	4.5084	1.2191
26	3.9016	4.5477	1.1656	3.8759	4.5774	1.1810	3.7586	4.4742	1.1904	3.6981	4.5084	1.2191
27	3.9016	4.5477	1.1656	3.8860	4.5890	1.1809	3.7614	4.4843	1.1922	3.6981	4.5084	1.2191
28	3.9083	4.5497	1.1641	3.9313	4.6189	1.1749	3.7614	4.4843	1.1922	3.6639	4.4879	1.2249
29	3.9228	4.5834	1.1684	3.9505	4.6330	1.1728	3.7614	4.4843	1.1922	3.6778	4.5051	1.2249
30	3.8658	4.5268	1.1710	3.9563	4.6188	1.1675	3.7364	4.4779	1.1985	3.6901	4.5272	1.2269
31				3.9563	4.6188	1.1675				3.7584	4.6148	1.2279
Average monthly rate	3.7926	4.4740	X	3.8605	4.5411	X	3.8035	4.5023	X	3.6778	4.4766	X

**Table IV. Average MFI interest rates on outstanding amounts, PLN denominated (in %)**

	Sector	Category	Original maturity	No.	December 2019	January	February	March
						2020		
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	1.4	1.4	1.4	1.3
			over 2 years	3	1.9	1.9	1.8	1.8
			total	4	1.4	1.4	1.4	1.4
		total, overnight included		5	0.8	0.8	0.8	0.7
	non-financial corporations	overnight		6	0.4	0.4	0.4	0.4
		with agreed maturity	up to 2 years	7	1.3	1.3	1.2	1.2
			over 2 years	8	1.2	1.2	1.1	1.0
			total	9	1.3	1.3	1.2	1.2
		total, overnight included		10	0.7	0.7	0.7	0.6
		total, overnight excluded		11	1.4	1.4	1.4	1.3
	total, overnight included		12	0.8	0.8	0.8	0.7	
Loans in PLN	households and non-profit institutions serving households	revolving loans and overdrafts		13	6.7	6.8	6.8	6.5
		credit cards		14	7.1	7.3	7.1	6.8
		for consumption	up to 1 year	15	4.3	4.2	4.2	4.2
			over 1 and up to 5 years	16	7.5	7.4	7.5	7.3
			over 5 years	17	8.0	8.0	8.1	7.9
			total	18	7.8	7.8	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	4.1	4.0	4.1	4.0
			over 5 years	21	3.7	3.7	3.7	3.7
			total	22	3.7	3.7	3.7	3.7
		for other purposes	up to 1 year	23	5.9	6.1	6.3	6.1
			over 1 and up to 5 years	24	5.6	5.7	5.9	5.7
			over 5 years	25	5.2	5.2	5.2	5.1
	total		26	5.3	5.3	5.4	5.2	
	total, overdrafts included		27	5.2	5.2	5.2	5.1	
	non-financial corporations	revolving loans and overdrafts		28	3.2	3.2	3.2	3.2
		credit cards		29	6.1	5.8	5.7	5.7
		up to 1 year		30	3.1	3.1	3.1	2.9
		over 1 and up to 5 years		31	3.8	3.8	3.8	3.8
		over 5 years		32	4.0	4.0	4.0	3.9
total		33	3.9	3.9	3.9	3.8		
total, overdrafts included		34	3.7	3.7	3.7	3.6		
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
2020								
0.4	0.4	0.3	0.2	0.1	0.1	0.1	0.0	0.0
1.3	1.2	1.0	0.8	0.7	0.6	0.6	0.5	0.5
1.6	1.5	1.4	1.1	1.0	1.1	1.0	1.0	1.0
1.3	1.2	1.0	0.9	0.7	0.7	0.6	0.6	0.5
0.7	0.6	0.5	0.4	0.3	0.2	0.2	0.2	0.2
0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
0.9	0.7	0.5	0.4	0.3	0.3	0.3	0.2	0.3
0.8	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.5
0.9	0.7	0.5	0.4	0.3	0.3	0.3	0.2	0.3
0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1
1.2	1.1	0.9	0.8	0.7	0.6	0.5	0.5	0.5
0.6	0.5	0.4	0.3	0.2	0.2	0.2	0.1	0.1
5.8	5.4	5.0	4.8	4.8	4.8	4.7	4.8	4.8
5.7	5.3	4.7	4.4	4.4	4.5	4.5	4.7	4.6
3.7	3.5	3.2	3.1	3.2	3.2	3.2	3.1	3.0
6.7	6.4	5.7	5.7	5.7	5.8	5.7	5.7	5.7
7.3	7.0	6.5	6.3	6.3	6.3	6.3	6.3	6.3
7.1	6.8	6.2	6.1	6.1	6.1	6.1	6.1	6.1
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.0	3.6	3.0	2.7	2.6	2.5	2.5	2.5	2.5
3.6	3.3	3.0	2.6	2.5	2.4	2.3	2.3	2.3
3.6	3.3	3.0	2.6	2.5	2.4	2.3	2.3	2.3
5.8	5.2	5.1	4.6	4.6	4.6	4.5	4.6	4.7
5.4	5.2	4.9	4.5	4.4	4.4	4.3	4.4	4.3
4.6	4.3	4.0	3.6	3.6	3.6	3.5	3.5	3.5
4.8	4.6	4.2	3.9	3.8	3.8	3.7	3.7	3.7
4.8	4.5	4.0	3.8	3.7	3.7	3.5	3.6	3.5
2.7	2.3	2.1	1.9	1.9	1.9	1.9	1.9	1.9
5.6	4.4	5.1	4.8	4.8	4.2	4.2	4.5	4.0
2.6	2.3	2.0	1.8	1.7	1.6	1.6	1.7	1.7
3.2	3.1	2.9	2.5	2.5	2.5	2.4	2.5	2.4
3.6	3.2	3.0	2.7	2.6	2.6	2.5	2.5	2.5
3.4	3.1	2.9	2.6	2.5	2.5	2.4	2.5	2.4
3.1	2.9	2.7	2.4	2.4	2.3	2.3	2.3	2.3
4.3	4.0	3.7	3.4	3.3	3.3	3.2	3.2	3.2

