



**NBP**

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Narodowy Bank Polski

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**Financial statements  
of Narodowy Bank Polski  
as at 31 December 2016**



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## Balance sheet of NBP as at 31 December 2016

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

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

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

Management Board  
of Narodowy Bank Polski:

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

Warsaw, 24 March 2017



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

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

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/-/ Katarzyna Zajdel-Kurowska

Warsaw, 24 March 2017

# Notes

## 1. Introduction

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

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

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

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

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

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

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

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

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

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

### **President of NBP**

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

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

### **Monetary Policy Council<sup>1</sup>**

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

<sup>1</sup> In 2016 the term of office of the following members of the Monetary Policy Council ended:

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

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

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

## Management Board of NBP<sup>2</sup>

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

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

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

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

### 1.3. Period covered by the financial statements

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

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<sup>2</sup> In 2016

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

## **1.4. Certified auditor and its selection**

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

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

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

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

# **2. Description of significant accounting principles**

## **2.1. Basic accounting principles**

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

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

- true and fair view,
- going concern,

- prudence,
- materiality,
- comparability,
- accrual.

## 2.2. Going concern

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

## 2.3. Recognition of transactions in the accounting books

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

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

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

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

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

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

## 2.4. Valuation as at the balance sheet date

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

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<sup>3</sup> Except for:

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

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

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

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

### **2.5.1. Gold**

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

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

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

### **2.5.2. Foreign currency**

Foreign currency purchased or sold by NBP for:

- domestic currency – is recognised in the accounting books at the exchange rate specified in an agreement or in a separate regulation,

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

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

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

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

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

### **2.5.3. Securities purchased by NBP**

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

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



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

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

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

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

#### **2.5.4. Shares and participating interests**

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

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

#### **2.5.5. Repo / reverse repo transactions**

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

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

The difference between the agreed selling and re-purchasing (purchasing and re-selling) price of securities that constitute a collateral of the repo/reverse repo transactions is taken to the profit

and loss account at the end of each operating day in amounts calculated pro-rata to the time elapsed between the date of asset or liability recognition and the end of each day.

#### **2.5.6. Banknotes and coins in circulation**

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

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

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

#### **2.5.7. Securities issued by NBP**

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

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

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

#### **2.5.8. Tangible and intangible fixed assets**

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

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

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

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

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

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

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

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

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

## 2.5.9. Inventories

Inventories are recognised in NBP balance sheet assets at:

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

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

#### **2.5.10. Impairment of assets**

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

#### **2.5.11. Provisions for future liabilities**

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

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

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

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

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

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

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

The surplus of provision is released and recognised as income.

### **2.5.13. Gold revaluation account**

Gold revaluation account is released as income in the amount:

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

### **2.5.14. Foreign exchange forward**

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

### **2.5.15. Foreign exchange swap**

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

### **2.5.16. Forward transactions in securities**

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

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

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

The result of transaction settlement is calculated:

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

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

#### **2.5.17. Futures**

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

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

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

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

#### **2.6. Events after the balance sheet date**

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

### **3. Changes in accounting principles**

In 2016, NBP did not change the accounting principles.

## 4. Values based on professional judgement and estimates

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

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

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

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

## 5. Explanatory notes to balance sheet

### Note 1 Gold and gold receivables

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

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

\* Which corresponds to the weight of 103.0 tons

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

Gold held at the Bank of England is:

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

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

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



## Note 2 Receivables from the IMF

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

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

The item comprises SDR-denominated:

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

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

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

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

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

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

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

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

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

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

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

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

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

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<sup>4</sup> The Resolution of the Board of Governors of the IMF of 15 December 2010.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at 31 December 2016, the item comprised:

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

As at 31 December 2015, the item comprised also a claim on a domestic bank due to a refinancing loan for the restoration of bank's liquidity granted in 2015. Following the declaration of a winding up procedure for the bank<sup>5</sup>, the claim was reclassified to Assets item A.10.5 *Sundry* of NBP Balance sheet, due to a change in the statistical classification of the entity<sup>6</sup> (see Note 9).

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

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

## Note 5 Tangible and intangible fixed assets

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

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

## 5.1. Tangible fixed assets

Change in tangible fixed assets*	2015						2016					
	Land**	Buildings, premises, land and water engineering objects***	Machines, devices, appliances, tools, equipment****	Vehicles	Tangible fixed assets under construction	Total	Land**	Buildings, premises, land and water engineering objects***	Machines, devices, appliances, tools, equipment****	Vehicles	Tangible fixed assets under construction	Total
<i>PLN thousand</i>												
Gross value as at start of period	105,705.6	878,677.9	781,789.2	34,079.8	39,730.5	1,839,983.0	102,917.5	859,072.8	657,833.8	28,317.6	81,190.1	1,729,351.8
Increases due to:												
- purchase	0.0	5,722.3	27,683.5	70.0	56,988.6	90,434.4	0.0	18,902.5	93,713.3	125.8	67,874.9	180,616.5
- manufacturing, adaptation, modernisation	0.0	12.3	16,235.8	70.0	0.0	16,318.1	0.0	5.1	30,001.5	109.2	0.0	30,115.8
- transfer from tangible fixed assets under construction	0.0	0.0	0.0	0.0	56,988.6	56,988.6	0.0	0.0	0.0	0.0	67,874.9	67,874.9
- transfer from intangible fixed assets under construction	0.0	5,710.0	9,746.1	0.0	0.0	15,456.0	0.0	18,897.4	63,367.1	14.8	0.0	82,279.2
- free-of-charge receipt, donation	0.0	0.0	1,683.5	0.0	0.0	1,683.5	0.0	0.0	0.0	0.0	0.0	0.0
- other increases	0.0	0.0	15.2	0.0	0.0	15.2	0.0	0.0	28.6	0.0	0.0	28.6
Decreases due to:												
- liquidation	-2,788.2	-25,327.4	-151,618.9	-5,822.1	-15,409.0	-201,065.6	0.0	-564.0	-64,153.9	-1,923.6	-86,155.0	-152,796.4
- sale	0.0	0.0	-140,558.0	-51.0	0.0	-140,609.0	0.0	0.0	-49,355.2	-185.6	0.0	-49,540.8
- free-of-charge transfer, donation	-661.1	-25,327.4	-9,080.1	-5,773.7	0.0	-40,822.2	0.0	-564.0	-13,451.2	-1,738.0	0.0	-15,753.2
- transfer to tangible fixed assets	-2,127.1	0.0	-1,997.8	-7.4	0.0	-4,132.3	0.0	0.0	-976.9	0.0	0.0	-976.9
- transfer to intangible fixed assets	0.0	0.0	0.0	0.0	-15,456.0	-15,456.0	0.0	0.0	0.0	0.0	-82,279.2	-82,279.2
- other decreases	0.0	0.0	-3.1	0.0	-43.0	-43.0	0.0	0.0	-370.6	0.0	-254.7	-625.2
Gross value as at end of period	102,917.5	859,072.8	657,833.8	28,317.6	81,190.1	1,729,351.8	102,917.5	877,411.3	667,413.3	26,519.8	62,910.1	1,757,171.9
of which fully depreciated	1,017.2	742.0	267,566.0	4,351.7	0.0	273,676.9	1,017.2	1,382.7	270,603.7	4,132.3	0.0	277,136.0
Depreciation as at start of period	-26,399.1	-352,780.5	-607,057.9	-23,797.5	0.0	-1,010,035.0	-26,899.6	-361,137.5	-497,837.8	-20,855.3	0.0	-905,730.0
Increases due to:												
- depreciation of current period	-1,215.7	-15,387.5	-40,175.0	-1,718.1	0.0	-58,496.3	-1,206.2	-11,851.9	-48,290.3	-1,375.8	0.0	-62,724.2
- of which subject to one-off depreciation	-1,215.7	-15,387.5	-40,175.0	-1,718.1	0.0	-58,496.3	-1,206.2	-11,851.9	-48,290.3	-1,375.8	0.0	-62,724.2
- other increases	0.0	0.0	-4,640.3	-14.0	0.0	-4,654.1	0.0	-10.1	-4,402.8	-9.5	0.0	-4,422.5
Decreases due to:												
- liquidation, sale, free-of-charge transfer, donation	715.2	7,030.6	148,395.1	4,660.4	0.0	161,801.3	0.0	0.0	61,993.7	1,842.5	0.0	63,836.2
- other decreases	715.2	7,030.6	148,392.1	4,660.4	0.0	161,798.2	0.0	0.0	61,905.3	1,842.5	0.0	63,747.8
Depreciation as at end of period	-26,899.6	-361,137.5	-497,837.8	-20,855.3	0.0	-905,730.0	-28,105.8	-372,989.4	-484,134.3	-20,388.6	0.0	-905,618.0
Impairment as at start of period	-149.5	-809.9	-150.8	0.0	-25,903.9	-27,014.0	-149.5	-508.0	-112.0	0.0	-25,903.9	-26,673.4
Increases	0.0	0.0	-11.4	0.0	0.0	-11.4	0.0	0.0	0.0	0.0	0.0	0.0
Decreases	0.0	301.9	50.1	0.0	0.0	352.0	0.0	235.1	0.0	0.0	0.0	235.1
Impairment as at end of period	-149.5	-508.0	-112.1	0.0	-25,903.9	-26,673.4	-149.5	-272.9	-112.0	0.0	-25,903.9	-26,438.3
Net value as at end of period	75,868.4	497,427.3	159,904.0	7,462.4	55,286.2	795,948.4	74,662.2	504,149.0	203,167.0	6,131.2	37,006.2	825,115.6

\* Due to rounding, individual figures in the table may not add up to totals.

\*\* Land includes right to perpetual usufruct of land, the net value of which as at 31 December 2016 amounted to PLN 63,804,6 thousand, with depreciation amounting to PLN 26,899,6 thousand. As at 31 December 2015 its net value amounted to PLN 65,010,8 thousand, with depreciation amounting to PLN 26,899,6 thousand.

\*\*\* Buildings, premises, land and water engineering objects include cooperative ownership right to premises the net value of which as at 31 December 2016 amounted to PLN 51,4 thousand and was by PLN 270,2 thousand lower than as at 31 December 2015.

\*\*\*\* Machines, devices, appliances tools, equipment include the following groups of fixed tangible assets: Boilers, energy machinery; General application machines, devices and appliances; Specialist machines, devices and appliances; Technical devices; Tools, technical instruments, movables and equipment.

The change in the gross value of tangible fixed assets in 2016 resulted mainly from:

- incurring expenses related mainly to the creation of the new educational and exhibition facilities called "Sławomir S. Skrzypek NBP Money Centre", refurbishment of the NBP Regional Branch office in Kraków, modernisation of servers and CCTV,
- purchase of banknote processing machines, servers and equipment of IT network technical infrastructure,
- liquidation of banknote processing machines and IT equipment,
- sale of banknote processing machines, vehicles and residential real estates in Warsaw.



## 5.2. Intangible fixed assets

Change in intangible fixed assets*	2015				2016			
	Computer software	Copyrights, proprietary rights and similar rights**	Intangible fixed assets under construction	Total	Computer software	Copyrights, proprietary rights and similar rights**	Intangible fixed assets under construction	Total
<i>PLN thousand</i>								
<b>Gross value as at start of period</b>	372,415.2	10,422.5	8,086.4	390,924.2	392,507.3	11,599.5	2,098.3	406,205.1
<b>Increases due to:</b>								
- purchase	25,763.4	1,177.0	12,361.7	39,302.0	14,640.6	1,412.9	17,999.2	34,052.7
- adaptation, modernisation	9,097.0	1,134.0	0.0	10,230.9	2,051.3	929.8	0.0	2,981.1
- transfer from intangible fixed assets under construction	0.0	0.0	12,361.7	12,361.7	0.0	0.0	17,999.2	17,999.2
- transfer from tangible fixed assets under construction	16,666.3	0.0	0.0	16,666.3	9,451.2	0.0	0.0	9,451.2
- other increases	0.0	0.0	0.0	43.0	3,138.0	483.1	0.0	3,621.1
<b>Decreases due to:</b>								
- liquidation	-5,671.2	0.0	-18,349.9	-24,021.0	-279.4	-365.2	-9,451.2	-10,095.8
- sale	-5,671.2	0.0	0.0	-5,671.2	-279.3	-365.2	0.0	-644.5
- transfer to intangible fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- transfer to tangible fixed assets	0.0	0.0	-16,666.3	-16,666.3	0.0	0.0	-9,451.2	-9,451.2
- other decreases	0.0	0.0	-1,683.5	-1,683.5	0.0	0.0	0.0	0.0
<b>Gross value as at end of period</b>	392,507.3	11,599.5	2,098.3	406,205.1	406,888.5	12,647.2	10,646.3	430,161.9
<i>of which fully amortised</i>	106,923.9	829.9	0.0	107,753.8	107,195.5	1,602.2	0.0	108,797.7
<b>Amortisation as at start of period</b>	-295,651.4	-3,531.9	0.0	-299,183.3	-312,874.0	-4,380.5	0.0	-317,254.5
<b>Increases due to:</b>								
- amortisation of current period	-21,777.0	-848.6	0.0	-22,625.5	-21,192.5	-959.4	0.0	-22,152.0
- of which subject to one-off amortisation	-21,777.0	-848.6	0.0	-22,625.5	-21,192.5	-959.4	0.0	-22,152.0
- other increases	-105.8	-45.5	0.0	-151.3	-152.6	-69.0	0.0	-221.7
<b>Decreases due to:</b>								
- liquidation, sale	4,554.4	0.0	0.0	4,554.4	226.4	307.4	0.0	533.9
- other decreases	4,554.4	0.0	0.0	4,554.4	226.4	307.4	0.0	533.8
<b>Amortisation as at end of period</b>	-312,874.0	-4,380.5	0.0	-317,254.5	-333,840.0	-5,032.5	0.0	-338,872.5
<b>Impairment as at start of period</b>	-8.9	0.0	0.0	-8.9	-8.9	0.0	0.0	-8.9
<b>Increases</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Decreases</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Impairment as at end of period</b>	-8.9	0.0	0.0	-8.9	-8.9	0.0	0.0	-8.9
<b>Net value as at end of period</b>	79,624.5	7,219.0	2,098.3	88,941.7	73,019.6	7,614.7	10,646.3	91,280.5

\* Due to rounding, individual figures in the table may not add up to totals.

\*\* Copyrights, proprietary rights and similar rights include the following groups of intangible assets: Copyrights and neighbouring rights; Rights related to inventions, patents, trademarks, utility and ornamental designs; Other proprietary rights.

The change in the gross value of intangible fixed assets in 2016 resulted mainly from the purchase of new, and incurring expenses on the existing application software, utility software and system software.

## Note 6 Other financial assets

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

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

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

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

The participation of NBP in foreign entities was as follows:

- shares of the Bank for International Settlements (BIS).

As at 31 December 2015 and 31 December 2016, NBP held 8,000 shares that translated into the same number of votes. 25% of the nominal value of shares (the nominal value of 1 share

amounts to SDR 5.0 thousand) was paid up, which totals SDR 10,000.0 thousand. The share of NBP in the share capital of BIS amounts to 1.43%.

