



**NBP**

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Narodowy Bank Polski

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**Financial statements  
of Narodowy Bank Polski  
as at 31 December 2019**



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# Balance Sheet of NBP

## as at 31 December 2019

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

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

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

# Profit and Loss Account of NBP

## for the year ended 31 December 2019<sup>1</sup>

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

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

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



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# Notes

## 1. Introduction

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

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

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

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

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

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

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

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

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

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

### **President of NBP**

*Adam Glapiński*

### **Monetary Policy Council<sup>2</sup>**

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

### **Management Board of NBP<sup>3</sup>**

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

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

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

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

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

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

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

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

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

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

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

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

- the Act on NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the Balance Sheet and the Profit and Loss Account of Narodowy Bank Polski (NBP Official Journal of 2020, item 1), hereinafter referred to as "Resolution No. 16/2003 of the MPC",
- Resolution No. 6/2019 of the Monetary Policy Council of 5 November 2019 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal, item 14), hereinafter referred to as "Resolution No. 6/2019 of the MPC",
- Resolution No. 45/2013 of the Management Board of Narodowy Bank Polski of 12 December 2013 on performing tasks in the area of accounting at Narodowy Bank Polski, as amended.

## 1.3. Period covered by the financial statements

The financial statements cover the calendar year from 1 January 2019 to 31 December 2019. Comparative data in the financial statements cover the calendar year from 1 January 2018 to 31 December 2018.

## 1.4. Certified auditor and its selection

The annual financial statements of NBP prepared as at 31 December 2019 are subject to audit and evaluation by the certified auditor KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., with its registered office in Warsaw. The certified auditor was appointed by the Monetary Policy Council, hereinafter referred to as the "MPC", in 2019 on the basis of Article 69 para. 1 of the Act on NBP. The selection was made following an open tendering, pursuant to the Act of 29 January 2004 – Public Procurement Law (Journal of Laws of 2018, item 1986, as amended), for a period of two years (audit of the financial statements for the years 2019 and 2020) with the option to extend the agreement for another two-year period (audit of the financial statements for the years 2021 and 2022).

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

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

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

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

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

### **2.1. Basic accounting principles**

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

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

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

### **2.2. Going concern**

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

### **2.3. Recognition of transactions in the accounting books**

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

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

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

- interest, discount and premium on assets and liabilities as well as on off-balance-sheet instruments are recognised in the Profit and Loss Account at the end of each operating day.<sup>4</sup>

Securities purchased or sold in a spot transaction are recognised in NBP accounting books on the settlement date.

## 2.4. Valuation as at the balance sheet date

As at the balance sheet date, for gold, foreign currencies, securities purchased by NBP (except for securities held to maturity and non-marketable securities) and off-balance-sheet financial instruments<sup>5</sup> the principle of valuation at market prices/exchange rates is applied. The results of the assets and liabilities valuation at market prices/exchange rates effective as at the balance sheet date are recognised in accordance with the following rules:

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

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

Securities quoted in an active market<sup>6</sup> are valued according to average market prices. For valuation of securities whose market value is not determined directly on the basis of prices, the rate of the yield curve for the respective type of securities bearing the same issuer credit rating is used.

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

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

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

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

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

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

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

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

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

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

### **2.5.1. Gold**

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

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

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

### **2.5.2. Foreign currency**

Foreign currency purchased or sold by NBP for:

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **2.5.4. Reverse repo / repo transactions**

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

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

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

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

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



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

Tangible and intangible fixed assets are depreciated/amortised according to the straight-line method beginning from the month which follows the month when the asset was made available for use. The table below presents the estimated periods of use for particular groups of tangible and intangible fixed assets set for 31 December 2019.

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

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

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

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

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

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

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

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

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

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

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

#### **2.5.6. Shares and participating interests**

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

#### **2.5.7. Inventories**

Inventories are recognised in NBP balance sheet assets at:

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

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

#### **2.5.8. Impairment of assets**

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

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

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

- at NBP cash points and vaults,
- deposited in vaults of other authorised entities,

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

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

#### **2.5.10. Securities issued by NBP**

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

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

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

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

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

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

#### **2.5.12. Gold revaluation account**

Gold revaluation account is released as income in the amount:

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

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

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

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

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

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

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

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

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

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

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

### 2.5.16. Forward transactions in securities

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

Securities purchased or sold in a forward transaction are valued at the balance sheet date at the market price of such transactions effective as at the valuation date by comparing the market price of the securities or the rate of the yield curve (where market prices are not available) with the agreed price, discounted as at the settlement date of the spot transaction. The rules for recognition of unrealised gains and losses are applied to revaluation gains and losses.

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

The result of transaction settlement is calculated:

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

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

### 2.5.17. Futures

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

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

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

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

## 2.6. Events after the balance sheet date

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

## 3. Changes in accounting principles

### *Amendment to Resolution No. 16/2003 of the MPC*

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

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

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

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

#### *Changes in presentation*

As regards changes in presentation:

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

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

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

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

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

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

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

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

On 5 November 2019 the Monetary Policy Council adopted Resolution No. 6/2019 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal, item 14) replacing Resolution 12/2010 of the Monetary Policy Council of 14 December 2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal No. 17, item 19; see Chapter 9.1.4.). The changes mainly concerned:

- resignation from the minimum level of estimation of the provision<sup>7</sup> – in connection with the adopted assumption of applying more conservative parameters of foreign exchange rate risk estimation,
- the sources of creation of the provision – the provision can be created in the maximum amount equal to half of the surplus of income on realised foreign exchange gains over realised and unrealised foreign exchange losses on foreign currencies recognised in the financial result for the financial year<sup>8</sup>; the principle was preserved that the creation of the provision must not lead to a negative financial result (a loss) of the financial year for NBP, and
- the conditions on which the provision is released – the provision is released to cover unrealised currency revaluation losses arising from changes in the foreign exchange rate of the zloty, increased by the surplus of realised foreign exchange losses over realised foreign exchange gains in the amount that could result in a loss (see Chapter 2.5.13).<sup>9</sup>

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

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

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



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

#### **4. Values based on professional estimates**

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

The key area where NBP makes estimates is the calculation of the amount of the provision against the foreign exchange rate risk of the zloty. In accordance with Resolution No. 6/2019 of the MPC, the estimated provision against the foreign exchange rate risk of the zloty is equal to the amount that would cover the potential change in the value of foreign currency holdings due to identified foreign exchange rate risk of the zloty, decreased by estimated unrealised foreign currency revaluation gains (see Chapter 9.1.4.).

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

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

## 5. Explanatory notes to Balance Sheet

### Note 1 Gold and gold receivables

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

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

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

Gold held at the Bank of England is:

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

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

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

## Note 2 Receivables from the IMF

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

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

The item comprises SDR-denominated:

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

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

<i>SDR thousand</i>	31.12.2019	31.12.2018	Change
<i>Member quota in the IMF</i>	4,095,400.0	4,095,400.0	0.0
<i>No. 1 Account of the IMF</i>	-3,461,307.1	-3,583,345.3	122,038.2
<b>Reserve tranche</b>	<b>634,092.9</b>	<b>512,054.7</b>	<b>122,038.2</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 the domestic currency and credited to No. 1 Account of the IMF, which results in a decrease in reserve tranche.

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

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

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

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

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

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

- a decrease in receivables due to loans extended to the IMF under NAB, which resulted from the partial repayment of the debt towards NBP by the IMF in the amount of SDR 38,900.0 thousand (see Note 27),
- a decrease in the current account with the IMF, as a result of settlements with the IMF arising from interest and fees (SDR 4,490.4 thousand).

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

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

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

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

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

- securities (discount securities and fixed-interest-rate securities) – all securities purchased by NBP are marketable securities; neither on 31 December 2019 nor on 31 December 2018 did NBP hold securities classified as held-to-maturity,
- term deposits,
- reverse repo transactions – under the NBP investment policy, these transactions are usually executed simultaneously with repo transactions<sup>10</sup> (see Note 16).

