NBP Narodowy Bank Polski

# FINANCIAL STATEMENTS OF NARODOWY BANK POLSKI

## as at 31 December 2013

### BALANCE SHEET
### PROFIT AND LOSS ACCOUNT
### NOTES – GENERAL INFORMATION

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# Balance sheet of NBP as at 31 December 2013

| Assets | Note | 31.12.2012 | 31.12.2013 |
|---|---|---|---|
| | | PLN thousand | |
| 1. Gold and gold receivables | 1 | 17,066,498.7 | 11,974,687.8 |
| 2. Claims on non-residents denominated in foreign currency | | 320,541,064.4 | 307,978,156.0 |
| *2.1. Receivables from the IMF* | 2 | *9,584,003.4* | *8,757,032.0* |
| *2.2. Balances with foreign institutions, securities, loans granted and other foreign assets* | 3 | *310,957,061.0* | *299,221,124.0* |
| 3. Claims on residents denominated in foreign currency | | 0.0 | 0.0 |
| 4. Claims on non-residents denominated in domestic currency | | 0.0 | 0.0 |
| 5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency | | 0.0 | 0.0 |
| *5.1. Main refinancing operations* | | *0.0* | *0.0* |
| *5.2. Long-term refinancing operations* | | *0.0* | *0.0* |
| *5.3. Fine-tuning operations* | | *0.0* | *0.0* |
| *5.4. Structural operations* | | *0.0* | *0.0* |
| *5.5. Marginal lending facilities* | | *0.0* | *0.0* |
| 6. Other claims on other domestic monetary financial institutions denominated in domestic currency | 4 | 0.7 | 1.6 |
| 7. Securities of residents denominated in domestic currency | | 0.0 | 0.0 |
| 8. Claims on general government denominated in domestic currency | | 0.0 | 0.0 |
| 9. Items in course of settlement | | 0.0 | 0.0 |
| 10. Other assets | | 1,311,880.9 | 1,302,579.2 |
| *10.1. Tangible and intangible fixed assets* | 5 | *896,858.6* | *915,051.9* |
| *10.2. Other financial assets* | 6 | *182,496.9* | *182,202.7* |
| *10.3. Off-balance-sheet instruments revaluation differences* | 7 | *5,971.9* | *460.4* |
| *10.4. Accruals and prepaid expenses* | 8 | *49,400.0* | *31,990.2* |
| *10.5. Sundry* | 9 | *177,153.5* | *172,874.0* |
| **Total assets** | | **338,919,444.7** | **321,255,424.6** |

| Liabilities | Note | 31.12.2012 | 31.12.2013 |
|---|---|---|---|
| | | PLN thousand | |
| 1. Banknotes and coins in circulation | 10 | 113,666,844.1 | 126,142,763.3 |
| 2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency | 11 | 153,632,729.7 | 155,466,510.1 |
| *2.1. Current accounts (including the required minimum reserve accounts)* | | *48,815,544.9* | *38,125,710.1* |
| *2.2. Deposit facilities* | | *4,975,374.8* | *0.0* |
| *2.3. Fixed-interest deposits* | | *0.0* | *0.0* |
| *2.4. Other monetary policy operations* | | *99,841,810.0* | *117,340,800.0* |
| 3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency | 12 | 229,233.6 | 157,721.9 |
| 4. Liabilities to other residents denominated in domestic currency | 13 | 4,797,701.0 | 3,553,663.8 |
| *4.1. Liabilities to general government* | | *4,742,282.3* | *3,484,639.9* |
| *4.2. Other liabilities* | | *55,418.7* | *69,023.9* |
| 5. Liabilities to non-residents denominated in domestic currency | 14 | 149,356.3 | 517,006.3 |
| 6. Liabilities to residents denominated in foreign currency | 15 | 15,819,629.3 | 5,928,209.0 |
| 7. Liabilities to non-residents denominated in foreign currency | 16 | 10,864,085.8 | 16,341,845.1 |
| 8. Liabilities to the IMF | 17 | 6,218,885.5 | 6,046,345.7 |
| 9. Items in course of settlement | | 0.0 | 0.0 |
| 10. Other liabilities | | 262,126.6 | 256,533.4 |
| *10.1. Off-balance-sheet instruments revaluation differences* | 18 | *2,815.7* | *4,208.5* |
| *10.2. Accruals and deferred income* | 19 | *202,447.2* | *199,558.3* |
| *10.3. Sundry* | 20 | *56,863.7* | *52,766.6* |
| 11. Provisions for future liabilities | 21 | 113,734.8 | 123,579.7 |
| 12. Revaluation accounts | 22 | 25,157,432.7 | 10,739,224.9 |
| 13. Capital and reserves | 23 | 13,924,502.4 | 7,439,933.1 |
| *13.1. Statutory fund* | | *1,500,000.0* | *1,500,000.0* |
| *13.2. Reserve fund* | | *966,590.7* | *1,243,645.5* |
| *13.3. Reserves* | | *11,457,911.7* | *4,696,287.6* |
| 14. Financial result | 24 | -5,916,817.1 | -11,457,911.7 |
| *14.1. Financial result for the current year* | | *5,541,094.6* | *0.0* |
| *14.2. Loss of previous years* | | *-11,457,911.7* | *-11,457,911.7* |
| **Total liabilities** | | **338,919,444.7** | **321,255,424.6** |

Director of the Accounting and Finance Department
of Narodowy Bank Polski:
/-/ Grażyna Gielecińska

Management Board
of Narodowy Bank Polski:
/-/ Marek Belka
/-/ Piotr Wiesiołek
/-/ Witold Koziński
/-/ Jacek Bartkiewicz
/-/ Eugeniusz Gatnar
/-/ Andrzej Raczko
/-/ Paweł Samecki
/-/ Katarzyna Zajdel - Kurowska
/-/ Małgorzata Zaleska

Warsaw, 28 March 2014

# Profit and loss account of NBP for the year ended 31 December 2013

| | Note | 2012 | 2013 |
|---|---|---|---|
| | | PLN thousand | |
| 1. Net result on interest, discount and premium | | -3,164,885.1 | -1,926,742.9 |
| *1.1. Interest, discount and premium income* | 29 | *6,314,610.7* | *6,112,240.2* |
| *1.2. Interest, discount and premium expenses* | 30 | *9,479,495.8* | *8,038,983.1* |
| 2. Net result on financial operations | | 9,724,521.0 | 2,851,648.4 |
| *2.1. Income on financial operations* | 31 | *10,676,334.2* | *6,889,069.6* |
| *2.2. Expenses on financial operations* | 32 | *493,100.8* | *2,525,194.1* |
| *2.3. Unrealised losses* | 33 | *834,826.7* | *8,273,851.2* |
| *2.4. Income on transfers from risk provisions and on reversal of write-downs of financial assets* | 34 | *376,114.3* | *6,761,624.1* |
| *2.5. Expenses on transfers to risk provisions and on write-downs of financial assets* | | *0.0* | *0.0* |
| 3. Net result on fees and commissions | | -109,484.2 | -3,840.9 |
| *3.1. Fees and commissions income* | 35 | *34,626.1* | *33,736.1* |
| *3.2. Fees and commissions expenses* | 36 | *144,110.3* | *37,577.0* |
| 4. Income on shares and equities | 37 | 21,226.6 | 17,742.9 |
| 5. Other income | 38 | 148,958.2 | 176,782.0 |
| **A. Total net income [1+2+3+4+5]** | | **6,620,336.5** | **1,115,589.5** |
| 6. Salaries and social contributions | 39 | 457,198.0 | 477,628.0 |
| 7. Administrative expenses | 40 | 269,259.1 | 260,282.6 |
| 8. Depreciation and amortization expenses | 41 | 68,848.3 | 79,520.8 |
| 9. Expenses on issue of banknotes and coins | 42 | 267,436.2 | 268,792.1 |
| 10. Other expenses | 43 | 16,500.3 | 29,366.0 |
| **B. Financial result for the current year [A-6-7-8-9-10]** | 44 | **5,541,094.6** | **0.0** |

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/-/ Andrzej Raczko
/-/ Paweł Samecki
/-/ Katarzyna Zajdel - Kurowska
/-/ Małgorzata Zaleska

Warsaw, 28 March 2014

# Notes – general information

## 1. Introduction

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

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

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

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

- the Act of 29 August 1997 on Narodowy Bank Polski (consolidated text: Journal of Laws of 2013, item 908, as amended), hereinafter referred to as the "Act on the NBP",
- the Act of 29 August 1997 – Banking Law (consolidated text: Journal of Laws of 2012, item 1376, as amended),
- the Treaty on European Union (Journal of Laws of 2004, No. 90, item 864/30, as amended) and the Treaty on the functioning of the European Union (Journal of Laws of 2004, No. 90, item 864/2, as amended).

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

- organising monetary clearing,
- 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 domestic 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 the NBP, the bodies of NBP are:

1. President of Narodowy Bank Polski (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 Narodowy Bank Polski (its members are appointed for a six-year term of office).

The composition of NBP bodies as at 31 December 2013 was as follows:

| | |
|---|---|
| **President of NBP** | Marek Belka |
| | – appointed on 10 June 2010 |
| | – the term began on 11 June 2010 |
| **Monetary Policy Council** | |
| **Chairperson** | Marek Belka – from 11 June 2010 |
| **Members** | Andrzej Bratkowski – from 10 January 2010 |
| | Elżbieta Chojna-Duch – from 10 January 2010 |
| | Adam Glapiński – from 19 February 2010 |
| | Jerzy Hausner – from 24 January 2010 |
| | Andrzej Kaźmierczak – from 19 February 2010 |
| | Jerzy Osiatyński – from 20 December 2013 |
| | Andrzej Rzońca – from 24 January 2010 |
| | Jan Winiecki – from 24 January 2010 |
| | Anna Zielińska-Głębocka – from 9 February 2010 |

Due to the resignation of Zyta Gilowska from the post of a member of the Monetary Policy Council on 3 October 2013, President of the Republic of Poland Bronisław Komorowski recalled her from the post of MPC member in accordance with Article 13 para. 5 item 1 of the Act on the NBP.

**Management Board of NBP**

| | |
|---|---|
| **Chairperson** | Marek Belka – from 11 June 2010 |
| **First Deputy President of NBP** | Piotr Wiesiołek – from 6 March 2008 |
| **Deputy President of NBP** | Witold Koziński – from 24 October 2008 |
| **Members** | Jacek Bartkiewicz – from 2 April 2013 |
| | Eugeniusz Gatnar – from 25 March 2010 |
| | Andrzej Raczko – from 7 September 2010 |
| | Katarzyna Zajdel – Kurowska – from 2 April 2013 |
| | Małgorzata Zaleska – from 3 August 2009 |

The term of office of the following members of the Management Board of NBP ended in 2013:
- Zdzisław Sokal – on 13 March,
- Jakub Skiba – on 2 November.

President of the Republic of Poland Bronisław Komorowski appointed the following persons after 31 December 2013:
- Paweł Samecki – as a member of the Management Board of NBP – on 17 February 2014,
- Piotr Wiesiołek – as a member of the Management Board of NBP and First Deputy President of NBP – on 7 March 2014.

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

The financial statements of NBP as at 31 December 2013 were prepared on the basis of the following provisions:
- the Act on the 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 2003 No. 22, item 38, as amended),
- Resolution No. 12/2010 of the Monetary Policy Council of 14 December 2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal of 2010 No. 17, item 19), hereinafter referred to as "Resolution No. 12/2010",
- Resolution No. 63/2008 of the Management Board of Narodowy Bank Polski of 11 December 2008 on performing tasks in the area of accounting at Narodowy Bank Polski, as amended,
- Resolution No. 29/2007 of the Management Board of Narodowy Bank Polski of 25 October 2007 on the management of fixed assets in Narodowy Bank Polski, as amended.

### 1.3. Period covered by the financial statements

The financial statements cover the calendar year from 1 January to 31 December 2013.

### 1.4. Certified auditor and its selection

The annual financial statements of Narodowy Bank Polski drawn up as at 31 December 2013 are subject to examination and evaluation by certified auditor PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw. The certified auditor was appointed by the Monetary Policy Council, hereinafter referred to as the "MPC", in 2013 in accordance with Article 69 para. 1 of the Act on the NBP. The selection was made following an open tendering, pursuant to the Act of 29 January 2004 – Public Procurement Law (consolidated text: Journal of Laws of 2010 No. 113, item 759, as amended), for a period of two years (audit of the financial statements for the years 2013-2014).