- participating interests in S.W.I.F.T.

As at 31 December 2015 and as at 31 December 2016, NBP had 53 shares (in the amount of EUR 158.5 thousand) of the total number of 110,251 shares as at 31 December 2015 and 110,137 shares as at 31 December 2016.

- participating interests in the European Central Bank.

Since 1 May 2004, i.e. the day of Poland's accession to the European Union, NBP has had participating interest in the ECB's capital. As at 31 December 2016, the capital paid up by NBP to the ECB amounted to PLN 92,002.3 thousand (EUR 20,796.2 thousand).

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

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

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

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

## Note 7 Off-balance-sheet instruments revaluation differences

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

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

## Note 8 Accruals and prepaid expenses

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

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

## Note 9 Sundry

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

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

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

### 9.1. Inventories

PLN thousand	31.12.2015	31.12.2016	Change
Materials and goods	634.7	1,039.8	405.1
Precious metals	28,150.0	12,850.0	-15,300.0
Collector items not in circulation	3,178.8	3,166.8	-12.0
<b>Total</b>	<b>31,963.5</b>	<b>17,056.6</b>	<b>-14,906.9</b>

The item comprises mainly precious metals – silver and gold not conforming to international standards of purity. As at 31 December 2016, NBP's stock comprised 427,127.97 grams of silver and 277,376.01 grams of gold, compared with 2,999,641.79 grams of silver and 353,676.57 grams of gold as at 31 December 2015.

The decrease in the item resulted mainly from the decrease in stock of silver and gold not conforming to international standards of purity because of its use for the production of collector coins in 2016.

## 9.2. Credits and loans to employees

The item comprises loans denominated in domestic currency extended to employees, including loans from the Employee Benefit Fund. As at 31 December 2016, loans extended from the Fund amounted to PLN 8,908.6 thousand as compared with PLN 8,164.3 thousand as at 31 December 2015.

## 9.3. Other

PLN thousand	31.12.2015	31.12.2016	Change
Funds of the Employee Benefit Fund	10,948.6	9,594.2	-1,354.4
Funds on bank accounts in domestic banks related to bid bonds and collaterals paid	4,358.1	4,173.8	-184.3
Settlements related to TARGET2	2,495.7	3,038.3	542.6
Other settlements	830.5	271.7	-558.8
<b>Total</b>	<b>18,632.9</b>	<b>17,078.0</b>	<b>-1,554.9</b>

## Note 10 Banknotes and coins in circulation

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

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

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

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

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

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

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

The amount of funds held by banks, credit unions and KSKOK with NBP due to the required minimum reserve depends on the basis for calculating the required minimum reserve and the required minimum reserve rate in force. The required minimum reserve is an averaged value in the maintenance period. As at 31 December 2016, the level of the required reserve amounted to PLN 40,033.1 million as compared with PLN 37,115.2 million as at 31 December 2015.



- liabilities to domestic banks due to deposit facilities – in 2016, domestic banks used the possibility to deposit their liquidity surplus on term deposit accounts with NBP in the form of interest-bearing overnight deposit. Typically, the largest amounts were deposited on the last days of the required minimum reserve maintenance periods;
- liabilities to domestic banks due to the issue of monetary bills by NBP under the open market main<sup>7</sup> and fine-tuning<sup>8</sup> operations, which are aimed to absorb liquidity.

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

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

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

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

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

31 December 2016 was the last day of the required minimum reserve maintenance period in December. Having invested funds in NBP monetary bills under open market main operations (PLN 59,846,070.0 thousand), banks invested a portion of the remaining funds in NBP monetary bills under the fine-tuning operation made by NBP on the last business day of the required minimum reserve maintenance period (PLN 21,462,400.0 thousand). Banks left on current account funds in the amount which enabled them to meet the minimum reserve requirement, while they placed the remaining funds on a deposit facility at NBP (PLN 7,365,863.0 thousand).

On the contrary, 31 December 2015 was the first day of the required minimum reserve maintenance period. Having invested part of their funds in NBP monetary bills as part of an open

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

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

market main operation in the amount of PLN 74,121,000.0 thousand, banks placed funds amounting to PLN 558,100.0 thousand on a deposit facility, while leaving the remaining funds on a current account.

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

PLN thousand	31.12.2015	31.12.2016	Change
Settlements in the domestic payment systems of KIR, of which	128,051.3	463,560.8	335,509.5
- in the Elixir system	78,004.6	387,857.8	309,853.2
- in the Express Elixir system	50,046.7	75,703.0	25,656.3
Other liabilities denominated in domestic currency	4,656.6	5,262.2	605.6
<b>Total</b>	<b>132,707.9</b>	<b>468,823.0</b>	<b>336,115.1</b>

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

- payment orders of NBP's customers submitted for settlement in the domestic payment system Elixir, which were under settlement as at 31 December 2016,
- funds accumulated in the account which is used to settle payments in the Express Elixir system,
- substitution cash services provided by domestic banks; it concerns cash disbursements carried out in domestic banks by State budget units and offices providing services to fiscal bodies which are located outside the cities in which NBP offers cash services.

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

PLN thousand	31.12.2015 data from the approved financial statements	31.12.2015 comparable data*	31.12.2016	Change
Liabilities to general government, of which	5,917,451.3	5,917,451.3	4,962,840.1	-954,611.2
- State budget accounts	4,071,306.0	4,073,453.2	3,669,504.9	-403,948.3
- accounts of social insurance funds	1,766,180.9	1,766,180.9	1,238,588.1	-527,592.8
- accounts of other entities of general government sector	79,964.4	77,817.2	54,747.1	-23,070.1
Other liabilities	24,781.5	24,781.5	17,729.2	-7,052.3
<b>Total</b>	<b>5,942,232.8</b>	<b>5,942,232.8</b>	<b>4,980,569.3</b>	<b>-961,663.5</b>

\* Changes result from a statistical reclassification in 2016 of selected types of funds due to the general government.

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

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

PLN thousand	31.12.2015	31.12.2016	Change
Accounts of international financial institutions and central banks, of which	5,906.9	8,858.3	2,951.4
- No. 2 Account of the IMF	69.7	102.5	32.8
Accounts of international non-financial organisations	2,240,062.0	4,360,434.1	2,120,372.1
<b>Total</b>	<b>2,245,968.9</b>	<b>4,369,292.4</b>	<b>2,123,323.5</b>

The item comprises current accounts in domestic currency operated by NBP for international financial and non-financial organisations and central banks, including the account in domestic currency operated by NBP for the IMF, which is used for the Fund's administrative expenditures (so-called No. 2 Account).<sup>9</sup>

<sup>9</sup> The IMF funds accumulated on No. 2 Account are subject to revaluation, as requested by the IMF. This revaluation is made on the basis of the PLN/SDR exchange rate announced by the Fund. The results of the revaluation are recorded as other income/expenses on financial operations (see Note 31 and Note 32).

## Note 15 Liabilities to residents denominated in foreign currency

PLN thousand	31.12.2015	31.12.2016	Change
State budget accounts	8,946,863.2	22,565,158.1	13,618,294.9
Accounts of domestic banks for settlements in TARGET2	1,070,084.3	3,560,478.0	2,490,393.7
Other liabilities	39,829.2	1,143,772.6	1,103,943.4
<b>Total</b>	<b>10,056,776.7</b>	<b>27,269,408.7</b>	<b>17,212,632.0</b>
<i>of which currency revaluation differences</i>	<i>364,624.0</i>	<i>1,116,251.0</i>	<i>751,627.0</i>

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

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

Moreover, the item comprises liabilities arising from settlements of NBP's customers with foreign counterparties (among others, non-settled payment orders, liabilities due to the sale of banker's cheques).

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

PLN thousand	31.12.2015	31.12.2016	Change
Repo transactions in foreign currency, of which	11,907,090.0	76,439,867.9	64,532,777.9
- repo transactions in USD	1,729,961.7	51,015,037.0	49,285,075.3
- repo transactions in EUR	0.0	4,137,862.0	4,137,862.0
- repo transactions in GBP	10,177,128.3	21,286,968.9	11,109,840.6
Accounts of international non-financial organisations	44,721.7	44,288.6	-433.1
Other liabilities	91,991.0	1,264,209.4	1,172,218.4
<b>Total</b>	<b>12,043,802.7</b>	<b>77,748,365.9</b>	<b>65,704,563.2</b>
<i>of which currency revaluation differences</i>	<i>1,036,253.3</i>	<i>7,352,661.4</i>	<i>6,316,408.1</i>

The item comprises mainly:

- repo transactions carried out with foreign financial institutions. Under the NBP investment policy, the above repo transactions are usually executed simultaneously with reverse repo transactions (see Note 3);
- accounts in foreign currency operated by NBP for international non-financial organisations;

- liabilities denominated in foreign currency due to cross-border payment orders of domestic banks and NBP's customers in the course of settlement which had been sent to the STEP2 system (a clearing system for retail payments in euro) as well as NBP's own non-settled transactions denominated in foreign currency.

## Note 17 Liabilities to the IMF

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
<b>SDR allocation</b>	<b>7,057,646.7</b>	<b>7,401,999.6</b>	<b>344,352.9</b>
<i>of which SDR currency revaluation differences</i>	<i>877,485.4</i>	<i>193,924.1</i>	<i>-683,561.3</i>

<i>SDR thousand</i>	31.12.2015	31.12.2016	Change
<b>SDR allocation</b>	<b>1,304,748.7</b>	<b>1,305,099.0</b>	<b>350.3</b>

SDR allocation was conducted in the second half of 2009. Under the general and special allocation, the Republic of Poland received a total of SDR 1,304,639.7 thousand.

Liabilities to the IMF due to the SDR allocation bear the interest calculated according to the rate determined by the IMF.

The increase in the item in original currency resulted from the increase in accrued interest by SDR 350.3 thousand.

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

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

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Currency revaluation differences	50,463.8	112,265.6	61,801.8
Price revaluation differences	0.0	1,805.8	1,805.8
<b>Total</b>	<b>50,463.8</b>	<b>114,071.4</b>	<b>63,607.6</b>

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

## Note 19 Accruals and deferred income

PLN thousand	31.12.2015	31.12.2016	Change
Accruals	50,029.5	56,289.7	6,260.2
Deferred income, of which	76,835.1	75,338.5	-1,496.6
- interest on the debt of a bank in liquidation	12,344.5	12,141.9	-202.6
<b>Total</b>	<b>126,864.6</b>	<b>131,628.2</b>	<b>4,763.6</b>

The increase in the item concerned mainly accruals related to NBP's own administrative activities (salaries and services from third parties), and management of foreign currency reserves (fees and commissions).

## Note 20 Sundry

PLN thousand	31.12.2015	31.12.2016	Change
Employee Benefit Fund	19,112.5	18,502.4	-610.1
Liabilities on financial operations	5,192.3	285.4	-4,906.9
Liabilities to public authorities	26,252.9	25,469.2	-783.7
Liabilities to suppliers	20,093.1	16,811.4	-3,281.7
Adjustment of off-balance-sheet instruments to the average cost of holding	324,791.4	60,195.5	-264,595.9
Other	595.2	607.0	11.8
<b>Total</b>	<b>396,037.4</b>	<b>121,870.9</b>	<b>-274,166.5</b>

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

## Note 21 Provisions for future liabilities

PLN thousand	31.12.2015	31.12.2016	Change
Provisions for future liabilities to employees, of which	125,562.8	124,596.4	-966.4
- due to retirement severance payments	51,115.8	62,235.8	11,120.0
- due to disability severance payments	1,791.8	1,688.4	-103.4
- due to jubilee awards	55,818.7	49,710.2	-6,108.5
- due to untaken leaves	9,276.5	8,162.0	-1,114.5
- due to additional severance payments and additional benefits	7,560.0	2,800.0	-4,760.0
Other	7,704.6	8,717.6	1,013.0
<b>Total</b>	<b>133,267.4</b>	<b>133,314.0</b>	<b>46.6</b>

The change in the item resulted mainly from:

- the use of provisions for retirement severance payments and jubilee awards and changes to financial and demographic assumptions of the model used for estimation thereof,
- the use in 2016 of provisions for severance payments and additional employee benefits, in connection with the execution of the *Programme of employment optimisation in NBP* commenced in 2014, which ended in January 2016.

### 21.1. Provisions for future liabilities to employees

Change in provisions in 2015.

PLN thousand	01.01.2015	Increase	Use	Release	31.12.2015
Due to retirement severance payments	55,063.1	2,142.4	-6,089.7	0.0	51,115.8
Due to disability severance payments	1,876.0	86.8	-171.0	0.0	1,791.8
Due to jubilee awards	51,449.6	9,875.3	-5,506.2	0.0	55,818.7
Due to untaken leaves	10,757.4	0.0	-302.1	-1,178.8	9,276.5
Due to statutory and additional severance payments and additional benefits for employees under employment contracts who are laid off for reasons unrelated to employees	37,353.0	4,378.6	-33,593.5	-578.1	7,560.0
<b>Total</b>	<b>156,499.1</b>	<b>16,483.1</b>	<b>-45,662.5</b>	<b>-1,756.9</b>	<b>125,562.8</b>

## Change in provisions in 2016.

PLN thousand	01.01.2016	Increase	Use	Release	31.12.2016
Due to retirement severance payments	51,115.8	13,235.7	-2,115.7	0.0	62,235.8
Due to disability severance payments	1,791.8	26.9	-130.3	0.0	1,688.4
Due to jubilee awards	55,818.7	0.0	-5,755.6	-352.9	49,710.2
Due to untaken leaves	9,276.5	0.0	-455.9	-658.6	8,162.0
Due to statutory and additional severance payments and additional benefits for employees under employment contracts who are laid off for reasons unrelated to employees	7,560.0	455.0	-5,133.0	-82.0	2,800.0
<b>Total</b>	<b>125,562.8</b>	<b>13,717.6</b>	<b>-13,590.5</b>	<b>-1,093.5</b>	<b>124,596.4</b>

## 21.2. Other provisions

### Change in provisions in 2015.

PLN thousand	01.01.2015	Increase	Use	Release	31.12.2015
For future liabilities due to court proceedings	7,406.2	567.9	-28.3	-300.5	7,645.3
For future liabilities resulting from financial operations in domestic currency	53.3	6.0	0.0	0.0	59.3
<b>Total</b>	<b>7,459.5</b>	<b>573.9</b>	<b>-28.3</b>	<b>-300.5</b>	<b>7,704.6</b>

### Change in provisions in 2016.

PLN thousand	01.01.2016	Increase	Use	Release	31.12.2016
For future liabilities due to court proceedings	7,645.3	1,113.5	-28.0	-76.7	8,654.1
For future liabilities resulting from financial operations in domestic currency	59.3	4.2	0.0	0.0	63.5
<b>Total</b>	<b>7,704.6</b>	<b>1,117.7</b>	<b>-28.0</b>	<b>-76.7</b>	<b>8,717.6</b>



## Note 22 Revaluation accounts

PLN thousand	31.12.2015	31.12.2016	Change
Currency revaluation gains, of which	33,589,083.2	41,291,274.5	7,702,191.3
- on gold	9,374,594.8	11,692,060.2	2,317,465.4
- on foreign currencies	24,214,488.4	29,599,214.3	5,384,725.9
Price revaluation gains, of which	1,438,258.1	1,403,474.0	-34,784.1
- on securities	1,438,258.1	1,403,474.0	-34,784.1
- on off-balance-sheet financial instruments	0.0	0.0	0.0
Gold revaluation account	1,618,023.2	1,618,023.2	0.0
<b>Total</b>	<b>36,645,364.5</b>	<b>44,312,771.7</b>	<b>7,667,407.2</b>

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.<sup>10</sup>

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

	Average cost of holding	Average NBP exchange rate/Average price of gold	Average cost of holding	Average NBP exchange rate/Average price of gold
PLN	31.12.2015		31.12.2016	
AUD	2.7815474073	2.8546	2.8770933978	3.0180
BRL	1.2672493104	0.9851	-	1.2838
EUR	4.1828658257	4.2615	4.2656978807	4.4240
GBP	5.3373270404	5.7862	5.2769729159	5.1445
MXN	0.2309055561	0.2242	-	0.2015
NOK	0.4694532178	0.4431	0.4572716446	0.4868
NZD	2.5817621826	2.6765	2.7625797543	2.9058
USD	3.3503676585	3.9011	3.5587564302	4.1793
SDR	4.7366679244	5.4092	5.5230104169	5.6716
Ounce of gold*	1,311.1032898126	4,143.9435	1,312.1863174561	4,844.2266

\* Price of an ounce of gold expressed in USD was respectively: USD 1,062.25 as at 31.12.2015 and USD 1,159.10 as at 31.12.2016.