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

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

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

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

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

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

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

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

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

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

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

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

## Note 5 Tangible and intangible fixed assets

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

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

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

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

## Note 6 Other financial assets

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Shares and participating interest in domestic entities, of which	128,848.9	128,848.9	0.0
- shares in Krajowy Depozyt Papierów Wartościowych S.A.	51,708.1	51,708.1	0.0
- shares in Krajowa Izba Rozliczeniowa S.A.	75,312.5	75,312.5	0.0
- participating interests in Bazy i Systemy Bankowe Sp. z o.o.	1,820.0	1,820.0	0.0
- other	8.3	8.3	0.0
Shares and participating interests in foreign entities, of which	143,314.1	142,317.0	997.1
- shares in the Bank for International Settlements	52,630.0	52,212.0	418.0
- participating interests in S.W.I.F.T.	674.9	681.4	-6.5
- participating interests in the European Central Bank	90,009.2	89,423.6	585.6
<b>Total</b>	<b>272,163.0</b>	<b>271,165.9</b>	<b>997.1</b>

An increase in the value of the item resulted from the increase in the NBP's share in the ECB's subscribed capital, due to a regular adjustment of the subscription key of the ECB capital, as well as from the currency revaluation of shares and participating interests in foreign entities.

The participation of NBP in domestic entities did not change in comparison to 31 December 2018, and as at 31 December 2019 was as follows:



Entity	Share capital (PLN thousand)	Nominal price per share/participating interest (PLN thousand)	Number of shares/participating interests held by NBP	NBP's participation in the share capital (%)
	31.12.2019	31.12.2019	31.12.2019	31.12.2019
NBP's participation in domestic entities, of which				
- Krajowy Depozyt Papierów Wartościowych S.A.	21,000.0	1.0	7,000	33.33%
- Krajowa Izba Rozliczeniowa S.A.	5,445.0	0.5	3,750	34.44%
- Bazy i Systemy Bankowe Sp. z o.o.	10,000.0	10.0	1,000	100.00%

The participation of NBP in foreign entities was as follows:

- shares of the Bank for International Settlements, hereinafter referred to as "BIS"  
As at 31 December 2019 and 31 December 2018 NBP held 8,000 shares that translated into the same number of votes. 25% of the nominal value of shares (the nominal value of 1 share amounts to SDR 5.0 thousand) was paid up, which totals SDR 10,000.0 thousand. The share of NBP in the share capital of BIS amounts to 1.43%.
- participating interests in S.W.I.F.T. (The Society for Worldwide Interbank Financial Telecommunication)  
As at 31 December 2019 and as at 31 December 2018 NBP had 53 shares (in the amount of EUR 158.5 thousand) of the total number of 109,612 shares as at 31 December 2019 and 109,814 shares as at 31 December 2018.
- participating interests in the European Central Bank  
Since 1 May 2004, i.e. the day of Poland's accession to the European Union, NBP has held a participating interest in the ECB's capital. As at 31 December 2019 the capital paid up by NBP to the ECB amounted to EUR 21,136.4 thousand (EUR 20,796.2 thousand as at 31 December 2018).

In accordance with Article 28 of the Statute of the European System of Central Banks and the European Central Bank, hereinafter referred to as the "Statute of the ESCB and ECB", only the national central banks of the ESCB are entitled to subscribe the ECB's capital. The ECB's capital is subscribed according to the subscription key determined in Article 29 of the Statute of the ESCB and ECB, i.e. shares of national central banks in the ECB's capital are expressed in percentage and correspond to the shares of individual member states in the population and the combined gross domestic product of EU states (in equal consideration). The subscription key of the ECB capital is regularly adjusted every five years, as well as at the time a change in the EU membership takes place (see Note 41). The last regular adjustment of the key has been in force since 1 January 2019. This adjustment led to an increase in the share of NBP in the ECB's subscribed capital from 5.1230% to 5.2068%, which corresponded to the increase in the participating interest from EUR 554,565.1 thousand to EUR 563,636.5 thousand.

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

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

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

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

## Note 8 Accruals and prepaid expenses

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

\* See Note 11.

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

## Note 9 Remaining other assets

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

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

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

*Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding* relates to spot transactions in foreign currency recognised on off-balance-sheet accounts. The decrease in the item is the result of the volume of these transactions towards the end of the year (see Note 25) and the difference between the average cost of holding and the purchase/sale price of the transaction.

## Note 10 Banknotes and coins in circulation

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

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

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

## Note 11 Liabilities related to monetary policy operations

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

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

The amount of funds held by banks and KSKOK<sup>11</sup> with NBP due to the required minimum reserve depends on the basis for calculating the required minimum reserve and the required minimum

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

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

Liabilities related to issued securities denominated in domestic currency comprise mainly liabilities to domestic banks related to the issue by NBP of monetary bills<sup>12</sup> under the main<sup>13</sup> and fine-tuning<sup>14</sup> open market operations aimed to absorb liquidity.

The funds of the required minimum reserve and deposit facilities bear interest, whereas monetary bills are issued at a discount (see Note 8). As at 31 December 2019 and 31 December 2018, the interest rates which are the basis for remuneration of the required minimum reserve funds, deposit facilities and for determining discount on monetary bills issued by NBP under open market operations were as follows:

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

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

\*\* NBP deposit rate.

\*\*\* NBP reference rate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Note 15 Liabilities to residents denominated in foreign currency

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

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

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

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

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

Repo transactions by foreign currency are presented below.

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

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

## Note 17 Liabilities to the IMF

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

SDR allocation was conducted in the second half of 2009. Under the general and special allocation, the Republic of Poland received a total of SDR 1,304,639.7 thousand. Liabilities to the IMF due to the SDR allocation bear the interest calculated according to the rate determined by the IMF.

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

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

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

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



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

## Note 19 Accruals and deferred income

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

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

## Note 20 Remaining other liabilities

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

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

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

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

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

## Note 22 Revaluation accounts

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

Gold holding revaluation gains are determined by comparing the average cost of gold holding with the average market price of gold expressed in PLN, which is higher than the average cost.

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

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

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

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

<sup>16</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. As at the end of 2019 and 2018 such a case materialised for SDR, the holding of which was negative.

Currency revaluation gains by foreign currency are presented below.

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
USD	7,215,159.5	10,104,703.6	-2,889,544.1
EUR	0.0	1,827,375.7	-1,827,375.7
GBP	1,495,388.6	119,108.3	1,376,280.3
AUD	27,163.9	0.0	27,163.9
NZD	200,522.3	90,652.5	109,869.8
SDR	80,618.1	129,034.6	-48,416.5
Other	270.0	503.7	-233.7
<b>Total</b>	<b>9,019,122.4</b>	<b>12,271,378.4</b>	<b>-3,252,256.0</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>	31.12.2019	31.12.2018	Change
Securities in USD	788,135.0	413,286.2	374,848.8
Securities in EUR	195,235.2	288,236.1	-93,000.9
Securities in GBP	248,152.7	174,273.8	73,878.9
Securities in AUD	502,012.8	256,889.6	245,123.2
Securities in NOK	68,874.1	92,314.8	-23,440.7
Securities in NZD	258,805.0	203,232.4	55,572.6
<b>Total</b>	<b>2,061,214.8</b>	<b>1,428,232.9</b>	<b>632,981.9</b>

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

Due to the fact that as at 31 December 2019:

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

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

## Note 23 Capital and reserves

<i>PLN thousand</i>	31.12.2019	31.12.2018	Change
Statutory fund	1,500,000.0	1,500,000.0	0.0
Reserve fund	0.0	0.0	0.0
Reserves	6,686,317.3	3,874,387.4	2,811,929.9
<b>Total</b>	<b>8,186,317.3</b>	<b>5,374,387.4</b>	<b>2,811,929.9</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. The reserve fund may only be used to cover NBP's balance sheet losses,
- the provision against the foreign exchange rate risk of the zloty, created as provided for in Article 65 of the Act on NBP.

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

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

## Note 24 Financial result

As at 31 December 2019, the item comprised:

- financial result of the current year, amounting to PLN 7,828,502.5 thousand (see Note 40),
- uncovered loss of previous years in the amount of PLN 11,865,363.4 thousand, which is the result of NBP's loss for the year:
  - 2007 – in the amount of PLN 12,427,261.7 thousand,
  - 2017 – in the amount of PLN 2,524,935.6 thousand.

and its partial coverage from the reserve fund:

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

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

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

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

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

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

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

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

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

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

### *New Arrangements to Borrow – NAB*

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

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

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

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

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

### *Bilateral loan agreement*

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

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

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



## 7. Explanatory notes to Profit and Loss Account

### Note 28 Net result on interest, discount and premium

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

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

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

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

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

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

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

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

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

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

- an increased level of foreign currency reserves – their average annual level<sup>17</sup> was PLN 375,498.2 million in 2019 as compared with PLN 354,047.4 million in 2018 (see also Note 3);
- change in the currency composition of the strategic benchmark in the second half of 2019, which resulted in the increased share of the USD portfolio with a decreased share of the EUR portfolio (see Chapter 9.1.4.);
- an average annual depreciation of the zloty against USD (the average annual exchange rate grew from PLN 3.6134 in 2018 to PLN 3.8395 in 2019);
- an increase in the average annual interest on securities denominated in USD, with a simultaneous decrease in average annual interest on securities denominated in AUD and NZD;
- increase in the average annual interest on term deposits in NOK;
- decrease in the average annual investment in simultaneous reverse repo and repo transactions.

