



NBP

Narodowy Bank Polski

**Financial Statements
of Narodowy Bank Polski
as at 31 December 2020**

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Balance Sheet of NBP

as at 31 December 2020

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

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

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

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

Notes

1. Introduction

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

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

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

- the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2020, item 2027), hereinafter referred to as the “Act on NBP”,
- the Act of 29 August 1997 – Banking Law (Journal of Laws of 2020, item 1896, as amended),
- the Treaty on European Union and the Treaty on the Functioning of the European Union (consolidated texts: Official Journal of the EU 2016/C 202 of 7 June 2016, p. 1).

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

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

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

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

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

The composition of NBP bodies as at 31 December 2020 was as follows:

President of NBP

Adam Glapiński

Monetary Policy Council

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

Management Board of NBP¹

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

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

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

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

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

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

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

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

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

1.2. Legal basis of preparation of the financial statements

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

- the Act on NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of the Balance Sheet and the Profit and Loss Account of Narodowy Bank Polski (NBP Official Journal of 2020, item 15), hereinafter referred to as "Resolution No. 16/2003 of the MPC",
- Resolution No. 6/2019 of the Monetary Policy Council of 5 November 2019 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at Narodowy Bank Polski (NBP Official Journal, item 14), hereinafter referred to as "Resolution No. 6/2019 of the MPC",
- Resolution No. 45/2013 of the Management Board of Narodowy Bank Polski of 12 December 2013 on performing tasks in the area of accounting at Narodowy Bank Polski, as amended.
- Resolution No. 64/2020 of the Management Board of Narodowy Bank Polski of 21 December 2020 on the rules on the organisation of accounting at Narodowy Bank Polski, referred hereinafter as "Resolution No. 64/2020 of the NBP Management Board".

These regulations constitute the NBP accounting policy.

1.3. Period covered by the financial statements

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

1.4. Certified auditor and its selection

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

1.5. Information on the adoption and approval of NBP financial statements for the year 2019

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

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

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

2. Description of significant accounting principles

2.1. Basic accounting principles

The accounting principles applied by NBP, as specified in the legal regulations listed in point 1.2. of the Introduction to the Financial Statements, conform to the standards applied in the European System of Central Banks, hereinafter referred to as "ESCB", the basis of which is the Guideline (EU) 2016/2249 of the European Central Bank, hereinafter referred to as the ECB, of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34, as amended), hereinafter referred to as "the ECB Guideline".

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

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

2.2. Going concern

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

2.3. Recognition of transactions in the accounting books of NBP

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

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

- foreign currencies and gold purchased or sold in a spot transaction or a forward transaction are recognised in the NBP accounting books (on off-balance-sheet accounts) on the trade date,
- interest, discount and premium on assets and liabilities as well as on off-balance-sheet instruments are recognised in the Profit and Loss Account at the end of each operating day.

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

2.4. Valuation as at the balance sheet date

As at the balance sheet date, for gold, foreign currencies, securities purchased by NBP and off-balance-sheet financial instruments² the principle of valuation at market prices/exchange rates is applied. The results of the assets and liabilities valuation at market prices/exchange rates effective as at the balance sheet date are recognised in accordance with the following rules:

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

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

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

Securities denominated in foreign currency are quoted in an active market³ and are valued according to average market prices. For valuation of securities whose market value is not determined directly on the basis of prices, the rate of the yield curve for the respective type of securities bearing the same issuer credit rating is used.

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

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

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

³ An active market is characterised by homogeneity of the traded instrument, the possibility to find buyers and sellers at any time and publicly available information on prices or the possibility to determine prices on the basis of publicly available information (on the basis of the yield curve, in particular).

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

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

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

After their balance-sheet value has been determined in original currency, assets, liabilities and off-balance-sheet financial instruments in foreign currencies have their value determined in domestic currency. In the valuation process, the average NBP exchange rates effective as at the balance sheet date are used.

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

2.5. Events after the balance sheet date

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

3. Changes in accounting principles

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

Securities held for monetary policy purposes

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

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

The layout of the NBP Balance Sheet

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

Lease assets and liabilities

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

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

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

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

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

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

4. Values based on professional estimates

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

The key area where NBP makes estimates is the calculation of the amount of provision against the foreign exchange rate risk of the zloty (hereinafter referred to as FX risk provision. In accordance with Resolution No. 6/2019 of the MPC, the estimated FX risk provision is equal to the amount that would cover a potential change in the value of foreign currency holdings due to identified foreign exchange rate risk of the zloty, decreased by estimated unrealised foreign currency revaluation gains (see Note 9 and Note 9.2).

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

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

5. Explanatory notes

Note 1 Gold and gold receivables

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

Gold assets constitute a holding of gold for which the average cost is estimated. The average cost of gold holding, which is the average cost of purchasing an ounce of gold by NBP, is used to calculate income and expenses arising from the sale of gold (realised gains or losses on transactions in gold) and determine the results of balance sheet valuation.

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

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

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

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

Gold held at the Bank of England is:

- held on the current account at the Bank of England,
- invested in term deposit transactions with foreign financial institutions; interest on term deposits in gold is accrued and paid in USD (see Note 3.1 and Note 11).

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

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

Note 2 Receivables from and liabilities to the IMF

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

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

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

Items related to the IMF:

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

The quota in the IMF of each member country is determined on the basis of selected macroeconomic indicators and paid in full amount (in domestic currency and in foreign currencies). The size of member quota determines for a given country, among others, the number of its voting rights in the IMF, the assigned amount of SDR allocation and the limits of loans granted to that country.

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

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

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

Since 2011 NBP has been a participant in the New Arrangements to Borrow (NAB). As a participant in the NAB, NBP has made a commitment to extend to the IMF an interest-bearing loan of up to the arranged limit (as at the end of 2019 and 2020 the maximum limit of loans amounted to SDR 1,285,400.0 thousand).

Under the bilateral borrowing agreement (BBA) of 2017 concluded by NBP and the IMF, by the end of 2020 NBP has made a commitment to extend interest-bearing loans to the IMF amounting up to the SDR equivalent of EUR 6,270,000.0 thousand. The funds may be transferred by NBP at the request of the IMF. The IMF will be able to use these funds provided that it exhausts other available resources originating from quotas of member countries and loans under the NAB. Neither in 2019 nor in 2020 did the IMF borrow funds under BBA.

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

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

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

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

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

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

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

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

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

⁵ As at 31 December 2020, NBP's commitment to the IMF under the NAB amounted to SDR 1,224,025.0 thousand (PLN 6,687,093.4 thousand according to the average NBP exchange rate as at 31 December 2020). As at 31 December 2019, NBP's commitment to the IMF under the NAB amounted to SDR 1,219,125.0 thousand (PLN 6,416,254.9 thousand according to the average NBP exchange rate as at 31 December 2019).

Note 3 Other financial assets

▪ Securities

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

Discount and premium on securities purchased are recognised in the financial result (as discount income or premium expenses, respectively) at the end of each operating day in amounts calculated according to the internal rate of return.

Interest on securities purchased is recognised in the financial result (as interest income) at the end of each operating day in amounts calculated according to the straight-line method.

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

For securities, the average cost of holding is calculated. The average cost of securities holding, which is the average cost of purchasing by NBP a security of a given code (adjusted for the amortised discount and premium), is used to calculate income and expenses arising from the sale of securities (realised price gains or losses) and to determine the results of balance sheet valuation.

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

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

▪ Reverse repo transactions

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

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

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

▪ Term deposits

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

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

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

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

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

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

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

- **Financial assets in foreign currency**

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

- **Inventories**

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

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

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

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

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

- securities (discount securities and fixed-interest-rate securities) – all securities purchased by NBP are marketable securities,
- term deposits,
- reverse repo transactions – under the NBP investment process, reverse repo transactions are usually executed simultaneously with repo transactions⁶ (see Note 6.6).