<sup>10</sup> In the case of a negative holding of foreign currency, currency revaluation gains are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost.

Currency revaluation gains by foreign currency are presented below.

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
AUD	819,814.7	1,311,176.8	491,362.1
EUR	1,648,613.3	3,381,536.1	1,732,922.8
GBP	2,961,800.5	0.0	-2,961,800.5
NOK	0.0	1,275,691.0	1,275,691.0
NZD	333,207.9	541,345.3	208,137.4
USD	18,358,632.0	23,088,509.4	4,729,877.4
SDR	91,903.9	0.0	-91,903.9
Other	516.1	955.7	439.6
<b>Total</b>	<b>24,214,488.4</b>	<b>29,599,214.3</b>	<b>5,384,725.9</b>

Price revaluation gains on securities are determined by comparing the average cost of securities holding with the average market price of these securities, which is higher than the average cost. Price revaluation gains by securities denominated in individual foreign currencies are presented below.

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Securities in GBP	327,156.4	452,106.4	124,950.0
Securities in EUR	118,200.0	287,746.9	169,546.9
Securities in NOK	307,679.9	242,101.6	-65,578.3
Securities in NZD	196,244.3	206,279.0	10,034.7
Securities in USD	161,105.6	139,355.0	-21,750.6
Securities in AUD	299,243.3	75,885.1	-223,358.2
Securities in other currencies	28,628.6	0.0	-28,628.6
<b>Total</b>	<b>1,438,258.1</b>	<b>1,403,474.0</b>	<b>-34,784.1</b>

Both as at 31 December 2016 and as at 31 December 2015 there were not any price revaluation gains on off-balance-sheet financial instruments (forward transactions in securities denominated in foreign currency).

Due to the fact that as at 31 December 2016:

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

NBP, similarly to 31 December 2015, did not release the gold revaluation account.

## Note 23 Capital and reserves

<i>PLN thousand</i>	31.12.2015	31.12.2016	Change
Statutory fund	1,500,000.0	1,500,000.0	0.0
Reserve fund	993,645.5	1,007,434.5	13,789.0
Reserves	11,207,911.6	10,807,911.6	-400,000.0
<b>Total</b>	<b>13,701,557.1</b>	<b>13,315,346.1</b>	<b>-386,211.0</b>

The item comprises:

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

The change in the item resulted from:

- allocation of 5% of NBP's profit for 2015 to the reserve fund in the amount of PLN 413,789.0 thousand (see Chapter 1.5).
- partial use of the reserve fund in the amount of PLN 400,000.0 thousand to cover loss of previous years (see Note 24);
- the release of the provision against the foreign exchange rate risk of the zloty in the amount of PLN 400,000.0 thousand (see Note 34 and Chapter 9.1.4.).

The change in the provision against the foreign exchange rate risk of the zloty in 2015 and 2016 is presented in the table below:

<i>PLN thousand</i>	Opening balance	Increase	Use	Release	Closing balance
<b>2015</b>	8,740,388.2	2,467,523.4	0.0	0.0	<b>11,207,911.6</b>
<b>2016</b>	11,207,911.6	0.0	0.0	-400,000.0	<b>10,807,911.6</b>

## Note 24 Financial result

As at 31 December 2016, the item comprised:

- financial result of the current year in the amount of PLN 9,200,986.7 thousand (see Note 44).
- uncovered loss of previous years in the amount of PLN 10,807,911.6 thousand, which is the result of NBP's loss for the year 2007 in the amount of PLN 12,427,261.7 thousand and its partial coverage from the reserve fund:

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

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

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

PLN thousand	31.12.2015	31.12.2016	Change
Currency to be received in spot transactions, of which	2,303,405.6	1,656,266.9	-647,138.7
- AUD	0.0	425,233.7	425,233.7
- CHF	1,181.8	0.0	-1,181.8
- GBP	0.0	103,315.5	103,315.5
- NZD	0.0	672,700.3	672,700.3
- USD	2,302,223.8	455,017.4	-1,847,206.4
Currency to be delivered in spot transactions, of which	2,303,405.6	1,656,266.9	-647,138.7
- AUD	597,946.9	0.0	-597,946.9
- EUR	1,492,213.1	352,149.7	-1,140,063.4
- GBP	0.0	102,867.6	102,867.6
- NOK	0.0	116,715.2	116,715.2
- NZD	213,164.4	0.0	-213,164.4
- PLN	81.2	0.0	-81.2
- USD	0.0	1,084,534.4	1,084,534.4

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

### Note 26 Off-balance-sheet financial instruments

PLN thousand	31.12.2015	31.12.2016	Change
Securities denominated in foreign currency sold in forward transactions, of which	0.0	1,899,643.2	1,899,643.2
- securities in AUD	0.0	1,899,643.2	1,899,643.2
Bond futures purchased denominated in foreign currency, of which	0.0	15,324,666.9	15,324,666.9
- bond futures in USD	0.0	12,244,542.9	12,244,542.9
- bond futures in GBP	0.0	1,548,635.2	1,548,635.2
- bond futures in EUR	0.0	1,531,488.8	1,531,488.8
Bond futures sold denominated in foreign currency, of which	0.0	940,295.0	940,295.0
- bond futures in EUR	0.0	940,295.0	940,295.0

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

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

### *New Arrangements to Borrow (NAB)*

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

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

As at 31 December 2016, the NBP's commitment under NAB amounted to SDR 1,060,251.3 thousand (PLN 6,013,321.2 thousand according to the average NBP exchange rate as at the balance sheet date).

SDR thousand	Opening balance	Increase		Decrease		Closing balance
		limit set	loan repayment	loan extension	limit decreased	
2011	0.0	2,528,590.0	0.0	-174,000.0	0.0	2,354,590.0
2012	2,354,590.0	0.0	2,500.0	-127,000.0	0.0	2,230,090.0
2013	2,230,090.0	0.0	27,200.0	-51,600.0	0.0	2,205,690.0
2014	2,205,690.0	0.0	72,827.5	-54,400.0	0.0	2,224,117.5
2015	2,224,117.5	0.0	102,200.0	-44,200.0	0.0	2,282,117.5
2016	2,282,117.5	0.0	21,323.8	0.0	-1,243,190.0	1,060,251.3
		<b>Total</b>	<b>226,051.3</b>	<b>-451,200.0</b>	<b>-1,243,190.0</b>	

The New Arrangements to Borrow currently in force will expire on 16 November 2017. On 4 November 2016, the Executive Board of the IMF took a decision to renew NAB for a subsequent period. The decision will enter into force on 17 November 2017 and will be valid for the next five years (i.e. until 16 November 2022). On 9 February 2017, the Management Board of NBP gave its consent to continue NBP's participation in NAB at the current maximum level of financial engagement.

### *Bilateral loan agreement*

On 15 March 2013, NBP and the IMF concluded a bilateral loan agreement, in accordance with which NBP committed to extend interest-bearing loans to the IMF amounting up to the SDR equivalent of EUR 6,270,000.0 thousand. The funds are to be transferred by NBP at the request of

the IMF. The IMF will be able to use these funds provided that it exhausts other available resources originating from quotas of member countries and loans under the NAB.

Bilateral loan agreements, including the agreement with NBP, were entered into by the IMF for the period of two years, with the option to extend it for two one-year periods. In 2014, the Executive Board of the IMF, after consultation with signatories of the agreements (including NBP), decided to extend the period of the agreements by one year. Subsequently, in 2015, having received the consent of the signatories of the agreements (NBP Management Board took the decision on this issue on 9 July 2015), the Executive Board of the IMF approved the extension of the agreements (including with NBP) for a second one-year period, i.e. until March 2017.

In the second half of 2016, the IMF conducted talks with all signatories of the bilateral loan agreements (including NBP) on the possibility of their extension. Therefore, on 20 October 2016 the Management Board of NBP agreed to enter a bilateral agreement with the IMF for the next period, i.e. until the end of 2019, with a possibility to extend it for one year (subject to NBP's consent) until the end of 2020. The loan agreement entered into force on 23 January 2017. The limit of the loan was set at the previous level.

Until 31 December 2016, the IMF did not use the funds made available under the bilateral loan agreement with NBP. Therefore, as at 31 December 2016, the NBP's commitment to the bilateral loan agreement with the IMF amounted to EUR 6,270,000.0 thousand (PLN 27,738,480.0 thousand according to the average NBP exchange rate as at the balance sheet date).

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

The item comprises mainly:

- collateral received in connection with a refinancing loan for the restoration of bank's liquidity in the form of claims of the domestic bank arising from loan agreements. These claims were assigned in favour of NBP (see Note 4 and Note 9). According to data provided by the domestic bank under winding-up proceedings which received the refinancing loan from NBP, as at 31 December 2016 the updated nominal value of the claims reduced by the provisions created by the domestic bank in line with the Polish accounting standards, amounted to PLN 337,694.1 thousand in comparison with PLN 945,641.4 thousand as at 31 December 2015;
- collateral received in connection with the NBP's own administrative activities – mainly guarantees and sureties received to secure the due performance of contracts for the deliveries and services by NBP contractors, and mortgage collateral established in favour of NBP related to loans extended to NBP employees; as at 31 December 2016, the value of collateral amounted to PLN 28,243.8 thousand, as compared with PLN 28,729.2 thousand as at 31 December 2015;

- interest on the debt of a bank in liquidation accrued after the date the bank was put into liquidation; as at 31 December 2016 the value of interest on the debt of the bank in liquidation did not change compared with the previous year and amounted to PLN 1,183,103.7 thousand.



## 7. Explanatory notes to profit and loss account

### Note 29 Interest, discount and premium income

PLN thousand	2015	2016	Change
Income on securities denominated in foreign currency, of which	5,802,288.3	5,729,280.4	-73,007.9
- discount	108,834.9	126,436.4	17,601.5
- interest	5,693,453.4	5,602,844.0	-90,609.4
Interest income on NBP bank accounts in foreign currency and gold, of which	406,445.7	459,037.7	52,592.0
- on current accounts	43.4	26.2	-17.2
- on term deposits, of which	324,527.3	230,831.8	-93,695.5
• on term deposits in gold	28,705.5	29,756.4	1,050.9
- on reverse repo transactions	81,875.0	228,179.7	146,304.7
Interest income on credits and loans, of which	7,670.9	3,237.5	-4,433.4
- in foreign currency	682.7	1,046.8	364.1
- in domestic currency	6,988.2	2,190.7	-4,797.5
Other interest income, of which	72,291.6	48,525.1	-23,766.5
- on the debt of a bank in liquidation	65,231.8	202.6	-65,029.2
- on bank accounts operated by NBP in foreign currency	3,676.4	17,675.6	13,999.2
<b>Total</b>	<b>6,288,696.5</b>	<b>6,240,080.7</b>	<b>-48,615.8</b>

The item comprises mainly income:

- on investment instruments of foreign currency reserves (see Note 3), that is:
  - interest and discount income on securities denominated in foreign currency,
  - interest income on term deposits denominated in foreign currency,
  - interest income on reverse repo transactions in foreign currency,
- on investment instruments in gold (see Note 1).

In 2016, the decrease in the item resulted mainly from:

- lower by PLN 21,449.6 thousand (from PLN 6,179,985.1 thousand in 2015 to PLN 6,158,535.5 thousand in 2016) interest and discount income on investment instruments of foreign currency reserves, which was to a large extent the result of the following factors:

- increase in the foreign currency reserves<sup>11</sup> in average annual terms (their average amount stood at PLN 338,664.8 million in 2016 as compared with PLN 324,450.3 million in 2015); the change in foreign currency reserves by individual currency is presented below,

Average annual level of foreign currency reserves by foreign currency

<i>million units of original currency</i>	2015	2016	Change
USD	31,712.1	37,231.1	5,519.0
EUR	26,313.1	23,682.7	-2,630.4
GBP	5,877.1	6,726.4	849.3
AUD	9,787.5	8,179.7	-1,607.8
NOK	43,230.5	40,182.1	-3,048.4
NZD	3,253.8	3,211.4	-42.4
BRL	1,280.3	91.1	-1,189.2
MXN	12,136.9	3,841.1	-8,295.8

- change in the share of individual investment instruments in the structure of foreign currency reserves – the increase in the share of interest-bearing securities, with a simultaneous decrease in the share of other investment instruments,

Investment structure of NBP foreign currency reserves in average annual terms

%	2015	2016	Change
Term deposits	11.3	11.0	-0.3 p.p.
Reverse repo transactions (stand alone)	2.5	0.8	-1.7 p.p.
Discount securities	14.5	10.9	-3.6 p.p.
Interest-bearing securities	71.7	77.3	5.6 p.p.

- change in the average daily amounts invested in simultaneous reverse repo and repo transactions,

<sup>11</sup> Foreign currency reserves include term deposits, reverse repo transactions in securities (stand alone), discount securities and interest-bearing securities.