<sup>17</sup> Calculations were based on nominal values on a daily basis.

## Average annual foreign exchange rates

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

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

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

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

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

The negative net result on interest on receivables/liabilities related to the IMF is a result of higher interest-bearing liabilities in SDR (SDR allocation) than interest-bearing receivables in SDR (reserve tranche<sup>18</sup>, current account with the IMF and loans extended to the IMF, see Chapter 9.1.4.1.). The decrease in the negative net result was mainly a result of the increase in receivables due to a reserve tranche (see also Note 2) in the context of a depreciation of the zloty, in average annual terms, against SDR (the increase of the exchange rate from 5.1111 in 2018 to 5.3045 in 2019), a higher average annual interest on SDR and a decrease in receivables on loans extended to the IMF (see also Note 2).

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

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

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

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

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

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

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

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

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

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

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

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

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

### Other interest income/expenses

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

## Note 29 Net result on realised financial operations

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

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

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

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

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

### *Net result on realised price gains/losses*

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

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

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

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

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

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

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

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

**Note 30 Unrealised losses**

<i>PLN thousand</i>	2019	2018	Change
Currency revaluation losses	-109,545.3	-835,517.7	725,972.4
Price revaluation losses, of which	-246,687.9	-198,938.8	-47,749.1
- revaluation losses on securities	-246,687.9	-198,610.8	-48,077.1
- revaluation losses on off-balance-sheet financial instruments	0.0	-328.0	328.0
<b>Total</b>	<b>-356,233.2</b>	<b>-1,034,456.5</b>	<b>678,223.3</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>19</sup> (see Note 22). Currency revaluation losses by foreign currency are presented below.

<i>PLN thousand</i>	2019	2018	Change
EUR	-5,817.7	0.0	-5,817.7
AUD	0.0	-552,387.7	552,387.7
NOK	-103,646.7	-283,076.6	179,429.9
Other	-80.9	-53.4	-27.5
<b>Total</b>	<b>-109,545.3</b>	<b>-835,517.7</b>	<b>725,972.4</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 foreign currencies are presented below.

<i>PLN thousand</i>	2019	2018	Change
Securities in USD	-147,292.3	-178,372.5	31,080.2
Securities in EUR	-54,730.5	-989.1	-53,741.4
Securities in GBP	-33,333.6	-8,115.7	-25,217.9
Securities in AUD	-11,331.5	0.0	-11,331.5
Securities in NOK	0.0	-11,133.5	11,133.5
<b>Total</b>	<b>-246,687.9</b>	<b>-198,610.8</b>	<b>-48,077.1</b>

## Note 31 Net result on the adjustment of FX risk provision

See Note 23 and Chapter 9.1.4.

## Note 32 Fees and commissions income

<i>PLN thousand</i>	2019	2018	Change
On the operation by NBP of bank accounts	582.2	526.4	55.8
On the execution of payment orders	32,388.7	31,648.3	740.4
Other fees and commissions income	16,594.7	12,606.1	3,988.6
<b>Total</b>	<b>49,565.6</b>	<b>44,780.8</b>	<b>4,784.8</b>

<sup>19</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.

The increase in other fees and commissions income in 2019 was related mainly to fees income due to non-delivery of securities by NBP's counterparties in time (so-called fails charges<sup>20</sup>), which amounted to PLN 5,696.2 thousand in 2019 as compared with PLN 1,849.5 thousand in 2018.

### Note 33 Fees and commissions expenses

<i>PLN thousand</i>	2019	2018	Change
On the opening and operation of NBP accounts	-7,877.2	-7,170.5	-706.7
On the execution of own payment orders	-4,979.8	-3,889.9	-1,089.9
Due to substitution cash services	-3,693.5	-4,417.4	723.9
Due to fees for NBP's TARGET2 participation	-14,640.6	-13,249.0	-1,391.6
Other fees and commissions expenses	-8,135.7	-5,316.2	-2,819.5
<b>Total</b>	<b>-39,326.8</b>	<b>-34,043.0</b>	<b>-5,283.8</b>

The increase in fees and commissions expenses for the execution of own payment orders was mainly due to the collection of part of gold holding from the Bank of England in relation with its transport to Poland (see Note 1).

The decrease in the expenses due to substitution cash services (SCSs) was driven mainly by offering new banking services to holders of accounts at NBP towards the end of 2018 as a result of which in 2019 substitution services (related to payment cards and withdrawals from ATMs using mobile phones) were used, which reduced the use of SCSs (see Note 12).

The increase in other fees and commissions expenses was mainly the result of an increase in fees expenses due to non-delivery of securities (so-called fails charges)<sup>21</sup> from PLN 1,392.4 thousand in 2018 to PLN 5,575.3 thousand in 2019 (see Note 32), with a simultaneous decrease in expenses on transaction charges related to futures from PLN 3,256.7 thousand in 2018 to PLN 1,727.1 thousand in 2019.

### Note 34 Income on shares and participating interests

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

<sup>20</sup> Fails charges relate to securities purchase/sale transactions and repo/reverse repo transactions in USD. Charges are calculated when one of the transaction's parties delivers securities to the other party at a date later than agreed.

<sup>21</sup> In the event of a late delivery of securities to NBP by the counterparty, NBP receives income therefrom (see Note 32). In such a case, NBP may also incur fees expenses due to its being unable to transfer the required securities to other counterparties.



<i>PLN thousand</i>	2019	2018	Change
<b>Dividends received, of which</b>	<b>23,372.2</b>	<b>14,703.6</b>	<b>8,668.6</b>
- Krajowy Depozyt Papierów Wartościowych S.A.	6,565.5	0.0	6,565.5
- Krajowa Izba Rozliczeniowa S.A.	6,570.0	4,702.5	1,867.5
- Bank for International Settlements	10,236.7	10,001.1	235.6

## Note 35 Other income and other expenses

Other income/expenses include mainly income on the sale of collector coins and banknotes and expenses corresponding to the nominal value of collector coins and banknotes sold, as well as income on precious metals obtained from the re-melting of collector coins withdrawn from sale. The increase in the balance of other income was mainly the result of an increase in this income.

## Note 36 Salaries

<i>PLN thousand</i>	2019	2018	Change
Expenses on salaries	-442,092.8	-424,232.9	-17,859.9
Expenses on provisions for future liabilities to employees	-33,218.0	-23,705.5	-9,512.5
Expenses on social contributions, of which	-99,402.1	-96,054.0	-3,348.1
- Occupational Pension Scheme	-27,888.2	-26,885.9	-1,002.3
<b>Total</b>	<b>-574,712.9</b>	<b>-543,992.4</b>	<b>-30,720.5</b>

In 2019, the average headcount at NBP amounted to 3,312 employees and was higher by 32 employees as compared with 2018. This increase was caused by, among others, amendments to legal regulations (expanding the supervisory remit of NBP), organisational changes and development and operation of new IT systems.

In 2019, higher salary expenses resulted mainly from the adopted Human Resources and payroll policy.

The increase in the expenses on provisions for future liabilities to employees was mainly driven by the change of actuarial assumptions applied to provisions estimation, mostly relating to the discount rate and the dynamics of remuneration growth. In 2019 and 2018, expenses on provisions for future liabilities to employees by allocation into particular categories were as follows (see Note 21).

PLN thousand	2019		2018	
	Expenses on provisions	of which actuarial gains/losses*	Expenses on provisions	of which actuarial gains/losses*
<b>Expenses on provisions for future liabilities to employees, of which</b>	<b>-33,218.0</b>	<b>-20,163.5</b>	<b>-23,705.5</b>	<b>-9,530.6</b>
- due to retirement severance payments	-15,168.1	-10,506.3	-8,740.2	-4,186.0
- due to disability severance payments	-268.1	-73.3	-238.6	-52.3
- due to jubilee awards	-14,259.8	-9,583.9	-9,802.5	-5,292.3
- due to untaken leaves	-3,522.0	-	-4,924.2	-

\* Actuarial gains and losses result from changes in actuarial assumptions, such as the probability of an employee quitting job, death rate, discount rate or the level of future remunerations. Actuarial gains are presented with a (+) sign, while actuarial losses with a (-) sign.