### 1.5. Information on the adoption and approval of NBP financial statements for 2012

The annual financial statements of NBP drawn up as at 31 December 2012 were adopted by the MPC by Resolution No. 4/2013 on 9 April 2013 and approved by the Council of Ministers by Resolution No. 106/2013 on 21 June 2013. The certified auditor in charge of auditing the financial statements – PricewaterhouseCoopers Sp. z o.o. – issued an unqualified opinion on the audited financial statements.

In the financial statements drawn up as at 31 December 2012, NBP recorded a financial result in the amount of PLN 5,541,094.6 thousand. Consequently, in 2013 NBP paid a contribution from profit to the State budget in the amount of PLN 5,264,039.9 thousand. In accordance with Article 62 of the Act on the NBP, 5% of the annual profit, i.e. the amount of PLN 277,054.7 thousand, was allocated to the reserve fund.

## 2. Description of significant accounting principles

### 2.1. Basic accounting principles

The accounting principles of NBP conform to the standards applied in the European System of Central Banks, the basis of which is the Guideline of the European Central Bank of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2010/20, as amended), hereinafter referred to as "the ECB Guideline".

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

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

## 2.2. Going concern

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

## 2.3. Recognition of transactions in the accounting books

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

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

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

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

- foreign currencies and gold purchased or sold in a spot transaction or a forward transaction are recognised in the accounting books (on off-balance-sheet accounts) on the trade date,
- interest, discount and premium on assets and liabilities as well as on off-balance-sheet instruments are taken to the profit and loss account at the end of each operating day. [1]

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

[1] Except for:

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

## 2.4. Valuation as at the balance sheet date

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

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

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

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

### 2.5.1. Gold

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

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

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

### 2.5.2. Foreign currency

Foreign currency purchased or sold by NBP for:

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

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

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

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

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

### 2.5.3. Securities purchased by NBP

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

Discount and premium on securities purchased are recognised in the financial result 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 at the end of each operating day in amounts calculated pro-rata to the time elapsed between the purchase date and the end of each day.

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

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

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

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

### 2.5.4. Shares and equities

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

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

### 2.5.5. Repo / reverse repo transactions

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

A reverse repo transaction is a contract under which an entity agrees to purchase securities and, simultaneously, agrees to re-sell these securities after a stated time, for an agreed price. This transaction is recognised in NBP balance sheet assets as a loan granted, collateralised with

securities whose holding is not increased on the trade date. Securities purchased in reverse repo transactions are not subject to valuation and no income or expense on these securities is recognised in the financial result.

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

### 2.5.6. Banknotes and coins in circulation

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

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

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

### 2.5.7. Securities issued by NBP

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

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

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

### 2.5.8. Tangible and intangible fixed assets

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

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

Tangible and intangible fixed assets are depreciated/amortized 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 depreciation/amortization period for particular groups of tangible and intangible fixed assets prevailing as at 31 December 2013.

| Fixed assets | Depreciation period (months) |
|---|---|
| Land | Unlimited |
| *including: right of perpetual usufruct of land* | *800* |
| Buildings and premises | 480-780 |
| Land and water engineering objects | 267-480 |
| Boilers and energy machinery | 86-300 |
| General application machines, devices and appliances | 48-144 |
| Specialist machines, devices and appliances | 86-192 |
| Technical devices | 36-240 |
| Vehicles | 78-180 |
| Tools, technical instruments, movables and equipment | 60-240 |
| *including: objects of art, museum exhibits, collector objects* | *Unlimited* |
| **Intangible assets** | **Amortization period (months)** |
| Copyrights, including the rights related to inventions, patents, trademarks, and utility and ornamental patterns | 120 |
| IT software licences | 72 or 144 |
| IT software developed by NBP | 120 |

In specific cases, individual depreciation/amortization periods are adopted for tangible and intangible fixed assets.

In the case of tangible and intangible fixed assets with a low initial value, i.e. below PLN 3,500, depreciation/amortization may be made on a one-off basis at the end of the month when the assets were made available for use.

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

### 2.5.9. Inventories

Inventories are recognised in NBP balance sheet assets at:

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

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

### 2.5.10. Impairment of assets

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

### 2.5.11. Provisions for future liabilities

Provisions for future liabilities are recognised in the accounting books of NBP when NBP is under 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 partial or full cessation of obligation or risk justifying their creation are released as income.

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

The provision against the foreign exchange rate risk of the zloty is estimated on the basis of financial risk assessment methods which are generally accepted and consistently applied by NBP (see Chapter 4).

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

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

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

The surplus of provision is released and recognised as income.

### 2.5.13. Gold revaluation account

Gold revaluation account is released as income in the amount:

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

### 2.5.14. Foreign exchange forward

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

### 2.5.15. Foreign exchange swap

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

### 2.5.16. Forward transactions in securities

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

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

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

The result of transaction settlement is calculated:

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

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

### 2.6. Events after the balance sheet date

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

## 3. Changes in accounting principles

In 2013 NBP did not change the accounting principles.

## 4. Values based on professional judgement and estimates

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

The key area where NBP makes estimates is the calculation of the amount of the provision against the foreign exchange rate risk of the zloty.

In accordance with Resolution No. 12/2010, the estimated provision against the foreign exchange rate risk of the zloty is equal to the amount that would cover the potential change in the value of foreign currency holdings due to identified foreign exchange rate risk of the zloty, decreased by estimated unrealised gains arising from changes in the foreign exchange rate of the zloty. The estimated provision must not be lower than the amount of uncovered accumulated loss from previous years, that has arisen from changes in the foreign exchange rate of the zloty.

At NBP, the Value at Risk (VaR) methodology is used to perform the analysis of changes in the foreign exchange rate risk of the zloty. It estimates the loss expected due to fluctuations of the

foreign exchange rate of the zloty, which in normal conditions and with an assumed probability should not be exceeded within the adopted time horizon. The Value at Risk is then decreased by the estimated unrealised gains on changes in the foreign exchange rate of the zloty. The unrealised gains are estimated based on their statistical distribution, which is determined by taking into account the foreign currency holdings in the structure of foreign exchange reserves as at the balance sheet date and historical time series of the average cost of currency holdings and of the average NBP exchange rates for these currencies. Such an approach makes it possible to determine a stable level of unrealised gains and thus limits volatility of the provision.

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

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

# 5. General overview of changes in and structure of NBP balance sheet and financial result

## NBP balance sheet

The balance sheet total of NBP as at 31 December 2013 amounted to PLN 321,255,424.6 thousand, which represents a decrease by PLN 17,664,020.1 thousand (5.2%) as compared with 31 December 2012.

On the assets side, the decrease was mainly related to the official reserve assets which amounted to PLN 319,933,015.9 thousand as at 31 December 2013 and decreased by PLN 17,658,703.8 thousand as compared with 31 December 2012.[2] The official reserve assets comprise: monetary gold, reserve tranche in the IMF, loans extended to the IMF[3], current accounts and term deposits abroad in foreign currency, foreign securities, reverse repo transactions in foreign currency and foreign currency in stock. NBP actively manages most of the above mentioned instruments under the foreign exchange reserve management. The change in the balance of official reserve assets expressed in foreign currencies was, in particular, due to:

- transactions executed for NBP clients, including those related to:
  - flows of funds from/to the European Union,
  - servicing State Treasury foreign debt,

[2] Expressed in EUR, the official reserve assets amounted to EUR 77,144,342.2 thousand as at 31 December 2013, compared with EUR 82,577,104.8 thousand as at 31 December 2012.

[3] For statistical purposes, these loans are treated as part of the reserve tranche in the IMF.

  - transfer by the Ministry of Finance of funds in foreign currency to the account in Bank Gospodarstwa Krajowego in connection with a change in methods of managing funds in foreign currency by the Ministry of Finance;
- inflows of foreign currency from NBP investment activities;
- change in the value of foreign securities due to price revaluation.

The change in the PLN equivalent of the official reserve assets was also affected by currency revaluation (including gold) carried out as at 31 December 2013.

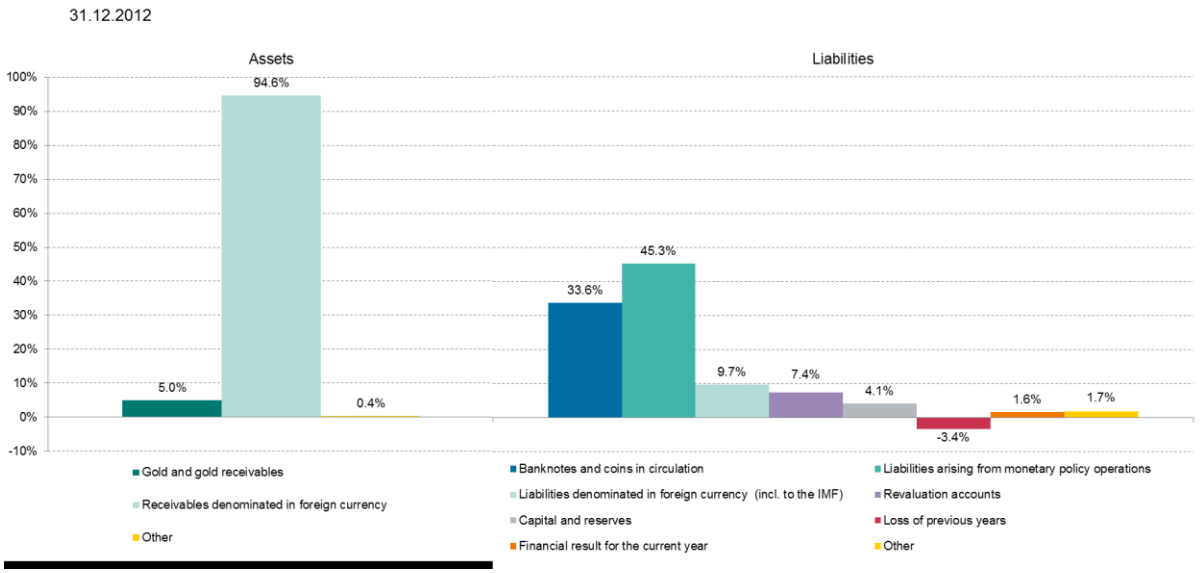
On the liabilities side, currency revaluation (including gold) resulted in lower currency revaluation gains which amounted to PLN 8,776,418.2 thousand as at 31 December 2013 and decreased by PLN 12,922,548.8 thousand as compared with 31 December 2012.

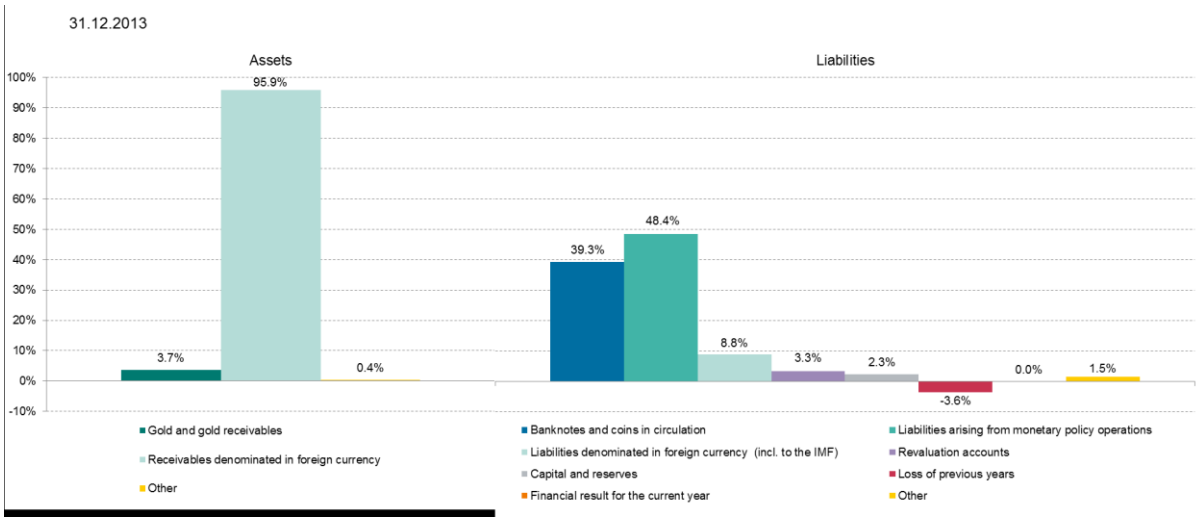
The decrease of the balance sheet total on the liabilities side was also affected by:
- liabilities to residents denominated in foreign currency which were lower by PLN 9,891,420.3 thousand and amounted to PLN 5,928,209.0 thousand as at 31 December 2013,
- reduction by PLN 6,761,624.1 thousand of the provision for foreign exchange risk of the zloty, which amounted to PLN 4,696,287.6 thousand as at 31 December 2013; the provision was partly used to cover unrealised foreign exchange revaluation losses that could result in a NBP loss for 2013,
- zero financial result for the current year as compared with a positive financial result for 2012 in the amount of PLN 5,541,094.6 thousand

The decrease in the balance sheet total on the liabilities side was partly offset by:
- liabilities related to banknotes and coins in circulation which were higher by PLN 12,475,919.2 thousand and amounted to PLN 126,142,763.3 thousand as at 31 December 2013,
- liabilities to non-residents denominated in foreign currency which were higher by PLN 5,477,759.3 thousand and amounted to PLN 16,341,845.1 thousand as at 31 December 2013,
- liabilities related to monetary policy operations which were higher by PLN 1,833,780.4 thousand and amounted to PLN 155,466,510.1 thousand as at 31 December 2013.