**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
					2019	2020		
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	0.8	0.8	0.8	0.7
			over 1 and up to 3 months	2	1.4	1.5	1.4	1.6
			over 3 and up to 6 months	3	1.4	1.4	1.3	1.2
			over 6 months and up to 1 year	4	1.5	1.5	1.4	1.2
			over 1 year	5	1.5	1.3	1.4	1.3
			total	6	1.2	1.3	1.2	1.2
	non-financial corporations	with agreed maturity	up to 1 month	7	0.8	0.9	0.9	0.7
			over 1 and up to 3 months	8	1.3	1.3	1.3	1.0
			over 3 and up to 6 months	9	1.2	1.4	1.4	1.2
			over 6 months and up to 1 year	10	1.5	1.5	1.3	1.2
			over 1 year	11	1.1	1.2	0.7	n/a
			total	12	0.9	1.0	1.0	0.8
			total	13	1.0	1.1	1.1	0.9
Loans in PLN	households and non-profit institutions serving households	for consumption	floating rate and up to 3 months initial rate fixation	14	8.7	8.8	8.9	8.6
			over 3 months and up to 1 year initial rate fixation	15	3.0	4.0	4.2	4.0
			over 1 year and up to 5 years initial rate fixation	16	5.8	7.2	7.3	6.3
			over 5 years initial rate fixation	17	9.3	9.1	9.2	8.6
			total	18	7.8	8.4	8.4	8.0
		for house purchases	annual percentage rate of charge (APRC)	19	12.6	13.0	13.0	12.4
			floating rate and up to 3 months initial rate fixation	20	4.4	4.4	4.4	4.3
			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	4.2
		for sole proprietors and unincorporated partnerships	total	23	4.4	4.4	4.3	4.3
			annual percentage rate of charge (APRC)	24	4.8	4.8	4.8	4.7
			floating rate and up to 3 months initial rate fixation	25	5.6	5.9	6.3	5.9
			over 3 months and up to 1 year initial rate fixation	26	n/a	n/a	n/a	n/a
			over 1 year initial rate fixation	27	n/a	n/a	n/a	n/a
			total	28	5.7	6.1	6.4	6.0
			floating rate and up to 3 months initial rate fixation	29	5.4	5.8	5.6	5.0
		for other purposes	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	7.0	n/a
			total	32	5.4	5.7	5.6	5.0
	total		33	6.2	6.5	6.5	6.0	
	non-financial corporations	up to PLN 1 million, overdrafts excluded	floating rate and up to 3 months initial rate fixation	34	3.1	3.2	3.1	2.9
			over 3 months and up to 1 year initial rate fixation	35	3.4	3.7	3.3	3.2
			over 1 year initial rate fixation	36	n/a	n/a	n/a	n/a
			total	37	3.1	3.2	3.2	2.9
		over PLN 1 million up to PLN 4 million, overdrafts excluded	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	38	3.3	3.4	3.3	3.2
			floating rate and up to 3 months initial rate fixation	39	3.9	4.2	4.0	3.7
			over 3 months and up to 1 year initial rate fixation	40	3.5	3.6	3.4	3.4
			over 1 year initial rate fixation	41	3.2	3.4	n/a	n/a
			total	42	3.9	4.1	4.0	3.7
		over PLN 4 million, overdrafts excluded	floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	43	4.4	4.6	4.6	4.2
			floating rate and up to 3 months initial rate fixation	44	4.0	3.8	3.8	3.9
			over 3 months and up to 1 year initial rate fixation	45	n/a	3.9	2.9	n/a
			over 1 year initial rate fixation	46	n/a	n/a	n/a	n/a
total			47	4.0	3.8	3.7	4.0	
floating rate and up to 1 year initial rate fixation, with original maturity over 1 year	48		4.0	3.9	4.1	4.2		
		total	49	3.6	3.6	3.5	3.5	
		total	50	4.9	5.1	5.3	4.8	

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
2020								
0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.1
1.3	0.9	0.6	0.5	0.5	0.7	0.6	0.7	0.7
0.8	0.6	0.4	0.3	0.2	0.5	0.4	0.2	0.2
0.8	0.4	0.3	0.2	0.1	0.2	0.2	0.2	0.2
0.8	0.4	0.3	0.2	0.1	0.2	0.2	0.3	0.3
0.9	0.6	0.4	0.4	0.3	0.5	0.4	0.4	0.5
0.4	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
0.6	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.5	0.5	0.2	0.1	0.1	0.1	0.1	0.1	0.1
0.4	0.2	0.1	0.1	0.1	0.0	0.2	0.0	0.1
0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.0	0.1
0.6	0.4	0.2	0.2	0.2	0.3	0.2	0.2	0.2
7.7	7.4	7.1	7.1	7.2	7.2	7.2	7.1	7.1
3.5	3.1	3.2	3.6	3.0	3.2	3.2	3.0	3.2
5.4	5.2	5.0	5.3	4.5	5.1	4.8	3.9	4.4
7.6	7.2	6.8	7.0	7.0	7.0	6.9	6.9	6.9
6.9	6.5	6.3	6.5	6.2	6.5	6.5	6.1	6.3
11.2	11.0	11.1	12.1	11.6	11.9	11.3	10.6	11.0
4.0	3.7	3.3	3.3	3.1	3.0	2.9	2.9	2.9
n/a	n/a	2.7	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	3.3	3.2	3.2	3.2	n/a	3.3	3.2
3.9	3.7	3.3	3.2	3.0	3.0	2.9	2.9	2.8
4.4	4.1	3.7	3.7	3.5	3.5	3.3	3.4	3.2
5.5	5.1	4.9	4.6	4.1	4.6	4.7	4.9	4.5
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	3.5	3.1
5.5	5.1	4.9	4.6	4.3	4.7	4.9	4.9	4.5
4.9	4.6	4.7	4.2	4.2	3.8	4.4	3.8	3.8
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	4.0	n/a	n/a	n/a	n/a	n/a	n/a
4.9	4.6	4.5	4.1	4.1	3.8	4.2	3.8	3.8
5.0	4.9	4.9	4.8	4.7	4.7	4.6	4.5	4.4
2.3	2.0	1.7	1.8	1.7	1.7	1.7	1.7	1.7
2.5	2.3	2.0	2.1	2.1	2.1	2.4	2.2	1.9
n/a	2.5	n/a	n/a	n/a	n/a	1.7	n/a	1.5
2.3	2.0	1.7	1.8	1.7	1.7	1.8	1.7	1.7
2.6	2.1	1.9	2.1	2.0	2.2	2.1	2.0	2.1
3.4	3.0	2.4	2.4	2.4	2.4	2.5	2.3	2.3
2.4	2.3	2.4	2.0	2.1	2.7	2.0	1.7	n/a
n/a	n/a	2.2	2.3	2.0	n/a	1.3	1.1	1.6
3.3	3.0	2.4	2.4	2.4	2.4	2.4	2.2	2.2
4.0	3.6	3.2	3.0	3.2	3.0	3.0	2.9	2.8
2.9	3.4	2.7	2.7	2.7	3.2	2.9	2.5	3.2
2.6	n/a	3.0	n/a	2.4	2.6	n/a	n/a	2.5
n/a	n/a	n/a	n/a	2.4	n/a	n/a	n/a	n/a
2.9	3.3	2.8	2.7	2.6	3.2	2.6	2.4	3.1
3.1	4.0	3.1	2.8	3.0	3.2	3.0	2.5	3.5
2.7	2.7	2.4	2.3	2.1	2.4	2.2	2.1	2.4
3.8	3.9	3.5	3.7	3.6	3.7	3.5	3.4	3.4