## Note 37 Administrative expenses

PLN thousand	2019	2018	Change
Materials and energy used	-23,329.4	-23,499.4	170.0
Benefits for employees and other eligible persons	-14,077.1	-13,285.3	-791.8
Business travel	-4,264.0	-4,377.8	113.8
Services from third parties	-179,471.9	-166,458.4	-13,013.5
Taxes and fees	-22,363.3	-21,983.9	-379.4
Transfers to Employee Benefit Fund	-4,914.5	-4,633.3	-281.2
Other administrative expenses	-16,139.2	-17,572.3	1,433.1
<b>Total</b>	<b>-264,559.4</b>	<b>-251,810.4</b>	<b>-12,749.0</b>

The increase in the costs of services from third parties in 2019 was mainly the result of higher expenses of the operation of IT systems (including servicing, maintenance and technical assistance related to the software) as well as maintenance of cash desk and vault equipment, with a simultaneous decrease in the expenses on information and promotion of NBP (in 2018, the higher expenses on information and promotion were mainly related to the celebrations of the 100th anniversary of regaining independence by Poland).

## Note 38 Depreciation and amortisation expenses

<i>PLN thousand</i>	2019	2018	Change
Tangible fixed assets depreciation expenses	-62,404.0	-61,240.7	-1,163.3
Intangible fixed assets amortisation expenses	-24,270.3	-24,495.6	225.3
<b>Total</b>	<b>-86,674.3</b>	<b>-85,736.3</b>	<b>-938.0</b>

## Note 39 Expenses on issue of banknotes and coins

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

In 2019, the item amounted to PLN 282,254.9 thousand and was by PLN 21,363.0 thousand higher as compared with 2018. The increase in the item resulted mainly from:

- increase in expenses on the issue of general circulation banknotes resulting from a rise in the overall number of ordered banknotes of each denomination at a time when the costs of banknote purchase were lower,

with a simultaneous:

- decrease in expenses on the issue of coins, mainly as the result of a fall in the overall number of ordered general circulation coins as well as the lower cost of gold used for the production of collector coins.

## Note 40 Financial result for the current year and its allocation

The NBP financial result for 2019 amounted to PLN 7,828,502.5 thousand.

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

- NBP's reserve fund (5% of the profit) – PLN 391,425.1 thousand,
- contribution from NBP's profit to the State budget – PLN 7,437,077.4 thousand.

## 8. Other explanatory notes

### Note 41 Events after the balance sheet date

#### *Adjustment of the subscription key of the ECB capital*

On 1 February 2020, an adjustment of the subscription key of the ECB capital was made following the exit of the United Kingdom from the European Union and, as a consequence, the withdrawal of the Bank of England from the ESCB.<sup>22</sup> Following this adjustment, the share of NBP in the ECB's subscribed capital has increased to 6.0335%, which corresponds to participating interest in the amount of EUR 653,126.8 thousand. As a result, the share of NBP in the paid-up capital of the ECB rose to EUR 24,492.3 thousand (see Note 6). The respective payment for the ECB, in the amount of EUR 3,355.9 thousand, was made by NBP on 3 February 2020.

#### *Term deposit with the IMF*

In January 2020, NBP agreed to extend by 10 years the Deposit Agreement (non-interest bearing term deposit), due to expire in June 2020, placed under the IMF's PRG-HIPC Trust (in charge of administering the Poverty Reduction and Growth – Heavily Indebted Poor Countries Initiative) (see Note 2).

#### *The SARS-CoV-2 epidemic*

In connection with SARS-CoV-2 epidemic and in view of the gravity of the situation and risk to the Polish economy, in March 2020 the Management Board of NBP used repo transactions as liquidity providing operations, and the operations of the purchase of Treasury bonds on the secondary market as part of structural open market operations. NBP also offered banks the possibility to use bill discount credit in order to refinance loans granted by banks to non-financial corporations. Moreover, NBP also lowered the required minimum reserve and at the same time raised the interest on the funds kept with NBP as part of the reserve.

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<sup>22</sup> The value of the ECB's subscribed capital has not changed as a result of the Bank of England withdrawing from the ESCB, and it amounts to EUR 10,825,007.1 thousand. The share of the Bank of England in the subscribed capital of the ECB, which as at 31 December 2019 amounted to 14.3374%, has been allocated to the other ESCB central banks.

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## Note 42 Other issues

Narodowy Bank Polski has been party to swap arrangements with the Swiss National Bank and the National Bank of Ukraine (NBU)<sup>23</sup> since 2012 and 2015, respectively. These arrangements had no bearing on the NBP Balance Sheet or Profit and Loss Account in 2019 and 2018.

## 9. Financial and operational risk

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

- as relates to financial risk – the activity of the Financial Risk Management Department responsible for financial risk management;
- as relates to operational risk (see Chapter 9.2) – management at the following levels:
  - decentralised operational risk management by directors of Head Office departments and NBP regional branches who, on an ongoing basis, monitor operational risk, perform the assessment of its level and take measures mitigating risk occurrence in their units,
  - the activity of the Operational Risk and Compliance Department, which – on an ongoing basis – monitors and analyses operational risk in NBP as a whole, prepares regulations and draft measures related to changes to operational risk management. It also prepares reports on operational risk for the NBP Management Board and the Commission for Operational Risk Management,
  - Commission for Operational Risk Management, which assesses the effectiveness of operational risk management in NBP, monitors the current level of operational risk and analyses the causes underlying materialisation of risk assessed as high or unacceptable. The Commission also submits and recommends to the Management Board of NBP proposed solutions and changes in the area of operational risk management.
- strategic decision-making by the NBP Management Board.

The tasks carried out as part of risk management include:

- on-going identification and analysis of individual types of risk,
- measurement of risk level and its acceptance or non-acceptance,
- selection of risk mitigation mechanisms,
- monitoring and day-to-day control of the efficiency of applied risk mitigation mechanisms,
- provision of periodical information about the results of risk management.

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<sup>23</sup> The swap arrangement with the NBU expired in February 2020.

## 9.1. Financial risk

The main types of financial risk underlying the activities of NBP are: credit risk, liquidity risk and market risk (interest rate risk and foreign exchange rate risk). The accepted level of financial risk is set through the system of investment limits, determination of which takes also into account mitigation of concentration risk. Exposure to various types of risk, under the adopted constraints, is monitored on an on-going basis by the Financial Risk Management Department. The analysis of exposure to financial risk is presented to the Management Board of NBP on a regular basis.

### 9.1.1. Credit risk

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

#### 9.1.1.1. Maximum exposure to credit risk

Maximum exposure to credit risk related to NBP assets, with no consideration of collateral held (exposures shown in the table are based on amounts recognised in the Balance Sheet), is presented below.

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

<i>PLN thousand</i>	31.12.2019	31.12.2018	Balance sheet item	Note
Current accounts in gold	10,813,438.9	2,265,651.6	A.1	1
Term deposits in gold	12,206,191.1	16,905,097.9	A.1	1
Receivables from the IMF	5,271,036.0	4,819,450.5	A.2.1	2
Current accounts in foreign currency*	9,259,141.9	10,290,650.8	A.2.2	3
Term deposits in foreign currency	32,168,428.6	37,477,995.2	A.2.2	3
Reverse repo transactions in foreign currency	43,215,223.2	37,849,982.3	A.2.2	3
Securities in foreign currency	354,961,158.9	329,190,814.2	A.2.2	3
Foreign banknotes and coins in stock	179,119.9	195,945.7	A.2.2	3
Other claims in foreign currency*	141,323.3	43,187.2	A.2.2	3
Credits and loans extended to other monetary financial institutions in foreign currency	0.0	5,643,437.2	A.6	4
Other**	135,264.7	146,344.2	A.6, A.10.3, A.10.5	4, 7, 9
<b>Total</b>	<b>468,350,326.5</b>	<b>444,828,556.8</b>		

\* See explanation under the table in Note 3.

\*\* It concerns mostly credits and loans extended in domestic currency, funds of the Employee Benefit Fund held in commercial banks, price revaluation differences on forward transactions in securities denominated in foreign currency and other receivables (see Note 4, Note 7 and Note 9).

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

- NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2019 was SDR 1,219,125.0 thousand,
- bilateral loan agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2019 was EUR 6,270,000.0 thousand.

The concentration of NBP's maximum exposure to credit risk, by counterparty's sector, is presented below.