The dominant items on the assets side of the NBP balance sheet are those in foreign currencies and gold. As at 31 December 2013, their combined share in the balance sheet total amounted to 99.6% and did not change when compared with 31 December 2012. On the liabilities side, the share of liabilities in foreign currencies in the balance sheet total amounted to 8.8% as at 31 December 2013, as compared with 9.7% as at 31 December 2012. The main elements of the liabilities are liabilities related to monetary policy operations and banknotes and coins in circulation whose combined share in the balance sheet total amounted to 87.7% as at 31 December 2013, as compared with 78.9% as at 31 December 2012 (see Figure 1).

**Figure 1.** NBP balance sheet structure as at 31 December 2012 and 31 December 2013



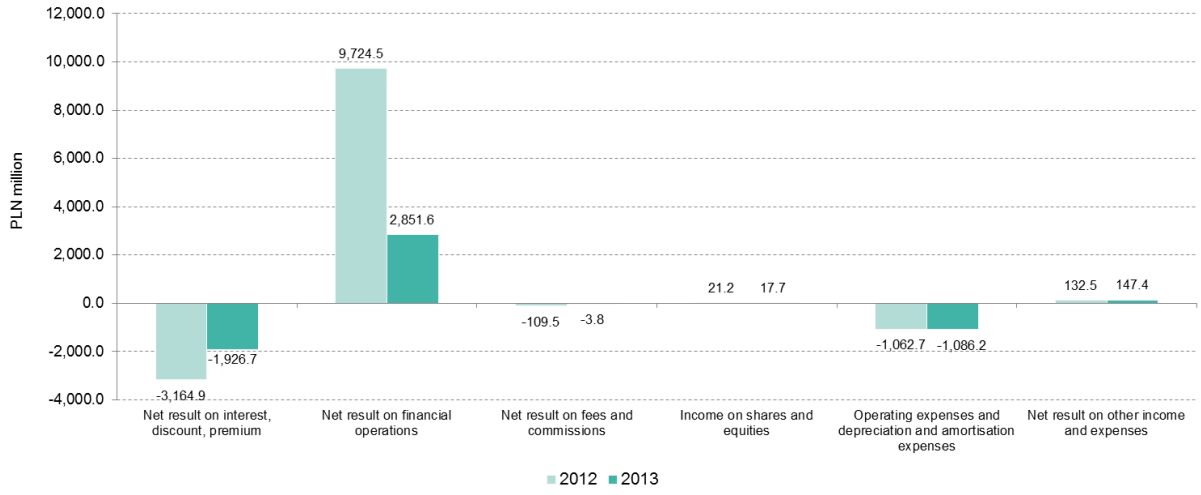
## NBP financial result

NBP financial result for 2013 amounted to zero and was lower by PLN 5,541,094.6 (100.0%) thousand compared with 2012.

The decrease in the financial result was mainly due to a lower net result on financial operations and a simultaneous reduction of the negative result on interest, discount and premium.

The structure of NBP financial result for 2012 and 2013 is presented in Figure 2.

**Figure 2.** Structure of financial result, 2012-2013

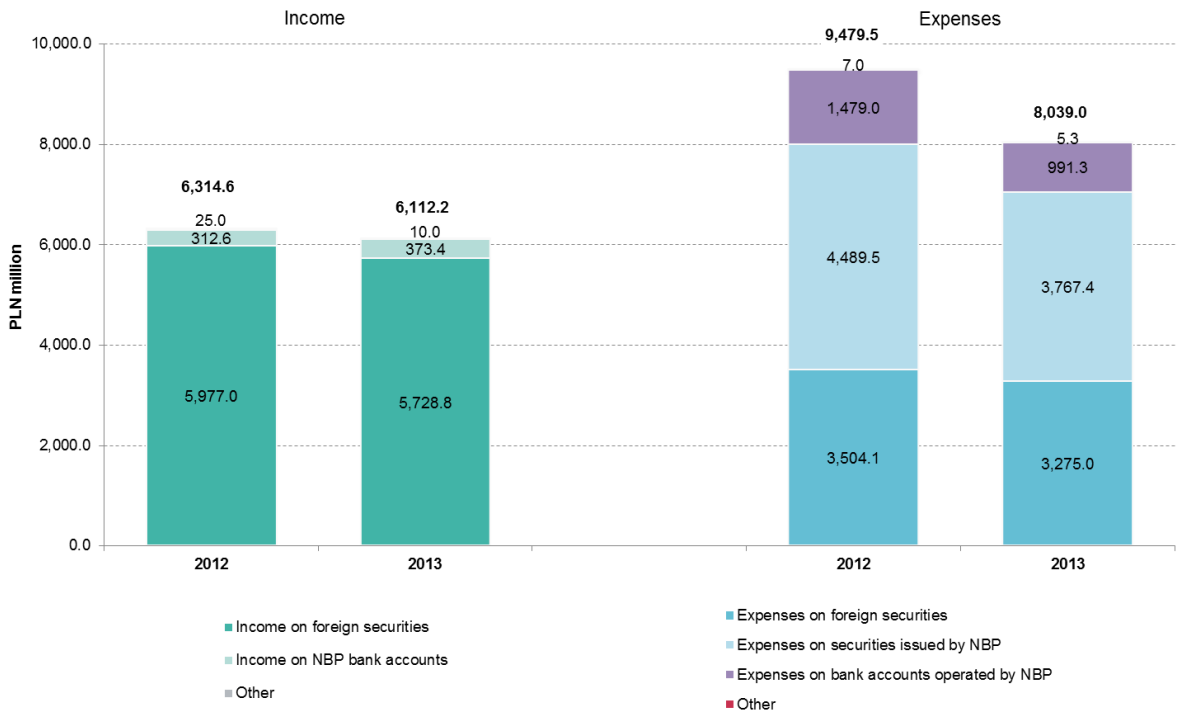



Net result on interest, discount and premium comprises mainly:

- interest, discount and premium income and expenses on investment instruments used for foreign exchange reserves management. These income and expenses are affected by: the level of foreign exchange reserves, their investment and currency structure, changes in interest on and prices of investment instruments and changes in foreign exchange rates,
- interest and discount income and expenses on instruments used by NBP under monetary policy operations (mainly expenses related to the issue of monetary bills),
- interest expenses on bank accounts operated by NBP for the government sector.

As in the previous year, net result on interest, discount and premium was negative and was higher by PLN 1,238,142.2 thousand as compared with 2012. The increase in the result was mainly driven by a decrease in discount expenses on monetary bills of NBP by PLN 722,095.7 thousand and a decrease in interest expenses on bank accounts operated by NBP by PLN 487,741.7 thousand (see Figure 3).

**Figure 3.** Structure of interest, discount and premium income and expenses, 2012-2013*

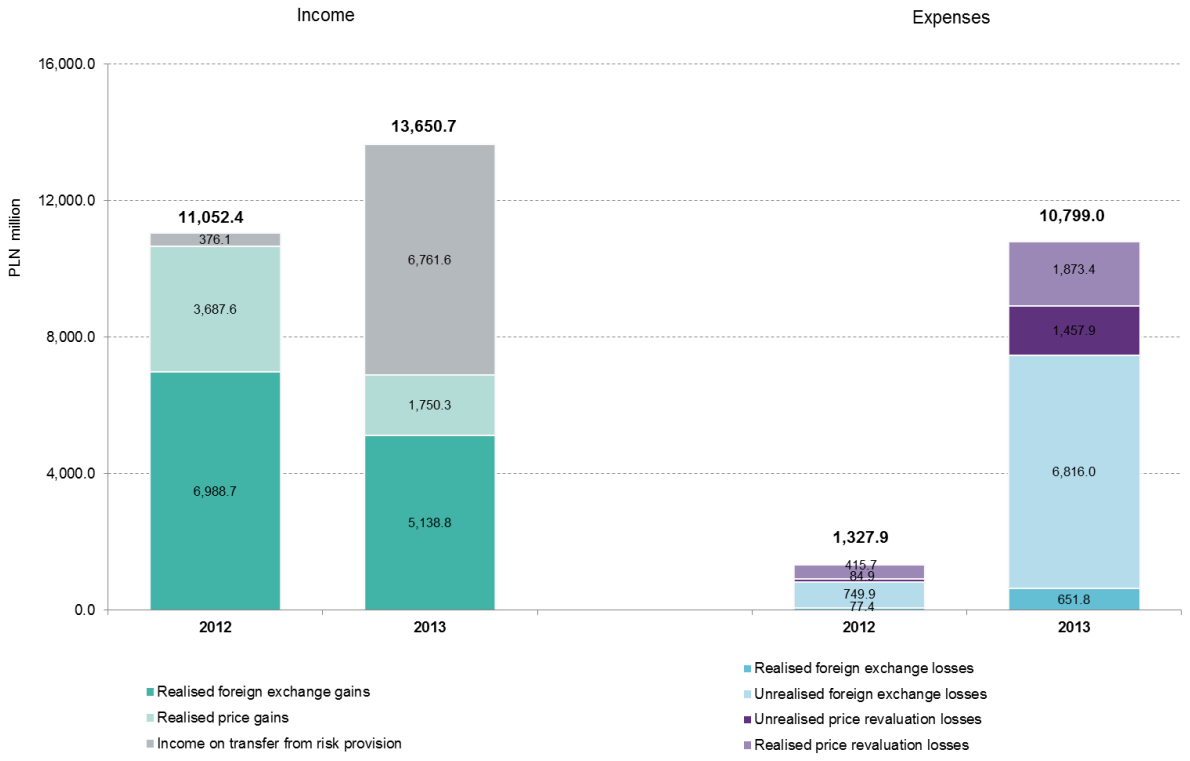



* Due to rounding, individual values may not add up to totals.

Net result on financial operations comprises mainly: realised foreign exchange and price gains and losses, foreign exchange and price revaluation losses, and the effects of changes in the amount of provision against the foreign exchange rate risk of the zloty.

The decrease in the net result on financial operations by PLN 6,872,872.6 thousand was mainly driven by foreign exchange and price revaluation losses which were higher by PLN 7,439,024.5 thousand and a higher, by PLN 6,385,509.8 thousand, income on the release of the provision against the foreign exchange rate risk. The decrease in the result on financial operations also resulted from realised foreign exchange and price gains and losses: lower gains by PLN 3,787,254.6 thousand with a simultaneous increase in losses by PLN 2,032,092.5 (see Figure 4).