**Table VI. Average MFI interest rates on new and renegotiated business, EUR denominated (in %)**

	Sector	Category	Original maturity, initial rate fixation	No.	December 2019	January	February	March	
					2020				
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	0.1	n/a	0.1
			over 1 and up to 3 months		3	0.1	0.1	0.1	0.1
			over 3 and up to 6 months		4	0.3	0.2	0.2	0.1
			over 6 months and up to 1 year		5	0.3	0.4	0.3	0.3
			over 1 year		6	0.1	0.1	0.1	0.2
			total		7	0.2	0.1	0.1	0.1
	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	0.0	0.0
			over 3 and up to 6 months		11	0.0	n/a	n/a	0.1
			over 6 months and up to 1 year		12	0.0	0.1	0.1	0.1
			over 1 year		13	0.0	0.0	0.0	n/a
			total		14	n/a	0.0	0.0	0.0
	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	0.9	0.9	0.9	0.9	
		for consumption	total		17	–	n/a	–	–
			annual percentage rate of charge (APRC)		18	–	n/a	–	–
		for house purchases	total		19	4.1	3.8	3.3	3.6
			annual percentage rate of charge (APRC)		20	5.0	4.4	3.9	4.2
		for other purposes		21	1.6	2.1	1.8	1.6	
		total, overdrafts excluded				22	3.7	3.6	3.2
	non-financial corporations	revolving loans and overdrafts*		23	1.3	1.2	1.2	1.3	
		up to EUR 1 million		24	1.4	1.4	1.5	1.3	
		over EUR 1 million		25	2.2	1.7	1.7	2.3	
		total, overdrafts excluded		26	2.0	1.7	1.6	2.0	
		total, overdrafts excluded				27	2.1	1.7	1.8

\* 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
2020								
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	0.1	0.1	n/a	n/a	n/a
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	n/a
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.1	n/a	n/a	0.0	0.1	n/a
0.1	0.0	0.1	0.0	0.1	0.1	0.1	n/a	0.1
0.1	0.1	0.0	0.0	n/a	n/a	0.1	0.1	0.1
n/a	n/a	0.0	0.0	n/a	0.0	0.0	0.0	0.0
0.0	0.0	0.0	n/a	0.0	n/a	0.0	n/a	0.0
0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.1
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.8	0.8	0.8	0.7	0.9	0.9	0.9	0.9	0.8
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
3.7	3.9	3.9	3.3	3.4	3.5	3.0	3.1	3.4
4.4	4.9	5.5	5.2	6.3	6.2	5.1	5.3	6.0
n/a	n/a	1.2	1.3	1.5	1.8	2.5	1.3	1.7
2.9	3.0	3.3	2.8	2.6	3.3	2.9	3.0	3.2
1.2	1.2	1.3	1.1	1.3	1.3	1.3	1.3	1.3
1.4	1.4	1.3	1.4	1.5	1.4	1.4	1.5	1.4
2.0	2.3	2.4	2.3	2.1	2.3	2.5	2.4	2.3
1.8	2.0	2.2	1.9	1.9	2.0	2.1	2.2	2.1
1.9	2.0	2.2	2.0	1.9	2.1	2.2	2.2	2.2

**Table VII. Aggregated balance sheet of other monetary financial institutions (PLN million)****Assets**

Period									
	Cash in other monetary financial institutions' vaults	Loans and other claims on domestic residents	monetary financial institutions	general government	other domestic residents <sup>1</sup>	Debt securities	monetary financial institutions	general government	other domestic residents <sup>1</sup>
	1	2	3	4	5	6	7	8	9
December 2019	14,406.8	1,443,099.8	131,047.2	88,358.5	1,223,694.1	440,103.5	62,055.2	355,247.1	22,801.2
January 2020	12,735.5	1,445,153.3	117,472.7	88,093.5	1,239,587.1	463,109.4	80,612.2	360,289.7	22,207.5
February	12,043.9	1,430,083.8	101,592.6	87,791.0	1,240,700.2	489,036.8	105,634.0	361,145.2	22,257.6
March	16,532.8	1,489,544.8	136,083.3	88,798.6	1,264,662.8	471,835.4	65,007.6	383,854.8	22,973.0
April	16,538.7	1,456,376.5	109,449.6	88,088.1	1,258,838.8	575,565.3	120,580.3	421,004.8	33,980.3
May	13,925.4	1,429,243.7	95,912.7	88,191.2	1,245,139.8	642,487.4	157,061.6	432,805.7	52,620.1
June	13,372.9	1,437,029.6	109,411.6	88,807.6	1,238,810.4	653,610.6	156,077.7	441,010.2	56,522.7
July	13,931.5	1,418,576.0	99,948.0	88,981.6	1,229,646.3	692,757.9	188,904.1	447,535.6	56,318.2
August	13,581.0	1,426,786.1	107,253.6	89,651.5	1,229,881.0	689,236.5	187,672.0	445,121.6	56,442.8
September	13,635.2	1,418,635.4	93,246.7	91,413.8	1,233,974.9	703,219.8	202,492.4	444,191.4	56,536.0
October	13,092.2	1,436,612.5	103,258.5	92,361.4	1,240,992.5	691,740.6	191,933.8	444,020.6	55,786.2
November	14,299.1	1,427,397.2	102,058.1	91,322.2	1,234,016.9	691,858.4	192,095.2	443,146.4	56,616.8
December	14,761.0	1,453,296.2	132,026.8	94,369.5	1,226,899.8	665,469.6	164,064.4	442,066.0	59,339.2