<i>PLN thousand</i>	31.12.2019	31.12.2018
General government institutions	321,836,977.9	316,528,174.8
- Foreign central government institutions	301,854,448.9	308,162,309.8
- Other	19,982,529.0	8,365,865.0
Monetary financial institutions	102,458,037.0	86,001,000.2
- Foreign credit institutions	75,654,975.0	55,659,058.3
- Central banks, BIS and IMF	26,788,997.1	24,685,191.8
- Domestic credit institutions	14,064.9	5,656,750.1
International financial organisations	4,582,535.4	904,068.3
Non-monetary financial institutions	34,900,985.0	38,189,416.6
Non-financial sector	4,392,656.4	3,009,944.0
Other	179,134.8	195,952.9
<b>Total</b>	<b>468,350,326.5</b>	<b>444,828,556.8</b>

NBP's maximum exposure to credit risk, by counterparty's geographical location, is presented below.

<i>PLN thousand</i>	31.12.2019	31.12.2018
United States	171,762,301.6	170,814,719.9
Euro area	128,895,310.0	125,262,038.1
United Kingdom	90,902,612.5	83,307,373.1
Australia	30,334,885.9	27,657,150.1
Norway	14,262,780.8	11,847,833.0
Asian countries	9,688,435.2	1,403,415.7
New Zealand	6,396,823.8	6,224,804.3
Denmark	3,497,252.2	1,989,856.4
Sweden	1,489,835.2	1,856,175.7
Switzerland	826,005.1	1,684,677.0
Poland	132,134.1	5,787,484.3
Other	10,161,950.1	6,993,029.2
<b>Total</b>	<b>468,350,326.5</b>	<b>444,828,556.8</b>

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

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

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

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

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

#### 9.1.1.2.1. Credit quality of term deposits

The financial standing of NBP's counterparties with whom term deposits are concluded under the management of foreign currency reserves and gold is subject to on-going monitoring based on daily information from rating agencies about changes in creditworthiness ratings and rating forecasts, as well as implied ratings derived from CDS (Credit Default Swap). Counterparties' financial data are also taken into account in the process of assessing their creditworthiness.

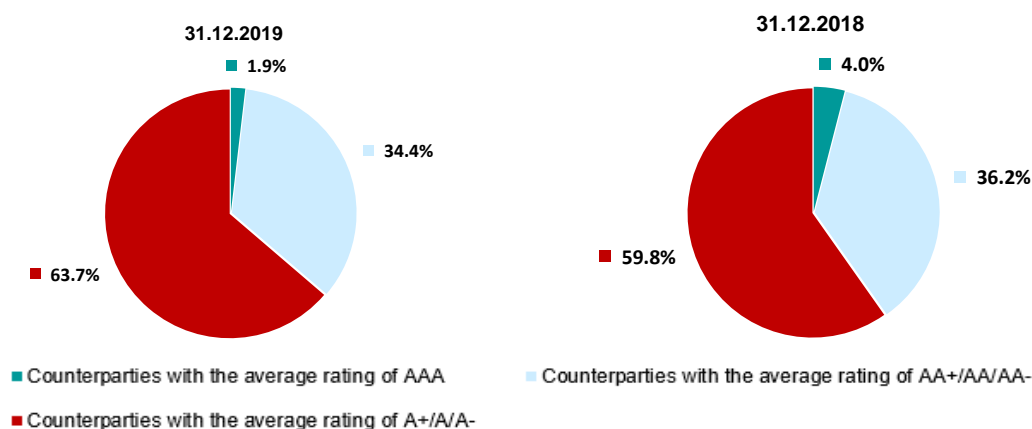
The figure presented below shows the structure of exposure to term deposits related to foreign currency reserve management, by counterparty average credit rating as at 31 December 2018 and 31 December 2019.<sup>24</sup>

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<sup>24</sup> The structure of exposures to term deposits was presented based on values used in the monitoring of the investment limits towards term deposit counterparties.



Figure 1. The structure of exposure to term deposits by counterparty average rating as at 31 December 2019 and 31 December 2018



NBP also concludes term deposits with central banks of the countries which meet the set rating requirements. As at 31 December 2019, NBP held term deposits at two central banks for the total nominal amount of PLN 1,565,886.6 thousand. As at 31 December 2018, NBP held term deposits at three central banks for the total nominal amount of PLN 6,698,777.1 thousand.

#### 9.1.1.2.2. Credit quality of securities

The table below presents NBP's exposure to securities issued by governments and other entities.

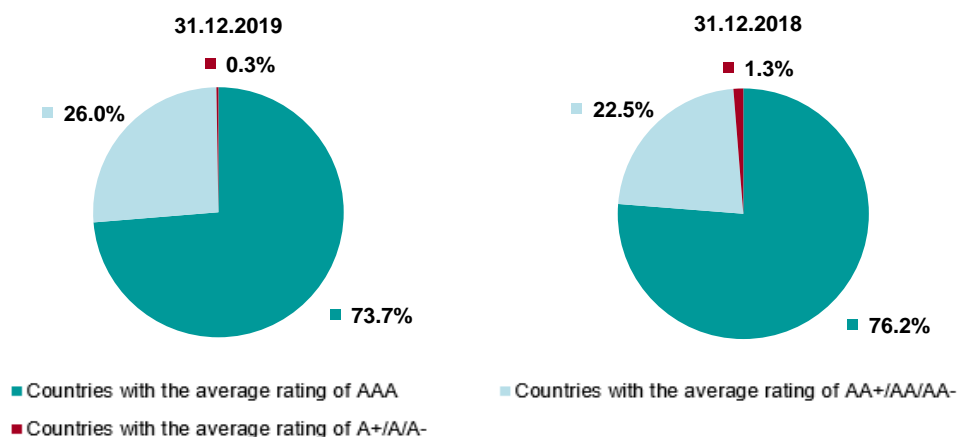
PLN thousand	31.12.2019	31.12.2018	Change
Government securities in foreign currency	301,853,590.3	308,162,202.3	-6,308,612.0
Other securities in foreign currency, of which:	53,107,568.6	21,028,611.9	32,078,956.7
- corporate securities in USD	3,843,161.8	3,103,132.8	740,029.0
<b>Total</b>	<b>354,961,158.9</b>	<b>329,190,814.2</b>	<b>25,770,344.7</b>

#### Government securities in foreign currency

When estimating the credit quality of securities issued by governments, the creditworthiness ratings of the country of the securities issuer are, among others, taken into account. The structure of exposures to government securities by the average rating of the issuer's country is shown below.<sup>25</sup> In 2019, NBP made investments in securities of the countries rated at least as A-/Baa1.

<sup>25</sup> The structure of exposure to securities was presented based on values used for the monitoring of credit risk.

**Figure 2.** The structure of exposures to government securities by average rating of the issuer's country as at 31 December 2019 and 31 December 2018

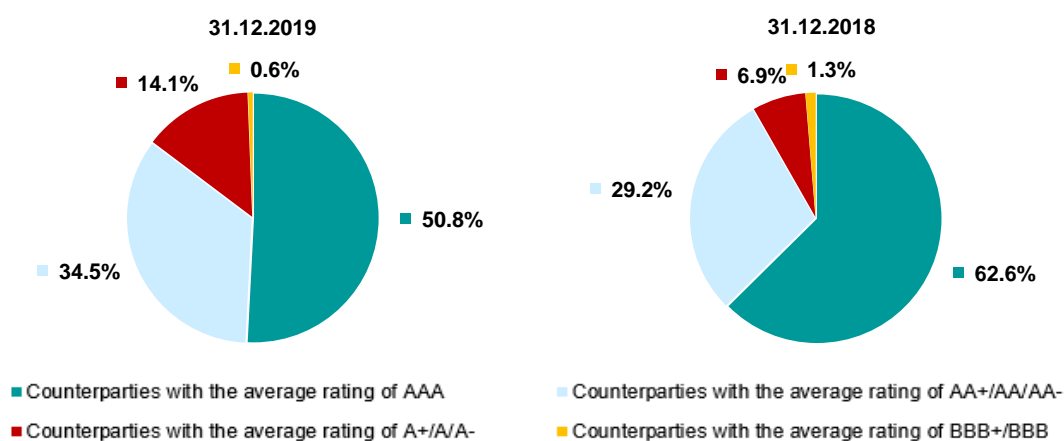


### Other securities

The credit quality of the issuers of other securities is assessed based on the scoring model that takes into account: issuer status, ratings assigned by rating agencies and issuer's financial data.

The figure presented below shows the structure of exposure to other securities by issuer's average credit rating as at 31 December 2019 and 31 December 2018.<sup>26</sup>

**Figure 3.** The structure of exposure to other securities by issuer's average rating as at 31 December 2019 and 31 December 2018



<sup>26</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.