**Figure 4.** Structure of income and expenses included in net result on financial operations, 2012-2013*

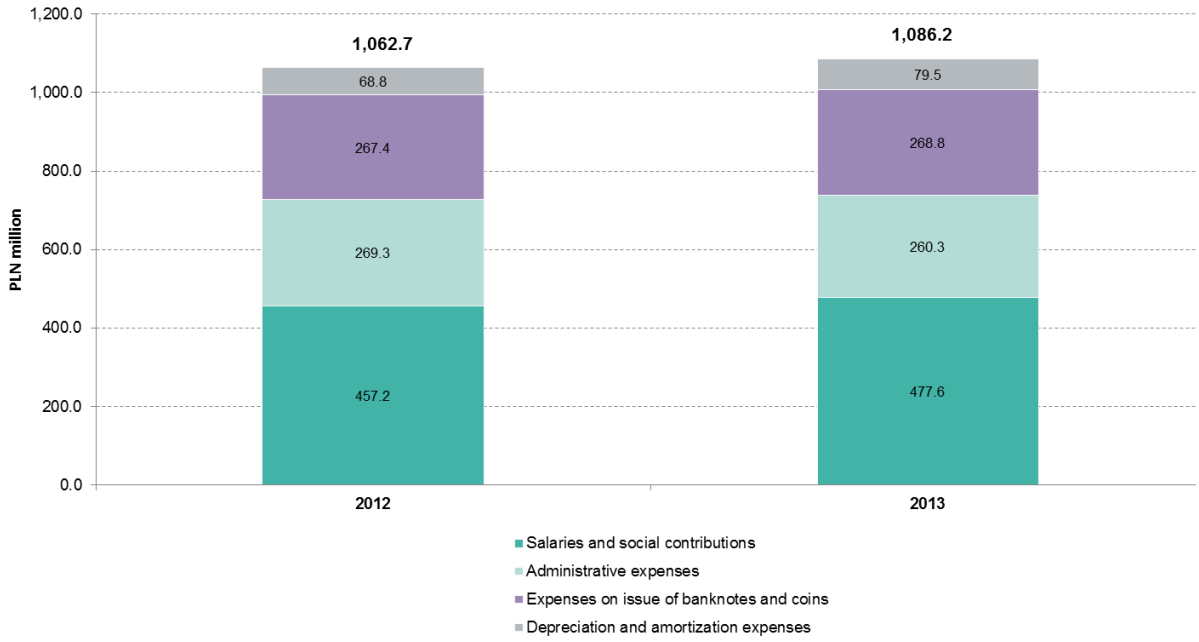



* Due to rounding, individual values may not add up to totals.

NBP operating expenses include: salaries, administrative expenses and expenses on issue of banknotes and coins.

In 2013 operating expenses and depreciation and amortization expenses increased by a total of PLN 23,481.9 thousand as compared with 2012. The increase in operating expenses resulted mainly from higher salaries and social contributions, with simultaneously lower administrative expenses (see Figure 5).

**Figure 5.** Structure of operating expenses and depreciation and amortization expenses, 2012-2013*




* Due to rounding, individual values may not add up to totals.

# 6. Explanatory notes to balance sheet

## Note 1 Gold and gold receivables

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| **Gold and gold receivables** | **17,066,498.7** | **11,974,687.8** | **-5,091,810.9** | **-29.8%** |
| *of which currency revaluation differences* | *12,730,499.2* | *7,638,688.3* | *-5,091,810.9* | *-40.0%* |

The item comprises gold stored at NBP and deposited in a foreign bank account. As at 31 December 2013, NBP held 3,308.9 thousand ounces of gold (102.9 tonnes). The gold holding of NBP remained unchanged as compared with the holding as at 31 December 2012.

The decrease in the item resulted from the currency revaluation of gold (see Note 22).

## Note 2 Receivables from the IMF

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| SDR under the reserve tranche | 2,759,364.9 | 2,300,493.0 | -458,871.9 | -16.6% |
| Current accounts with the IMF | 5,368,053.3 | 4,927,287.5 | -440,765.8 | -8.2% |
| Term deposits with the IMF | 33,715.1 | 32,777.8 | -937.3 | -2.8% |
| Loans extended to the IMF | 1,422,870.1 | 1,496,473.7 | 73,603.6 | 5.2% |
| **Total** | **9,584,003.4** | **8,757,032.0** | **-826,971.4** | **-8.6%** |
| *of which currency revaluation differences* | *-13,624.5* | *-257,821.8* | *-244,197.3* | *1,792.3%* |

The item comprises SDR-denominated:

- reserve tranche corresponding to the Republic of Poland's member quota in the IMF amounting to SDR 1,688,400.0 thousand reduced by liabilities due to the account in domestic currency operated by NBP for the IMF (so-called No. 1 Account) whose balance as at 31 December 2013 was PLN 5,585,609.7 thousand,
- current account of NBP with the IMF on which, among others, funds received by NBP under SDR allocation are recorded (see Note 17),
- term deposit of NBP with the IMF,
- loans in foreign currency extended to the IMF under the New Arrangements to Borrow (NAB) (see Note 27).

The decrease in the item was mainly due to a reduction of the reserve tranche and of the balance of funds denominated in SDR on the current account with the IMF as well as due to the currency revaluation of SDR. At the same time, there was an increase in receivables on the loans extended

to the IMF as in 2013 NBP made subsequent payments under NAB along with receiving a partial repayment of loans extended in previous years.

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

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Current accounts in foreign currency | 3,867,549.1 | 2,582,073.1 | -1,285,476.0 | -33.2% |
| Term deposits in foreign currency | 16,971,321.4 | 20,404,028.6 | 3,432,707.2 | 20.2% |
| Reverse repo transactions in foreign currency | 13,075,900.2 | 16,196,929.1 | 3,121,028.9 | 23.9% |
| Securities in foreign currency (marketable securities other than held-to-maturity) | 276,880,850.6 | 259,924,722.6 | -16,956,128.0 | -6.1% |
| Foreign banknotes and coins in stock | 161,439.7 | 113,370.6 | -48,069.1 | -29.8% |
| **Total** | **310,957,061.0** | **299,221,124.0** | **-11,735,937.0** | **-3.8%** |
| *of which* | | | | |
| *- currency revaluation differences* | *8,747,413.4* | *-5,093,486.9* | *-13,840,900.3* | *-158.2%* |
| *- price revaluation differences* | *1,755,094.6* | *-1,113,427.9* | *-2,868,522.5* | *-163.4%* |

The item comprises assets denominated in foreign currency, mostly in USD, EUR, GBP, AUD, NOK, and from 2013 – in NZD. Securities, term deposit accounts, reverse repo transactions presented in this item are the main investment instruments of foreign exchange reserves.[4]

In addition, in 2013 NBP continued investing in government securities denominated in the currencies of developing countries (Brazilian real – BRL, Mexican peso – MXN).

The decrease in this item resulted mainly from foreign exchange and price revaluation (see Note 22 and Note 33).

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

The item comprises NBP's claims on domestic banks unrelated to monetary policy operations.

As at 31 December 2013, the item amounted to PLN 1.6 thousand and was by PLN 0.9 thousand (128.6%) higher as compared with 31 December 2012. Both as at 31 December 2013 and

[4] Foreign exchange reserves are the main component of official reserve assets (see Chapter 5).

31 December 2012 the item was related to the settlements with banks due to purchase transactions of domestic banknotes and coins.

## Note 5 Tangible and intangible fixed assets

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Gross tangible fixed assets | 1,899,667.7 | 1,912,999.9 | 13,332.2 | 0.7% |
| Depreciation | -1,063,513.3 | -1,056,414.7 | 7,098.6 | -0.7% |
| Impairment | -16,137.8 | -26,985.9 | -10,848.1 | 67.2% |
| *Net tangible fixed assets* | *820,016.6* | *829,599.3* | *9,582.7* | *1.2%* |
| Gross intangible fixed assets | 352,579.3 | 376,423.7 | 23,844.4 | 6.8% |
| Amortisation | -275,728.4 | -290,962.2 | -15,233.8 | 5.5% |
| Impairment | -8.9 | -8.9 | 0.0 | 0.0% |
| *Net intangible fixed assets* | *76,842.0* | *85,452.6* | *8,610.6* | *11.2%* |
| **Total** | **896,858.6** | **915,051.9** | **18,193.3** | **2.0%** |

The item comprises tangible fixed assets (including tangible fixed assets under construction) and intangible fixed assets (including intangible fixed assets under construction).

As at 31 December 2013, the balance sheet value of the item comprised mainly real estates, machines, devices and IT software.

## Note 6 Other financial assets

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Shares and equities in domestic entities | 53,848.9 | 53,848.9 | 0.0 | 0.0% |
| Shares and equities in foreign entities | 128,648.0 | 128,353.8 | -294.2 | -0.2% |
| **Total** | **182,496.9** | **182,202.7** | **-294.2** | **-0.2%** |

The item comprises shares and equities that NBP holds in domestic entities (including National Depository for Securities – KDPW S.A., National Clearing House – KIR S.A., Bazy i Systemy Bankowe Sp. z o.o.) and in foreign entities (Bank for International Settlements in Basel, S.W.I.F.T., European Central Bank).

The decrease in the item resulted mainly from the currency revaluation of shares and equities in foreign entities and a change in NBP's participating interest in the ECB's capital.

Since 1 May 2004, i.e. the day Poland joined the European Union, NBP has had participating interest in the ECB's capital. As at 31 December 2013, the amount of the capital paid up by NBP to the ECB was PLN 81,786.3 thousand (EUR 19.720,9 thousand).

In accordance with Article 28 of the Statute of the European System of Central Banks and the European Central Bank, hereinafter referred to as the "Statute of the ESCB and ECB", only the national central banks of the ESCB are entitled to subscribe the ECB's capital. The ECB's capital is subscribed according to the key determined in Article 29 of the Statute of the ESCB and ECB, i.e. shares of national central banks in the ECB's capital are expressed in percentage and correspond to the shares of individual member states in the population and the combined gross domestic product of EU states (in equal consideration). As at 31 December 2013, the share of NBP in the ECB's subscribed capital amounted to 4.8581%, which corresponded to the amount of EUR 525,889.7 thousand.

NBP, as a central bank from outside the euro area, is required to pay up the minimum percentage of the ECB's capital subscribed by it, which was specified by the ECB General Council (pursuant to Article 47 of the Statute of the ESCB and the ECB) and constitutes NBP's contribution to the operational costs of the ECB. The percentage has amounted to 3.75% since 29 December 2010. Unlike euro area central banks, NBP has no right to participate in the ECB's profits nor is required to cover its losses. Upon 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 506,168.8 thousand.

Following Croatia's entry into the European Union on 1 July 2013, there was a change in NBP's share of the ECB's subscribed capital. As a consequence NBP received a refund amounting to EUR 33.3 thousand of the ECB's paid up capital.