Period					External assets	Fixed assets <sup>2</sup>	Remaining assets	Total assets
	Money market fund shares/units	Equity and non-MMF investment fund shares or units	monetary financial institutions	other domestic residents <sup>1</sup>				
	10	11	12	13	14	15	16	17
December 2019	0.0	26,046.2	7,765.6	18,280.6	84,474.5	59,767.8	24,993.6	2,092,892.1
January 2020	0.0	26,068.3	7,907.5	18,160.8	84,494.3	59,285.9	25,724.8	2,116,571.5
February	0.0	26,146.4	7,856.4	18,290.1	103,029.5	59,325.2	29,801.4	2,149,467.0
March	0.0	25,772.2	7,612.5	18,159.8	115,600.1	59,552.3	37,189.0	2,216,026.7
April	0.0	25,832.8	7,606.4	18,226.4	117,240.0	60,241.5	37,666.3	2,289,461.2
May	0.0	25,902.3	7,628.2	18,274.0	122,525.8	60,489.6	57,274.3	2,351,848.5
June	0.0	25,944.6	7,651.7	18,292.9	113,052.4	60,860.0	74,550.1	2,378,420.1
July	0.0	26,019.6	7,635.0	18,384.6	102,124.0	60,926.6	85,721.1	2,400,056.7
August	0.0	26,272.0	7,642.1	18,629.9	99,444.8	61,152.1	96,227.9	2,412,700.4
September	0.0	26,273.0	7,622.3	18,650.8	104,194.9	61,296.1	100,683.0	2,427,937.5
October	0.0	26,143.5	7,568.5	18,575.0	108,897.4	61,569.5	108,577.1	2,446,632.8
November	0.0	26,432.5	7,753.6	18,678.9	111,734.6	62,730.5	120,594.9	2,455,047.2
December	0.0	26,289.2	7,820.2	18,469.0	103,819.1	63,191.1	128,083.7	2,454,909.8

<sup>1</sup> Non-monetary financial institutions and non-financial sector.<sup>2</sup> Excluding financial fixed assets, included in column 11.

**Table VII.** Aggregated balance sheet of other monetary financial institutions (PLN million)

## Liabilities

Period							
	Deposits and other liabilities to domestic residents	Monetary financial institutions	Central government	Other domestic residents <sup>1</sup>	overnight	with agreed maturity	repurchase agreements
	1	2	3	4	5	6	7
December 2019	1,462,500.1	63,426.9	38,959.7	1,360,113.5	926,715.4	426,588.7	6,809.4
January 2020	1,482,122.8	63,760.7	61,256.9	1,357,105.2	902,881.7	449,368.2	4,855.3
February	1,500,766.6	66,882.5	58,848.8	1,375,035.2	923,911.5	446,961.2	4,162.5
March	1,540,987.2	68,392.7	75,710.6	1,396,884.0	968,534.8	422,620.6	5,728.5
April	1,597,025.5	66,359.2	108,764.6	1,421,901.8	998,394.4	421,151.9	2,355.4
May	1,647,054.4	66,679.1	120,385.0	1,459,990.3	1,053,157.0	404,239.9	2,593.3
June	1,667,469.0	66,184.0	121,563.6	1,479,721.3	1,103,384.2	373,396.2	2,940.9
July	1,661,537.0	64,781.0	121,116.6	1,475,639.4	1,118,639.4	353,126.4	3,873.6
August	1,668,943.2	69,210.7	122,148.8	1,477,583.7	1,136,639.0	337,384.2	3,560.5
September	1,678,419.7	67,296.5	118,689.8	1,492,433.5	1,158,600.9	330,728.5	3,104.1
October	1,683,288.6	67,614.1	112,706.2	1,502,968.4	1,176,608.1	323,187.3	3,172.9
November	1,689,874.3	65,896.6	117,470.1	1,506,507.6	1,193,377.1	310,416.0	2,714.6
December	1,653,699.6	67,413.4	65,112.4	1,521,173.8	1,206,347.3	311,991.0	2,835.6

<sup>1</sup> 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 2019	0.0	92,109.6	302,477.5	174,696.5	61,108.5	2,092,892.1
January 2020	0.0	92,203.6	304,081.5	174,829.9	63,333.7	2,116,571.5
February	0.0	91,209.8	307,369.8	181,626.4	68,494.4	2,149,467.0
March	0.0	92,717.3	310,539.4	198,286.4	73,496.4	2,216,026.7
April	0.0	102,222.9	319,409.7	195,413.9	75,389.2	2,289,461.2
May	0.0	116,197.6	323,149.8	191,370.2	74,076.4	2,351,848.5
June	0.0	128,823.3	324,597.2	187,070.3	70,460.4	2,378,420.1
July	0.0	156,569.0	326,359.4	187,218.8	68,372.5	2,400,056.7
August	0.0	161,905.5	327,015.9	184,710.7	70,125.1	2,412,700.4
September	0.0	166,844.8	328,904.5	183,172.9	70,595.6	2,427,937.5
October	0.0	176,448.5	330,320.4	184,545.7	72,029.6	2,446,632.8
November	0.0	182,722.7	330,441.7	176,600.2	75,408.2	2,455,047.2
December	0.0	189,969.3	329,989.4	200,230.9	81,020.6	2,454,909.8