Average daily amounts invested in simultaneous reverse repo and repo transactions

<i>million units of original currency</i>	2015	2016	Change
USD	1,027.6	8,015.9	6,988.3
EUR	73.4	302.1	228.7
GBP	2,343.5	2,802.9	459.4
AUD	100.3	9.1	-91.2

- change in the average annual exchange rates of the zloty – a depreciation of the zloty against USD, EUR, AUD, NOK and NZD, with a simultaneous appreciation of the zloty against GBP, BRL and MXN,

Average annual foreign exchange rates

<i>PLN</i>	2015	2016	Change
USD	3.7701	3.9431	0.1730
EUR	4.1839	4.3625	0.1786
GBP	5.7637	5.3431	-0.4206
AUD	2.8352	2.9330	0.0978
NOK	0.4681	0.4695	0.0014
NZD	2.6375	2.7500	0.1125
BRL	1.1496	1.1375	-0.0121
MXN	0.2380	0.2113	-0.0267

- change in the average interest rate on investment instruments of foreign currency reserves, in particular the decrease in the average annual interest rate on term deposits in NOK and NZD and interest-bearing securities denominated in USD, GBP and AUD, with a simultaneous increase in the average annual interest rate on reverse repo transactions in USD;
- lower by PLN 65,029.2 thousand interest income on debt of a bank in liquidation, owing to repayments of interest to NBP lower than in 2015 (see Note 9 and Note 19);
- lower by PLN 4,813.8 thousand interest income on a refinancing loan for the restoration of bank's liquidity. Following the declaration of the winding up of the bank, as of 22 February 2016 NBP ceased to calculate interest on that loan (see Note 4 and Note 9);

- higher by PLN 13,999.2 thousand interest income on banks' accounts operated by NBP in foreign currency, which was mainly related to interest income on repo transactions denominated in EUR.

In 2016 also included under this item is income, classified as *Other interest income*, in the amount of PLN 28,180.8 thousand due to a refund of tax liabilities paid by NBP for the years 2009-2015, related to the so-called withholding tax. The refund was received on the basis of a favourable tax interpretation (see Note 30).

## 29.1. Interest and discount income on securities denominated in foreign currency

PLN thousand	2015	2016	Change
Securities in USD	1,604,476.8	1,817,020.7	212,543.9
Securities in GBP	1,123,596.2	1,128,778.7	5,182.5
Securities in AUD	1,318,865.6	1,086,532.4	-232,333.2
Securities in EUR	798,456.4	1,019,244.1	220,787.7
Securities in other currencies	956,893.3	677,704.5	-279,188.8
<b>Total</b>	<b>5,802,288.3</b>	<b>5,729,280.4</b>	<b>-73,007.9</b>

## 29.2. Interest income on term deposits in foreign currency and gold

PLN thousand	2015	2016	Change
Term deposits in NZD	155,159.9	103,982.4	-51,177.5
Term deposits in NOK	123,236.4	64,517.3	-58,719.1
Term deposits in gold	28,705.5	29,756.4	1,050.9
Term deposits in USD	3,192.9	19,512.2	16,319.3
Term deposits in other currencies	14,232.6	13,063.5	-1,169.1
<b>Total</b>	<b>324,527.3</b>	<b>230,831.8</b>	<b>-93,695.5</b>

### 29.3. Interest income on reverse repo transactions in foreign currency

<i>PLN thousand</i>	2015	2016	Change
Reverse repo transactions in USD	6,117.0	160,808.8	154,691.8
Reverse repo transactions in GBP	69,449.7	66,865.3	-2,584.4
Reverse repo transactions in AUD	6,149.3	505.6	-5,643.7
Reverse repo transactions in other currencies	159.0	0.0	-159.0
<b>Total</b>	<b>81,875.0</b>	<b>228,179.7</b>	<b>146,304.7</b>

### 29.4. Interest income on credits and loans in foreign currency

The item comprises interest income on loans extended to the IMF under NAB (see Note 2).

In 2016, the higher income resulted mainly from the increase in the weighted average interest rate on SDR, from 0.050% in 2015 to 0.084% in 2016 and a depreciation of the zloty against SDR in average annual terms from PLN 5.2749 in 2015 to PLN 5.4805 in 2016<sup>12</sup>, with a simultaneous decrease in the average annual level of receivables from extended loans.

### 29.5. Interest income on credits and loans in domestic currency

<i>PLN thousand</i>	2015	2016	Change
Interest income on a refinancing loan for the restoration of bank's liquidity	6,626.8	1,813.0	-4,813.8
Interest income on loans to employees	360.6	285.3	-75.3
Interest income on marginal lending facility	0.8	92.4	91.6
<b>Total</b>	<b>6,988.2</b>	<b>2,190.7</b>	<b>-4,797.5</b>

<sup>12</sup> Following the decision of the Executive Board of the IMF, starting from 1 October 2016 the Chinese renminbi was added to the foreign currency basket used for determining the SDR exchange rate (before the decision the basket comprised USD, EUR, JPY and GBP), which also had an impact on the level of the IMF interest rate.

## 29.6. Other interest income

PLN thousand	2015	2016	Change
Interest income on receivables from the IMF	3,007.8	2,404.3	-603.5
Interest income on bank accounts operated by NBP in foreign currency	3,676.4	17,675.6	13,999.2
Interest income on receivables from financial operations denominated in domestic currency, of which	65,233.2	204.0	-65,029.2
- interest income on the debt of a bank in liquidation	65,231.8	202.6	-65,029.2
Interest income on foreign exchange forwards	153.6	34.9	-118.7
Interest income for non-compliance with the obligation to maintain the required minimum reserve	211.7	1.6	-210.1
Other interest income	8.9	28,204.7	28,195.8
<b>Total</b>	<b>72,291.6</b>	<b>48,525.1</b>	<b>-23,766.5</b>

### 29.6.1. Interest income on receivables from the IMF

The item comprises interest income on the current account with the IMF and interest income on the interest-bearing portion of the reserve tranche (see Note 2). In 2016, they amounted to PLN 1,562.0 thousand and PLN 842.3 thousand, respectively as compared with PLN 2,504.5 thousand and PLN 503.3 thousand in 2015.

The lower income resulted mainly from the lower average annual balance of the current account with the IMF and the level of reserve tranche, with a simultaneous increase in the weighted average interest rate on SDR and a depreciation of the zloty against SDR in average annual terms (see Note 29.4.).

### 29.6.2. Interest income on bank accounts operated by NBP in foreign currency

PLN thousand	2015	2016	Change
Interest income on current and auxiliary accounts operated by NBP in foreign currency	2,167.7	2,889.7	722.0
Interest income on repo transactions in foreign currency, of which	1,508.7	14,785.9	13,277.2
- repo transactions in EUR	152.9	12,085.9	11,933.0
- repo transactions in USD	1,355.8	2,700.0	1,344.2
<b>Total</b>	<b>3,676.4</b>	<b>17,675.6</b>	<b>13,999.2</b>

The item comprises mainly:

- interest income on current accounts of domestic banks in EUR used for settlements in TARGET2 in the amount of PLN 2,889.6 thousand (see Note 15). It results from the introduction by NBP of the principle of sharing with banks the NBP's expenses arising from a negative interest rate on funds held on the current account with the ECB used for settlements in TARGET2 (see Note 30.5.2.);
- interest income on repo transactions with a negative interest rate, which were carried out by NBP under the foreign currency reserve management. In 2016, the growth of income related mainly to repo transactions in EUR, which was predominantly driven by the increase in their negative interest rate.

## Note 30 Interest, discount and premium expenses

PLN thousand	2015	2016	Change
Premium expenses on securities denominated in foreign currency	3,111,118.1	3,418,130.5	307,012.4
Discount expenses on issued securities denominated in domestic currency	1,444,464.0	1,105,379.0	-339,085.0
Interest expenses on bank accounts operated by NBP in foreign currency, of which:	72,811.0	197,565.2	124,754.2
- on repo transactions	72,536.5	187,471.4	114,934.9
Interest expenses on bank accounts operated by NBP in domestic currency, of which	530,674.6	551,260.6	20,586.0
- on required minimum reserve	507,770.4	528,398.0	20,627.6
- on deposit facilities	2,953.7	3,784.8	831.1
Other interest expenses, of which	78,750.8	100,657.8	21,907.0
- on NBP bank accounts in foreign currency	48,135.6	94,349.5	46,213.9
<b>Total</b>	<b>5,237,818.5</b>	<b>5,372,993.1</b>	<b>135,174.6</b>

The item comprises mainly expenses on:

- instruments used by NBP under monetary policy operations (see Note 11), that is:
  - discount expenses on NBP monetary bills issued under main and fine-tuning monetary policy operations,
  - interest expenses on the required minimum reserve and deposit facilities,
- on investment instruments of foreign currency reserves (see Note 3 and Note 16), that is:
  - premium expenses on securities denominated in foreign currency,

- interest expenses on repo transactions in foreign currency,
- interest on accounts operated by NBP for entities other than banks (mostly the State budget).

In 2016 the increase in the item resulted mainly from:

- higher, by PLN 307,012.4 thousand, premium expenses on discount and interest-bearing securities in foreign currency. The increase in premium expenses on discount securities related to securities denominated in EUR and was mainly caused by the increase in their negative yields. As for interest-bearing securities, there was an increase in premium expenses on securities denominated in EUR, with a simultaneous drop of premium expenses on securities denominated in USD.
- higher, by PLN 114,934.9 thousand, interest expenses on repo transactions in foreign currency. The increase in expenses concerned mainly repo transactions in USD, which was mainly a result of:
  - increase in the average daily amounts invested in simultaneous reverse repo and repo transactions in USD (see Note 29),
  - depreciation of the zloty against USD, in average annual terms (see Note 29),
  - increase in the average interest rate on repo transactions in USD;
- higher, by PLN 46,213.9 thousand, interest expenses on NBP bank accounts in foreign currency, which was mainly caused by the increase in a negative interest rate on term deposits in EUR;
- higher, by PLN 20,627.6 thousand, interest expenses on the required minimum reserve, which resulted from the rise in the average level of the required minimum reserve during the year, with a simultaneous fall in the average annual interest rate on the required minimum reserve;

Average size of required minimum reserve\* and average annual interest rate of required minimum reserve\*\*

PLN million / %	2015	2016	Change
Required minimum reserve	35,595.0	38,821.5	3,226.5
Interest rate on required minimum reserve	1.43	1.35	-0.08 p.p.

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

\*\* Funds of the required minimum reserve bear an interest of 0.9 of the NBP reference rate.

- lower, by PLN 339,085.0 thousand, discount expenses on issued securities denominated in domestic currency, due to a decrease in the average annual issue of NBP monetary bills, and a decrease in the average annual reference rate.



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

PLN million / %	2015	2016	Change
Main operations	87,955.6	71,198.1	-16,757.5
Fine-tuning operations	1,107.9	1,210.7	102.8
NBP reference rate	1.59	1.50	-0.09 p.p.

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

In 2015, the item comprised also expenses on liabilities to public authorities, classified as *Other interest expenses*, in the amount of PLN 27,107.0 thousand, related to the corporate income tax on non-residents' income earned in Poland (so-called withholding tax). These stemmed from the calculation and payment by NBP of tax liabilities, mainly on repo transactions entered into by NBP in the years preceding 2015 (see Note 29).

### 30.1. Premium expenses on securities denominated in foreign currency

PLN thousand	2015	2016	Change
Securities in EUR	848,651.7	1,324,951.7	476,300.0
Securities in GBP	709,452.4	839,110.7	129,658.3
Securities in AUD	564,208.8	536,843.6	-27,365.2
Securities in USD	678,796.1	444,110.2	-234,685.9
Securities in other currencies	310,009.1	273,114.3	-36,894.8
<b>Total</b>	<b>3,111,118.1</b>	<b>3,418,130.5</b>	<b>307,012.4</b>

### 30.2. Discount expenses on issued securities denominated in domestic currency

PLN thousand	2015	2016	Change
Discount expenses on NBP monetary bills issued under main monetary policy operations	1,425,446.5	1,086,893.0	-338,553.5
Discount expenses on NBP monetary bills issued under fine-tuning monetary policy operations	19,017.5	18,486.0	-531.5
<b>Total</b>	<b>1,444,464.0</b>	<b>1,105,379.0</b>	<b>-339,085.0</b>

### 30.3. Interest expenses on bank accounts operated by NBP in foreign currency

PLN thousand	2015	2016	Change
Interest expenses on current and auxiliary accounts and on term deposit accounts in foreign currency*	274.5	10,093.8	9,819.3
Interest expenses on repo transactions in foreign currency, of which	72,536.5	187,471.4	114,934.9
- repo transactions in USD	3,487.4	128,635.5	125,148.1
- repo transactions in AUD	6,015.6	479.4	-5,536.2
- repo transactions in GBP	63,007.0	58,356.5	-4,650.5
- repo transactions in other currencies	26.5	0.0	-26.5
<b>Total</b>	<b>72,811.0</b>	<b>197,565.2</b>	<b>124,754.2</b>

\*Concerns mainly the State budget.

### 30.4. Interest expenses on bank accounts operated by NBP in domestic currency

PLN thousand	2015	2016	Change
Interest expenses on current and auxiliary accounts in domestic currency, of which	520,293.7	541,131.1	20,837.4
- on required minimum reserve	507,770.4	528,398.0	20,627.6
- on deposit facilities	2,953.7	3,784.8	831.1
- on other current and auxiliary accounts*	9,569.6	8,948.3	-621.3
Interest expenses on term deposit accounts in domestic currency**	10,380.9	10,129.5	-251.4
<b>Total</b>	<b>530,674.6</b>	<b>551,260.6</b>	<b>20,586.0</b>

\*Concerns mainly the State budget and social insurance funds

\*\*Concerns mainly the State budget.

### 30.5. Other interest expenses

<i>PLN thousand</i>	2015	2016	Change
Interest expenses on liabilities to the IMF due to SDR allocation	3,446.5	5,959.9	2,513.4
Interest expenses on NBP bank accounts in foreign currency	48,135.6	94,349.5	46,213.9
Interest expenses on foreign exchange forwards	42.6	45.7	3.1
Other interest expenses	27,126.1	302.7	-26,823.4
<b>Total</b>	<b>78,750.8</b>	<b>100,657.8</b>	<b>21,907.0</b>

#### 30.5.1. Interest expenses on liabilities to the IMF due to SDR allocation

In 2016, the higher interest expenses on liabilities to the IMF due to SDR allocation (see Note 17) resulted from the increase in the weighted average SDR interest rate, and a depreciation of the zloty against SDR in average annual terms (see Note 29.4.).

#### 30.5.2. Interest expenses on NBP bank accounts in foreign currency

<i>PLN thousand</i>	2015	2016	Change
Interest expenses on NBP current accounts in foreign currency	4,722.4	4,588.2	-134.2
Interest expenses on NBP term deposits in foreign currency	25,983.8	69,774.3	43,790.5
Interest expenses on reverse repo transactions in foreign currency	17,429.4	19,987.0	2,557.6
<b>Total</b>	<b>48,135.6</b>	<b>94,349.5</b>	<b>46,213.9</b>

The item comprises:

- interest expenses on NBP current accounts, mostly in EUR, in connection with negative interest rates on funds which were held on current accounts with central banks of the euro area countries. In 2016, the expenses concerned mainly interest expenses on the current account with the ECB held for settlements in TARGET2, which amounted to PLN 3,500.9 thousand (see Note 3 and Note 29.6.2.),
- interest expenses on term deposit accounts and reverse repo transactions in EUR. The increase in the expenses resulted mainly from the increase in the negative interest rates on deposits in EUR.