The weightings in the key for capital subscription and the amounts of capital subscribed and paid up by individual national central banks of the ESCB are presented below.

| EUR | Capital subscription key | | Subscribed capital | | Paid-up capital | | |
|---|---|---|---|---|---|---|---|
| | from 01.01.2012 to 30.06.2013 | from 01.07.2013 to 31.12.2013 | from 01.01.2012 to 30.06.2013 | from 01.07.2013 to 31.12.2013 | from 01.01.2012 to 26.12.2012* | from 27.12.2012* to 30.06.2013 | from 01.07.2013 to 31.12.2013 |
| Oesterreichische Nationalbank | 1.9417% | 1.9370% | 208,939,587.70 | 209,680,386.94 | 176,577,921.04 | 208,939,587.70 | 209,680,386.94 |
| Nationale Bank van België | 2.4256% | 2.4176% | 261,010,384.68 | 261,705,370.91 | 220,583,718.02 | 261,010,384.68 | 261,705,370.91 |
| Central Bank of Cyprus | 0.1369% | 0.1333% | 14,731,333.14 | 14,429,734.42 | 12,449,666.48 | 14,731,333.14 | 14,429,734.42 |
| Eesti Pank/Bank of Estonia | 0.1790% | 0.1780% | 19,261,567.80 | 19,268,512.58 | 16,278,234.47 | 19,261,567.80 | 19,268,512.58 |
| Suomen Pankki/Finlands Bank | 1.2539% | 1.2456% | 134,927,820.48 | 134,836,288.06 | 114,029,487.14 | 134,927,820.48 | 134,836,288.06 |
| Banque de France | 14.2212% | 14.1342% | 1,530,293,899.48 | 1,530,028,149.23 | 1,293,273,899.48 | 1,530,293,899.48 | 1,530,028,149.23 |
| Bank of Greece | 1.9649% | 1.9483% | 211,436,059.06 | 210,903,612.74 | 178,687,725.72 | 211,436,059.06 | 210,903,612.74 |
| Banco de España | 8.3040% | 8.2533% | 893,564,575.51 | 893,420,308.48 | 755,164,575.51 | 893,564,575.51 | 893,420,308.48 |
| De Nederlandsche Bank | 3.9882% | 3.9663% | 429,156,339.12 | 429,352,255.40 | 362,686,339.12 | 429,156,339.12 | 429,352,255.40 |
| Central Bank of Ireland | 1.1107% | 1.1111% | 119,518,566.24 | 120,276,653.55 | 101,006,899.58 | 119,518,566.24 | 120,276,653.55 |
| Banque centrale du Luxembourg | 0.1747% | 0.1739% | 18,798,859.75 | 18,824,687.29 | 15,887,193.09 | 18,798,859.75 | 18,824,687.29 |
| Central Bank of Malta | 0.0632% | 0.0635% | 6,800,732.32 | 6,873,879.49 | 5,747,398.98 | 6,800,732.32 | 6,873,879.49 |
| Deutsche Bundesbank | 18.9373% | 18.7603% | 2,037,777,027.43 | 2,030,803,801.28 | 1,722,155,360.77 | 2,037,777,027.43 | 2,030,803,801.28 |
| Banco de Portugal | 1.7504% | 1.7636% | 188,354,459.65 | 190,909,824.68 | 159,181,126.31 | 188,354,459.65 | 190,909,824.68 |
| Národna banka Slovenska | 0.6934% | 0.6881% | 74,614,363.76 | 74,486,873.65 | 63,057,697.10 | 74,614,363.76 | 74,486,873.65 |
| Banka Slovenije | 0.3288% | 0.3270% | 35,381,025.10 | 35,397,773.12 | 29,901,025.10 | 35,381,025.10 | 35,397,773.12 |
| Banca d'Italia | 12.4966% | 12.4570% | 1,344,715,688.14 | 1,348,471,130.66 | 1,136,439,021.48 | 1,344,715,688.14 | 1,348,471,130.66 |
| *National central banks in euro area total* | *69.9705%* | *69.5581%* | *7,529,282,289.35* | *7,529,669,242.48* | *6,363,107,289.36* | *7,529,282,289.35* | *7,529,669,242.48* |
| Българска народна банка | 0.8686% | 0.8644% | 93,467,026.77 | 93,571,361.11 | 3,505,013.50 | 3,505,013.50 | 3,508,926.04 |
| Croatian National Bank | - | 0.5945% | - | 64,354,667.03 | - | - | 2,413,300.01 |
| Česka národni banka | 1.4472% | 1.4539% | 155,728,161.57 | 157,384,777.79 | 5,839,806.06 | 5,839,806.06 | 5,901,929.17 |
| Danmarks Nationalbank | 1.4835% | 1.4754% | 159,634,278.39 | 159,712,154.31 | 5,986,285.44 | 5,986,285.44 | 5,989,205.79 |
| Lietuvos bankas | 0.4256% | 0.4093% | 45,797,336.63 | 44,306,753.94 | 1,717,400.12 | 1,717,400.12 | 1,661,503.27 |
| Latvijas Banka | 0.2837% | 0.2742% | 30,527,970.87 | 29,682,169.38 | 1,144,798.91 | 1,144,798.91 | 1,113,081.35 |
| **Narodowy Bank Polski** | **4.8954%** | **4.8581%** | **526,776,977.72** | **525,889,668.45** | **19,754,136.66** | **19,754,136.66** | **19,720,862.57** |
| Banca Naţională a României | 2.4645% | 2.4449% | 265,196,278.46 | 264,660,597.84 | 9,944,860.44 | 9,944,860.44 | 9,924,772.42 |
| Sveriges Riksbank | 2.2582% | 2.2612% | 242,997,052.56 | 244,775,059.86 | 9,112,389.47 | 9,112,389.47 | 9,179,064.74 |
| Magyar Nemzeti Bank | 1.3856% | 1.3740% | 149,099,599.69 | 148,735,597.14 | 5,591,234.99 | 5,591,234.99 | 5,577,584.89 |
| Bank of England | 14.5172% | 14.4320% | 1,562,145,430.59 | 1,562,265,020.29 | 58,580,453.65 | 58,580,453.65 | 58,584,938.26 |
| *National central banks outside euro area total* | *30.0295%* | *30.4419%* | *3,231,370,113.23* | *3,295,337,827.14* | *121,176,379.25* | *121,176,379.25* | *123,575,168.51* |
| **Total** | **100%** | **100%** | **10,760,652,402.58** | **10,825,007,069.61** | **6,484,283,668.61** | **7,650,458,668.60** | **7,653,244,410.99** |

* On 29 December 2010, ECB's subscribed capital was increased by EUR 5,000,000.0 thousand, from EUR 5,760,652.4 thousand to EUR 10,760,652.4 thousand. Eurosystem central banks were required to make payments to ECB's capital in three instalments. On 27 December 2012, the third instalment was paid in the amount of EUR 1,166,175.0 thousand.

# Note 7 Off-balance-sheet instruments revaluation differences

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Currency revaluation differences | 5,248.6 | 73.9 | -5,174.7 | -98.6% |
| Price revaluation differences | 723.3 | 386.5 | -336.8 | -46.6% |
| **Total** | **5,971.9** | **460.4** | **-5,511.5** | **-92.3%** |

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

## Note 8 Accruals and prepaid expenses

The item comprises accruals relating to securities issued in domestic currency and prepaid expenses relating to services.

As at 31 December 2013, the item amounted to PLN 31,990.2 thousand and was by PLN 17,409.8 thousand (35.2%) lower as compared with 31 December 2012. The decrease in the item resulted mainly from lower amount of discount to be amortized on monetary bills issued by NBP (see Note 11) and a simultaneous increase in prepaid expenses concerning NBP's own administrative activities.

## Note 9 Sundry

The item comprises mainly current assets (including precious metals), loans to employees, balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding and other receivables.

As at 31 December 2013, the item amounted to PLN 172,874.0 thousand and was by PLN 4,279.5 thousand (2.4%) lower as compared with 31 December 2012. The decrease in the item resulted mainly from lower current assets and a simultaneous increase in receivables from suppliers.

## Note 10 Banknotes and coins in circulation

| *PLN thousand* | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Domestic banknotes in circulation | 110,186,242.4 | 122,450,701.2 | 12,264,458.8 | 11.1% |
| Domestic coins in circulation | 3,480,601.7 | 3,692,062.1 | 211,460.4 | 6.1% |
| **Total** | **113,666,844.1** | **126,142,763.3** | **12,475,919.2** | **11.0%** |

The item comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2013 amounted to PLN 258,932.3 thousand as compared with PLN 252,197.8 thousand as at 31 December 2012.

The average level of banknotes and coins in circulation throughout 2013 amounted to PLN 120,083.2 million as compared with PLN 112,274.5 million in 2012.

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

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Current accounts (incl. the required minimum reserve accounts) | 48,815,544.9 | 38,125,710.1 | -10,689,834.8 | -21.9% |
| Deposit facilities | 4,975,374.8 | 0.0 | -4,975,374.8 | -100.0% |
| Other monetary policy operations | 99,841,810.0 | 117,340,800.0 | 17,498,990.0 | 17.5% |
| **Total** | **153,632,729.7** | **155,466,510.1** | **1,833,780.4** | **1.2%** |

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

- liabilities due to issue of securities – monetary bills issued by NBP under open market operations (shown in the item *Other monetary policy operations*),
- balances on current accounts of domestic banks, used to make interbank settlements in zloty and to hold funds that correspond to the required minimum reserve,
- liabilities due to deposit facilities.

The increase in the item resulted mainly from the increase in liabilities due to issue of monetary bills, with a simultaneous decrease in liabilities due to current accounts and deposit facilities.

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

The item comprises liabilities to domestic banks due to operations unrelated to monetary policy. Its main component are liabilities resulting from:

- payment orders of NBP's customers submitted for settlement in the domestic payment system ELIXIR via KIR S.A., which were unsettled as at 31 December 2013,
- funds in the trust account operated by NBP for KIR S.A., which is used to settle payments in Express ELIXIR.[5]

As at 31 December 2013 the item amounted to PLN 157,721.9 thousand and was by PLN 71,511.7 thousand (31.2%) lower as compared with 31 December 2012. The decrease in the item resulted mainly from the decrease in liabilities due to unsettled payment orders of NBP's customers in

[5] Express ELIXIR was launched on 12 June 2012.

ELIXIR, with a simultaneous increase in funds on the account used to settle payments in Express ELIXIR.

## Note 13 Liabilities to other residents denominated in domestic currency

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Liabilities to general government | 4,742,282.3 | 3,484,639.9 | -1,257,642.4 | -26.5% |
| Other liabilities | 55,418.7 | 69,023.9 | 13,605.2 | 24.5% |
| **Total** | **4,797,701.0** | **3,553,663.8** | **-1,244,037.2** | **-25.9%** |

The item comprises mainly current accounts, auxiliary accounts and term deposit accounts in domestic currency operated by NBP for the general government sector, including the State budget and social insurance funds.

The decrease in the item resulted mainly from the decrease in the balance of funds on State budget accounts.

## Note 14 Liabilities to non-residents denominated in domestic currency

The item comprises current accounts in domestic currency operated by NBP for international financial and non-financial organisations and central banks, including the account in domestic currency operated by NBP for the IMF, which is used for the Fund's administrative expenditures (so-called No. 2 Account).

As at 31 December 2013, the item amounted to PLN 517,006.3 thousand and was by PLN 367,650.0 thousand (246.2%) higher as compared with 31 December 2012. The increase in the item resulted mainly from the increase in funds held on the account of the European Commission.

## Note 15 Liabilities to residents denominated in foreign currency

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| State budget accounts | 12,455,989.2 | 4,203,008.0 | -8,252,981.2 | -66.3% |
| Accounts of domestic banks for settlements in TARGET2 system | 2,788,043.4 | 1,530,042.7 | -1,258,000.7 | -45.1% |
| Other | 575,596.7 | 195,158.3 | -380,438.4 | -66.1% |
| **Total** | **15,819,629.3** | **5,928,209.0** | **-9,891,420.3** | **-62.5%** |
| *of which currency revaluation differences* | *-22,592.5* | *-4,545.9* | *18,046.6* | *-79.9%* |

The item comprises mainly funds held on accounts in foreign currency operated by NBP for:

- the State budget – current, auxiliary and term deposit accounts,
- domestic banks – current accounts in EUR used for settlements in the TARGET2 system.

The decrease in the item resulted mainly from the decrease in funds in foreign currency held on the current accounts of the State budget in connection with a change in methods of managing funds in euro by the Ministry of Finance, as a result of which part of the funds is transferred to the account operated by Bank Gospodarstwa Krajowego. At the same time, there was a decrease in the balance of funds on the accounts of domestic banks used for settlements in the TARGET2 system.

## Note 16 Liabilities to non-residents denominated in foreign currency

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Repo transactions in foreign currency | 10,711,629.5 | 16,195,752.7 | 5,484,123.2 | 51.2% |
| Other | 152,456.3 | 146,092.4 | -6,363.9 | -4.2% |
| **Total** | **10,864,085.8** | **16,341,845.1** | **5,477,759.3** | **50.4%** |
| *of which currency revaluation differences* | *548,980.9* | *504,086.4* | *-44,894.5* | *-8.2%* |

The item comprises mainly repo transactions in foreign currency carried out with foreign financial institutions. Under NBP's investment policies, these transactions are usually executed simultaneously with reverse repo transactions in foreign currency (see Note 3).

The increase in the item resulted mainly from NBP's higher involvement in these transactions. Moreover, the value of this item was affected by currency revaluation.

## Note 17 Liabilities to the IMF

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| **Liabilities to the IMF** | **6,218,885.5** | **6,046,345.7** | **-172,539.8** | **-2.8%** |
| *of which currency revaluation differences* | *-8,840.7* | *-178,014.6* | *-169,173.9* | *1,913.6%* |

The item comprises liabilities due to the funds received by NBP under the SDR allocation, including interest accrued thereon. 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.