### 9.1.1.3. Credit risk underlying domestic credit operations

To support the liquidity of the financial system, NBP may grant a refinancing loan in zloty to banks in order to supplement their financial resources. Specifically, banks use intraday credit and marginal lending facility (Lombard credit). Banks also use intraday credit in euro. NBP may also, on request by a bank, grant a refinancing loan in another form specified by the Management Board of NBP.

The total drawing on the credit in annual terms \*

PLN million / EUR	2019	2018	Change
Lombard credit	7.6	57.4	-49.8
Intraday credit	12,106,854.1	12,155,347.2	-48,493.1
Refinancing loan in another form specified by the Management Board of NBP**	246,900.1	282,525.2	-35,625.1
Intraday credit in EUR	68,263.3	22,301.7	45,961.6

\* The values of the credits specified above are the sum total of the daily drawings of these loans.

\*\* The balances as at the balance-sheet date are presented in Note 4 and Note 9 (see Chapter 9.1.1.3.1.).

The risk underlying these operations is mitigated through the use of eligible collateral that meets the criteria set by NBP.

Treasury and NBP securities denominated in PLN are the primary collateral presented by banks. The list of assets accepted as collateral also comprises other securities deposited with Krajowy Depozyt Papierów Wartościowych S.A.: covered bonds, municipal bonds, corporate bonds, bonds issued by the European Investment Bank denominated in PLN, as well as – in the case of Lombard credit – EUR-denominated Treasury bonds.

In the case of a refinancing loan granted in another form specified by the Management Board of NBP, a wider range of collateral may apply.

When setting the required level of collateral, the haircut rate is applied, with the purpose to take into account the risk of unfavourable changes in market prices and exchange rates.

Intraday credit in euro is extended in accordance with the principles laid down in the Agreement on the terms of opening and maintaining an account in euro in the TARGET2-NBP system, and it may be collateralised by Treasury bonds participating in BondSpot S.A. fixing, accepted by the ECB (in addition, haircut related to the exchange rate risk is taken into account).

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

As at 31 December 2019, NBP had an overdue claim in the amount of PLN 84,878.0 thousand (PLN 99,799.8 thousand as at 31 December 2018) from a domestic bank under winding-up proceedings,

which was related to a refinancing loan granted in 2015 in another form specified by the Management Board of NBP (see Note 9). As at the balance-sheet date, the outstanding portion of the loan was collateralised with the claims of the domestic bank under loan agreements which were assigned in favour of NBP. Under the assessment carried out, it was established that as at 31 December 2019 the discounted value of expected cash flows from collateral fully covers the carrying amount of the claim. Claims of the domestic bank arising from loan agreements which were assigned in favour of NBP as collateral to the refinancing loan granted in another form specified by the Management Board of NBP are not included in the bankruptcy estate of the domestic bank, in accordance with the provisions of Article 67 paragraphs 2 and 3 of the Act of 28 February 2003 on the Bankruptcy and Restructuring Law<sup>27</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 reserve management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in the markets that ensure immediate availability of funds – reserve currencies and investment instruments are principally characterised by high liquidity.

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

The table below presents the maturity analysis for financial liabilities of NBP denominated in foreign currency as at 31 December 2019 and 31 December 2018.<sup>28</sup>

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

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<sup>27</sup> As at 1 January 2016, pursuant to Article 428 subparagraph 1 of the Act of 15 May 2015 – Restructuring Law (Journal of Laws, item 978), the act received the title "Bankruptcy Law". Nonetheless, pursuant to Article 449 of the Act (i.e. the Restructuring Law), in matters for which a motion for bankruptcy was filed before the act entered into force, i.e. before 1 January 2016, the regulations binding theretofore shall apply, that is regulations of the Bankruptcy and Restructuring Law in the wording in force prior to 1 January 2016.

<sup>28</sup> Liabilities related to NBP's own administrative activities were not included, as bearing no material impact.

- NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2019 was SDR 1,219,125.0 thousand,
- bilateral loan agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2019 was EUR 6,270,000.0 thousand.

31.12.2019	TOTAL	Avisia	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance sheet value	P.7 Liabilities to residents denominated in foreign currency	P.8 Liabilities to non-residents denominated in foreign currency	P.9 Liabilities to the IMF	P.11 Other liabilities
<i>PLN thousand</i>										
Current/auxiliary accounts in foreign currency operated by NBP	20,508,301.2	20,508,301.2	0.0	0.0	0.0	20,508,301.2	19,762,467.1	745,834.1	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	18,606.2	0.0	18,606.2	0.0	0.0	18,601.0	18,601.0	0.0	0.0	0.0
Repo transactions in foreign currency	42,934,107.1	0.0	39,326,005.1	4,608,102.0	0.0	42,919,855.6	0.0	42,919,855.6	0.0	0.0
Other financial liabilities denominated in foreign currency	2,581,322.5	0.0	2,581,254.2	68.3	0.0	2,581,322.5	2,575,149.4	0.0	0.0	6,173.1
SDR allocation	6,879,551.6	0.0	13,232.9	0.0	6,866,318.7	6,875,252.6	0.0	0.0	6,875,252.6	0.0
Foreign currency to be delivered in spot transactions	439,708.8	0.0	439,708.8	0.0	0.0	-	-	-	-	-
Forward transactions in securities (purchase)	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-
<b>TOTAL</b>	<b>73,361,597.4</b>	<b>20,508,301.2</b>	<b>41,378,807.2</b>	<b>4,608,170.3</b>	<b>6,866,318.7</b>	<b>72,903,332.9</b>	<b>22,356,217.5</b>	<b>43,665,689.7</b>	<b>6,875,252.6</b>	<b>6,173.1</b>
31.12.2018	TOTAL	Avisia	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance sheet value	P.7 Liabilities to residents denominated in foreign currency	P.8 Liabilities to non-residents denominated in foreign currency	P.9 Liabilities to the IMF	P.11 Other liabilities
<i>PLN thousand</i>										
Current/auxiliary accounts in foreign currency operated by NBP	24,668,682.6	24,668,682.6	0.0	0.0	0.0	24,668,682.6	24,630,885.7	37,796.9	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	9,214.9	0.0	9,214.9	0.0	0.0	9,205.0	9,205.0	0.0	0.0	0.0
Repo transactions in foreign currency	37,864,307.6	0.0	34,068,597.9	3,795,709.7	0.0	37,848,426.7	0.0	37,848,426.7	0.0	0.0
Other financial liabilities denominated in foreign currency	465,670.7	0.0	465,564.0	106.7	0.0	465,670.7	460,017.9	278.8	0.0	5,374.0
SDR allocation	6,830,473.2	0.0	18,688.5	0.0	6,811,784.7	6,823,985.7	0.0	0.0	6,823,985.7	0.0
Foreign currency to be delivered in spot transactions	986,910.6	0.0	986,910.6	0.0	0.0	-	-	-	-	-
Forward transactions in securities (purchase)	49,495.4	0.0	49,495.4	0.0	0.0	-	-	-	-	-
<b>TOTAL</b>	<b>70,874,755.0</b>	<b>24,668,682.6</b>	<b>35,598,471.3</b>	<b>3,795,816.4</b>	<b>6,811,784.7</b>	<b>69,815,970.7</b>	<b>25,100,108.6</b>	<b>37,886,502.4</b>	<b>6,823,985.7</b>	<b>5,374.0</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 yield.

The primary measure of interest rate risk applied by NBP is modified duration, hereinafter referred to as “MD”, which specifies the sensitivity of investment portfolio values to changes in the yield on financial instruments.

To mitigate the interest rate risk in the process of managing foreign currency reserves, NBP defines the benchmark level of MD of foreign currency reserves, along with admissible fluctuation bands. In 2019, the MD of the reserves was kept at a level binding in the preceding year.

The sensitivity analysis, conducted based on MD<sup>29</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 7,583.4 million as at 31 December 2019 (as at 31 December 2018 – by PLN 6,991.1 million). The change in value of securities portfolios in individual currencies in response to a change in interest rates by 100 basis points, as estimated based on MD analysis, is presented below.

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

PLN million	31.12.2019	31.12.2018	Change
USD	3,345.4	2,678.9	666.5
EUR	1,377.7	1,765.9	-388.2
GBP	1,398.4	1,292.8	105.6
AUD	937.8	799.6	138.2
NOK	352.7	301.6	51.1
NZD	171.4	152.3	19.1
<b>Total</b>	<b>7,583.4</b>	<b>6,991.1</b>	<b>592.3</b>

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.