## Note 31 Income on financial operations

PLN thousand	2015	2016	Change
Realised foreign exchange gains	12,874,818.0	10,845,941.7	-2,028,876.3
Realised price gains, of which	2,357,802.9	4,329,748.3	1,971,945.4
- on spot transactions in securities	1,958,961.3	1,768,344.1	-190,617.2
- on off-balance-sheet financial instruments, of which	398,841.6	2,561,404.2	2,162,562.6
• on forward transactions in securities	328,157.6	571,245.2	243,087.6
• on bond futures	70,684.0	1,990,159.0	1,919,475.0
Other income on financial operations	1.7	2.6	0.9
<b>Total</b>	<b>15,232,622.6</b>	<b>15,175,692.6</b>	<b>-56,930.0</b>

In 2016, the item comprised mainly:

- realised foreign exchange gains on transactions in foreign currency and gold,

PLN thousand	2015	2016	Change
AUD	537,911.9	926,123.6	388,211.7
BRL	0.0	33,434.3	33,434.3
EUR	855,732.2	1,428,157.7	572,425.5
GBP	2,233,141.4	636,111.4	-1,597,030.0
MXN	0.1	301.8	301.7
NOK	131,185.4	619,265.0	488,079.6
NZD	367,337.0	620,953.7	253,616.7
SDR	150,081.9	112,458.7	-37,623.2
USD	8,594,748.8	6,465,878.4	-2,128,870.4
Gold	906.3	0.2	-906.1
Other	3,773.0	3,256.9	-516.1
<b>Total</b>	<b>12,874,818.0</b>	<b>10,845,941.7</b>	<b>-2,028,876.3</b>

- realised price gains on the sale of securities in spot transactions,

PLN thousand	2015	2016	Change
Securities in USD	508,679.0	628,623.8	119,944.8
Securities in GBP	419,128.1	582,048.0	162,919.9
Securities in AUD	406,526.6	322,419.5	-84,107.1
Securities in EUR	619,035.0	186,561.6	-432,473.4
Securities in other currencies	5,592.6	48,691.2	43,098.6
<b>Total</b>	<b>1,958,961.3</b>	<b>1,768,344.1</b>	<b>-190,617.2</b>

- realised price gains on daily revaluation of bond futures.

PLN thousand	2015	2016	Change
Bond futures in USD	19,381.2	1,276,212.0	1,256,830.8
Bond futures in EUR	30,909.7	426,280.5	395,370.8
Bond futures in GBP	20,393.1	287,666.5	267,273.4
<b>Total</b>	<b>70,684.0</b>	<b>1,990,159.0</b>	<b>1,919,475.0</b>

## Note 32 Expenses on financial operations

PLN thousand	2015	2016	Change
Realised foreign exchange losses	1,602,185.3	1,527,150.5	-75,034.8
Realised price losses, of which	837,077.8	2,662,923.6	1,825,845.8
- on spot transactions in securities	629,911.7	254,507.6	-375,404.1
- on off-balance-sheet financial instruments, of which	207,166.1	2,408,416.0	2,201,249.9
• on forward transactions in securities	138,736.8	107,631.5	-31,105.3
• on bond futures	68,429.3	2,300,784.5	2,232,355.2
Other expenses on financial operations	4.9	1.9	-3.0
<b>Total</b>	<b>2,439,268.0</b>	<b>4,190,076.0</b>	<b>1,750,808.0</b>

In 2016, the item comprised mainly:

- realised foreign exchange losses on foreign currency transactions,

PLN thousand	2015	2016	Change
AUD	189,533.0	63,267.8	-126,265.2
BRL	22,558.0	4.7	-22,553.3
EUR	531,357.0	113,644.7	-417,712.3
GBP	121,519.8	672,094.3	550,574.5
MXN	0.1	108,475.5	108,475.4
NOK	124,187.3	11,995.6	-112,191.7
NZD	348,206.0	48,252.8	-299,953.2
SDR	11.0	0.4	-10.6
USD	264,756.7	509,035.9	244,279.2
Other	56.4	378.8	322.4
<b>Total</b>	<b>1,602,185.3</b>	<b>1,527,150.5</b>	<b>-75,034.8</b>

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

<i>PLN thousand</i>	2015	2016	Change
Securities in USD	194,096.4	151,803.9	-42,292.5
Securities in GBP	136,711.7	41,582.7	-95,129.0
Securities in AUD	134,055.1	44,314.4	-89,740.7
Securities in EUR	165,048.5	16,806.6	-148,241.9
<b>Total</b>	<b>629,911.7</b>	<b>254,507.6</b>	<b>-375,404.1</b>

- realised price losses on daily revaluation of bond futures.

<i>PLN thousand</i>	2015	2016	Change
Bond futures in USD	7,148.1	1,621,179.4	1,614,031.3
Bond futures in EUR	23,771.7	382,313.0	358,541.3
Bond futures in GBP	37,509.5	297,292.1	259,782.6
<b>Total</b>	<b>68,429.3</b>	<b>2,300,784.5</b>	<b>2,232,355.2</b>

## Note 33 Unrealised losses

<i>PLN thousand</i>	2015	2016	Change
Currency revaluation losses	1,755,122.6	1,168,798.6	-586,324.0
Price revaluation losses, of which	337,625.8	931,795.8	594,170.0
- price revaluation losses on securities	337,625.8	929,990.0	592,364.2
- price revaluation losses on off-balance-sheet instruments	0.0	1,805.8	1,805.8
<b>Total</b>	<b>2,092,748.4</b>	<b>2,100,594.4</b>	<b>7,846.0</b>

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<sup>13</sup> (see Note 22). Currency revaluation losses by foreign currency are presented below.

<sup>13</sup> In the case of a negative holding of foreign currency, currency revaluation losses are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average cost. As at the end of 2016 such a case materialised as concerns SDR, the holding of which was negative.

<i>PLN thousand</i>	2015	2016	Change
BRL	346,413.0	0.0	-346,413.0
GBP	0.0	1,091,492.6	1,091,492.6
MXN	89,058.9	0.0	-89,058.9
NOK	1,319,595.6	0.0	-1,319,595.6
SDR	0.0	77,301.8	77,301.8
Other	55.1	4.2	-50.9
<b>Total</b>	<b>1,755,122.6</b>	<b>1,168,798.6</b>	<b>-586,324.0</b>

Price revaluation losses on securities are determined by comparing the average cost of securities holding with the average market price of these securities, which is lower than the average cost. Price revaluation losses by securities denominated in individual foreign currencies are presented below.

<i>PLN thousand</i>	2015	2016	Change
Securities in USD	208,227.0	762,962.2	554,735.2
Securities in AUD	3,725.0	66,117.5	62,392.5
Securities in EUR	22,178.2	56,043.8	33,865.6
Securities in BRL	79,327.7	0.0	-79,327.7
Securities in other currencies	24,167.9	44,866.5	20,698.6
<b>Total</b>	<b>337,625.8</b>	<b>929,990.0</b>	<b>592,364.2</b>

As at 31 December 2016, price revaluation losses on off-balance-sheet financial instruments related to securities denominated in AUD sold in forward transactions (see Note 26).

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

In 2016, income in the amount of PLN 400,000.0 thousand resulted from the release of the provision against the foreign exchange risk of the zloty to the minimum level commensurate to the uncovered cumulative loss of previous years, which arose from the changes in the exchange rate of the zloty against foreign currencies (see Note 23).

In 2015, expenses in the amount of PLN 2,467,523.4 thousand resulted from the replenishment of the provision against the foreign exchange rate risk of the zloty to its minimum level.

## Note 35 Fees and commissions income

PLN thousand	2015	2016	Change
On the operation by NBP of bank accounts	557.2	537.8	-19.4
On the execution of payment orders	26,586.7	29,204.6	2,617.9
Other fees and commissions income	9,994.6	29,925.2	19,930.6
<b>Total</b>	<b>37,138.5</b>	<b>59,667.6</b>	<b>22,529.1</b>

### 35.1. Fees and commissions income on the execution of payment orders

The item comprises mainly income on the execution of payment orders in the SORBNET2 system – PLN 21,401.8 thousand in 2016 as compared with PLN 19,261.2 thousand in 2015. The increase in the income was predominantly a result of a larger number of payment orders processed in the system in 2016.

### 35.2. Other fees and commissions income

The item comprises mainly:

- net income on fees and commissions subject to the pooling mechanism under TARGET2 – PLN 8,803.2 thousand in 2016 as compared with PLN 8,312.4 thousand in 2015,
- fees income due to non-delivery of securities by NBP counterparties (so-called fails charges<sup>14</sup>) – PLN 19,600.2 thousand in 2016 as compared with PLN 261.1 thousand in 2015.

## Note 36 Fees and commissions expenses

PLN thousand	2015	2016	Change
On the opening and operation of NBP accounts	8,576.7	7,164.8	-1,411.9
On the execution of own payment orders	3,118.5	3,476.1	357.6
Due to substitution cash services	8,242.4	7,033.2	-1,209.2
Other fees and commissions expenses	12,653.4	36,287.3	23,633.9
<b>Total</b>	<b>32,591.0</b>	<b>53,961.4</b>	<b>21,370.4</b>

<sup>14</sup> Fails charges relate to securities purchase/sale transactions and repo/reverse repo transactions in USD. Fees are calculated when one of the parties delivers securities to the other at a date later than the agreed date.



### 36.1. Fees and commissions expenses on the opening and operation of NBP's accounts

The item comprises mainly expenses on the operation of NBP's current accounts in foreign currency and securities escrow accounts.

The decline in expenses in 2016 was most of all the result of lower costs of custody of securities on selected escrow accounts, which resulted from a lower volume of transactions in securities made on those accounts.

### 36.2. Expenses on substitution cash services

In 2016, a decrease in the expenses was mainly the result of a lower number and value of cash transactions under substitution cash services.

### 36.3. Other fees and commissions expenses

The item comprises, among others:

- fees expenses due to the participation of NBP in TARGET2 – PLN 13,400.6 thousand in 2016 as compared with PLN 12,148.0 thousand in 2015,
- fees expenses due to non-delivery of securities (so-called fails charges) – PLN 20,138.8 thousand in 2016 as compared with PLN 16.3 thousand in 2015 (see Note 35.2.),
- transaction fees expenses due to bond futures – PLN 2,309.9 thousand in 2016 as compared with PLN 184.1 thousand in 2015,
- fees expenses due to the SDR allocation – PLN 250.6 thousand in 2016 as compared with PLN 114.0 thousand in 2015.

## Note 37 Income on shares and participating interests

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

PLN thousand	2015	2016	Change
<b>Dividends received, of which</b>	<b>11,284.0</b>	<b>15,016.7</b>	<b>3,732.7</b>
- Krajowa Izba Rozliczeniowa S.A.	1,700.0	5,463.7	3,763.7
- Bank for International Settlements	9,584.0	9,553.0	-31.0

## Note 38 Other income

The item comprises mainly income on the sale of collector coins and banknotes, income on rental of office premises, income on precious metals obtained from the remelting of collector coins withdrawn from sale, income on the release of provisions for future liabilities to employees and income on the adjustments of income/expenses related to previous years.

In 2016, the item amounted to PLN 84,923.6 thousand and was lower by PLN 19,306.6 thousand as compared with 2015, which was mainly driven by a decrease in income on precious metals from the remelting of collector coins.

## Note 39 Salaries and social contributions

PLN thousand	2015	2016	Change
Expenses on salaries	370,225.5	380,075.6	9,850.1
Expenses on provisions for future liabilities to employees due to jubilee awards, retirement severance payments, disability severance payments and untaken leaves	12,104.5	13,262.6	1,158.1
Expenses on social contributions	82,199.7	84,042.4	1,842.7
<b>Total</b>	<b>464,529.7</b>	<b>477,380.6</b>	<b>12,850.9</b>

In 2016, the average headcount at NBP amounted to 3,296 employees and was lower by 91 employees as compared with 2015, which was predominantly the effect of the execution of the *Programme of employment optimisation in NBP*, and the implementation in the NBP regional branches of the centralisation of services provided for account holders as well as streamlining of the process of banknote counting and sorting.

In 2016, higher salary expenses resulted mainly from the adopted Human Resources and payroll policy.

### 39.1. Salaries

PLN thousand	2015	2016	Change
Payroll	366,548.2	376,673.4	10,125.2
Non-payroll	3,677.3	3,402.2	-275.1
<b>Total</b>	<b>370,225.5</b>	<b>380,075.6</b>	<b>9,850.1</b>

## 39.2. Expenses on provisions for future liabilities to employees

PLN thousand	2015		2016	
	Expenses on provisions	Actuarial gains/losses*	Expenses on provisions	Actuarial gains/losses*
<b>Expenses on provisions for future liabilities to employees, of which</b>	<b>12,104.5</b>	<b>2,887.3</b>	<b>13,262.6</b>	<b>3,644.6</b>
- due to retirement severance payments	2,142.4	-1,963.8	13,235.7	9,259.8
- due to disability severance payments	86.8	-97.9	26.9	-157.3
- due to jubilee awards	9,875.3	4,949.0	0.0**	-5,457.9
- due to untaken leaves	0.0	-	0.0**	-

\*Actuarial gains are presented with a (-) sign

\*\*As regards provisions for jubilee awards and untaken leaves in 2016, income was recorded due to a partial release of the provisions, classified as *Other income*.

## 39.3. Social contributions

The item comprises pension, disability and accident insurance contributions related to payroll salaries and non-payroll remuneration, contributions to the Labour Fund and payments to the Employee Pension Scheme (PPE) (PLN 24,237.2 thousand in 2016, as compared with PLN 23,780.0 thousand in 2015).

## Note 40 Administrative expenses

PLN thousand	2015	2016	Change
Materials and energy used	22,903.1	22,763.9	-139.2
Benefits for employees and other eligible persons, of which	19,023.5	13,606.4	-5,417.1
- developing professional qualifications	9,284.2	7,929.2	-1,355.0
- provision for additional severance payments and additional benefits for employees	4,378.6	455.0	-3,923.6
Business travels	4,652.1	4,388.1	-264.0
Services from third parties, of which	125,189.3	137,549.8	12,360.5
- IT systems operation	56,792.7	61,271.2	4,478.5
- renovation, repairs, maintenance and overhauls	27,130.8	30,167.1	3,036.3
- data and news transmission	19,113.2	20,698.7	1,585.5
Taxes and fees	31,211.2	26,321.4	-4,889.8
Transfers to Employee Benefit Fund	4,419.4	4,321.7	-97.7
Other administrative expenses, of which	32,272.6	23,651.4	-8,621.2
- expenses on informational, promotional and educational activities	27,023.8	19,582.6	-7,441.2
- expenses on international conferences, seminars and workshops organised under Technical Cooperation	3,189.2	2,126.3	-1,062.9
<b>Total</b>	<b>239,671.2</b>	<b>232,602.7</b>	<b>-7,068.5</b>

The change in the item resulted mainly from lower:

- expenses on informational, promotional and educational activities, mainly due to lower costs of subsidising educational projects,
- expenses on the creation of provision for additional severance payments and additional benefits for employees (see Note 21),
- expenses on taxes and fees, mostly due to lower NBP expenses on membership fees.