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

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

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

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

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

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

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

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

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

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

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

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

Note 3.3 Other financial assets

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

An increase in the value of the item resulted from the increase in NBP's paid up share in the ECB's capital due to an adjustment of the subscription key of the ECB capital which was made following the exit of the United Kingdom from the European Union and, as a consequence, the withdrawal of the Bank of England from the ESCB. The increase in the value of the item resulted also from the currency revaluation of shares and participating interests of NBP in foreign entities.

The participation of NBP in domestic entities did not change in comparison to 31 December 2019, and as at 31 December 2020 was as follows:

Entity	Share capital (PLN thousand)	Nominal price per share/participating interest (PLN thousand)	Number of shares/participating interests held by NBP	NBP's participation in the share capital (%)
	31.12.2020	31.12.2020	31.12.2020	31.12.2020
NBP's participation in domestic entities, of which				
- Krajowy Depozyt Papierów Wartościowych S.A.	21,000.0	1.0	7,000	33.33%
- Krajowa Izba Rozliczeniowa S.A.	5,445.0	0.5	3,750	34.44%
- Bazy i Systemy Bankowe Sp. z o.o.	10,000.0	10.0	1,000	100.00%

The participation of NBP in foreign entities was as follows:

- participating interests in the European Central Bank

Since 1 May 2004, i.e. the day of Poland's accession to the European Union, NBP has held a participating interest in the ECB's capital. As at 31 December 2020, the capital paid up by NBP to the ECB amounted to EUR 24,492.3 thousand (EUR 21,136.4 thousand as at 31 December 2019).

In accordance with Article 28(2) of the Statute of the European System of Central Banks and the European Central Bank, hereinafter referred to as the "Statute of the ESCB and ECB", only the national central banks of the ESCB are entitled to subscribe the ECB's capital. The ECB's capital is subscribed according to the subscription key determined in Article 29(1) of the Statute of the ESCB and ECB, i.e. shares of national central banks in the ECB's capital are expressed in percentage and correspond to the shares of individual member states in the population and the combined gross domestic product of EU states (in equal consideration). The subscription key of the ECB capital is regularly adjusted every five years, as well as at the time a change in the EU membership takes place. The last regular adjustment of the key was made in 2019. On 1 February 2020, an adjustment of the subscription key of the ECB capital was made following the exit of the United Kingdom from the European Union and, as a consequence, the withdrawal of the Bank of England from the ESCB.⁷ Following this adjustment, the share of NBP in the ECB's subscribed capital increased from 5.2068% to 6.0335%, which corresponds to an increase in participating interest from EUR 563,636.5 thousand to EUR 653,126.8 thousand.

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

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

its losses. As a result of the above mentioned adjustment of the subscription key of the ECB capital related to the exit of the United Kingdom from the European Union, the share of NBP in the paid-up capital of the ECB rose in 2020 from EUR 21,136.4 thousand to EUR 24,492.3 thousand. Upon Poland's entry into the euro area, NBP will be required to pay up the remaining 96.25% of the ECB's capital subscribed by it, i.e. EUR 628,634.5 thousand.

- shares of the Bank for International Settlements, hereinafter referred to as "BIS".
As at 31 December 2020 and 31 December 2019, NBP held 8,000 shares that translated into the same number of votes. 25% of the nominal value of shares (the nominal value of 1 share amounts to SDR 5.0 thousand) was paid up, which totals SDR 10,000.0 thousand. The share of NBP in the share capital of BIS amounts to 1.41%.
- participating interests in S.W.I.F.T. (The Society for Worldwide Interbank Financial Telecommunication)
As at 31 December 2020 and as at 31 December 2019, NBP had 53 shares (in the amount of EUR 158.5 thousand), which represented less than 0.05% of the total number of votes.

Note 3.4 Sundry

PLN thousand	31.12.2020	31.12.2019	Change
Inventories, of which	27,555.3	33,794.2	-6,238.9
- precious metals	26,505.9	30,457.1	-3,951.2
- collector items not in circulation	364.7	2,781.1	-2,416.4
- other	684.7	556.0	128.7
Credits and loans extended in domestic currency, of which	89,773.3	107,027.3	-17,254.0
- loans to employees, of which	22,784.1	22,149.3	634.8
• loans extended from the Employee Benefit Fund	12,266.3	12,220.1	46.2
- other loans	66,989.2	84,878.0	-17,888.8
Other claims, of which	29,710.3	22,868.4	6,841.9
- to public authorities	0.2	226.0	-225.8
- on customers and suppliers	15,574.8	10,393.1	5,181.7
- other	14,135.3	12,249.3	1,886.0
Funds of the Employee Benefit Fund	6,420.9	4,761.7	1,659.2
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	15,068.4	5,645.4	9,423.0
Total	168,528.2	174,096.9	-5,568.7

The decrease in the item *Other loans*, which includes a claim due to a refinancing loan in another form specified by the Management Board of NBP granted in 2015, was the result of the repayments of claims on loan agreements, which were assigned in favour of NBP as collateral to the loan granted (see Chapter 7.1.1.2.3).

Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding relates to spot transactions in foreign currency recognised on off-balance-sheet accounts. The increase in the item is the result of the volume of these transactions as at the end of the year (see Note 10.1) and the difference between the average cost of holding and the purchase/sale price of the transaction.

Note 4 Tangible and intangible fixed assets

▪ Tangible and intangible fixed assets

Tangible and intangible fixed assets are recognised in the NBP accounting books at:

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

Tangible and intangible fixed assets are depreciated/amortised according to the straight-line method beginning from the month which follows the month when the asset was made available for use. The table below presents the estimated periods of use for particular groups of tangible and intangible fixed assets set for 31 December 2020.

Tangible fixed assets	Periods of use (in months)
Land, objects of art	unlimited
Buildings and premises	480 or 780
Land and water engineering objects	267-480
Machines, devices, appliances, tools, and other equipment	36-300 ¹
Vehicles	72-180
Intangible assets	Periods of use (in months)
IT software licences	72 or 144
IT software developed by NBP	120
Copyrights, including the rights related to inventions, trademarks, utility and industrial designs	120

¹ A period of 300 months applies to other turbine generator sets and electric generating sets, including AC electric generating units or sets of a voltage below 1000V, as well as electricity devices and apparatus, including: AC distribution devices, AC and DC setting devices, AC apparatus, fixed and mobile transformer stations, DC distribution devices and apparatus, DC apparatus and transformers.

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

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

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

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

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

- **Lease assets**

Lease assets comprise rights to use assets subject to lease (excluding intangible assets), including also the right of perpetual usufruct of land. Lease assets are recognised in the NBP accounting books at cost, including in particular:

- the amount of initial valuation of the lease liability (see Note 6),
- lease fees paid on the date of commencement or before the date of commencement of the lease, less lease incentives received,
- initial direct costs incurred by NBP.

The value of a lease assets item is depreciated or amortised throughout the period of lease or the period of use of this assets item, whichever is shorter, using the straight-line method, starting from the month of the item's initial recognition.

As at the balance-sheet date, the value of lease assets is valued at the initial value less revaluation of the lease liability (see Note 6.7) and less depreciation/amortisation and impairment.

In the case of a change of lease conditions, lease assets and liabilities are adjusted accordingly (see Note 6).

Fees related to short-term lease (i.e. when the period of lease is no longer than 12 months and when no purchase of underlying asset is foreseen) or low-value lease (i.e. where the underlying asset is worth less than PLN 10.0 thousand) are not settled according to the above principles and are recognised as expense throughout the lease period.