**Table VIII. Balance sheet of Narodowy Bank Polski (PLN million)****Assets**

Period	Domestic assets	External assets	Total assets
	1	2	3
December 2019	2,562.8	506,320.2	508,882.9
January 2020	3,749.6	508,097.0	511,846.5
February	5,507.8	521,827.7	527,335.5
March	25,635.6	520,102.3	545,737.8
April	71,254.7	512,993.3	584,248.0
May	93,442.8	550,596.6	644,039.4
June	104,635.9	532,815.4	637,451.4
July	112,043.8	529,902.0	641,945.9
August	113,258.4	531,790.5	645,048.9
September	112,300.2	556,936.0	669,236.2
October	113,184.8	583,387.8	696,572.6
November	113,530.9	556,752.0	670,282.9
December	115,757.3	596,891.5	712,648.8

**Liabilities**

Period	Currency in circulation	Deposits and other liabilities to domestic residents	other monetary financial institutions	central government	other domestic residents <sup>1</sup>	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Total liabilities
	1	2	3	4	5	6	7	8	9	10
December 2019	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
January 2020	235,449.0	86,195.8	55,247.7	28,842.3	2,105.8	81,387.3	47,673.2	60,071.1	1,070.2	511,846.5
February	238,299.8	70,973.7	36,803.0	31,702.7	2,468.0	106,859.5	52,506.3	57,454.7	1,241.6	527,335.5
March	269,093.4	108,718.2	68,880.9	36,152.9	3,684.4	65,326.0	71,727.6	29,566.6	1,306.0	545,737.8
April	289,300.1	69,319.6	43,985.6	20,897.8	4,436.1	117,182.4	79,794.5	27,448.0	1,203.3	584,248.0
May	293,016.7	59,974.0	29,952.6	24,008.5	6,012.9	150,831.1	63,787.6	75,400.3	1,029.8	644,039.4
June	296,568.8	81,183.0	43,974.3	27,940.5	9,268.3	146,627.1	57,784.2	54,321.9	966.4	637,451.4
July	299,289.3	83,091.9	35,845.5	41,206.2	6,040.2	163,802.2	45,625.7	49,169.0	967.8	641,945.9
August	301,040.3	89,725.6	38,252.8	46,462.0	5,010.8	160,538.4	44,978.0	47,833.7	932.9	645,048.9
September	304,418.9	73,518.0	26,308.9	42,479.0	4,730.1	173,771.5	56,027.2	60,453.2	1,047.5	669,236.2
October	311,748.9	93,037.2	35,995.1	51,254.8	5,787.3	161,109.9	66,100.0	63,416.1	1,160.5	696,572.6
November	318,419.4	84,539.3	36,479.8	43,016.5	5,043.0	157,114.3	44,384.6	64,726.8	1,098.5	670,282.9
December	321,496.2	133,745.5	65,486.5	49,705.5	18,553.5	127,767.7	56,294.9	71,689.7	1,654.9	712,648.8

<sup>1</sup> Non-monetary financial institutions, local government, social security funds and non-financial sector.

**Table IX. Consolidated balance sheet of monetary financial institutions (PLN million)****Assets**

Period	Loans and other claims on domestic residents		Debt securities			Equity and non-MMF investment fund shares or units <sup>1</sup>	External assets	Fixed assets <sup>2</sup>	Remaining assets <sup>3</sup>	Total assets	
	general government	other domestic residents <sup>1</sup>	general government	other domestic residents <sup>1</sup>							
					1						2
December 2019	1,312,159.8	88,358.5	1,223,801.3	378,048.3	355,247.1	22,801.2	18,409.5	590,794.6	61,957.6	25,130.6	2,386,500.3
January 2020	1,327,787.6	88,093.5	1,239,694.1	382,497.2	360,289.7	22,207.5	18,289.6	592,591.2	61,475.5	27,048.9	2,409,690.0
February	1,328,597.3	87,791.0	1,240,806.3	383,402.8	361,145.2	22,257.6	18,418.9	624,857.3	61,477.9	32,391.4	2,449,145.5
March	1,353,567.9	88,798.6	1,264,769.3	426,987.1	404,014.1	22,973.0	18,288.6	635,702.4	61,706.4	40,275.8	2,536,528.2
April	1,347,031.2	88,088.1	1,258,943.1	514,035.6	476,369.0	37,666.6	18,355.3	630,233.3	62,400.6	38,726.5	2,610,782.4
May	1,333,424.4	88,191.2	1,245,233.3	555,221.5	488,392.3	66,829.2	18,402.9	673,122.4	62,650.0	57,756.5	2,700,577.8
June	1,327,709.0	88,807.6	1,238,901.4	572,389.6	497,177.9	75,211.7	18,421.7	645,867.9	63,024.6	75,307.3	2,702,720.1
July	1,318,719.9	88,981.6	1,229,738.3	579,512.0	504,328.1	75,183.8	18,513.4	632,026.0	63,096.7	87,408.8	2,699,276.9
August	1,319,623.1	89,651.5	1,229,971.6	577,700.9	502,365.8	75,335.1	18,758.8	631,235.3	63,326.4	98,596.4	2,709,240.8
September	1,325,479.2	91,413.8	1,234,065.4	577,567.9	502,113.8	75,454.1	18,779.6	661,130.9	63,475.8	101,206.7	2,747,640.1
October	1,333,444.7	92,361.4	1,241,083.2	576,342.0	501,611.1	74,730.9	18,703.8	692,285.2	63,767.0	108,999.7	2,793,542.4
November	1,325,429.2	91,322.2	1,234,107.0	576,617.6	501,030.3	75,587.3	18,807.7	668,486.6	64,934.5	120,985.3	2,775,261.0
December	1,321,359.2	94,369.5	1,226,989.7	578,930.5	500,594.1	78,336.4	18,597.8	700,710.6	65,524.1	128,673.3	2,813,795.5

<sup>1</sup> Non-monetary financial institutions and non-financial sector.<sup>2</sup> Excluding financial fixed assets, incorporated in column 7.<sup>3</sup> Including rights issues.**Liabilities**