At the same time expenses on services from third parties increased, mostly as regards:

- IT software updates and support,
- refurbishment of infrastructure in the premises of NBP Head Office and regional branches.

## Note 41 Depreciation and amortisation expenses

PLN thousand	2015	2016	Change
Tangible fixed assets depreciation expenses	58,496.3	62,688.3	4,192.0
Intangible fixed assets amortisation expenses	22,625.5	22,152.0	-473.5
<b>Total</b>	<b>81,121.8</b>	<b>84,840.3</b>	<b>3,718.5</b>

In 2016, as in 2015, tangible fixed assets depreciation expenses related mainly to the depreciation of machines and devices as well as buildings, while intangible fixed assets amortisation expenses related to IT software.

### 41.1. Tangible fixed assets depreciation expenses

In 2016, the higher depreciation expenses resulted mainly from the increase in the initial value of fixed assets following the adoption of fixed assets for use in the last quarter of 2015 and in 2016, and the increase in the initial value following the modernisation of used fixed assets.

Depreciation expenses by groups of tangible fixed assets are presented in Note 5.1.

### 41.2. Intangible fixed assets amortisation expenses

In 2016, the lower amortisation expenses resulted mainly from the extension of a period of use for IT software.

Amortisation expenses by groups of intangible fixed assets are presented in Note 5.2.

## Note 42 Expenses on issue of banknotes and coins

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

In 2016, the item amounted to PLN 250,932.1 thousand and was by PLN 60,408.3 thousand lower as compared with 2015. The decline in the item resulted mainly from:

- decrease in the expenses on the issue of general circulation banknotes due to a decline in the total number of banknotes ordered and a larger share in the order structure of banknotes whose unit costs are lower; at the same time in 2016 new banknotes of the face value of 500 zloty were delivered, which will be put into circulation in 2017,

- decrease in the expenses on the issue of general circulation coins resulting from a decline in the number of coins ordered and lower production prices of coins of the face value from 10 grosz to 5 zloty.

## **Note 43 Other expenses**

The item comprises mainly expenses corresponding to the nominal value of collector coins and banknotes sold, expenses on the sale of tangible fixed assets, expenses on provisions for future liabilities due to court proceedings and expenses on adjustments of income/expenses related to previous years.

In 2016, the item amounted to PLN 11,013.9 thousand and was lower by PLN 20,564.7 thousand as compared with 2015, which was mainly the effect of lower expenses on the sale of tangible fixed assets.

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

The NBP financial result for 2016 amounted to PLN 9,200,986.7 thousand.

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

- NBP reserve fund (5% of profit) – PLN 460,049.3 thousand,
- the State budget, as NBP's contribution from profit – PLN 8,740,937.4 thousand.

## **8. Other explanatory notes**

### **Note 45 Flexible Credit Line**

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

The current Flexible Credit Line as at 31 December 2016 was granted to Poland by the Executive Board of the IMF on 14 January 2015 for two years (i.e. until 13 January 2017). On 13 January 2016, the Executive Board of the IMF accepted the application of Poland for reducing the amount of the Flexible Credit Line from SDR 15.5 billion to SDR 13.0 billion. The Government of the

Republic of Poland is the authorising entity of the FCL, while NBP acts as the fiscal agency of the Government.

On 13 January 2017 the Executive Board of the IMF accepted the request of Poland for granting the renewed access to the Flexible Credit Line in the amount of SDR 6.5 billion. Poland received access to this IMF instrument for a period of two years (i.e. until January 2019). As in the case of the instrument made available to Poland in 2015, the Government of the Republic of Poland is the authorising entity of the FCL, while NBP acts as the fiscal agency of the Government.

## **Note 46 Events after the balance sheet date**

Until the day of approval of the Financial statements of Narodowy Bank Polski as at 31 December 2016, no events occurred of which information was received after the balance sheet date, i.e. 31 December 2016, and which would have a significant impact on the contents of the financial statements.

## 9. Financial and operational risk

NBP operates a risk management system, which is a continuous and repeatable decision-making process that supports the attainment of NBP goals, while using appropriate organisational, procedural and technical solutions. It includes:

- as relates to financial risk – the activity of the Financial Risk Management Department (Departament Zarządzania Ryzykiem Finansowym – DZRF) responsible for financial risk management;
- as relates to operational risk:
  - decentralised operational risk management by directors of Head Office departments and NBP regional branches who monitor operational risk, perform the assessment of its level and take measures mitigating risk occurrence in their units;
  - the activity of the Operational Risk and Compliance Department (Departament Ryzyka Operacyjnego i Zgodności – DROZ), which on an ongoing basis monitors and analyses operational risk identified in NBP as a whole, prepares regulations and drafts measures related to changes to operational risk management. It also prepares reports on operational risk for the Commission for Operational Risk Management and for the Management Board of NBP;
  - Commission for Operational Risk Management (Komisja ds. Zarządzania Ryzykiem Operacyjnym – KZRO), which assesses the effectiveness of operational risk management in NBP, monitors the current level of operational risk and analyses the causes underlying materialisation of risk on high or unacceptable level. The Commission also recommends to the Management Board of NBP proposed solutions and changes in the area of operational risk management.
- strategic decision-making by the Management Board of NBP, based on information concerning financial and operational risk.

The tasks carried out as part of risk management comprise:

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

### 9.1. Financial risk

The main types of financial risk underlying the activities of NBP are: credit risk, liquidity risk and market risk (interest rate risk and foreign exchange rate risk). The accepted level of financial risk is set through the system of limits, determination of which takes also into account mitigation of



concentration risk. Exposure to various types of risk, under the adopted constraints, is monitored on an on-going basis by DZRF. The analysis of exposure to financial risk is presented to the Management Board of NBP on a regular basis.

#### **9.1.1. Credit risk**

Credit risk is related to potential financial losses arising from counterparty default (in particular, failure to repay, in full or in part, principal or interest within the agreed time), or due to a decline in the market value of investment instruments arising from a deterioration in the issuer's creditworthiness.

##### **9.1.1.1. Maximum exposure to credit risk**

The following table presents maximum exposure to credit risk related to NBP assets, with no consideration of collateral held (exposures presented in the table are based on amounts recognised in the balance sheet).

NBP's exposure to credit risk arises mainly from financial assets related to foreign currency reserves management (item A.2.2 of the balance sheet).

<i>PLN thousand</i>	31.12.2015	31.12.2016	Balance sheet item
Current accounts in gold	3,402.7	3,673.5	A.1
Term deposits in gold	13,058,471.8	15,270,503.8	A.1
Receivables from the IMF	7,742,741.0	4,394,707.8	A.2.1
Current accounts in foreign currency	2,847,147.0	15,599,875.3	A.2.2
Term deposits in foreign currency	34,718,174.9	32,324,537.1	A.2.2
Reverse repo transactions in foreign currency	11,908,632.8	76,444,450.1	A.2.2
Discount securities in foreign currency	31,953,191.3	42,166,508.3	A.2.2
Interest-bearing securities in foreign currency	267,310,008.6	290,725,782.7	A.2.2
Foreign banknotes and coins in stock	126,274.5	154,066.5	A.2.2
Other claims in foreign currency	4,201.7	1,436,977.0	A.2.2
Credits and loans granted in domestic currency	180,576.7	0.0	A.6
Interest receivable for non-compliance with the obligation to maintain the required minimum reserve	420.9	420.9	A.6
Other claims on other domestic monetary financial institutions denominated in domestic currency	3.3	3.1	A.6
Credits and loans to employees	20,605.4	20,358.4	A.10.5
Other loans extended in domestic currency	0.0	133,362.0	A.10.5
Other receivables	34,680.7	36,721.8	A.10.5
<b>Total</b>	<b>369,908,533.3</b>	<b>478,711,948.3</b>	

Moreover, when joining the IMF borrowing programmes (see Note 27), NBP pledged to grant foreign-currency-denominated loans to the IMF, respectively:

- under the NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2016 was SDR 1,060,251.3 thousand,
- under bilateral loan agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2016 was EUR 6,270,000.0 thousand.

The following table presents concentration of maximum exposure of NBP to credit risk, by counterparty sector.

<i>PLN thousand</i>	31.12.2015	31.12.2016
General government institutions	288,659,276.3	318,947,384.5
- Foreign central government institutions	271,586,414.8	304,784,414.3
- Other	17,072,861.5	14,162,970.2
Monetary financial institutions	68,314,272.9	110,353,695.3
- Foreign credit institutions	52,561,655.0	79,892,557.6
- Central banks, BIS and IMF	15,566,200.9	30,449,700.0
- Domestic credit institutions	186,417.0	11,437.7
International financial organisations	1,025,660.6	3,307,896.2
Non-monetary financial institutions	9,984,028.6	43,880,176.5
Non-financial sector	1,788,262.3	2,068,703.6
Other	137,032.6	154,092.2
<b>Total</b>	<b>369,908,533.3</b>	<b>478,711,948.3</b>

The following table presents maximum exposure of NBP to credit risk, by geographical location of the counterparty.

<i>PLN thousand</i>	31.12.2015	31.12.2016
United States	122,745,776.6	181,208,435.6
Euro area	112,613,348.8	132,961,428.1
United Kingdom	64,950,883.9	96,479,756.9
Australia	30,000,556.8	27,539,364.0
Norway	13,865,336.9	14,636,831.2
New Zealand	4,294,977.1	5,182,599.8
Switzerland	2,122,812.8	2,585,043.2
Denmark	1,186,977.0	2,269,197.5
Sweden	2,369,414.5	1,452,127.6
Poland	223,377.2	188,623.7
Brazil	1,209,449.3	0.0
Mexico	3,006,228.7	0.0
Other	11,319,393.7	14,208,540.7
<b>Total</b>	<b>369,908,533.3</b>	<b>478,711,948.3</b>

#### 9.1.1.2. Credit risk in foreign exchange reserve management

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

- limiting the share of term deposit transactions and non-government securities,
- criteria for the selection of counterparties and on-going monitoring of their creditworthiness,

- limits imposed on counterparties of term deposit transactions and foreign currency transactions,
- limitation of the maturity of term deposit transactions,
- criteria for the selection of issuers of securities,
- limits for issuers of securities,
- entering into master agreements with counterparties,
- collateral in reverse repo transactions.

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

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

#### **9.1.1.2.1. Credit quality of term deposits**

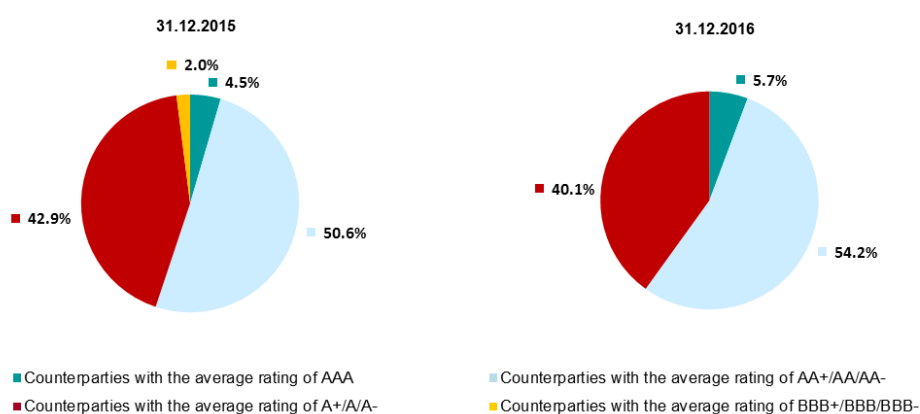
The financial standing of NBP's counterparties with whom term deposits are concluded under the management of foreign currency reserves and gold is subject to on-going monitoring based on daily information from rating agencies about changes in creditworthiness ratings and rating forecasts, as well as implied ratings derived from the CDS market quotations.

The figure presented below shows the structure of the exposure to term deposits related to foreign currency reserves management, by counterparty average credit rating as at 31 December 2015 and 31 December 2016.<sup>15</sup>

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<sup>15</sup> The structure of exposures to term deposits was presented based on values used in the monitoring of investment limits towards the term deposit counterparties.

Figure 1. Structure of exposure to term deposits by counterparty average rating as at 31 December 2015 and 31 December 2016



NBP also concludes term deposits with central banks of the countries which meet the set rating requirements. Both as at 31 December 2015 and 31 December 2016, NBP held term deposits at two central banks for the total nominal amount of PLN 4,777,829.0 thousand as at 31 December 2015 and PLN 10,651,413.9 thousand as at 31 December 2016.

#### 9.1.1.2.2. Credit quality of securities

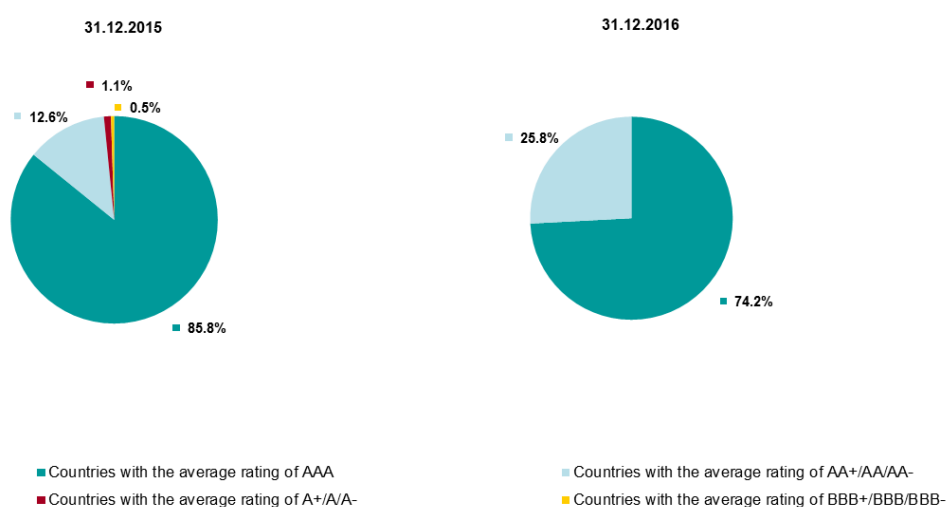
The table below presents the exposure of NBP to securities issued by governments, central banks and other entities.

PLN thousand	31.12.2015	31.12.2016	Change
Government securities denominated in foreign currency	271,586,414.8	304,784,414.3	33,197,999.5
Securities denominated in foreign currency issued by central banks	195,698.9	417,737.1	222,038.2
Other securities in foreign currency, of which:	27,481,086.2	27,690,139.6	209,053.4
- corporate securities in USD	1,656,547.2	1,752,622.3	96,075.1
<b>Total</b>	<b>299,263,199.9</b>	<b>332,892,291.0</b>	<b>33,629,091.1</b>

*Government securities and securities issued by central banks*

When estimating the credit quality of securities issued by governments and central banks, the creditworthiness ratings of the country of the securities issuer are taken into account. The structure of exposures to government securities and securities issued by central banks by the average rating of the issuer's country is shown below.<sup>16</sup> In 2016 NBP made investments in securities of the countries rated at least as AA/Aa3.