The decrease in the item resulted mainly from SDR currency revaluation.

## Note 18 Off-balance-sheet instruments revaluation differences

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Currency revaluation differences | 2,541.8 | 4,155.1 | 1,613.3 | 63.5% |
| Price revaluation differences | 273.9 | 53.4 | -220.5 | -80.5% |
| **Total** | **2,815.7** | **4,208.5** | **1,392.8** | **49.5%** |

The item comprises currency revaluation differences on spot transactions recognised on off-balance-sheet accounts (see Note 25) and price revaluation differences on forward transactions in securities (see Note 26 and Note 33).

## Note 19 Accruals and deferred income

The item comprises accruals (including accruals in foreign currency) and deferred income.

As at 31 December 2013, the item amounted to PLN 199,558.3 thousand and was by PLN 2,888.9 thousand (1.4%) lower as compared with 31 December 2012. The decrease in the item resulted from the decrease in the balance of accruals and deferred income.

## Note 20 Sundry

The item comprises mainly liabilities to public authorities, liabilities to suppliers, funds of the Employee Benefit Fund and balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding.

As at 31 December 2013, the item amounted to PLN 52,766.6 thousand and was by PLN 4,097.1 thousand (7.2%) lower as compared with 31 December 2012. The decrease in the item resulted mainly from lower balances arising from the adjustment of off-balance-sheet items in foreign currency to the average cost of foreign currency holding (see Note 25).

## Note 21 Provisions for future liabilities

The item comprises mainly provisions for future liabilities to employees due to retirement severance payments, disability severance payments, jubilee awards and untaken leaves.

As at 31 December 2013, the item amounted to PLN 123,579.7 thousand and was by PLN 9,844.9 thousand (8.7%) higher as compared with 31 December 2012. The increase in the item resulted mainly from the increase in provisions for future liabilities to employees due to retirement severance payments.

## Note 22 Revaluation accounts

| *PLN thousand* | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Gold revaluation account | 1,618,023.2 | 1,618,023.2 | 0.0 | 0.0% |
| Currency revaluation gains, of which | 21,698,967.0 | 8,776,418.2 | -12,922,548.8 | -59.6% |
| *- on gold* | *12,730,499.2* | *7,638,688.3* | *-5,091,810.9* | *-40.0%* |
| *- on foreign currencies* | *8,968,467.8* | *1,137,729.9* | *-7,830,737.9* | *-87.3%* |
| Price revaluation gains, of which | 1,840,442.5 | 344,783.5 | -1,495,659.0 | -81.3% |
| *- on securities* | *1,839,719.2* | *344,397.0* | *-1,495,322.2* | *-81.3%* |
| *- on off-balance-sheet financial instruments* | *723.3* | *386.5* | *-336.8* | *-46.6%* |
| **Total** | **25,157,432.7** | **10,739,224.9** | **-14,418,207.8** | **-57.3%** |

As at 31 December 2013, the value of the item resulted mainly from currency revaluation gains on gold and on the following foreign currencies: GBP and EUR.

Currency revaluation gains are determined for:

- gold – by comparing the average cost of gold holding with the average market price of gold expressed in PLN, which is higher than the average cost,
- foreign currencies – by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average cost.

The average costs of holdings of individual foreign currencies and gold, the average NBP exchange rates and the average market price of gold are presented below.

| 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 |
|---|---|---|---|---|
| | 31.12.2012 | | 31.12.2013 | |
| AUD | 2.9296905375 | 3.2183 | 2.9664699547 | 2.6864 |
| BRL | 1.8802178382 | 1.5138 | 1.5097846268 | 1.2753 |
| CAD | 3.2109572868 | 3.1172 | 3.0279148071 | 2.8297 |
| CHF | 3.4056860912 | 3.3868 | 3.4035020298 | 3.3816 |
| CZK | 0.1603999993 | 0.1630 | 0.1606971177 | 0.1513 |
| DKK | 0.5596031137 | 0.5480 | 0.5564783132 | 0.5560 |
| EUR | 4.1048445547 | 4.0882 | 4.1447379246 | 4.1472 |
| GBP | 4.7494707457 | 5.0119 | 4.8180689389 | 4.9828 |
| HUF | 0.0136803907 | 0.0140 | 0.0141905208 | 0.0140 |
| JPY | 0.0401640074 | 0.0360 | 0.0304371447 | 0.0287 |
| MXN | 0.2463190782 | 0.2380 | 0.2497819256 | 0.2302 |
| NOK | 0.5161671035 | 0.5552 | 0.5252774756 | 0.4953 |
| NZD | - | 2.5488 | 2.5826789367 | 2.4741 |
| SEK | 0.4768318808 | 0.4757 | 0.4781631214 | 0.4694 |
| USD | 3.0205903233 | 3.0996 | 3.0693482142 | 3.0120 |
| SDR | 4.7729755923 | 4.7662 | 4.7701239618 | 4.6337 |
| Ounce of gold* | 1,310.3996257646 | 5,157.7344 | 1,310.3996257646 | 3,618.9180 |

* Price of an ounce of gold, expressed in USD, was USD 1,664.00 as at 31 December 2012 and USD 1,201.50 as at 31 December 2013.

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. As at 31 December 2013, price revaluation gains related mainly to interest-bearing securities in AUD, USD, GBP and MXN.

Price revaluation gains on off-balance-sheet instruments related to forward transactions in securities (see Note 26).

Because of the fact that as at 31 December 2013 there were:

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

NBP did not release the gold revaluation account.

## Note 23 Capital and reserves

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Statutory fund | 1,500,000.0 | 1,500,000.0 | 0.0 | 0.0% |
| Reserve fund | 966,590.7 | 1,243,645.5 | 277,054.8 | 28.7% |
| Reserves | 11,457,911.7 | 4,696,287.6 | -6,761,624.1 | -59.0% |
| **Total** | **13,924,502.4** | **7,439,933.1** | **-6,484,569.3** | **-46.6%** |

The item comprises:

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

The decrease in the item resulted from a partial use of the provision against the foreign exchange rate risk of the zloty, in the amount of PLN 6,761.624.1 thousand, in connection with the unrealised losses which incurred as at the end of 2013 resulting from changes in the exchange rate of the zloty in the amount that could lead to a loss.

At the same time, the value of the item was affected by the increase in the reserve fund due to the transfer from profit for 2012 in the amount of PLN 277,054.8 thousand.

## Note 24 Financial result

The item comprises:

- financial result for the current year, which was zero (see Note 44),
- portion of NBP's loss for the year 2007, which was not covered by the reserve fund; as at 31 December 2013 the item amounted to PLN 11,457,911.7 thousand and remained unchanged as compared with 31 December 2012.

# 7. Explanatory notes to off-balance-sheet items

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

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Receivables arising from spot transactions, of which | 299,559.7 | 127,080.5 | -172,479.2 | -57.6% |
| *- receivables denominated in foreign currency* | *299,559.7* | *127,080.5* | *-172,479.2* | *-57.6%* |
| Liabilities arising from spot transactions,of which | 299,559.7 | 127,080.5 | -172,479.2 | -57.6% |
| *- liabilities denominated in domestic currency* | *0.0* | *965.2* | *965.2* | *-* |
| *- liabilities denominated in foreign currency* | *299,559.7* | *126,115.3* | *-173,444.4* | *-57.9%* |

The decrease in the above items resulted from a lower volume of spot foreign exchange transactions carried out by NBP towards the end of the year, mainly with banks.

## Note 26 Off-balance-sheet financial instruments

| PLN thousand | 31.12.2012 | 31.12.2013 | Change | |
|---|---|---|---|---|
| Securities denominated in foreign currency purchased in forward transactions | 1,254,158.7 | 369,883.9 | -884,274.8 | -70.5% |
| Securities denominated in foreign currency sold in forward transactions | 5,435,135.7 | 0.0 | -5,435,135.7 | -100.0% |

The decrease in the item as at 31 December 2013 was related to a lower volume of forward transactions in securities carried out by NBP towards the end of the year.

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

As of 15 November 2011, NBP became a participant in the *New Arrangements to Borrow* (NAB), which can be joined by member states of the IMF or their central banks. As a participant in the NAB, NBP has made a commitment to grant to the IMF an interest-bearing loan of up to SDR 2,528,590.0 thousand. The funds are transferred by NBP at the request of the IMF.

As at 31 December 2013, NBP's commitment to the NAB amounted to SDR 2,205,690.0 thousand (PLN 10,220,505.8 thousand according to the NBP average exchange rate as at the balance sheet date) as a result of:

- transferring SDR 352,600.0 thousand by NBP to the IMF in the years 2011-2013 (in 2011: SDR 174,000.0 thousand; in 2012: SDR 127,000.0 thousand and in 2013: SDR 51,600.0 thousand, respectively),
- receiving a loan repayment of SDR 29,700.0 thousand by NBP in the years 2012-2013 (in 2012: SDR 2,500.0 thousand and in 2013: SDR 27,200.0 thousand, respectively).

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

As at 31 December 2013, NBP's commitment to the bilateral loan agreement with the IMF amounted to EUR 6,270,000.0 thousand (PLN 26,002,944.0 thousand according to NBP average exchange rate as at the balance sheet date) as the IMF did not use any of these funds in 2013.

## Note 28 Other items recognised on off-balance-sheet accounts

As at 31 December 2013, other items recognised on off-balance-sheet accounts mainly related to:

- collateral received by NBP, related to NBP's own administrative activities, in the amount of PLN 27,961.8 thousand (as at 31 December 2012 – PLN 21,760.3 thousand),
- contingent assets claimed by NBP in the amount of PLN 126.5 thousand (as at 31 December 2012 – PLN 219.4 thousand).

Interest due from Bank Handlowo-Kredytowy S.A. under liquidation accrued after the date of its liquidation (i.e. from 1 April 1992) amounted to PLN 1,183,103.7 thousand; its amount did not change as compared with 31 December 2012.

# 8. Explanatory notes to profit and loss account

## Note 29 Interest, discount and premium income

| *PLN thousand* | 2012 | 2013 | Change | |
|---|---|---|---|---|
| Interest and discount income on securities denominated in foreign currency | 5,976,974.8 | 5,728,837.3 | -248,137.5 | -4.2% |
| Interest income on NBP's bank accounts denominated in foreign currency | 312,588.0 | 373,436.1 | 60,848.1 | 19.5% |
| Interest income on credits and loans, of which | 15,411.9 | 1,854.6 | -13,557.3 | -88.0% |
| *- in foreign currency* | *1,252.9* | *1,219.4* | *-33.5* | *-2.7%* |
| *- in domestic currency* | *14,159.0* | *635.2* | *-13,523.8* | *-95.5%* |
| Other income | 9,636.0 | 8,112.2 | -1,523.8 | -15.8% |
| **Total** | **6,314,610.7** | **6,112,240.2** | **-202,370.5** | **-3.2%** |

The item comprises mainly interest and discount income on the main investment instruments of foreign exchange reserves (see Note 3).

In 2013 the decrease in the item resulted mainly from:

- lower by PLN 248,137.5 thousand income from interest and discount income on securities denominated in foreign currency, which resulted mainly from lower average annual interest rate on securities denominated in EUR, GBP, NOK, AUD and USD,

and:

- higher by PLN 60,848.1 thousand interest income on NBP's bank accounts denominated in foreign currency, which resulted mainly from an increase in the share of term deposits in foreign currency in the investment structure of foreign exchange reserves (primarily due to starting investment in term deposits in NZD).

At the same time, the change in income from interest, discount and premium on investment instruments of foreign exchange reserves was affected by:

- an increase in the average annual level of foreign exchange reserves (their average level amounted to EUR 69,759.4 million in 2013 as compared with EUR 66,384.8 million in 2012),
- a change in average annual exchange rates of the zloty – appreciation of the zloty against USD, GBP, AUD, NOK, BRL, and a simultaneous depreciation of the zloty against EUR and MXN (see table below presenting the average annual exchange rates).

The lower, by PLN 13,523.8 thousand, interest income on credits and loans in domestic currency, resulted mainly from the full repayment of receivables on the refinancing loan for central investments in 2012.