Period	Currency in circulation	Deposits and other liabilities to central government	Deposits and other liabilities to other domestic residents <sup>1</sup>	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							
				1	2	3							
December 2019	224,072.7	63,070.9	1,364,196.9	930,798.9	426,588.7	6,809.4	0.0	95,040.1	330,678.6	245,969.3	62,172.1	1,299.6	2,386,500.3
January 2020	222,713.5	90,099.2	1,359,211.0	904,987.4	449,368.2	4,855.3	0.0	92,978.7	343,847.1	234,901.0	64,403.9	1,535.6	2,409,690.0
February	226,255.9	90,551.5	1,377,503.2	926,379.5	446,961.2	4,162.5	0.0	92,435.3	352,019.7	239,081.1	69,736.0	1,562.8	2,449,145.5
March	252,560.6	111,863.5	1,400,568.4	972,219.2	422,620.6	5,728.5	0.0	93,035.7	374,654.6	227,852.9	74,802.4	1,190.2	2,536,528.2
April	272,761.4	129,662.4	1,426,337.8	1,002,830.5	421,151.9	2,355.4	0.0	90,073.5	391,597.8	222,862.0	76,592.5	895.1	2,610,782.4
May	279,091.2	144,393.5	1,466,003.2	1,059,169.9	404,239.9	2,593.3	0.0	89,185.1	379,309.2	266,770.5	75,106.2	718.9	2,700,577.8
June	283,195.9	149,504.1	1,488,989.5	1,112,652.4	373,396.2	2,940.9	0.0	92,735.3	374,729.7	241,392.2	71,426.8	746.6	2,702,720.1
July	285,357.8	162,322.7	1,481,679.6	1,124,679.6	353,126.4	3,873.6	0.0	99,160.1	364,350.2	236,387.8	69,340.3	678.4	2,699,276.9
August	287,459.3	168,610.9	1,482,594.5	1,141,649.8	337,384.2	3,560.5	0.0	102,412.2	364,351.9	232,544.3	71,058.0	209.7	2,709,240.8
September	290,783.7	161,168.8	1,497,163.6	1,163,331.0	330,728.5	3,104.1	0.0	105,587.0	377,309.4	243,626.1	71,643.0	358.5	2,747,640.1
October	298,656.7	163,961.0	1,508,755.7	1,182,395.4	323,187.3	3,172.9	0.0	111,867.8	388,851.8	247,961.8	73,190.1	297.5	2,793,542.4
November	304,120.3	160,486.6	1,511,550.6	1,198,420.0	310,416.0	2,714.6	0.0	113,931.8	367,072.7	241,327.0	76,506.8	265.1	2,775,261.0
December	306,735.2	114,817.8	1,539,727.3	1,224,900.8	311,991.0	2,835.6	0.0	118,634.9	378,464.0	271,920.6	82,675.5	820.2	2,813,795.5

<sup>1</sup> Non-monetary financial institutions, local government, social security funds and non-financial sector.

**Table Xa. M3 and counterparts (PLN million)**
**M3**

Period											M1
	Currency in circulation (excluding MFIs' vault cash)	currency in circulation (including MFIs' vault cash)	cash in monetary financial 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	
December 2019	224,072.7	238,479.5	14,406.8	930,798.9	603,823.8	26,065.0	233,408.9	19,471.3	33,936.4	14,093.5	1,154,871.6
January 2020	222,713.5	235,449.0	12,735.5	904,987.4	608,231.0	27,051.0	218,100.4	19,241.0	28,497.0	3,867.1	1,127,701.0
February	226,255.9	238,299.8	12,043.9	926,379.5	619,293.0	29,812.2	221,309.8	19,683.2	31,937.2	4,344.1	1,152,635.4
March	252,560.6	269,093.4	16,532.8	972,219.2	637,535.7	34,182.0	239,620.0	19,976.0	35,204.4	5,701.2	1,224,779.8
April	272,761.4	289,300.1	16,538.7	1,002,830.5	659,823.1	40,247.7	243,747.8	20,681.9	33,781.4	4,548.6	1,275,591.9
May	279,091.2	293,016.7	13,925.4	1,059,169.9	686,888.1	34,072.9	268,932.7	21,638.9	39,114.5	8,522.9	1,338,261.2
June	283,195.9	296,568.8	13,372.9	1,112,652.4	709,644.1	31,514.8	297,126.7	22,786.8	40,256.1	11,324.0	1,395,848.4
July	285,357.8	299,289.3	13,931.5	1,124,679.6	722,163.0	30,996.7	297,455.9	24,877.3	40,489.9	8,696.9	1,410,037.4
August	287,459.3	301,040.3	13,581.0	1,141,649.8	731,293.2	32,602.8	302,053.6	25,481.3	41,983.3	8,235.5	1,429,109.1
September	290,783.7	304,418.9	13,635.2	1,163,331.0	738,977.7	34,716.3	309,867.0	26,026.3	45,916.0	7,827.6	1,454,114.7
October	298,656.7	311,748.9	13,092.2	1,182,395.4	752,216.3	34,566.7	315,533.2	26,459.8	45,203.7	8,425.7	1,481,052.2
November	304,120.3	318,419.4	14,299.1	1,198,420.0	759,761.9	34,843.9	321,982.1	26,486.5	46,678.7	8,666.9	1,502,540.3
December	306,735.2	321,496.2	14,761.0	1,224,900.8	786,844.9	31,195.4	311,217.8	25,717.2	50,999.3	18,926.1	1,531,636.0