**Figure 2. The structure of exposure to government securities and securities issued by central banks by the average rating of the issuer's country as at 31 December 2015 and 31 December 2016**



### *Other securities*

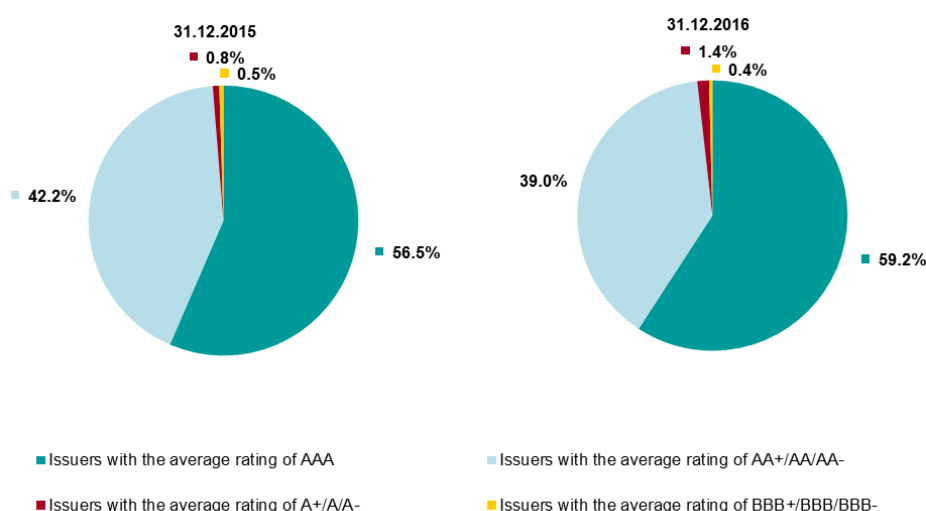
The credit quality of the issuers of other securities is assessed based on the scoring model that takes into account:

- issuer status,
- ratings assigned by rating agencies,
- issuer's financial data.

<sup>16</sup> The structure of exposure to securities was presented based on values used for the monitoring of credit risk.

The figure below presents the structure of exposure to other securities by issuer's average rating as at 31 December 2015 and 31 December 2016.<sup>17</sup>

**Figure 3. Structure of exposure to other securities by issuer's average rating as at 31 December 2015 and 31 December 2016**



### 9.1.1.3. Credit risk underlying domestic credit operations

To support the liquidity of the financial system, NBP may grant a refinancing loan in zloty to banks in order to supplement their financial resources. Banks use intraday credit and marginal lending facility (Lombard credit), in particular. Banks also use intraday credit in euro. The risk underlying these operations is mitigated through the use of eligible collateral meeting the criteria set by NBP. Treasury and NBP securities denominated in PLN are the primary collateral presented by banks, though the list of assets accepted as collateral comprises also other securities deposited with the Central Securities Depository of Poland [Krajowy Depozyt Papierów Wartościowych S.A.], including covered bonds, municipal bonds, corporate bonds, bonds issued by the European Investment Bank denominated in PLN, as well as EUR-denominated Treasury bonds. In the case of a refinancing loan for the restoration of a bank's liquidity, a wider range of collateral may apply.

When setting the required level of collateral, the haircut rate is applied, with the purpose to reduce the probability of a drop in the market value of the collateral below the value of extended credit, among others, as a result of unfavourable changes in the market price of securities and/or

<sup>17</sup> The structure of exposure to securities was presented based on values used for the monitoring of the investment limits for issuers of other securities.

exchange rates. The haircut rate for marginal lending facility (Lombard credit) and intraday credit is set with reference to the nominal value of accepted securities.

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

#### **9.1.1.3.1. Overdue claims on domestic credit operations**

As at 31 December 2016, NBP had an overdue claim in the amount of PLN 133,362.0 thousand from a domestic bank under winding-up proceedings, which was related to the refinancing loan for the restoration of the bank's liquidity granted in 2015 (see Note 4 and Note 9). As at the balance-sheet date, the outstanding portion of the loan was collateralised with the claims of the domestic bank arising from loan agreements which were assigned in favour of NBP (see Note 28). Under the assessment carried out, it was established that as at 31 December 2016 the discounted value of expected cash flows from the collateral fully covers the carrying amount of the claim. Claims of the domestic bank arising from loan agreements which were assigned in favour of NBP as collateral to the refinancing loan for the restoration of bank's liquidity are not included in the bankruptcy estate of the domestic bank, in accordance with the provisions of Article 67 para 2 and 3 of the Act of 28 February 2003 on the Bankruptcy and Restructuring Law<sup>18</sup> (Journal of Laws of 2015, item 233, as amended).

#### **9.1.2. Liquidity risk**

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

As NBP has the exclusive right to issue banknotes and coins of the Republic of Poland, NBP is capable of creating liquidity in domestic currency. This is, however, constrained by the responsibility of NBP for the stability of domestic currency. The assumptions of monetary policy are set annually by the MPC, which, based on the above assumptions, also approves the financial plan of NBP.

In the process of foreign currency reserves management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in markets that

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<sup>18</sup> As of 1 January 2016, pursuant to Article 428 subparagraph 1 of the Act of 15 May 2015 – Restructuring Law (Journal of Laws, item 978), the act reads as follows "Bankruptcy Law". Nonetheless, pursuant to Article 449 of the Act (i.e. the Restructuring Law), in matters for which a motion for bankruptcy was filed before the act entered into force, i.e. before 1 January 2016, the regulations binding theretofore shall apply, that is regulations of the Bankruptcy and Restructuring Law in the wording in force prior to 1 January 2016.



ensure immediate availability of funds – reserve currencies and investment instruments are principally characterised by high liquidity.

#### **9.1.2.1. Maturity analysis for financial liabilities in foreign currency**

The table below presents the maturity analysis for financial liabilities of NBP denominated in foreign currency as at 31 December 2015 and 31 December 2016.

Moreover, when joining the IMF borrowing programmes (see Note 27), NBP pledged to grant foreign-currency-denominated loans to the IMF, respectively:

- under the NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2016 was SDR 1,060,251.3 thousand,
- under bilateral loan agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2016 was EUR 6,270,000.0 thousand.

31.12.2015 PLN thousand	Total	A vista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance sheet value	L.6 Liabilities to residents denominated in foreign currency	L.7 Liabilities to non-residents denominated in foreign currency	L.8 Liabilities to the IMF	L.10 Other liabilities
Current/auxiliary accounts in foreign currency operated by NBP	9,624,449.2	9,624,449.2	0.0	0.0	0.0	9,624,449.2	9,579,727.5	44,721.7	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	443,409.6	0.0	443,409.6	0.0	0.0	443,283.0	443,283.0	0.0	0.0	0.0
Repo transactions in foreign currency	11,913,700.9	0.0	5,381,070.2	6,532,630.7	0.0	11,907,090.0	0.0	11,907,090.0	0.0	0.0
Other financial liabilities denominated in foreign currency	130,016.0	0.0	129,909.4	106.6	0.0	130,016.0	33,766.2	91,991.0	0.0	4,258.8
SDR allocation	7,057,954.3	0.0	897.3	0.0	7,057,057.0	7,057,646.7	0.0	0.0	7,057,646.7	0.0
Foreign currency to be delivered due to spot transactions	2,306,290.3	0.0	2,306,290.3	0.0	0.0	-	-	-	-	-
<b>Total</b>	<b>31,475,820.3</b>	<b>9,624,449.2</b>	<b>8,261,576.8</b>	<b>6,532,737.3</b>	<b>7,057,057.0</b>	<b>29,162,484.9</b>	<b>10,056,776.7</b>	<b>12,043,802.7</b>	<b>7,057,646.7</b>	<b>4,258.8</b>
31.12.2016 PLN thousand	Total	A vista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance sheet value	L.6 Liabilities to residents denominated in foreign currency	L.7 Liabilities to non-residents denominated in foreign currency	L.8 Liabilities to the IMF	L.10 Other liabilities
Current/auxiliary accounts in foreign currency operated by NBP	26,163,901.6	26,163,901.6	0.0	0.0	0.0	26,163,901.6	26,119,613.0	44,288.6	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	16,153.2	0.0	16,153.2	0.0	0.0	16,153.1	16,153.1	0.0	0.0	0.0
Repo transactions in foreign currency	76,447,569.1	0.0	70,480,900.3	5,725,141.1	241,527.7	76,439,867.9	0.0	76,439,867.9	0.0	0.0
Other financial liabilities denominated in foreign currency	2,404,271.2	0.0	2,404,105.8	165.4	0.0	2,404,271.2	1,133,642.6	1,264,209.4	0.0	6,419.2
SDR allocation	7,403,907.5	0.0	4,513.0	0.0	7,399,394.5	7,401,999.6	0.0	0.0	7,401,999.6	0.0
Foreign currency to be delivered due to spot transactions	1,648,593.3	0.0	1,648,593.3	0.0	0.0	-	-	-	-	-
<b>Total</b>	<b>114,084,395.9</b>	<b>26,163,901.6</b>	<b>74,554,265.6</b>	<b>5,725,306.5</b>	<b>7,640,922.2</b>	<b>112,426,193.4</b>	<b>27,269,408.7</b>	<b>77,748,365.9</b>	<b>7,401,999.6</b>	<b>6,419.2</b>

### 9.1.3. Interest rate risk

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

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

To mitigate the interest rate risk in the process of managing foreign currency reserves, NBP defines the benchmark level of *modified duration* of foreign currency reserves, along with admissible fluctuation bands. In 2016, the *modified duration* of the reserves was kept at a level similar to the level binding in the preceding year.

The sensitivity analysis, conducted based on *modified duration* (MD)<sup>19</sup>, showed that a change in interest rates by 100 basis points (for each foreign exchange portfolio, evenly distributed along the yield curve) would result in a change of the value of securities portfolios by PLN 6,825.0 million as at 31 December 2016 (as at 31 December 2015 – by PLN 6,280.3 million). The change in value of securities portfolios in individual currencies in response to a change in interest rates by 100 basis points, as estimated based on MD analysis, is presented below.

MD-based estimate of a change in values of securities portfolios in individual currencies in response to a 100 bp change in interest rates

PLN million	31.12.2015	31.12.2016	Change
USD	2,186.16	2,706.47	520.31
EUR	1,496.20	1,597.06	100.86
GBP	1,197.87	1,299.95	102.08
AUD	878.99	788.23	-90.76
NOK	254.15	272.01	17.86
NZD	142.68	161.25	18.57
BRL	20.69	0.00	-20.69
MXN	103.51	0.00	-103.51
<b>Total</b>	<b>6,280.25</b>	<b>6,824.97</b>	<b>544.72</b>

<sup>19</sup> In the sensitivity analysis NBP applied the MD ratio for individual foreign-currency securities portfolios as at 31 December 2015 and 31 December 2016 as a linear measure of the relationship between price and yield, as well as the holding of securities portfolios as at 31 December 2015 and 31 December 2016 based on values used in the monitoring of MD.

In accordance with the accounting principles of NBP, price revaluation gains on securities at the end of the year are recorded as revaluation accounts on the liabilities side of the balance sheet, while losses are debited to NBP's financial result.

#### **9.1.4. Foreign exchange rate risk**

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

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

In the process of foreign currency reserves management, NBP defines the currency structure of the strategic benchmark, along with admissible fluctuation bands. In 2016, the share of EUR, AUD and NOK in the strategic benchmark currency composition was limited – the benchmark was as follows:

- 44% USD (in 2015 – 39%),
- 27% EUR (in 2015 – 29%),
- 12% GBP (in 2015 – 12%),
- 8% AUD (in 2015 – 10%),
- 6% NOK (in 2015 – 7%),
- 3% NZD (in 2015 – 3%),

In addition, investments in currencies of developing countries – MXN and BRL – were discontinued.

##### **9.1.4.1. Exposure to foreign exchange rate risk**

Below, foreign currency holdings of NBP as at 31 December 2015 and 31 December 2016 by currency are presented, wherein items in foreign currency related to own administrative activities are presented as part of PLN holdings since they are immaterial.

31.12.2016	PLN thousand	PLN	USD	EUR	GBP	AUD	NOK	NZD	BRL	MXN	SDR	Gold	Other currencies	Total
<b>ASSETS</b>														
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13,713,371.9	0.0	13,713,371.9
2. Claims on non-residents denominated in foreign currency	0.0	131,088,183.0	99,504,053.3	48,685,749.4	32,533,778.9	22,495,211.3	9,824,039.2	1,209,471.3	7,742,741.0	3,006,307.9	0.0	0.0	122,836.5	356,610,371.8
3. Claims on residents denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	181,000.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	181,000.9
7. Securities of residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other assets	1,149,148.7	325,653.8	118,846.7	0.0	13,822.0	0.0	6,623.4	0.0	54,092.0	0.0	25.3	0.0	25.3	1,667,611.9
<i>of which: adjustment and revaluation differences on off-balance-sheet items</i>	0.0	325,653.8	27,022.5	0.0	13,822.0	0.0	6,623.4	0.0	0.0	0.0	0.0	0.0	0.0	372,577.0
<b>TOTAL ASSETS</b>	<b>1,330,148.6</b>	<b>131,413,236.8</b>	<b>99,622,900.0</b>	<b>48,685,749.4</b>	<b>32,547,600.9</b>	<b>22,495,211.3</b>	<b>9,830,662.6</b>	<b>1,209,471.3</b>	<b>7,756,833.0</b>	<b>3,006,307.9</b>	<b>0.0</b>	<b>13,713,371.9</b>	<b>122,861.8</b>	<b>372,172,356.5</b>
<b>LIABILITIES</b>														
1. Banknotes and coins in circulation	163,225,778.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	163,225,778.0
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	123,346,018.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	123,346,018.8
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	132,707.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	132,707.9
4. Liabilities to other residents denominated in domestic currency	5,942,232.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,942,232.8
5. Liabilities to non-residents denominated in domestic currency	2,245,968.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,245,968.9
6. Liabilities to residents denominated in foreign currency	0.0	1,456,619.3	8,494,428.6	50.4	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	100,677.5	10,656,776.7
7. Liabilities to non-residents denominated in foreign currency	0.0	1,729,861.7	136,712.7	10,177,128.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12,043,802.7
8. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,057,646.7	0.0	0.0	7,057,646.7
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other liabilities	193,851.8	324,822.1	31,408.2	303.9	15,368.0	1.1	7,579.0	0.0	0.0	0.0	0.0	0.0	31.7	573,365.8
<i>of which: adjustment and revaluation differences on off-balance-sheet items</i>	0.0	324,766.2	27,543.7	0.0	15,341.0	0.0	7,579.0	0.0	0.0	0.0	0.0	0.0	25.3	375,255.2
11. Provisions for future liabilities	133,267.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133,267.4
12. Revaluation accounts	35,207,106.4	161,105.6	118,200.0	327,156.4	299,243.3	307,679.9	196,244.3	0.0	28,628.6	0.0	0.0	0.0	0.0	36,645,364.5
13. Capital and reserves	13,701,557.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13,701,557.1
14. Financial result	-2,932,130.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2,932,130.8
<b>TOTAL LIABILITIES</b>	<b>341,196,336.3</b>	<b>3,672,308.7</b>	<b>8,785,749.5</b>	<b>10,504,639.0</b>	<b>314,611.3</b>	<b>307,681.9</b>	<b>203,823.3</b>	<b>0.0</b>	<b>28,628.6</b>	<b>7,057,646.7</b>	<b>0.0</b>	<b>100,709.2</b>	<b>100,709.2</b>	<b>372,172,356.5</b>
<b>OFF-BALANCE-SHEET ITEMS</b>														
Currency to be received as a result of spot transactions	0.0	2,302,223.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,181.8	2,303,405.6
Currency to be delivered as a result of spot transactions	81.2	0.0	1,492,213.1	0.0	597,946.9	0.0	213,164.4	0.0	0.0	0.0	0.0	0.0	0.0	2,303,405.6
<b>NET HOLDING</b>														
<i>of which:</i>														
Balance sheet holding*	-339,866,208.7	130,042,851.9	89,344,937.4	38,179,110.4	32,035,042.7	22,167,529.4	9,413,674.9	1,209,471.3	2,977,679.3	739,186.3	0.0	13,713,371.9	23,334.4	22,152.6
Off-balance-sheet holding*	-81.2	2,302,211.4	-1,492,704.3	0.0	-599,465.9	0.0	-214,120.0	0.0	0.0	0.0	0.0	0.0	1,181.8	0.0

\* The effects of the adjustments to the average cost of holding and currency revaluation of the off-balance-sheet holding (presented in items A.10 and L.10) are accounted for in the off-balance-sheet holding. Values presented in the tables may not add up to totals due to rounding.