PLN	31.12.2020	31.12.2019	Change
Fixed assets	732,938.5	794,217.3	-61,278.8
Lease assets*	185,954.0	0.0	185,954.0
Intangible fixed assets	112,648.6	103,809.1	8,839.5
Total	1,031,541.1	898,026.4	133,514.7

* See Chapter 3.

Change in tangible fixed assets, lease assets and intangible fixed assets in 2020 <i>(due to rounding, individual figures in the table may not add up to totals)</i> PLN thousand	Tangible fixed assets				Lease assets			Intangible fixed assets				Total
	Land, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total	Right of perpetual usufruct of land	Other lease assets	Total	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction	Total	
Gross value as at start of period	932,621.8	651,584.4	26,320.0	1,610,526.1	175,983.5	11,390.3	187,373.8	470,580.4	18,965.9	4,145.4	493,691.8	
Increases	17,341.3	39,970.2	33,567.3	90,878.8	0.0	8,150.7	8,150.7	33,444.4	1,073.2	27,839.3	62,356.9	
Decreases	-20.4	-9,669.8	-38,481.0	-48,171.2	0.0	-2,289.3	-2,289.3	-38,431.3	-120.6	-30,534.7	-69,086.6	
Gross value as at end of period	949,942.7	681,884.8	21,406.2	1,653,233.7	175,983.5	17,251.6	193,235.2	465,593.5	19,918.5	1,450.0	486,962.1	
of which fully depreciated/amortised	1,547.2	249,804.4	0.0	251,351.6	0.0	0.0	0.0	123,831.7	2,952.1	0.0	126,783.8	
Depreciation/amortisation as at start of period	-410,182.0	-461,525.3	0.0	-871,687.3	0.0	0.0	0.0	-381,816.0	-8,057.7	0.0	-389,873.7	
Increases	-13,144.4	-43,831.4	0.0	-56,975.8	-2,542.7	-7,027.8	-9,570.5	-21,547.1	-1,397.5	0.0	-22,944.6	
Decreases	19.0	9,096.1	0.0	9,115.1	0.0	2,289.3	2,289.3	38,392.4	121.3	0.0	38,513.7	
Depreciation/amortisation as at end of period	-423,287.3	-496,260.7	0.0	-919,548.0	-2,542.7	-4,738.5	-7,281.2	-364,970.7	-9,333.9	0.0	-374,304.6	
Impairment as at start of period	-272.9	-474.3	0.0	-747.2	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Decreases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Impairment as at end of period	-272.9	-474.3	0.0	-747.2	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Net value as at end of period	526,382.4	185,149.8	21,406.2	732,938.5	173,440.9	12,513.1	185,954.0	100,613.9	10,584.6	1,450.0	112,648.6	
Change in tangible fixed assets, lease assets and intangible fixed assets in 2019 <i>(due to rounding, individual figures in the table may not add up to totals)</i> PLN thousand	Tangible fixed assets				Lease assets			Intangible fixed assets				Total
	Land, perpetual usufruct of land*, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total	Right of perpetual usufruct of land	Other lease assets	Total	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction	Total	
Gross value as at start of period	1,014,908.1	653,848.5	12,059.8	1,680,816.4	0.0	0.0	0.0	464,017.2	15,429.4	4,386.0	483,832.6	
Increases	3,618.1	36,966.3	37,587.7	78,174.1	0.0	0.0	0.0	20,636.6	3,763.0	20,424.0	44,823.6	
Decreases	-278.6	-39,232.5	-23,327.5	-62,838.6	0.0	0.0	0.0	-14,073.3	-226.4	-20,664.6	-34,964.4	
Gross value as at end of period	1,018,247.6	651,584.4	26,320.0	1,696,152.0	0.0	0.0	0.0	470,580.4	18,965.9	4,145.4	493,691.8	
of which fully depreciated/amortised	2,423.2	233,842.8	0.0	236,266.0	0.0	0.0	0.0	138,359.6	2,370.4	0.0	140,730.0	
Depreciation/amortisation as at start of period	-425,840.9	-451,634.8	0.0	-877,475.7	0.0	0.0	0.0	-372,838.4	-7,061.3	0.0	-379,899.7	
Increases	-14,099.9	-48,319.2	0.0	-62,419.1	0.0	0.0	0.0	-23,047.5	-1,222.8	0.0	-24,270.3	
Decreases	278.6	38,428.7	0.0	38,707.4	0.0	0.0	0.0	14,069.8	226.4	0.0	14,296.3	
Depreciation/amortisation as at end of period	-439,662.1	-461,525.3	0.0	-901,187.5	0.0	0.0	0.0	-381,816.0	-8,057.7	0.0	-389,873.7	
Impairment as at end of period	-272.9	-321.1	0.0	-594.0	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Increases	0.0	-158.2	0.0	-158.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Decreases	0.0	5.1	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Impairment as at end of period	-272.9	-474.3	0.0	-747.2	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Net value as at end of period	578,312.6	189,584.7	26,320.0	794,217.3	0.0	0.0	0.0	88,755.5	10,908.2	4,145.4	103,809.1	

* As at 31 December 2019 net value of the right of perpetual usufruct of land amounted to PLN 56,125.7 thousand, with depreciation amounting to PLN 29,500.2 thousand (see Chapter 3).

Note 5 Banknotes and coins in circulation

Banknotes and coins in circulation are recognised as liabilities and are valued at the balance-sheet date at a nominal value of banknotes and coins issued, decreased by a nominal value of banknotes and coins:

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

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Domestic banknotes in circulation	316,074,943.6	233,384,973.1	82,689,970.5
Domestic coins in circulation	5,725,722.3	5,392,274.9	333,447.4
Total	321,800,665.9	238,777,248.0	83,023,417.9

The item comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2020 amounted to PLN 304,515.9 thousand, as compared with PLN 297,749.1 thousand as at 31 December 2019. The increase in the item was a result of higher demand for cash, which was the effect of an increase in the significance of cash in its value storing and precautionary functions amid COVID-19 pandemic, as well as a drop in deposit interest rates in banks (lower opportunity cost).

The average level of banknotes and coins in circulation throughout 2020 amounted to PLN 287,577.3 million as compared with PLN 228,433.1 million in 2019.

Note 6 Other financial liabilities

▪ Current accounts and term deposits operated by NBP

Liabilities due to balances on current accounts and term deposit accounts operated by NBP are recognised in the NBP accounting books at nominal value. As at the balance-sheet date, these liabilities are valued according to the outstanding amount.

▪ Issued securities

Issued securities are recognised in the NBP accounting books and valued as at the balance sheet date at nominal value (see Note 8).

▪ Repo transactions

A repo transaction is a contract under which an entity agrees to sell securities and, simultaneously, agrees to re-purchase these securities after a stated time, for an agreed price. This transaction is

recognised in liabilities as a received deposit, collateralised with securities whose holding is not decreased on the trade date.

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

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

- **Lease liabilities**

A lease liability is recognised in the NBP accounting books at the discounted value of outstanding lease fees. For fees on the rights of perpetual usufruct of land, the interest rate of long-term Treasury bonds in wholesale offering set as at the date of recognition in the NBP accounting books is taken as the rate of discount of lease fees. For the remaining lease liabilities, the NBP reference rate binding on the day of their recognition in the NBP accounting books is used as the rate of discount.

As at the balance sheet date, the value of lease liabilities is adjusted for the value of interest rate calculated according to the adopted discount rate and outstanding lease fees.

In the case of change of lease conditions, assets and lease liabilities are adjusted for the value of lease assets and lease liabilities (see Note 4).

- **Other financial liabilities**

Other financial liabilities are recognised in the NBP accounting books at their nominal value. As at the balance-sheet date, these liabilities are valued according to the outstanding amount.