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								
December 2019	397,776.3	277,564.1	26,224.6	82,829.8	7,373.4	3,244.4	540.0	1,552,647.9	6,809.4	6,117.4	0.0	1,565,574.7			
January 2020	419,293.6	275,849.2	27,312.8	90,012.9	7,980.4	8,365.4	9,772.9	1,546,994.5	4,855.3	5,931.8	0.0	1,557,781.6			
February	416,693.7	274,342.8	27,331.4	87,239.1	7,809.4	10,107.7	9,863.3	1,569,329.1	4,162.5	5,877.2	0.0	1,579,368.8			
March	392,606.5	269,234.5	26,268.5	82,113.2	7,533.3	6,923.2	533.7	1,617,386.3	5,728.5	5,308.5	0.0	1,628,423.3			
April	391,220.3	256,813.5	36,317.2	82,283.9	7,046.9	7,877.3	881.6	1,666,812.3	2,355.4	3,971.4	0.0	1,673,139.1			
May	374,251.2	245,880.7	33,393.4	80,843.1	6,842.0	6,763.1	528.9	1,712,512.4	2,593.3	2,801.3	0.0	1,717,907.0			
June	343,481.7	233,186.7	30,225.3	67,075.3	6,268.4	5,679.4	1,046.6	1,739,330.1	2,940.9	3,953.8	0.0	1,746,224.8			
July	323,183.7	219,861.9	23,613.4	66,245.8	5,715.1	6,287.4	1,460.3	1,733,221.1	3,873.6	3,733.6	0.0	1,740,828.3			
August	307,315.1	209,650.7	21,394.8	64,228.3	5,286.9	6,171.9	582.5	1,736,424.2	3,560.5	4,116.2	0.0	1,744,100.9			
September	300,726.3	205,415.3	20,128.2	63,224.8	4,878.7	6,371.0	708.5	1,754,841.0	3,104.1	4,230.5	0.0	1,762,175.6			
October	293,986.6	199,742.4	20,224.5	61,405.5	4,648.5	7,228.9	736.8	1,775,038.7	3,172.9	4,404.8	0.0	1,782,616.5			
November	281,274.2	193,718.0	18,866.8	56,643.4	4,379.6	6,927.8	738.6	1,783,814.6	2,714.6	4,156.5	0.0	1,790,685.6			
December	283,035.3	190,209.9	19,599.7	65,214.0	3,886.4	3,271.9	853.5	1,814,671.3	2,835.6	5,143.2	0.0	1,822,650.1			

**Table Xb.** M3 and counterparts (PLN million)

## M3 counterparts

Period	Net external assets			Credit to other domestic residents	Loans and other claims on domestic residents	households	other financial corporations	non-financial corporations	non-profit institutions serving households
	1	2	3						
December 2019	344,825.3	590,794.6	245,969.3	1,324,871.1	1,259,551.8	766,334.4	83,731.6	366,114.3	7,621.0
January 2020	357,690.3	592,591.2	234,901.0	1,339,976.8	1,275,368.0	771,657.6	88,677.0	371,696.3	7,663.2
February	385,776.2	624,857.3	239,081.1	1,340,776.6	1,276,044.4	775,957.2	85,472.8	371,717.8	7,658.5
March	407,849.5	635,702.4	227,852.9	1,364,410.0	1,299,339.2	784,258.6	90,044.2	382,801.4	7,665.0
April	407,371.3	630,233.3	222,862.0	1,373,812.7	1,293,929.1	782,555.6	88,574.9	380,041.8	7,770.7
May	406,351.9	673,122.4	266,770.5	1,389,533.9	1,280,429.8	778,449.3	88,389.3	370,693.0	7,701.7
June	404,475.7	645,867.9	241,392.2	1,390,771.3	1,273,390.2	779,668.4	87,453.5	364,044.4	7,735.2
July	395,638.2	632,026.0	236,387.8	1,381,768.8	1,264,211.4	779,102.3	86,060.2	356,812.1	7,763.7
August	398,691.0	631,235.3	232,544.3	1,382,677.6	1,264,751.1	780,606.7	84,218.7	357,323.8	7,822.4
September	417,504.8	661,130.9	243,626.1	1,386,750.1	1,268,566.1	786,275.4	84,229.3	355,691.5	7,869.2
October	444,323.4	692,285.2	247,961.8	1,393,280.0	1,275,781.0	791,009.2	83,455.0	358,693.0	7,926.0
November	427,159.6	668,486.6	241,327.0	1,386,945.1	1,268,416.5	786,035.4	82,851.4	357,231.5	7,988.7
December	428,790.0	700,710.6	271,920.6	1,385,181.8	1,262,854.5	789,078.5	81,760.6	348,155.4	7,995.2

Period	Debt securities		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
December 2019	35,750.5	0.0	46,909.9	3,163.9	19,637.3	24,108.7	18,409.5	15,882.3	2,526.3
January 2020	35,673.9	0.0	46,319.2	3,059.1	19,148.4	24,111.7	18,289.6	15,883.5	2,405.3
February	35,238.1	0.0	46,313.2	2,953.0	19,304.6	24,055.6	18,418.9	15,964.9	2,453.2
March	34,569.9	0.0	46,782.3	3,761.4	19,211.6	23,809.3	18,288.6	15,873.1	2,414.7
April	34,986.1	0.0	61,528.3	18,331.5	19,335.1	23,861.7	18,355.3	15,963.4	2,391.1
May	35,196.6	0.0	90,701.2	47,606.1	19,223.1	23,872.0	18,402.9	15,991.3	2,410.7
June	34,488.7	0.0	98,959.4	56,564.5	18,647.2	23,747.7	18,421.7	15,998.7	2,421.8
July	34,473.2	0.0	99,043.9	56,938.4	18,245.4	23,860.1	18,513.4	16,120.9	2,391.4
August	34,779.5	0.0	99,167.7	57,107.9	18,227.2	23,920.1	18,758.8	16,364.3	2,393.3
September	34,500.7	0.0	99,404.3	57,443.1	18,011.0	23,950.2	18,779.6	16,371.5	2,406.9
October	34,697.8	0.0	98,795.2	58,141.3	16,589.7	24,064.3	18,703.8	16,286.4	2,416.3
November	34,309.5	0.0	99,720.9	58,882.4	16,705.0	24,133.5	18,807.7	16,360.9	2,445.7
December	35,864.8	0.0	103,729.4	61,778.1	16,558.4	25,393.0	18,597.8	16,183.3	2,413.4