31.12.2016 PLN thousand	PLN	USD	EUR	GBP	AUD	NOK	NZD	BRL	MXN	SDR	Gold	Other currencies	Total
<b>ASSETS</b>													
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16,035,770.9	0.0	16,035,770.9
2. Claims on non-residents denominated in foreign currency	0.0	208,681,425.7	125,175,919.4	64,126,925.8	27,738,618.6	21,369,669.4	10,521,317.3	0.0	0.0	4,394,707.8	0.0	218,320.8	463,246,904.8
3. Claims on residents denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	424.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	424.0
7. Securities of residents denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other assets	1,263,391.5	98,914.3	106,635.7	0.0	19,726.9	7,079.7	32,940.7	0.0	0.0	56,716.0	0.0	0.0	1,605,404.8
of which, adjustment and revaluation differences on off-balance-sheet items	0.0	98,914.3	10,883.9	0.0	19,726.9	7,079.7	32,940.7	0.0	0.0	0.0	0.0	0.0	168,555.5
<b>TOTAL ASSETS</b>	<b>1,263,815.5</b>	<b>208,780,340.0</b>	<b>125,282,555.1</b>	<b>64,126,925.8</b>	<b>27,758,345.5</b>	<b>21,396,749.1</b>	<b>10,554,258.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4,451,423.8</b>	<b>16,035,770.9</b>	<b>218,320.8</b>	<b>480,888,504.5</b>
<b>LIABILITIES</b>													
1. Banknotes and coins in circulation	187,574,849.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	187,574,849.5
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	114,553,118.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	114,553,118.7
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	468,823.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	468,823.0
4. Liabilities to other residents denominated in domestic currency	4,980,569.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,980,569.3
5. Liabilities to non-residents denominated in domestic currency	4,369,292.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,369,292.4
6. Liabilities to residents denominated in foreign currency	0.0	1,239,446.3	25,840,936.4	137.5	60.4	2.3	0.0	0.0	0.0	0.0	0.0	188,825.8	27,269,408.7
7. Liabilities to non-residents denominated in foreign currency	0.0	52,179,341.0	4,281,794.8	21,287,220.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	77,748,965.9
8. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,401,999.6	0.0	0.0	7,401,999.6
9. Items in course of settlement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10. Other liabilities	186,884.4	93,837.5	17,618.3	491.5	24,268.9	7,081.2	37,307.4	0.0	0.0	0.0	0.0	81.3	367,570.5
of which, adjustment and revaluation differences on off-balance-sheet items	0.0	92,521.7	12,664.2	447.9	22,440.7	7,079.7	37,306.9	0.0	0.0	0.0	0.0	0.0	172,461.1
11. Provisions for future liabilities	133,314.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133,314.0
12. Revaluation accounts	42,902,297.6	139,355.0	287,746.9	452,106.4	75,885.1	242,801.6	206,279.1	0.0	0.0	0.0	0.0	0.0	44,312,771.7
13. Capital and reserves	13,315,346.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13,315,346.1
14. Financial result	-1,606,924.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,606,924.9
<b>TOTAL LIABILITIES</b>	<b>366,884,570.1</b>	<b>53,651,979.8</b>	<b>30,428,096.4</b>	<b>21,729,965.5</b>	<b>100,214.4</b>	<b>249,185.1</b>	<b>243,586.5</b>	<b>0.0</b>	<b>0.0</b>	<b>7,401,999.6</b>	<b>0.0</b>	<b>188,907.1</b>	<b>480,888,504.5</b>
<b>OFF-BALANCE-SHEET ITEMS</b>													
Currency to be received as a result of spot transactions	0.0	455,017.4	0.0	103,315.5	425,233.7	0.0	672,700.3	0.0	0.0	0.0	0.0	0.0	1,656,266.9
Currency to be delivered as a result of spot transactions	0.0	1,084,534.4	352,149.7	102,867.6	0.0	116,715.2	0.0	0.0	0.0	0.0	0.0	0.0	1,656,266.9
<b>NET HOLDING</b>	<b>-365,600,754.6</b>	<b>155,468,843.2</b>	<b>94,502,309.0</b>	<b>42,367,408.2</b>	<b>28,083,364.8</b>	<b>21,030,948.8</b>	<b>10,963,371.8</b>	<b>0.0</b>	<b>0.0</b>	<b>-2,950,575.8</b>	<b>16,035,770.9</b>	<b>29,413.7</b>	
of which:													
Balance sheet holding*	-365,600,754.6	155,121,967.6	94,656,229.0	42,367,408.2	27,660,844.9	21,147,564.0	10,315,037.7	0.0	0.0	-2,950,575.8	16,035,770.9	29,413.7	
Off-balance-sheet holding*	0.0	-623,124.4	-353,920.0	0.0	422,519.9	-116,715.2	668,334.1	0.0	0.0	0.0	0.0	0.0	

\* The effects of the adjustments to the average cost of holding and currency revaluation of the off-balance-sheet holding in foreign currency (presented in items A, 10 and L 10) are accounted for in the off-balance-sheet holding. Values presented in the tables may not add up to totals due to rounding.

#### 9.1.4.2. Value at Risk and provision against the foreign exchange rate risk of the zloty

At NBP, the Value at Risk (VaR) methodology is used to perform the analysis of changes in the foreign exchange rate risk of the zloty. It estimates the loss expected due to fluctuations of the foreign exchange rate of the zloty, which in normal conditions and with an assumed probability should not be exceeded within the adopted time horizon.

The Value at Risk is then decreased by unrealised foreign currency revaluation gains estimated on the basis of statistical distribution analysis. The estimation is based on the foreign currency holdings in the structure of foreign currency reserves as at the balance sheet date along with historical time series of the average cost of currency holdings and the average NBP exchange rates for these currencies. Such an approach makes it possible to determine a stable level of unrealised gains and thus limits volatility of the provision against the foreign exchange rate risk of the zloty.

As at 31 December 2015, the provision amounted to PLN 11,207,911.6 thousand and was equal to the amount of uncovered accumulated loss of previous years arising from changes in the exchange rate of the zloty against foreign currencies, which determines the minimum level of the provision (in accordance with Resolution No. 12/2010). Due to a partial use of the reserve fund in the amount of PLN 400,000.0 thousand to cover loss of previous years, the required minimum level of the provision decreased and as at 31 December 2016 the provision was partly released as income. As at 31 December 2016, the amount of the provision was set at PLN 10,807,911.6 thousand.

#### 9.1.5. Capital of NBP

As the central bank of the State, NBP is not subject to regulations on capital adequacy of banks.

According to practice adopted by central banks, NBP classifies the following as its capital components:

- statutory fund,
- reserve fund,
- provision against the foreign exchange rate risk of the zloty,
- gold revaluation account,
- currency and price revaluation gains,
- NBP's balance sheet loss,
- a part of profit of current year at the disposal of NBP (i.e. 5%), which will be allocated to the reserve fund of NBP.

The table below presents values of the components of NBP's capital.

PLN thousand	31.12.2015	31.12.2016
Statutory fund	1,500,000.0	1,500,000.0
Reserve fund	993,645.5	1,007,434.5
Provision against the foreign exchange rate risk of the zloty	11,207,911.6	10,807,911.6
Gold revaluation account	1,618,023.2	1,618,023.2
Revaluation gains	35,027,341.3	42,694,748.5
Balance sheet loss of previous years	-11,207,911.6	-10,807,911.6
Part of the profit at the disposal of NBP*	413,789.0	460,049.3
<b>Total</b>	<b>39,552,799.0</b>	<b>47,280,255.5</b>
<i>% of the balance sheet total of NBP</i>	<i>10.6%</i>	<i>9.8%</i>

\*5% of NBP profit which in 2016 amounted to PLN 9,200,986.7 thousand; in 2015 it amounted to PLN 8,275,780.8 thousand.

#### 9.1.6. Market value of financial assets and liabilities and off-balance-sheet financial instruments

In line with the applicable accounting principles, NBP measures the value of financial assets and liabilities and off-balance-sheet financial instruments using market prices (mark-to-market valuation) or valuation models accepted in market practice (mark-to-model valuation) with prices or market parameters as input factors, with the exception of:

- claims and liabilities due to bank accounts, including deposits and term deposits,
- credits and loans granted,
- other financial assets,
- banknotes and coins in circulation,
- securities issued by NBP.

Taking into account the nature of the above mentioned financial instruments (e.g. short-term character, uniqueness of the instrument), it was assumed that their balance sheet value approximately equals their market/current value.

Financial assets and liabilities as well as off-balance-sheet financial instruments are classified into the following categories based on the methods of determining the market value for price valuation used by NBP:



### Level 1

Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined directly on the basis of (unadjusted) prices quoted on active markets for identical assets, liabilities or off-balance-sheet financial instruments.

NBP has classified securities purchased by NBP into this category.<sup>20</sup>

### Level 2

Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined on the basis of valuation models, for which all significant input data are observable in the market directly (as prices) or indirectly (basing on prices).

NBP has classified forward transactions in securities into this category, for the revaluation of which it uses the model with input parameters coming directly from the market. The value of such transactions as at the balance sheet date is determined by comparing the market price of securities on the valuation date with their contract price, discounted as at the spot date applicable for market prices from the valuation date.

### Level 3

Financial assets and liabilities as well as off-balance-sheet financial instruments, whose market value is estimated using valuation models for which input data are not based on data observable in the market.

As at 31 December 2015 and 31 December 2016, NBP did not classify any financial assets and liabilities and off-balance-sheet financial instruments into this category.

Financial assets and liabilities and off-balance-sheet financial instruments that are presented in the balance sheet as at 31 December 2015 and 31 December 2016 according to market value, assigned to individual levels, are presented below.

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<sup>20</sup> Gold is also subject to revaluation according to market prices. To measure its value, NBP uses the average market price of gold which is converted into domestic currency according to the average NBP exchange rate of the US dollar as at the balance sheet date. In line with the applicable accounting principles, NBP does not differentiate between the effects of the currency revaluation and price revaluation of gold, treating them jointly as currency revaluation differences.

31.12.2015 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
<b>ASSETS</b>					
Securities purchased by NBP	299,263,199.9	0.0	0.0	299,263,199.9	A.2.2
Forward transactions in securities (revaluation gains)	0.0	0.0	0.0	0.0	A.10.3
<b>LIABILITIES</b>					
Forward transactions in securities (revaluation losses)	0.0	0.0	0.0	0.0	P.10.1

31.12.2016 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
<b>ASSETS</b>					
Securities purchased by NBP	332,892,291.0	0.0	0.0	332,892,291.0	A.2.2
Forward transactions in securities (revaluation gains)	0.0	0.0	0.0	0.0	A.10.3
<b>LIABILITIES</b>					
Forward transactions in securities (revaluation losses)	0.0	1,805.8	0.0	1,805.8	P.10.1

In 2015 and 2016, there were no transfers between Level 1 and Level 2.

NBP also carries out transactions in bond futures. These transactions are marked to market (Level 1) and settled on a daily basis (see Note 31 and Note 32).

## 9.2. Operational risk

At NBP operational risk is defined as the potential possibility of incurring financial or non-financial damages, including failure to carry out tasks or a negative impact on NBP reputation, resulting from inadequate or failed internal processes, personnel or systems, or from external events.

In 2016, four operational risk sub-categories were defined at NBP: safety risk, personnel risk, legal risk and technological risk, which is divided into ICT technological risk (related, inter alia, to IT and ICT systems, IT software and hardware) and non-ICT technological risk (related, inter alia, to construction facilities and elements of mobile equipment).

The risk mitigation mechanisms used at NBP include, in particular:

- external and internal regulations,
- the scope of job responsibilities and division of duties,
- data reconciliation, and the “four-eyes” principle,
- the system of (financial, time) limits and restrictions,
- implementation of access control as well as IT and telecommunications, physical and electronic safeguards,

- backup copies, contingency and evacuation plans,
- insurance,
- control and internal audit.

Since 2016 a new resolution on operational risk management has been in force in NBP, which reflects the organisational changes in the bank and streamlines operational risk management. The changes in operational risk management include:

- a quarterly self-assessment being substituted by an annual self-assessment, the aim of which is risk identification and assessment by NBP organisational units, extended with an analysis of future risk that may have an impact on the performance of duties,
- a review of Key Risk Indicators (KRIs), development of new KRIs along with adding specified thresholds which allow monitoring risk tolerance,
- determining the levels of unacceptable risk for incidents, annual and current self-assessment and indicating procedures in such events, which enables faster response by taking preventing measures,
- requirement to develop preventive action plans which mitigate operational risk in the event of identification of an unacceptable level of operational risk.

In 2016 the Commission for Operational Risk Management held 12 meetings and issued 15 recommendations. The topics discussed included ICT security, business continuity plans, current issues that may affect the level of operational risk in NBP.

In 2016, as part of compliance risk management, the rules were promoted of just, fair and professional conduct of employees, which are in line with the standards set by the President of NBP in the Code of Ethics for Narodowy Bank Polski employees.

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

Management Board  
of Narodowy Bank Polski:

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

Warsaw, 24 March 2017