- **Financial liabilities in foreign currency**

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

Note 6.1 Liabilities related to monetary policy operations

PLN thousand	Balance sheet item	31.12.2020	31.12.2019	Change
	Current accounts (incl. required minimum reserve accounts), of which	30,351,413.3	50,655,941.5	-20,304,528.2
	- current accounts of banks and KSKOK	30,010,468.9	49,866,531.5	-19,856,062.6
	- required minimum reserve accounts of banks not having a current account with NBP	340,944.4	789,410.0	-448,465.6
	Deposit facilities, of which	32,278,000.0	14,754,416.1	17,523,583.9
	- accrued interest	0.0	202.1	-202.1
	Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	62,629,413.3	65,410,357.6	-2,780,944.3
	NBP bills issued under main operations	127,767,680.0	64,985,650.0	62,782,030.0
	Liabilities due to issued securities denominated in domestic currency	127,767,680.0	64,985,650.0	62,782,030.0
	Total	190,397,093.3	130,396,007.6	60,001,085.7

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

The amount of funds held by banks and KSKOK⁸ with NBP due to the required minimum reserve depends on the basis for calculating the required minimum reserve and the required minimum reserve ratio in force. The required minimum reserve is an averaged value in the maintenance period.

Liabilities related to issued securities denominated in domestic currency comprise mainly liabilities to domestic banks related to the issue of bills by NBP under open market main⁹ and fine-tuning operations¹⁰ aimed to absorb liquidity.¹¹

The funds of the required minimum reserve and deposit facilities bear interest, whereas NBP bills are issued at a discount (see Note 8). As at 31 December 2020 and 31 December 2019, the interest rates which are the basis for remuneration of the required minimum reserve funds, deposit facilities and for determining discount on bills issued by NBP under open market operations were as follows:

%	31.12.2020	31.12.2019
Required minimum reserve*	0.10	0.50
Deposit facility**	0.00	0.50
NBP bills***	0.10	1.50

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

** NBP deposit rate.

*** NBP reference rate.

⁸ Credit unions hold their required minimum reserve at their accounts with the National Association of Cooperative Savings and Credit Unions [Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa, "KSKOK"].

⁹ In 2020 and in 2019, the maturity of main operations was 6, 7 and 8 days.

¹⁰ In 2020, the maturity of fine-tuning operations was 1 day, 2, 3 and 4 days (in 2019 it was 1 day, 2 and 3 days).

¹¹ Pursuant to Resolution No. 30/2003 of the NBP Management Board of 12 September 2003 on the issue of bills of Narodowy Bank Polski (NBP Official Journal, No. 15, item 24, as amended), NBP bills can be purchased by domestic banks, branches of foreign banks and branches of foreign credit institutions, the Bank Guarantee Fund and the National Association of Cooperative Savings and Credit Unions.

The increase in the total liabilities of NBP related to monetary policy operations by PLN 60,001,085.7 thousand as at 31 December 2020 as compared with 31 December 2019 resulted mainly from:

- NBP's own operations, including purchase of securities by NBP under the structural open market operations (see Note 3.2),
- the purchase of foreign currency incoming to NBP due to transactions by holders of accounts with NBP (see Note 3.1, Note 6.5 and Note 6.6),

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

- an increase in the volume of cash in circulation in 2020 (see Note 5).

The balance of funds held by banks at NBP is allocated between NBP bills, deposit facility or a current account according to individual decisions made by banks.

Note 6.2 Other liabilities to other domestic monetary financial institutions denominated in domestic currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Settlements in the domestic payment systems of Krajowa Izba Rozliczeniowa S.A., of which	444,908.2	383,523.3	61,384.9
- in the Elixir system	84,561.7	120,892.1	-36,330.4
- in the Express Elixir system	360,346.5	262,631.2	97,715.3
Liabilities due to substitution cash services	0.0	1,818.9	-1,818.9
Total	444,908.2	385,342.2	59,566.0

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

Note 6.3 Liabilities to other residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Liabilities to general government, of which	23,852,886.1	9,326,302.8	14,526,583.3
- State budget accounts	6,017,708.9	5,199,873.9	817,835.0
- accounts of social insurance funds	17,534,326.2	4,058,661.0	13,475,665.2
- accounts of other entities of general government sector	300,825.0	67,750.6	233,074.4
- other liabilities to general government	26.0	17.3	8.7
Other liabilities	1,006,834.9	20,433.0	986,401.9
Total	24,859,721.0	9,346,735.8	15,512,985.2

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

Note 6.4 Liabilities to non-residents denominated in domestic currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Accounts of international financial institutions and central banks, of which	343,796.4	9,379.0	334,417.4
- No. 2 Account of the IMF	21,066.0	89.5	20,976.5
Accounts of international non-financial organisations	1,852,360.3	2,256,750.9	-404,390.6
Total	2,196,156.7	2,266,129.9	-69,973.2

The item comprises current accounts in domestic currency operated by NBP for international financial and non-financial organisations and central banks, including the account operated by NBP for the IMF, which is used for the Fund's administrative expenditures (so-called No. 2 Account) – see Note 12.1.

Note 6.5 Liabilities to residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
State budget accounts	42,867,098.8	16,267,552.3	26,599,546.5
Accounts of domestic banks for settlements in TARGET2	2,857,108.2	3,507,913.5	-650,805.3
Other liabilities	538,566.2	2,580,751.7	-2,042,185.5
Total	46,262,773.2	22,356,217.5	23,906,555.7
<i>of which currency revaluation differences</i>	<i>2,180,657.8</i>	<i>137,270.4</i>	<i>2,043,387.4</i>

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

Note 6.6 Liabilities to non-residents denominated in foreign currency

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Repo transactions	45,222,015.4	42,919,855.6	2,302,159.8
Accounts of international non-financial organisations	130,498.1	745,834.1	-615,336.0
Other liabilities	13.4	0.0	13.4
Total	45,352,526.9	43,665,689.7	1,686,837.2
<i>of which currency revaluation differences</i>	<i>1,409,114.7</i>	<i>1,448,909.7</i>	<i>-39,795.0</i>

The item comprises mainly repo transactions carried out with foreign financial institutions. Under the NBP investment process, the above repo transactions are usually executed simultaneously with reverse repo transactions (see Note 3.1).

Repo transactions by foreign currency are presented below.

<i>thousand units of original currency</i>	USD	EUR	GBP	AUD	NZD
31.12.2020	4,409,614.4	1,157,171.5	3,775,008.6	897,212.0	492,182.8
31.12.2019	6,982,119.4	493,665.6	2,593,794.5	503,356.2	0.0
Change	-2,572,505.0	663,505.9	1,181,214.1	393,855.8	492,182.8

Note 6.7 Sundry

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Lease liabilities	188,057.2	0.0	188,057.2
Other liabilities, of which	61,007.3	44,804.2	16,203.1
- to public authorities	19,041.1	17,774.4	1,266.7
- to suppliers	25,512.6	18,326.6	7,186.0
- other	16,453.6	8,703.2	7,750.4
Employee Benefit Fund	18,686.9	16,981.0	1,705.9
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	371,946.1	10,032.9	361,913.2
Total	639,697.5	71,818.1	567,879.4

Lease liabilities comprise present (discounted) value of outstanding lease fees. They mainly relate to the right to perpetual usufruct of land (see Chapter 3 and Note 4 and Note 11).

Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding relates to spot transactions in foreign currency recognised on off-balance-sheet accounts (see Note 9.1).

Note 7 Provisions for future liabilities

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

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

PLN thousand	31.12.2020	31.12.2019	Change
Provisions for future liabilities to employees	171,187.2	156,899.5	14,287.7
Other provisions	8,382.4	8,729.3	-346.9
Total	179,569.6	165,628.8	13,940.8

The changes in provisions in 2020 and 2019 by allocation into particular categories are presented in tables below (see also Note 15).