<sup>29</sup> In the sensitivity analysis NBP applied the MD ratio for individual foreign-currency securities portfolios as at 31 December 2019 and 31 December 2018 as a linear measure of the relationship between price and yield, as well as the holding of securities portfolios as at 31 December 2019 and 31 December 2018 based on values used in the monitoring of MD.

#### 9.1.4. Foreign exchange rate risk and gold price risk

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

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

In the process of foreign currency reserve management, NBP defines the currency structure of the strategic benchmark<sup>30</sup>, along with admissible fluctuation bands. In 2019, the composition of the strategic currency benchmark was changed and as at 31 December 2019 it included<sup>31</sup>:

- 51% USD,
- 20% EUR,
- 12% GBP,
- 8% AUD,
- 6% NOK,
- 3% NZD.

##### 9.1.4.1. Exposure to foreign exchange rate risk and gold price risk

The foreign currency holdings of NBP as at 31 December 2019 and 31 December 2018 by currency are presented below, wherein items in foreign currency related to own administrative activities are presented as part of PLN holdings since they are immaterial.

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<sup>30</sup> The strategic currency benchmark is a reference portfolio mirroring long-term assumptions for the investment strategy by setting the foreign currency composition and the level of modified duration.

<sup>31</sup> As at 31 December 2018, the composition of the strategic currency benchmark included: 44% USD, 27% EUR, 12% GBP, 8% AUD, 6% NOK and 3% NZD.



31.12.2019	PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	SUR	Gold	Other currencies	Total
<b>ASSETS</b>											
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	42,518,790.2	0.0	42,518,790.2
2. Claims on non-residents denominated in foreign currency	0.0	216,342,530.6	96,137,916.9	58,606,832.1	32,140,846.3	23,215,158.5	11,452,125.4	5,271,036.0	0.0	28,984.0	445,195,431.8
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	10.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.4
10. Other assets	1,222,529.2	8,676.2	94,825.7	4,337.7	858.6	963.1	1,263.5	52,630.0	0.0	0.0	1,386,084.0
<i>of which: adjustment and currency revaluation differences on off-balance-sheet items</i>	0.0	8,676.2	44.1	4,337.7	0.0	963.1	1,263.5	0.0	0.0	0.0	15,294.6
<b>TOTAL ASSETS</b>	<b>1,222,539.6</b>	<b>216,351,206.8</b>	<b>96,232,742.6</b>	<b>58,611,169.8</b>	<b>32,141,706.9</b>	<b>23,216,121.6</b>	<b>11,453,988.9</b>	<b>5,323,666.0</b>	<b>42,518,790.2</b>	<b>28,984.0</b>	<b>489,100,316.4</b>
<b>LIABILITIES</b>											
1. Banknotes and coins in circulation	238,777,248.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	238,777,248.0
2. Liabilities to other domestic financial institutions related to monetary policy operations denominated in domestic currency	65,410,357.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	65,410,357.6
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	385,342.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	385,342.2
4. Liabilities due to issued securities denominated in domestic currency	64,985,650.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	64,985,650.0
5. Liabilities to other residents denominated in domestic currency	9,346,735.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,346,735.8
6. Liabilities to non-residents denominated in domestic currency	2,286,129.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,286,129.9
7. Liabilities to residents denominated in foreign currency	0.0	3,588,664.6	18,743,067.6	16,645.0	0.0	0.2	0.0	0.0	0.0	7,840.1	22,356,217.5
8. Liabilities to non-residents denominated in foreign currency	0.0	26,515,994.7	2,846,108.9	12,961,450.4	1,340,135.7	0.0	0.0	0.0	0.0	0.0	43,665,689.7
9. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,875,252.6	0.0	0.0	6,875,252.6
11. Other liabilities	198,914.9	9,165.5	5,794.5	5,029.7	20.2	1,162.0	1,383.5	0.0	0.0	7.0	222,477.3
<i>of which: adjustment and currency revaluation differences on off-balance-sheet items</i>	0.0	8,872.5	16.6	4,956.3	0.0	1,160.4	1,383.5	0.0	0.0	0.0	16,389.3
12. Provisions for future liabilities	165,628.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	165,628.8
13. Revaluation accounts	28,432,057.2	798,135.0	195,235.2	248,152.7	502,871.4	68,874.1	258,805.0	0.0	0.0	0.0	30,494,100.6
14. Capital and reserves	8,186,317.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,186,317.3
15. Financial result	-4,036,860.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4,036,860.9
<b>TOTAL LIABILITIES</b>	<b>444,116,520.8</b>	<b>30,901,959.8</b>	<b>217,92,206.2</b>	<b>13,231,277.8</b>	<b>1,943,027.3</b>	<b>70,056.3</b>	<b>260,188.5</b>	<b>6,875,252.6</b>	<b>0.0</b>	<b>7,847.1</b>	<b>489,100,316.4</b>
<b>OFF-BALANCE-SHEET ITEMS</b>											
Currency to be received in spot transactions	0.0	225,875.4	212,897.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	438,772.9
Currency to be delivered in spot transactions	0.0	0.0	0.0	149,294.4	0.0	212,897.5	76,381.0	0.0	0.0	0.0	438,772.9
<b>NET HOLDING</b>	<b>-412,895,981.2</b>	<b>187,675,122.4</b>	<b>74,653,433.9</b>	<b>45,230,597.6</b>	<b>30,298,679.6</b>	<b>22,833,187.8</b>	<b>11,116,819.4</b>	<b>-1,551,586.6</b>	<b>42,518,790.2</b>	<b>21,136.9</b>	
<i>of which:</i>											
Balance sheet holding*	-412,895,981.2	187,449,443.3	74,440,308.9	45,380,510.6	30,298,679.6	23,146,282.6	11,193,320.4	-1,551,586.6	42,518,790.2	21,136.9	
Off-balance-sheet holding*	0.0	225,679.1	212,925.0	-149,913.0	0.0	-213,094.8	-76,701.0	0.0	0.0	0.0	

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

31.12.2018	PLN thousand	PLN	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
<b>ASSETS</b>												
1. Gold and gold receivables		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19,928,317.3	0.0	19,928,317.3
2. Claims on non-residents denominated in foreign currency		0.0	177,395,102.2	123,762,052.2	50,328,270.8	31,580,292.8	21,840,044.3	10,108,425.9	4,819,450.6	0.0	26,387.1	419,868,025.9
6. Other claims on other domestic monetary financial institutions denominated in domestic currency		5,643,915.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,643,915.1
10. Other assets		1,237,043.9	9,699.5	100,175.8	871.4	4,040.1	3,060.5	735.1	52,212.0	0.0	0.0	1,407,838.3
of which, adjustment and currency revaluation differences on off-balance-sheet items		0.0	9,699.5	6,746.3	763.9	4,040.1	3,060.5	735.1	0.0	0.0	0.0	25,044.4
<b>TOTAL ASSETS</b>		<b>6,880,959.0</b>	<b>177,404,801.7</b>	<b>123,862,228.0</b>	<b>50,329,142.2</b>	<b>31,584,332.9</b>	<b>21,851,104.8</b>	<b>10,109,161.0</b>	<b>4,871,662.6</b>	<b>19,928,317.3</b>	<b>26,387.1</b>	<b>446,848,096.6</b>
<b>LIABILITIES</b>												
1. Banknotes and coins in circulation		219,489,936.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	219,489,936.7
2. Liabilities to other domestic financial institutions related to monetary policy operations denominated in domestic currency		72,942,616.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	72,942,616.5
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency		362,810.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	362,810.7
4. Liabilities due to issued securities denominated in domestic currency		53,276,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	53,276,000.0
5. Liabilities to other residents denominated in domestic currency		7,273,508.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,273,508.0
6. Liabilities to non-residents denominated in domestic currency		2,605,986.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,605,986.1
7. Liabilities to residents denominated in foreign currency		0.0	1,425,384.9	23,654,188.7	15,465.9	0.0	11.4	0.0	0.0	0.0	0.0	25,100,108.6
8. Liabilities to non-residents denominated in foreign currency		0.0	21,464,635.6	5,304,773.3	7,952,338.7	3,164,754.8	0.0	0.0	0.0	0.0	0.0	37,886,502.4
9. Liabilities to the IMF		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11. Other liabilities		208,562.9	9,478.2	12,723.7	1,467.1	4,420.5	1,684.7	735.4	6,823,965.7	0.0	0.0	6,823,965.7
of which, adjustment and currency revaluation differences on off-balance-sheet items		0.0	9,469.9	7,506.1	1,355.5	4,064.4	1,683.4	735.1	0.0	0.0	0.0	24,814.4
12. Provisions for future liabilities		145,368.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	145,368.3
13. Revaluation accounts		25,764,829.9	413,286.1	288,236.1	174,381.4	256,689.5	92,314.8	203,232.5	0.0	0.0	0.0	27,193,170.3
14. Capital and reserves		5,374,387.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,374,387.4
15. Financial result		-11,865,363.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-11,865,363.4
<b>TOTAL LIABILITIES</b>		<b>375,578,643.1</b>	<b>23,312,764.8</b>	<b>29,259,891.8</b>	<b>8,143,653.1</b>	<b>3,426,064.8</b>	<b>94,010.9</b>	<b>203,967.9</b>	<b>6,823,965.7</b>	<b>0.0</b>	<b>5,114.5</b>	<b>446,848,096.6</b>
<b>OFF-BALANCE-SHEET ITEMS</b>												
Currency to be received in spot transactions		0.0	187,221.6	0.0	272,891.0	208,747.2	316,000.2	0.0	0.0	0.0	0.0	984,860.0
Currency to be delivered in spot transactions		0.0	331,727.8	386,239.2	0.0	0.0	187,221.7	79,671.3	0.0	0.0	0.0	984,860.0
<b>NET HOLDING</b>		<b>-368,697,684.1</b>	<b>153,947,530.7</b>	<b>94,216,066.9</b>	<b>42,466,380.1</b>	<b>28,367,015.3</b>	<b>21,885,672.4</b>	<b>9,825,521.8</b>	<b>-1,952,323.1</b>	<b>19,928,317.3</b>	<b>21,272.6</b>	
of which:												
Balance sheet holding*		-368,697,684.1	154,091,807.3	94,003,096.9	42,186,080.7	28,159,292.4	21,755,716.8	9,905,193.1	-1,952,323.1	19,928,317.3	21,272.6	
Off-balance-sheet holding*		0.0	-144,276.6	-387,000.0	272,299.4	208,722.9	130,155.6	-79,671.3	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 an analysis of the foreign exchange rate risk of the zloty. It estimates the loss expected due to fluctuations of the foreign exchange rate of the zloty, which in normal conditions and with an assumed probability, should not be exceeded within the adopted time horizon.