Moreover, in 2013 there was a decrease in interest income on the current account with the IMF and on the reserve tranche by PLN 2,809.2 thousand recognised in the item *Other income*, as well as a decrease in interest income on the loans extended to the IMF under the NAB, by PLN 33.5 thousand, recognised in the item *Interest income on credits and loans* (see Note 2).

The average annual exchange rates of the zloty in 2012-2013 are presented below.

| | Average annual exchange rate | | | |
|---|---|---|---|---|
| *PLN* | 2012 | 2013 | Change | |
| USD | 3.2570 | 3.1608 | -0.0962 | -3.0% |
| EUR | 4.1850 | 4.1975 | 0.0125 | 0.3% |
| GBP | 5.1597 | 4.9437 | -0.2160 | -4.2% |
| AUD | 3.3712 | 3.0587 | -0.3125 | -9.3% |
| NOK | 0.5597 | 0.5383 | -0.0214 | -3.8% |
| NZD | 2.6365 | 2.5914 | -0.0451 | -1.7% |
| BRL | 1.6734 | 1.4711 | -0.2023 | -12.1% |
| MXN | 0.2474 | 0.2478 | 0.0004 | 0.2% |

# Note 30 Interest, discount and premium expenses

| PLN thousand | 2012 | 2013 | Change | |
|---|---|---|---|---|
| Premium expenses on securities denominated in foreign currency | 3,504,051.9 | 3,275,046.9 | -229,005.0 | -6.5% |
| Interest and discount expenses on issued securities denominated in domestic currency | 4,489,497.3 | 3,767,401.6 | -722,095.7 | -16.1% |
| Interest expenses on bank accounts operated by NBP, of which | 1,478,994.2 | 991,252.5 | -487,741.7 | -33.0% |
| *- on accounts in foreign currency* | *82,694.1* | *52,752.7* | *-29,941.4* | *-36.2%* |
| *- on accounts in domestic currency* | *1,396,300.1* | *938,499.8* | *-457,800.3* | *-32.8%* |
| Other expenses | 6,952.4 | 5,282.1 | -1,670.3 | -24.0% |
| **Total** | **9,479,495.8** | **8,038,983.1** | **-1,440,512.7** | **-15.2%** |

The item comprises mainly interest, discount and premium expenses on instruments used by NBP under monetary policy operations (see Note 11), on the main investment instruments of foreign exchange reserves (see Note 3 and Note 16) and on other bank accounts operated by NBP.

In 2013 the decrease in the item resulted mainly from:

- lower by PLN 722,095.7 thousand discount expenses on issued securities denominated in domestic currency, primarily due to a decrease in the average annual level of reference rate that determines the yield on monetary bills, from 4.61% in 2012 to 2.94% in 2013, with a simultaneous increase in the issue of NBP's monetary bills under open market operations; the level of main operations in average annual terms[6] amounted to PLN 124,280.4 million in 2013 as compared with PLN 94,343.4 million in 2012 and the level of fine-tuning operations amounted to PLN 1,845.9 million in 2013 as compared with PLN 1,626.8 million in 2012,
- lower by PLN 487,741.7 thousand interest expenses on bank accounts operated by NBP. This change stemmed mainly from lower interest expenses on the required minimum reserves of banks, and lower interest expenses on term deposits of the government sector denominated in domestic currency,
- lower by PLN 229,005.0 thousand premium expense on securities denominated in foreign currency, mainly due to higher yields on securities that translated into lower prices, and a simultaneous increase in:
  - the share of fixed-interest rate securities in the structure of foreign exchange reserves, and
  - the level of foreign exchange reserves in average annual terms (see Note 29).

  At the same time, the premium expenses were affected by the change in the average annual exchange rates of the zloty – appreciation against USD, GBP, AUD, NOK, BRL and depreciation against EUR and MXN (see Note 29 – the list of average annual exchange rates of the zloty).

[6] To calculate average annual values, all calendar days from 1 January to 31 December of each year were taken into account.

Moreover, in 2013 there was a decrease by PLN 1,917.0 thousand in interest expenses on liabilities towards the IMF due to the SDR allocation recognised in the item *Other expenses* (see Note 17).

## Note 31 Income on financial operations

| PLN thousand | 2012 | 2013 | Change | |
|---|---|---|---|---|
| Realised foreign exchange gains | 6,988,671.8 | 5,138,756.2 | -1,849,915.6 | -26.5% |
| Realised price gains, of which | 3,687,649.7 | 1,750,310.7 | -1,937,339.0 | -52.5% |
| *- on spot transactions in securities* | *3,152,671.4* | *1,502,492.0* | *-1,650,179.4* | *-52.3%* |
| *- on off-balance-sheet financial instruments* | *534,978.3* | *247,818.7* | *-287,159.6* | *-53.7%* |
| Other income on financial operations | 12.7 | 2.7 | -10.0 | -78.7% |
| **Total** | **10,676,334.2** | **6,889,069.6** | **-3,787,264.6** | **-35.5%** |

The item comprises mainly:

- realised foreign exchange gains on foreign currency transactions,
- realised price gains on the sale of securities in spot transactions,
- realised price gains on the settlement of forward transactions in securities.

In 2013 the decrease in the item resulted mainly from:

- lower realised foreign exchange gains on transactions in USD, AUD and NOK, with simultaneously higher gains on transactions in EUR and GBP,
- lower realised price gains on the spot sale transactions of interest-bearing securities denominated in USD, GBP, EUR and AUD,
- lower realised price gains on forward transactions in securities denominated in AUD and EUR.

## Note 32 Expenses on financial operations

| PLN thousand | 2012 | 2013 | Change | |
|---|---|---|---|---|
| Realised foreign exchange losses | 77,392.3 | 651,799.9 | 574,407.6 | 742.2% |
| Realised price losses, of which | 415,706.5 | 1,873,391.4 | 1,457,684.9 | 350.7% |
| *- on spot transactions in securities* | *333,059.2* | *1,627,679.8* | *1,294,620.6* | *388.7%* |
| *- on off-balance-sheet financial instruments* | *82,647.3* | *245,711.6* | *163,064.3* | *197.3%* |
| Other expenses on financial operations | 2.0 | 2.8 | 0.8 | 40.0% |
| **Total** | **493,100.8** | **2,525,194.1** | **2,032,093.3** | **412.1%** |

The item comprises mainly:

- realised foreign exchange losses on foreign currency transactions,

- realised price losses on the sale of securities in spot transactions,
- realised price losses on the settlement of forward transactions in securities.

In 2013 the increase in this position resulted mainly from:

- higher realised price losses on the spot sale transactions of securities denominated in EUR, GBP, USD and AUD,
- higher realised foreign exchange losses on transactions in AUD, NOK and USD; moreover, in 2013 there were realised foreign exchange losses on transactions in NZD,
- higher realised price losses on forward transactions in securities denominated in AUD and GBP, with simultaneously lower price losses on transactions denominated in EUR.

## Note 33 Unrealised losses

| *PLN thousand* | 2012 | 2013 | Change | |
|---|---|---|---|---|
| Foreign currency revaluation losses | 749,928.2 | 6,815,972.9 | 6,066,044.7 | 808.9% |
| Price revaluation losses, of which | 84,898.5 | 1,457,878.3 | 1,372,979.8 | 1,617.2% |
| *- price revaluation losses on securities* | *84,624.6* | *1,457,824.9* | *1,373,200.3* | *1,622.7%* |
| *- price revaluation losses on off-balance-sheet instruments* | *273.9* | *53.4* | *-220.5* | *-80.5%* |
| **Total** | **834,826.7** | **8,273,851.2** | **7,439,024.5** | **891.1%** |

In 2013 the amount of losses was mainly the effect of foreign currency revaluation losses and price revaluation losses on securities, as at 31 December 2013.

Foreign currency revaluation losses are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost (see Note 22). In 2013 currency revaluation losses mainly related to the following currencies: AUD, USD, NOK, NZD, BRL, MXN and SDR.

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. As at 31 December 2013, price revaluation losses mainly related to interest-bearing securities denominated in USD, GBP, EUR, NZD and NOK.

Price revaluation losses on off-balance-sheet instruments related to forward transactions in securities (see Note 26).

## Note 34 Income on transfers from risk provisions and on reversal of write-downs of financial assets

In 2013 income in the amount of PLN 6,761,624.1 thousand resulted from a partial use of the provision against the foreign exchange rate risk of the zloty (see Note 23). In 2012, the income amounted to PLN 376,114.3 thousand and was related to the adjustment of the amount of the provision.

## Note 35 Fees and commissions income

The item comprises mainly fees and commissions income on execution of payment orders by NBP, on operation of bank accounts and participation in the TARGET2 system.

In 2013 the item amounted to PLN 33,736.1 thousand and was by PLN 890.0 thousand (2.6%) lower as compared with 2012.

## Note 36 Fees and commissions expenses

The item comprises fees and commissions expensed by NBP due to:

- substitution cash services provided by other banks to the State budget on behalf of NBP (in cities and towns in which NBP does not have its own branches),
- participation in the TARGET2 system,
- maintenance of NBP's accounts in foreign currency abroad,
- execution of own payment orders.

In 2013 the item amounted to PLN 37,577.0 thousand and was by PLN 106,533.3 thousand (73.9%) lower as compared with 2012. The decrease in the item resulted mainly from the fact that in 2013 there were no expenses on fees charged on the financial markets of developing countries.

## Note 37 Income on shares and equities

| *PLN thousand* | 2012 | 2013 | Change | |
|---|---|---|---|---|
| Income on shares and equities in domestic entities | 8,673.0 | 5,159.9 | -3,513.1 | -40.5% |
| Income on shares and equities in foreign entities | 12,553.6 | 12,583.0 | 29.4 | 0.2% |
| **Total** | **21,226.6** | **17,742.9** | **-3,483.7** | **-16.4%** |

The item comprises mainly income on dividends from shares and equities held by NBP in domestic and foreign entities (see Note 6).

In 2013 the income comprised the total of dividend proceeds from shares in National Depository for Securities, National Clearing House and in the Bank for International Settlements in Basel.

## Note 38 Other income

The item comprises mainly income on the sale of collector coins and banknotes, rental of office premises and sale of IT services. Moreover, income on the due share of the profit from sale of a portion of gold holdings by the IMF was recognized in this item.

In 2013 the item amounted to PLN 176,782.0 thousand and was by PLN 27,823.8 thousand (18.7%) higher as compared with 2012. The increase in the item resulted mainly from the income on the sale of gold holdings by the IMF, which was higher than in the previous year. At the same time, there was a decrease in the income on the sale of collector coins and banknotes.

## Note 39 Salaries and social contributions

The item comprises expenses on salaries, social contributions as well as on provisions for future liabilities to employees due to retirement and disability severance payments, jubilee awards and untaken leaves.

In 2013 the item amounted to PLN 477,628.0 thousand and was by PLN 20,430.0 thousand (4.5%) higher as compared with 2012. The increase in the item resulted mainly from higher, by PLN 16,213.1 thousand, expenses on salaries (including expenses on provisions for future liabilities to employees), as well as higher, by PLN 4,216.9 thousand, expenses on social contributions, in line with the adopted Human Resources and payroll policy.

## Note 40 Administrative expenses

| *PLN thousand* | 2012 | 2013 | Change | |
|---|---|---|---|---|
| Materials and energy | 34,593.2 | 33,552.7 | -1,040.5 | -3.0% |
| Benefits for employees and other eligible persons | 13,812.6 | 16,283.1 | 2,470.5 | 17.9% |
| Business travels | 7,430.9 | 7,612.6 | 181.7 | 2.4% |
| Services from third parties | 158,082.9 | 145,882.2 | -12,200.7 | -7.7% |
| Taxes and fees | 20,985.4 | 21,586.9 | 601.5 | 2.9% |
| Transfers to special funds | 4,723.9 | 4,726.2 | 2.3 | 0.0% |
| Other administrative expenses | 29,630.2 | 30,638.9 | 1,008.7 | 3.4% |
| **Total** | **269,259.1** | **260,282.6** | **-8,976.5** | **-3.3%** |

The decrease in the item resulted mainly from lower expenses on services from third parties and expenses on materials and energy with a simultaneous increase in expenses on benefits for employees and other eligible persons.