PLN thousand	01.01.2020	Increase	Use	Decrease	31.12.2020
Provisions for future liabilities to employees, of which	156,899.5	28,986.6	-14,081.8	-617.1	171,187.2
- due to retirement severance payments	81,228.6	18,281.2	-6,143.5	0.0	93,366.3
- due to disability severance payments	2,021.0	280.0	-132.1	0.0	2,168.9
- due to jubilee awards	57,276.4	10,362.5	-7,629.1	0.0	60,009.8
- due to untaken leaves	15,530.5	0.0	-144.2	-578.1	14,808.2
- due to statutory and additional severance payments for employees under employment contracts who are laid off for reasons unrelated to employees	843.0	62.9	-32.9	-39.0	834.0
Other provisions, of which	8,729.3	319.5	-664.6	-1.8	8,382.4
- for future liabilities due to court proceedings	8,671.6	319.5	-664.6	-1.2	8,325.3
- for future liabilities resulting from financial operations in domestic currency	57.7	0.0	0.0	-0.6	57.1
Total	165,628.8	29,306.1	-14,746.4	-618.9	179,569.6

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

Note 8 Accruals and prepaid expenses/deferred income

Discount on securities issued by NBP is recorded in assets as accruals and recognised in the financial result (as discount expenses) in the amounts calculated for the period for which a given security was issued, according to the straight-line method (see Note 6.1).

Expenses and income related to future periods are recognised in the NBP accounting books, respectively, as components of assets and liabilities.

Expenses incurred in a given financial year, for which no amount or repayment date were specified, are recognised in the NBP accounting books as liability at estimated value.

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Accruals related to discount on NBP bills*		2,459.5	5,421.6	-2,962.1
Prepaid expenses related to services		34,803.8	25,878.2	8,925.6
Total assets (Accruals and prepaid expenses)	A.10.4	37,263.3	31,299.8	5,963.5
Accruals		88,597.8	84,282.3	4,315.5
Deferred income		1,538.1	60,020.4	-58,482.3
Total liabilities (Accruals and deferred income)	L.11.2	90,135.9	144,302.7	-54,166.8

* See Note 6.1 .

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

The balance of deferred income as at 31 December 2019 related mainly to the value of tangible fixed assets received free of charge in previous years. The decrease in the balance was related mainly to the change in the classification of rights of perpetual usufruct of land (see Chapter 3 and Note 4 and Note 6.7).

Note 9 Equity

In line with the practice adopted by central banks of the ESCB, NBP classifies the following as its capital components:

- the statutory fund whose amount is determined by Article 61 of the Act on NBP,
- the reserve fund which, in accordance with Article 62 of the Act on NBP, is created from the transfer of 5% of NBP's annual profit until it reaches the amount equivalent to the statutory fund. The reserve fund may only be used to cover NBP's balance sheet losses,
- the provision against the foreign exchange rate risk of the zloty, created as provided for in Article 65 of the Act on NBP,
- gold revaluation account,
- gold, currency and price revaluation gains,
- loss of previous years,
- a part of profit of current year at the disposal of NBP (i.e. 5%), which will be allocated to the reserve fund of NBP.

- **Gold, currency and price revaluation gains**

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

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

Price revaluation gains on securities are determined by comparing the average cost of securities holding with the average market price of these securities, which is higher than the average cost of securities holding.

Price revaluation gains on forward transactions in securities are determined by comparing the contract price discounted as at the settlement date (spot) with a lower (in the case of forward sale) or higher (in the case of forward purchase) average market price of securities as at valuation date.

The value of gold holdings revaluation differences, foreign exchange revaluation in individual foreign currencies and price revaluation on securities are determined separately, without netting the value of individual items which differ in kind.

- **Gold revaluation account**

Gold revaluation account comprises surpluses of unrealised gains over unrealised losses which arose before 1 January 2004.

Gold revaluation account is released as income in the amount:

- of unrealised gold revaluation losses recognised in the financial result at the balance sheet date,
- corresponding to the pro-rata decrease in gold holding as compared with its holding at the balance sheet date of the previous financial year.

- **FX risk provision**

The provision is estimated on the basis of financial risk assessment methods which are generally accepted and consistently applied by NBP (see Chapter 7.1.4.).

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

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

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

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

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

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

PLN thousand	L.14 Capital and reserves			L.13 Revaluation accounts		L.15 Financial result		Total
	Statutory fund	Reserve fund	FX risk provision	Gold revaluation account	Revaluation accounts*	Loss of previous years	Financial result for the current year	
As at 31.12.2018	1,500,000.0	0.0	3,874,387.4	1,618,023.2	25,575,147.1	-11,865,363.4	0.0	20,702,194.3
Gold holding, currency and price revaluation					3,300,960.3			3,300,960.3
Transfer to/from FX risk provision			2,811,929.9					2,811,929.9
Financial result for the current year							7,828,502.5	7,828,502.5
As at 31.12.2019	1,500,000.0	0.0	6,686,317.3	1,618,023.2	28,876,107.4	-11,865,363.4	7,828,502.5	34,643,587.0
Contribution from NBP's profit to the State budget							-7,437,077.4	-7,437,077.4
Allocation of NBP's profit to reserve fund		391,425.1					-391,425.1	0.0
Gold holding, currency and price revaluation gain/loss					15,246,225.5			15,246,225.5
Transfer to/from FX risk provision			3,164,602.0					3,164,602.0
Financial result for the current year							9,344,061.5	9,344,061.5
As at 31.12.2020	1,500,000.0	391,425.1	9,850,919.3	1,618,023.2	44,122,332.9	-11,865,363.4	9,344,061.5	54,961,398.6
Contribution from NBP's profit to the State budget							-8,876,858.4	-8,876,858.4
Allocation of NBP profit to reserve fund		467,203.1					-467,203.1	0.0
Balance after allocation of financial result**	1,500,000.0	858,628.2	9,850,919.3	1,618,023.2	44,122,332.9	-11,865,363.4	0.0	46,084,540.2

* Revaluation accounts concern gold revaluation gains, currency revaluation gains and price revaluation gains on securities and off-balance-sheet financial instruments (see Note 9.1)

** Financial result for the current year, following the approval of the NBP annual financial statements by the Council of Ministers, is allocated to NBP's reserve fund and contribution from NBP's profit to the State budget.

Note 9.1 Revaluation accounts

PLN thousand	31.12.2020	31.12.2019	Change
Gold holding revaluation gains	27,525,036.9	17,794,911.6	9,730,125.3
Currency revaluation gains	12,729,143.9	9,019,122.4	3,710,021.5
Price revaluation gains, of which	3,868,152.1	2,062,073.4	1,806,078.7
- on securities	3,868,152.1	2,061,214.8	1,806,937.3
- on off-balance-sheet financial instruments	0.0	858.6	-858.6
Gold revaluation account	1,618,023.2	1,618,023.2	0.0
Total	45,740,356.1	30,494,130.6	15,246,225.5

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

PLN	Average cost of holding	Average NBP exchange rate / Average price of gold	Average cost of holding	Average NBP exchange rate / Average price of gold
	31.12.2020		31.12.2019	
USD	3.7354	3.7584	3.6517	3.7977
EUR	4.3906	4.6148	4.2588	4.2585
GBP	4.9275	5.1327	4.8319	4.9971
AUD	2.6837	2.8950	2.6600	2.6624
NOK	0.4148	0.4400	0.4340	0.4320
NZD	2.5552	2.7132	2.5106	2.5567
SDR	5.5335	5.4632	5.5365	5.2630
Ounce of gold*	3,363.4973	7,107.5102	3,363.2276	5,783.8971

* Price of an ounce of gold in USD was respectively: USD 1,891.10 as at 31 December 2020 and USD 1,523.00 as at 31 December 2019.