**Table Xb. M3 and counterparts (PLN million), 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				
December 2019	310,282.8	383,746.4	1,127.2	331,138.4	73,463.5	438,021.0	28,812.4	25,362.1
January 2020	290,164.4	388,597.6	1,234.5	336,178.0	98,433.3	452,634.7	30,074.7	26,343.3
February	290,191.1	389,642.4	1,207.8	337,089.5	99,451.2	459,945.5	30,267.5	26,542.1
March	313,926.7	434,433.5	1,283.9	380,204.8	120,506.8	483,752.5	30,014.2	26,321.9
April	368,133.1	505,609.4	1,236.4	452,507.3	137,476.3	499,817.5	29,931.5	26,245.0
May	365,438.4	517,514.9	1,162.7	464,520.3	152,076.5	487,998.7	29,988.7	26,345.6
June	370,716.9	527,749.1	1,265.4	473,430.2	157,032.2	485,892.6	29,914.4	26,307.9
July	365,198.1	534,976.5	1,284.5	480,468.0	169,778.4	482,263.8	29,942.7	26,339.7
August	357,068.0	533,405.1	1,229.4	478,533.1	176,337.1	484,990.8	30,069.1	26,477.0
September	365,982.9	535,076.6	1,264.7	478,163.6	169,093.7	500,743.2	30,002.1	26,446.9
October	363,639.5	535,210.5	1,246.6	477,546.8	171,571.0	517,905.5	29,200.7	25,654.2
November	366,595.8	533,909.5	1,195.9	476,896.7	167,313.7	499,162.8	29,141.8	25,627.0
December	411,607.2	533,705.8	1,286.6	475,201.1	122,098.6	513,630.6	28,955.7	25,549.0

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		
December 2019	2,540.5	783.8	100.3	25.6	0.0	78,530.0	330,678.6	61,957.6	-38,341.1
January 2020	2,540.4	1,003.0	159.5	28.5	0.0	78,712.9	343,847.1	61,475.5	-38,890.6
February	2,529.8	1,013.9	153.9	27.8	0.0	77,658.4	352,019.7	61,477.9	-38,907.4
March	2,501.4	1,018.2	145.7	26.9	0.0	79,083.8	374,654.6	61,706.4	-35,716.7
April	2,499.1	1,020.4	139.9	27.1	0.0	78,288.1	391,597.8	62,400.6	-38,761.1
May	2,471.1	1,006.2	139.5	26.3	0.0	78,700.8	379,309.2	62,650.0	-18,068.5
June	2,444.6	1,001.1	134.3	26.5	0.0	81,248.5	374,729.7	63,024.6	3,129.1
July	2,450.9	994.1	131.7	26.3	0.0	87,970.9	364,350.2	63,096.7	17,390.2
August	2,451.7	987.4	126.5	26.5	0.0	90,569.9	364,351.9	63,326.4	27,328.6
September	2,427.6	973.1	126.2	28.3	0.0	93,431.7	377,309.4	63,475.8	29,205.1
October	2,420.3	977.3	119.5	29.3	0.0	99,853.0	388,851.8	63,767.0	35,512.1
November	2,409.0	957.6	119.1	29.2	0.0	102,948.3	367,072.7	64,934.5	44,213.4
December	2,312.3	948.4	117.9	28.0	0.0	106,210.9	378,464.0	65,524.1	45,177.6

**Table XI.** Reserve money and counterparts (PLN million)

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 2019	238,479.5	64,622.6	789.4	303,891.5	435,047.3	-34,503.9	-96,651.9
January 2020	235,449.0	51,470.3	582.5	287,501.8	448,025.9	-37,176.4	-123,347.8
February	238,299.8	31,115.2	565.9	269,981.0	464,373.0	-40,602.4	-153,789.7
March	269,093.4	64,543.9	527.3	334,164.7	490,535.7	-24,637.0	-131,734.0
April	289,300.1	40,843.6	162.6	330,306.2	485,545.2	26,652.5	-181,891.5
May	293,016.7	25,621.8	87.4	318,725.9	475,196.3	23,895.1	-180,365.5
June	296,568.8	40,518.9	90.5	337,178.1	478,493.5	20,699.1	-162,014.6
July	299,289.3	32,429.6	85.5	331,804.5	480,733.1	8,130.7	-157,059.3
August	301,040.3	34,486.2	84.3	335,610.7	483,956.9	3,055.9	-151,402.1
September	304,418.9	23,765.8	87.2	328,271.9	496,482.8	7,518.5	-175,729.4
October	311,748.9	33,354.9	106.4	345,210.2	519,971.6	-1,274.4	-173,487.1
November	318,419.4	33,107.6	116.9	351,643.9	492,025.1	8,040.4	-148,421.6
December	321,496.2	62,288.5	340.9	384,125.6	525,201.8	1,541.9	-142,618.1

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# 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 Narodowy Bank Polski (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. Pursuant to the provisions of the MPC Resolution, setting of the national bank rediscount rate has been resumed, beginning from March 2020 (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.
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. Information on the NBP's outright buy (pt. 6) of securities on the secondary market refer to structural open market operations influencing the long-term liquidity of the banking sector, which has been affected by the aftermath of the COVID-19 pandemics.
  7. 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 an 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 an 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 bn.
    - **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 an 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 mn.
  8. The indices comprise companies from all the quotation markets.
  9. Capitalization refers only to domestic companies.
  10. 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.
  11. The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.

12. 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. 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:

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- 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 (Social Insurance Institution) and Kasa Rolniczego Ubezpieczenia Społecznego (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 (20):

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. Wielkopolski Bank Spółdzielczy
20. Bank Spółdzielczy w Brodnicy.

At the end-December 2020, the above banks held 83% of deposits of residents and 76% 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/oprocmir\\_new/manual\\_mir.pdf](http://www.nbp.pl/en/statystyka/oprocmir_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.
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).



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**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/units<sup>1</sup> 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/units issued<sup>2</sup> 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.

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<sup>1</sup> During the period covered by the report there were no investment funds in Poland meeting the criteria of money market funds, hence the zero-sum in the “Money market shares/units”.

<sup>2</sup> See footnote 1. Zero-sum in “Money market fund shares/units” results from change indicated in the footnote 1.

12. External liabilities (liabilities col. 11) include all liabilities of non-residents denominated in zloty and foreign currencies, except for debt securities issued.
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 – 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.

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## 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
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
ZBP	Polish Bank Association (Związek Banków Polskich)

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