## Note 41 Depreciation and amortization expenses

| PLN thousand | 2012 | 2013 | Change | |
|---|---|---|---|---|
| Fixed assets depreciation expenses | 56,259.8 | 63,988.2 | 7,728.4 | 13.7% |
| Intangible assets amortization expenses | 12,588.5 | 15,532.6 | 2,944.1 | 23.4% |
| **Total** | **68,848.3** | **79,520.8** | **10,672.5** | **15.5%** |

In 2013 fixed assets depreciation expenses related mainly to the depreciation of machines and devices as well as buildings and premises, while intangible assets amortization expenses related to computer software.

## Note 42 Expenses on issue of banknotes and coins

The item comprises the expenses on issue of banknotes and coins, including collector banknotes and coins.

In 2013 the item amounted to PLN 268,792.1 thousand and was by PLN 1,355.9 thousand (0.5%) higher as compared with 2012. The increase in the item resulted mainly from:

- higher expenses on issuing banknotes due to an increase in orders for general circulation banknotes arising primarily from the planned introduction of banknotes with modernised security features to circulation in 2014,

with a simultaneous:

- reduction of the expenses on issuing coins, mainly as a result of a decrease in the number of orders for collector coins and lower expenses on the consumption of gold and silver used to mint them.

## Note 43 Other expenses

The item comprises mainly expenses corresponding to the nominal value of collector coins and banknotes sold, expenses on increasing provisions for future liabilities and expenses due to write-downs of other assets.

In 2013 the item amounted to PLN 29,366.0 thousand and was by PLN 12,865.7 thousand (78.0%) higher as compared with 2012. The increase in the item was mainly the result of the write-down

of tangible fixed assets effected in 2013. At the same time expenses corresponding to the nominal value of collector coins and banknotes sold decreased.

## Note 44 Financial result for the current year and its allocation

The financial result of NBP for 2013 amounted to zero and was lower by PLN 5,541,094.6 thousand (100.0%) as compared with 2012.

In accordance with Article 62 and Article 69 of the Act on the National Bank of Poland, NBP's profit shall be allocated (within 14 days following the approval of the annual financial statements of NBP by the Council of Ministers) to:

- NBP reserve fund (5% of profit),
- the State budget, as NBP's contribution from profit.

As the financial result of NBP for 2013 was zero, there will be no contribution to the State budget, nor allocation to NBP reserve fund in 2014.

# 9. Other explanatory notes

## Note 45 Flexible Credit Line

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

The current Flexible Credit Line of SDR 22,000,000.0 thousand as at 31 December 2013 was granted to Poland on 18 January 2013 by the Executive Board of the IMF for two years (i.e. until 17 January 2015). The Government of the Republic of Poland was the authorising entity of the FCL, while NBP serviced it as the fiscal agency of the Government.

## Note 46 Foundation of NBP

On 10 August 2009, NBP established the Foundation of Narodowy Bank Polski whose main statutory purpose is to support activities promoting the development of economics and economic education. On 31 August 2009, the Foundation was entered into the National Court Register. The registered capital of the Foundation amounts to PLN 1,500.0 thousand, of which PLN 750.0 thousand is earmarked for business activities.

## Note 47 Events after the balance sheet date

On 1 January 2014, the key for subscription of the ECB's capital was adjusted in accordance with Article 29 of the Statute of the ESCB and ECB. The adjustment takes place every five years on the basis of the European Union countries' population and GDP data provided to the ECB by the European Commission. Following the recent adjustment, NBP's share in the ECB's capital increased to 5.1230%, which corresponds to EUR 554,565.1 thousand. As a result, the share of ECB capital, which NBP has paid-up, increased to EUR 20,796.2 thousand. The respective payment to the ECB in the amount of EUR 1,075.3 thousand was made by NBP on 2 January 2014.

# 10. Financial and operational risk

Narodowy Bank Polski operates an integrated 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.

The risk management system embraces three inherently connected levels:

- decentralised operational risk management in all departments and organisational units of NBP, by their directors, with the participation of the so-called "risk managers",
- activities of dedicated organisational units:
  - the Financial Risk Management Department responsible for financial risk management,
  - the Operational Risk and Compliance Department that, among others, develops draft rules and methodologies concerning operational risk, analyses and monitors operational risk and compliance risk at NBP, puts in place new tools, reports on operational risk and compliance throughout the bank,
  - the Commission for Risk Management that, among others, assesses the effectiveness of operational risk management in the Bank as a whole and issues recommendations in this respect; the Commission is headed by a member of the Management Board of NBP (so called "Chief Risk Officer") who was appointed in 2013 to oversee the whole risk area of NBP,
- strategic decision-making by the Management Board of NBP.

The tasks carried out under the risk management system comprise:

- on-going identification and analysis of individual types of risk,
- measurement of risk level,
- selection and application of risk mitigation mechanisms,
- monitoring and day-to-day control of the efficiency of applied risk mitigation mechanisms,
- provision of periodical information about the results of risk management,
- acceptance/no acceptance of the existing risk level.

## 10.1. 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 and constraints, and the exposure to various types of risk under the adopted constraints is monitored on an on-going basis by the Financial Risk Management Department. The analysis of exposure to financial risk is presented to the Management Board of NBP on a regular basis.

### 10.1.1. 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 decrease in the market value of investment instruments arising from the deterioration in the creditworthiness of the issuer.

#### Credit risk in foreign exchange reserve management

In the process of foreign exchange reserve management, NBP uses the following credit risk mitigation methods:

- limiting the share of term deposit transactions and non-government securities,
- counterparty selection criteria and on-going monitoring of their creditworthiness,
- limits imposed on counterparties of term deposit transactions and foreign exchange transactions,
- limitation of the maturity of term deposit transactions,
- selection criteria for issuers of securities,
- limits for issuers of securities,
- entering into framework agreements with counterparties,
- collateral in reverse repo agreements.

Credit risk analyses are conducted by NBP using both data related to the financial position of counterparties and assignments of rating agencies as well as risk valuation reflected in market quotations.

The dominant portion of foreign exchange reserves is invested in government securities, characterised by the highest level of safety and liquidity. Non-government securities held in the investment portfolios are issued primarily by international institutions and government agencies; the scale of investment in the corporate bond market is small. The share of term deposits in foreign exchange reserves is also low – transactions are concluded for short periods with banks of high creditworthiness.

#### Credit risk underlying domestic credit operations

To support the liquidity of the financial system, NBP makes available marginal lending facility (Lombard credit), intraday credit in PLN and intraday credit in euro to domestic banks. The risk underlying these operations is mitigated through the use of eligible collateral, i.e. meeting the criteria set by NBP. Treasury and NBP securities denominated in PLN are the primary collateral presented by banks in credit operations, though the list of assets accepted as collateral comprises also other securities deposited with the National Depository for Securities, including covered

bonds, municipal bonds, corporate bonds, bonds issued by the European Investment Bank denominated in PLN, as well as Polish Eurobonds.

When setting the required level of risk, the haircut rate is applied. The purpose of the haircut is to reduce the probability of a drop in the market value of the collateral below the value of extended loan as a result of unfavourable changes in the market price of securities and/or exchange rates. The haircut rate for marginal lending facility and intraday credit is set on the basis of the nominal value of accepted securities.

Intraday credit in euro is extended in accordance with the principles laid down by the ECB, and it may be collateralised by Treasury bonds participating in BondSpot S.A. fixing (in addition, haircut related to the exchange rate risk is taken into account).

### 10.1.2. Liquidity risk

Liquidity risk is related to the possibility of incurring additional expenses, if an urgent need arises to raise liquid funds.

Due to the fact that Narodowy Bank Polski has the exclusive right to issue banknotes and coins of the Republic of Poland, NBP is capable of creating liquidity in domestic currency. It is, however, constrained by the responsibility of NBP for the stability of domestic currency. The assumptions of monetary policy are set annually by the Monetary Policy Council, which, based on the above assumptions, also approves the financial plan of NBP.

In the process of foreign exchange management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in markets ensuring immediate availability of funds – all reserve currencies and investment instruments exhibit high liquidity.

### 10.1.3. Interest rate risk

Interest rate risk is related to a potential decline in the market value of financial instruments due to an unfavourable change in their market yield.

The primary measure of interest rate risk applied by NBP is modified duration that specifies the sensitivity of investment portfolios values to changes in the yield on financial instruments.

To mitigate the interest rate risk in the process of managing foreign exchange reserves, NBP defines the benchmark modified duration of foreign exchange reserves, along with admissible fluctuation bands.

In 2013 a low modified duration of reserves was maintained given the probability of a rise in yields on securities. A strong rise in the yields on 10-year government securities on the US, UK and New Zealand markets, reaching around 120 bps, was a response to the earlier than expected announcement by the Federal Reserve of tapering the bond-buying programme amid a gradual improvement of the US economy, in particular the situation in the labour market.

### 10.1.4. Foreign exchange rate risk

Foreign exchange rate risk arises out of a potential decline in the value of foreign currency holdings as a result of unfavourable exchange rates fluctuations in the foreign exchange market.

The assessment of exposure to foreign exchange rate risk is carried out based on the parametric Value at Risk methodology. The level of VaR calculated as at the balance sheet date is taken into account for calculating the amount of the provision against the foreign exchange rate risk of the zloty (see Chapter 4).

In the process of foreign exchange reserves management, NBP defines the currency structure of the strategic benchmark, along with admissible fluctuation bands. In 2013 the strategic benchmark currency composition was as follows: 36% USD, 32% EUR, 12% GBP, 10% AUD, 7% NOK and 3% NZD.[7] In addition, 1.5% of the reserves were investments in currencies of developing countries – MXN and BRL.

In 2013 the volatility of exchange rates of reserve currencies was at a slightly higher level than observed in the previous year, which was driven by uncertainty about the time and scale of tapering of the Federal Reserve bond-buying programme.

## 10.2. Operational risk

Operational risk is the potential possibility of incurring financial or non-financial damages at NBP, resulting from inappropriate management or malfunction of NBP resources, including mainly IT systems, property, personnel or provisions of internal regulations, as well as damages caused by internal or external events, failure or employee's error. Operational risk encompasses the following risk sub-categories: safety risk, personnel risk, legal risk, technological risk and management risk.

Operational risk management embraces, in particular:

- day-to-day operational risk identification, analysis and measurement;
- selection and application of mechanisms that eliminate, transfer or mitigate operational risk;

[7] In 2012, respectively: 36% USD, 32% EUR, 15% GBP, 10% AUD and 7% NOK.

- seeking the additional mechanisms that eliminate, transfer or mitigate operational risk, or acceptance of the existing operational risk level;
- making necessary changes to work organisation, creating conditions for full and timely task performance, managing own resources and setting internal procedures to eliminate, transfer or mitigate operational risk.

NBP applies various methods of risk mitigation, prevention of incidents[8] and limitation of their potential consequences. These mechanisms include, in particular:

- external and internal regulations,
- the scope of job responsibilities and division of duties
- data reconciliation, and the "four-eyes" principle,
- the system of (financial, time) limits and restrictions,
- access control as well as IT and telecommunications, physical and electronic safeguards,
- backup copies, contingency and evacuation plans,
- insurance,
- control and internal audit.

One of the methods for limiting the occurrence of incidents whose probability is low, but potential effects would be significant, is the Business Continuity Plan of Narodowy Bank Polski. It is applied to the critical functions listed below:

- settlement of payments in zloty in RTGS system and in euro using the PHA application,
- foreign exchange reserve management,
- services provided to the account holder,
- implementing monetary policy and exchange rate policy,
- performing tasks of a securities issuing agent and keeping the securities register,
- providing banks with banknotes and coins.

Director of the Accounting and Finance Department
of Narodowy Bank Polski:

/-/ Grażyna Gielecińska

Management Board
of Narodowy Bank Polski:

/-/ Marek Belka
/-/ Piotr Wiesiołek
/-/ Witold Koziński
/-/ Jacek Bartkiewicz
/-/ Eugeniusz Gatnar
/-/ Andrzej Raczko
/-/ Paweł Samecki
/-/ Katarzyna Zajdel - Kurowska
/-/ Małgorzata Zaleska

Warsaw, 28 March 2014

[8] Incident – a one-off event of incorrect functioning of NBP resources or an external event that leads or may lead to negative financial or non-financial consequences for NBP.