▪ Currency revaluation gains

PLN thousand	31.12.2020	31.12.2019	Change
USD	1,377,723.8	7,215,159.5	-5,837,435.7
EUR	4,301,254.9	0.0	4,301,254.9
GBP	2,120,771.6	1,495,388.6	625,383.0
AUD	2,599,836.7	27,163.9	2,572,672.8
NOK	1,536,138.4	0.0	1,536,138.4
NZD	789,091.0	200,522.3	588,568.7
SDR	2,506.5	80,618.1	-78,111.6
Other	1,821.0	270.0	1,551.0
Total	12,729,143.9	9,019,122.4	3,710,021.5

▪ Price revaluation gains on securities

PLN thousand	31.12.2020	31.12.2019	Change
Securities in USD	2,283,063.6	788,135.0	1,494,928.6
Securities in EUR	273,597.1	195,235.2	78,361.9
Securities in GBP	424,298.7	248,152.7	176,146.0
Securities in AUD	370,358.5	502,012.8	-131,654.3
Securities in NOK	200,971.3	68,874.1	132,097.2
Securities in NZD	315,862.9	258,805.0	57,057.9
Total	3,868,152.1	2,061,214.8	1,806,937.3

- **Price revaluation gains on off-balance sheet financial instruments**

As at 31 December 2019, price revaluation gains on off-balance-sheet financial instruments related to forward sale transactions in securities denominated in AUD (see Note 10 and Note 10.2).

- **Gold revaluation account**

Due to the fact that as at 31 December 2020:

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

NBP, similarly to 31 December 2019, did not release the gold revaluation account.

Note 9.2 FX risk provision

As at 31 December 2020, the estimation of the FX risk provision (equal to the amount of value at risk less unrealised gains on the foreign exchange rate of the zloty) amounted to PLN 63,641,590.1 thousand (PLN 22,783,369.8 thousand as at 31 December 2019). Pursuant to Resolution No. 6/2019 of the MPC as at 31 December 2020 the provision was supplemented by the amount of PLN 3,164,602.0 thousand (PLN 2,811,929.9 thousand as at 31 December 2019), that is an amount equal to half of the surplus of income of realised foreign exchange gains over realised and unrealised foreign exchange losses on foreign currencies recognised in the financial result for the financial year (see Note 12.1, Note 12.2 and Note 12.3). As at 31 December 2020, the FX risk provision amounted to PLN 9,850,919.3 thousand (PLN 6,686,317.3 thousand as at 31 December 2019).

Note 9.3 Financial result

- **Financial result for the current year**

The NBP financial result for 2020 amounted to PLN 9,344,061.5 thousand.

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

- NBP's reserve fund (5% of the profit) – PLN 467,203.1 thousand,
- contribution from NBP's profit to the State budget – PLN 8,876,858.4 thousand.

- **Loss of previous years**

Uncovered loss of previous years in the amount of PLN 11,865,363.4 thousand is the result of NBP's loss for the year:

- 2007 – in the amount of PLN 12,427,261.7 thousand,

- 2017 – in the amount of PLN 2,524,935.6 thousand

and its partial coverage from the reserve fund:

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

Note 10 Off-balance-sheet items

▪ Spot transactions recognised on off-balance-sheet accounts

Foreign currency purchased or sold by NBP for foreign or domestic currency is recognised on off-balance-sheet accounts from the transaction date to the settlement date at the value of the currency quoted in the transaction, which is translated into domestic currency at the average exchange rate effective as at the date of recognition of the economic event in the NBP accounting books.

The results of an adjustment to the average cost of foreign currency holding and revaluation gains or losses on transactions in foreign currency recognised on off-balance-sheet accounts are presented in the NBP balance sheet according to the balance of adjustment and revaluation of these transactions, determined separately for each foreign currency – gains as assets, losses as liabilities.

▪ Securities purchased or sold in a forward transaction

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

Securities purchased or sold in a forward transaction are valued at the balance sheet date at the market price of such transactions effective as at the valuation date by comparing the market price of securities or the rate of the yield curve (in the event of unavailability of market prices) with the price set in the agreement, discounted as at the settlement date of the spot transaction. The common rules for recognition of unrealised gains and losses are applied to revaluation gains and losses.

Price valuation gains or losses on forward transactions in securities denominated in foreign currency recognised in off-balance-sheet accounts are presented in the NBP balance sheet – gains as assets, while losses as liabilities.

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

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

▪ Futures contracts

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

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

The list of currency revaluation gains and losses on spot transactions in foreign currency recognised in off-balance-sheet transactions and of price revaluation gains and losses on forward transactions in securities denominated in foreign currency is presented below (see Note 9.1 and Note 12.2).

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Currency revaluation gains		444,371.2	9,639.3	434,731.9
- on spot transactions in foreign currency		444,371.2	9,639.3	434,731.9
Price revaluation gains		0.0	858.6	-858.6
- on forward transactions in securities in foreign currency		0.0	858.6	-858.6
Total assets (Off-balance-sheet instruments revaluation gains/losses)	A.10.3	444,371.2	10,497.9	433,873.3
Currency revaluation losses		0.0	6,356.5	-6,356.5
- on spot transactions in foreign currency		0.0	6,356.5	-6,356.5
Price revaluation losses		111.8	0.0	111.8
- on forward transactions in securities in foreign currency		111.8	0.0	111.8
Total liabilities (Off-balance-sheet instruments revaluation gains/losses)	L.11.1	111.8	6,356.5	-6,244.7

Note 10.1 Spot transactions recognised on off-balance-sheet accounts

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Currency to be received in spot transactions	-	31,352,880.3	438,772.9	30,914,107.4
Currency to be delivered in spot transactions	-	31,352,880.3	438,772.9	30,914,107.4
Gains on adjustments to the average costs of holding	A.10.5	15,068.4	5,645.4	9,423.0
Losses on adjustments to the average costs of holding	L.11.3	371,946.1	10,032.9	361,913.2
Currency revaluation gains on spot transactions	A.10.3	444,371.2	9,639.3	434,731.9
Currency revaluation losses on spot transactions	L.11.1	0.0	6,356.5	-6,356.5

The increase in off-balance-sheet items resulted from a higher volume of spot transactions carried out by NBP.

The change in the adjustment to the average cost of holding of spot transactions in foreign currency recognised in off-balance-sheet accounts is related to the volume of those transactions as at the year-end

and the difference between the average cost of holding and the exchange rate of purchase/sale of those transactions.

The change in the currency valuation of spot transactions denominated in foreign currency recognised in off-balance-sheet accounts is related to the volume of those transactions as at the year-end and the difference between the average cost of holding and the average NBP exchange rate.

Note 10.2 Securities purchased or sold in a forward transaction

<i>PLN thousand</i>	Balance sheet item	31.12.2020	31.12.2019	Change
Securities denominated in foreign currency sold in forward transactions, of which		3,025,403.6	715,747.3	2,309,656.3
- securities in AUD		0.0	715,747.3	-715,747.3
- securities in USD		3,025,403.6	0.0	3,025,403.6
Price revaluation gains	A.10.3	0.0	858.6	-858.6
Price revaluation losses	L.11.1	111.8	0.0	111.8

Forward transactions in securities denominated in foreign currency are used by NBP under the foreign currency reserves management.

The change in the price valuation of forward transactions in securities denominated in foreign currency recognised in off-balance-sheet accounts is related to the volume of those transactions as at the year-end and the difference between the market price of these securities and their contract price.