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

As at 31 December 2018, the provision was created in the amount of PLN 3,874,387.4 (the estimation of the provision was equal to the amount of uncovered accumulated loss of previous years that had arisen from changes in the exchange rate of the zloty against foreign currencies, and amounted to PLN 11,865,363.4 thousand<sup>32</sup>).

As at 31 December 2019, the NBP estimation of the provision against foreign exchange rate risk of the zloty against other currencies was equal to the amount of the Value at Risk decreased by unrealised gains on changes in the exchange rate of the zloty against foreign currencies, and it amounted to PLN 22,783,369.8 thousand. On the basis of Resolution No 6/2019 of the Monetary Policy Council, as at 31 December 2019 the provision was replenished by PLN 2,811,929.9 thousand, that is by the amount equal to half of the surplus of the income on realised foreign exchange gains over realised and unrealised foreign exchange losses on foreign currencies recognised in the financial result of the financial year (see Note 29, Note 30 and Note 31). As at 31 December 2019, the provision amounted to PLN 6,686,317.3 thousand (see Note 23).

#### 9.1.4.3. Gold price risk

The risk of the change in the price of gold (see Note 1) arises out of a potential decline in the value of gold as a result of unfavourable changes in the market price of gold.

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<sup>32</sup> In accordance with Resolution No. 12/2010 of the Monetary Policy Council of 14 December 2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal No 17, item 19), which was binding on 31 December 2018, the estimated provision could not be lower than the amount of the uncovered accumulated loss of previous years that had arisen from changes in the foreign exchange rate of the zloty. The creation of the provision could not lead to a negative financial result (a loss) of the current year for NBP, either. Therefore, the provision was created only in the amount equal to the surplus of income over expenses.

The impact of a decline in the price of gold on the financial result is limited by unrealised gold revaluation gains and gold revaluation account (see Chapter 2.5.12 and Note 22).

### 9.1.5. Capital of NBP

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

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

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

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

<i>PLN thousand</i>	31.12.2019	31.12.2018
Statutory fund	1,500,000.0	1,500,000.0
Reserve fund	0.0	0.0
Provision against the foreign exchange rate risk of the zloty	6,686,317.3	3,874,387.4
Gold revaluation account	1,618,023.2	1,618,023.2
Gold holding, currency and price revaluation gains	28,876,107.4	25,575,147.1
NBP balance sheet loss of previous years	-11,865,363.4	-11,865,363.4
Financial result for the current year retained at NBP	391,425.1	0.0
<b>Total</b>	<b>27,206,509.6</b>	<b>20,702,194.3</b>
<i>% of the balance sheet total of NBP</i>	5.6%	4.6%

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

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

- claims and liabilities due to bank accounts, including deposits and term deposits,
- credits and loans granted,

- other financial assets,
- banknotes and coins in circulation,
- securities issued by NBP.

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

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

Level 1	Level 2	Level 3
<p>Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined directly on the basis of (unadjusted) prices quoted on active markets for identical assets, liabilities or off-balance-sheet financial instruments.</p> <p>NBP has classified securities purchased by NBP into this category, with the exception of securities priced based on the yield curves values.*</p>	<p>Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined on the basis of valuation models, for which all significant input data are observable in the market directly (as prices) or indirectly (as based on prices).</p> <p>NBP has classified into this category:</p> <ul style="list-style-type: none"> <li>• securities priced based on the yield curves values for a given type of securities having the same credit risk of the issuer,</li> <li>• forward transactions in securities for the revaluation of which it uses the model with input parameters coming directly from the market.</li> </ul>	<p>Financial assets and liabilities as well as off-balance-sheet financial instruments whose market value is estimated using valuation models for which input data are not based on data observable in the market.</p> <p>As at 31 December 2019 and 31 December 2018, NBP did not classify any financial assets and liabilities and off-balance-sheet financial instruments into this category.</p>

\* Gold is also revalued according to market prices. To measure its value, NBP uses the average market price of gold which is converted into domestic currency according to the average NBP exchange rate of the US dollar as at the balance sheet date.

Financial assets and liabilities and off-balance-sheet financial instruments that are presented in the Balance Sheet as at 31 December 2019 and 31 December 2018 according to market value, assigned to individual levels, are presented below.

31.12.2019 <i>PLN thousand</i>	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
<b>ASSETS</b>					
Securities purchased by NBP	322,777,021.3	32,184,137.6	0.0	354,961,158.9	A.2.2
Forward transactions in securities (revaluation gains)	0.0	858.6	0.0	858.6	A.10.3
<b>LIABILITIES</b>					
Forward transactions in securities (revaluation losses)	0.0	0.0	0.0	0.0	L.11.1

31.12.2018 <i>PLN thousand</i>	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
<b>ASSETS</b>					
Securities purchased by NBP	329,190,814.2	0.0	0.0	329,190,814.2	A.2.2
Forward transactions in securities (revaluation gains)	0.0	107.5	0.0	107.5	A.10.3
<b>LIABILITIES</b>					
Forward transactions in securities (revaluation losses)	0.0	328.0	0.0	328.0	L.11.1

In 2019 and 2018, there were no transfers between Level 1 and Level 2.

NBP also carries out futures transactions. These transactions are marked to market (Level 1) and settled on a daily basis (see Chapter 2.4 and Note 29).

## 9.2. Operational risk

The concept of operational risk in NBP includes the possibility of incurring financial or non-financial damages, including failure to carry out tasks or a negative impact on NBP reputation, both resulting from inadequate or failed internal processes and systems as well as personnel or external events.

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

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

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

- development of contingency and evacuation plans as well as training and tests related to securing business continuity in NBP,
- insurance,
- control and internal audit.

In 2019, the Commission for Operational Risk Management held 13 sessions during which topics were discussed related above all to current issues that may affect the level of operational risk in NBP, cybersecurity at NBP, business continuity plans and a possible 'hard Brexit'.

Promotion of standards delineated in the *Code of Ethics for Narodowy Bank Polski Employees* has been strengthened, as part of non-compliance risk management.

Warsaw, 26 March 2020

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

/-/ Krzysztof Kruszewski

Management Board  
of Narodowy Bank Polski:

/-/ Adam Glapiński  
/-/ Marta Kightley  
/-/ Anna Trzecińska  
/-/ Andrzej Kaźmierczak  
/-/ Ryszard Kokoszczyński  
/-/ Piotr Pogonowski  
/-/ Paweł Szalamacha