Note 10.3 Futures contracts

<i>PLN thousand</i>	31.12.2020	31.12.2019	Change
Bond futures purchased, of which	0.0	8,315,511.7	-8,315,511.7
- bond futures in USD	0.0	4,950,243.2	-4,950,243.2
- bond futures in EUR	0.0	1,468,441.4	-1,468,441.4
- bond futures in GBP	0.0	1,376,491.0	-1,376,491.0
- bond futures in AUD	0.0	520,336.1	-520,336.1
Depo futures purchased, of which	4,946,000.0	7,472,725.0	-2,526,725.0
- depo futures in GBP	4,946,000.0	7,472,725.0	-2,526,725.0
Depo futures sold, of which	4,946,000.0	5,041,400.0	-95,400.0
- depo futures in GBP	4,946,000.0	5,041,400.0	-95,400.0

Futures contracts are used by NBP as part of the foreign currency reserves management (see Note 3.1).

Note 11 Net result on interest, discount and premium

Discount and premium on securities purchased are recognised in the financial result in amounts calculated according to the internal rate of return.

Discount on securities issued by NBP is recognised in the financial result in amounts calculated for the period for which a given security was issued according to the straight-line method.

Interest on financial assets and liabilities is recognised in the financial result at the end of each operating day in amounts calculated according to the straight-line method, except for interest:

- to be received due to a failure to maintain the required minimum reserve, which is recognised in the financial result on the payment date,
- to be paid due to the required minimum reserve, which is recognised in the financial result in amounts calculated at the end of each month,
- on funds deposited in current accounts in other banks, which is recognised in the financial result on the payment date,
- on initial margins related to futures, which is recognised in the financial result on the payment date,
- on assets and liabilities related to NBP's own administrative activities, including on lease liabilities, which is recognised at the end of month.

Interest on term deposits in gold is accrued and paid in USD (see Note 1 and 3.1).

Accrued interest, discount and premiums in foreign currency are translated into domestic currency at the average NBP exchange rate.

PLN thousand	Income		Expenses		Net result		
	2020	2019	2020	2019	2020	2019	Change
Investment instruments of foreign exchange reserves, of which	6,544,787.8	8,272,055.7	-3,855,175.6	-3,482,507.9	2,689,612.2	4,789,547.8	-2,099,935.6
- securities*	6,325,338.5	7,634,903.1	-3,610,156.2	-3,058,595.6	2,715,182.3	4,576,307.5	-1,861,125.2
- term deposits**	101,152.8	282,342.0	-147,342.3	-96,850.3	-46,189.5	185,491.7	-231,681.2
- reverse repo transactions**	113,095.2	350,776.4	-3,302.5	-1,217.0	109,792.7	349,559.4	-239,766.7
- repo transactions***	4,514.9	1,684.2	-93,130.5	-325,519.3	-88,615.6	-323,835.1	235,219.5
- other**	686.4	2,350.0	-1,244.1	-325.7	-557.7	2,024.3	-2,582.0
Gold**	5,064.0	5,960.2	0.0	-164.7	5,064.0	5,795.5	-731.5
International Monetary Fund	10,860.7	47,657.7	-14,158.3	-68,878.6	-3,297.6	-21,220.9	17,923.3
Monetary policy instruments, of which	1,579,158.9	20,571.5	-1,106,326.8	-1,455,090.9	472,832.1	-1,434,519.4	1,907,351.5
- NBP bills	0.0	0.0	-489,710.4	-1,224,402.8	-489,710.4	-1,224,402.8	734,692.4
- securities*	1,577,680.4	0.0	-526,751.0	0.0	1,050,929.4	0.0	1,050,929.4
- required minimum reserve****	144.6	90.1	-85,256.3	-225,021.2	-85,111.7	-224,931.1	139,819.4
- deposit facility	0.0	0.0	-4,609.1	-5,666.9	-4,609.1	-5,666.9	1,057.8
- reverse repo transactions	1,209.7	0.0	0.0	0.0	1,209.7	0.0	1,209.7
- bill discount credit	14.8	0.0	0.0	0.0	14.8	0.0	14.8
- refinancing credit*****	0.0	20,480.9	0.0	0.0	0.0	20,480.9	-20,480.9
- lombard credit	0.4	0.5	0.0	0.0	0.4	0.5	-0.1
- intraday credit	109.0	0.0	0.0	0.0	109.0	0.0	109.0
Other interest income/expense*****	18,701.1	11,956.3	-41,400.7	-57,599.5	-22,699.6	-45,643.2	22,943.6
Total	8,158,572.5	8,358,201.4	-5,017,061.4	-5,064,241.6	3,141,511.1	3,293,959.8	-152,448.7

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

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

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

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

***** In the Financial Statements of Narodowy Bank Polski as at 31 December 2019 interest income on refinancing credit was presented in the item *Other interest income/expenses*.

Net result on interest, discount and premium on investment instruments of foreign currency reserves (see Note 3.1 and Note 6.6)

2020								
PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
Securities	2,379,324.3	-435,179.2	174,205.2	258,693.5	169,231.0	168,907.5	0.0	2,715,182.3
Term deposits	4,824.1	-147,100.0	1,094.6	722.6	67,516.9	26,752.3	0.0	-46,189.5
Reverse repo transactions	75,492.4	-3,302.5	35,989.7	1,036.4	0.0	576.7	0.0	109,792.7
Repo transactions	-64,791.5	3,747.0	-26,743.0	-641.7	0.0	-186.4	0.0	-88,615.6
Other	647.0	-1,206.8	2.2	7.2	6.5	0.5	-14.3	-557.7
Total	2,395,496.3	-583,041.5	184,548.7	259,818.0	236,754.4	196,050.6	-14.3	2,689,612.2
2019								
PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	Other	Total
Securities	3,860,949.5	-433,782.7	314,436.0	495,687.0	160,039.2	178,978.5	0.0	4,576,307.5
Term deposits	53,277.4	-96,850.3	6,511.6	2,830.1	148,799.6	70,923.3	0.0	185,491.7
Reverse repo transactions	239,893.9	-1,216.9	91,906.5	18,474.7	0.0	501.2	0.0	349,559.4
Repo transactions	-225,206.3	1,562.3	-85,221.4	-14,505.6	0.0	-464.1	0.0	-323,835.1
Other	2,299.2	-299.8	15.6	14.9	8.0	-3.7	-9.9	2,024.3
Total	3,931,213.7	-530,587.4	327,648.3	502,501.1	308,846.8	249,935.2	-9.9	4,789,547.8

PLN thousand	Change							Total
	USD	EUR	GBP	AUD	NOK	NZD	Other	
Securities	-1,481,625.2	-1,396.5	-140,230.8	-236,993.5	9,191.8	-10,071.0	0.0	-1,861,125.2
Term deposits	-48,453.3	-50,249.7	-5,417.0	-2,107.5	-81,282.7	-44,171.0	0.0	-231,681.2
Reverse repo transactions	-164,401.5	-2,085.6	-55,916.8	-17,438.3	0.0	75.5	0.0	-239,766.7
Repo transactions	160,414.8	2,184.7	58,478.4	13,863.9	0.0	277.7	0.0	235,219.5
Other	-1,652.2	-907.0	-13.4	-7.7	-1.5	4.2	-4.4	-2,582.0
Total	-1,535,717.4	-52,454.1	-143,099.6	-242,683.1	-72,092.4	-53,884.6	-4.4	-2,099,935.6

The decrease of PLN 2,099,935.6 thousand in the net result on interest, discount and premium on investment instruments of foreign currency reserves was recorded amid:

- a decrease in the average annual interest on securities in USD, AUD, GBP and NZD,
 - a decrease in the average annual interest on term deposits
- with a simultaneous:
- increase in the level of foreign currency reserves – their average annual level¹² was PLN 414,889.3 million in 2020 as compared with PLN 375,498.2 million in 2019 (see also Note 3.1),
 - average annual depreciation of the zloty against USD, EUR, GBP, AUD and NZD (see table below).

Average annual foreign exchange rates

PLN	2020	2019	Change
USD	3.8993	3.8395	0.0598
EUR	4.4448	4.2980	0.1468
GBP	5.0003	4.8995	0.1008
AUD	2.6878	2.6687	0.0191
NOK	0.4147	0.4364	-0.0217
NZD	2.5323	2.5295	0.0028

Interest income on gold (see Note 1 and Note 3.1)

The item includes net result on interest on term deposits in gold, which is accrued and paid in USD. The decrease in the item in 2020 was the result of the lower, in average annual terms, placement of deposits in the context of the decreasing interest rate on deposits and a simultaneous depreciation of the zloty against USD, in average annual terms.

¹² Calculations are based on nominal values on a daily basis.

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

PLN thousand	Income		Expenses		Net result		
	2020	2019	2020	2019	2020	2019	Change
Interest on reserve tranche	6,888.7	27,051.0	0.0	0.0	6,888.7	27,051.0	-20,162.3
Interest on current account with the IMF	3,278.8	15,591.1	0.0	0.0	3,278.8	15,591.1	-12,312.3
Interest on loans extended to the IMF	693.2	5,015.6	0.0	0.0	693.2	5,015.6	-4,322.4
Interest on SDR allocation	0.0	0.0	-14,158.3	-68,878.6	-14,158.3	-68,878.6	54,720.3
Total	10,860.7	47,657.7	-14,158.3	-68,878.6	-3,297.6	-21,220.9	17,923.3

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 tranche¹³, current account with the IMF and loans extended to the IMF, see Note 2). The decrease in the negative result was mainly a result of the lower surplus of liabilities over receivables in SDR, as well as a lower average annual interest on SDR in the context of a depreciation of the zloty against SDR in average annual terms (an increase of the exchange rate from 5.3045 in 2019 to 5.4301 in 2020).

Net result on interest, discount and premium on monetary policy instruments (see Note 3.2 and Note 6.1)

The increase, by PLN 1,907,351.5 thousand, in the net result on interest and discount on instruments used in monetary policy operations was mostly driven by:

- a positive result on securities purchased under the structural open market operations (see Note 3.2),

PLN thousand	2020	2019	Change
Net result on securities held for monetary policy purposes	1,050,929.4	0.0	1,050,929.4
- Treasury securities	489,972.8	0.0	489,972.8
- securities guaranteed by the Treasury	560,956.6	0.0	560,956.6

- lower, by PLN 734,692.4 thousand, discount expenses on NBP bills (see Note 6.1),

PLN thousand	2020	2019	Change
Discount expenses on NBP bills issued under main monetary policy operations	-478,240.0	-1,198,018.2	719,778.2
Discount expenses on NBP bills issued under fine-tuning monetary policy operations	-11,470.4	-26,384.6	14,914.2
Total	-489,710.4	-1,224,402.8	734,692.4

¹³ The value of non-interest-bearing part of the reserve tranche is fixed and amounts to SDR 56,236.0 thousand (see Note 2).

The above change resulted from the decrease in the average annual NBP reference rate amid a higher average annual level of the issue of NBP bills under main monetary policy operations.

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

PLN million / %	2020	2019	Change
Main operations	133,635.4	78,693.8	54,941.6
Fine-tuning operations	1,235.6	1,731.6	-496.0
NBP reference rate	0.51	1.50	-0.99 p.p.

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

- lower, by PLN 139,764.9 thousand, interest expenses on the required minimum reserve, which resulted from a decrease in the average level of the required minimum reserve during the year (see Note 6.1) and a decrease in the average annual interest on the required minimum reserve.

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

PLN million / %	2020	2019	Change
Required minimum reserve	20,396.7	45,006.0	-24,609.3
Interest rate on required minimum reserve	0.30	0.50	-0.20 p.p.

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

Other interest income/expenses

The item *Other interest income/expenses* comprises mainly interest expenses on accounts operated by NBP for the State budget and interest income and expenses related to settlements in TARGET2. The item also comprises interest expenses on lease liabilities (PLN 6,964.1 thousand in 2020 – see Chapter 3, Note 4 and Note 6.7).

Note 12 Net result on financial operations

Note 12.1 Net result on realised financial operations

- **Realised foreign exchange gains/losses on transactions in foreign currency and on transactions in gold**

Income and expense on transactions in foreign currency and transactions in gold are recognised in the financial result on the day when the change took place, in the amount of:

- the difference between the value obtained from a sale transaction in domestic currency and the value determined according to the average daily purchase cost of foreign currency (gold) – with respect to foreign currency (gold) purchased and simultaneously sold on the same operating day,

- the difference between the value obtained from a sale transaction in domestic currency and the value determined according to the average purchase cost of foreign currency (gold) holding – with respect to the surplus of foreign currency (gold) sold over foreign currency (gold) purchased on the same operating day (net sale).

- Realised price gains/losses**

Gains or losses resulting from spot and forward sale transactions in securities bearing the same code are recognised in the financial result on the settlement day, in the amount equal to the difference between the sale amount and the amount determined according to the average cost of holding of the securities determined at the end of the current business day.

The result of the settlement of transactions in securities is calculated:

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

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

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

PLN thousand	2020	2019	Change
Realised foreign exchange gains/losses on transactions in foreign currency	6,329,209.6	5,733,405.1	595,804.5
Realised gains/losses on transactions in gold*	12.6	32.1	-19.5
Realised price gains/losses, of which	4,249,573.7	3,056,125.5	1,193,448.2
- on spot transactions in securities	2,867,965.3	2,887,114.3	-19,149.0
- on off-balance-sheet financial instruments, of which	1,381,608.4	169,011.2	1,212,597.2
* on forward transactions in securities	1,082,335.4	279,688.1	802,647.3
• on futures, of which:	299,273.0	-110,676.9	409,949.9
# on bond futures	298,894.7	-110,265.8	409,160.5
# on depo futures	378.3	-411.1	789.4
Other financial assets**	8,671.4	-4.6	8,676.0
Total	10,587,467.3	8,789,558.1	1,797,909.2

* Realised gains on the settlement of term deposits in gold (see Note 1).

** The increase in the item resulted from an income of PLN 6,911.9 thousand as a result of the settlement of the IMF's transactions (see Note 2) and a higher result of the valuation of the balance of Account No. 2 for the IMF (PLN 1,759.5 thousand in 2020 as compared with PLN -4.6 thousand in 2019) – due to a higher balance of the account (see Note 6.4).

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

PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	SDR	Other	Total
2020	3,805,216.0	1,436,384.4	688,504.0	392,851.5	-245,329.7	260,373.0	-11,849.8	3,060.2	6,329,209.6
2019	3,806,771.2	1,173,493.7	523,369.1	53,352.4	116,118.2	18,490.5	38,862.3	2,947.7	5,733,405.1
Change	-1,555.2	262,890.7	165,134.9	339,499.1	-361,447.9	241,882.5	-50,712.1	112.5	595,804.5

The net result on realised foreign exchange gains/losses in 2020 concerned mostly sale transactions in USD and EUR. The increase in the net result was mainly driven by a higher volume of sale of AUD and NZD and an increase in the average annual difference between the NBP average exchange rate and the average cost of holding for AUD, EUR and NZD.

Net result on realised price gains/losses

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

PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	Total
2020	1,557,709.5	248,210.0	589,761.3	439,090.0	4,194.8	28,999.7	2,867,965.3
2019	1,550,220.0	609,002.4	290,364.3	422,828.1	8,859.4	5,840.1	2,887,114.3
Change	7,489.5	-360,792.4	299,397.0	16,261.9	-4,664.6	23,159.6	-19,149.0

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

PLN thousand	USD	EUR	GBP	AUD	NZD	Total
2020	595,788.5	59,145.2	42,080.7	385,236.1	84.9	1,082,335.4
2019	190,536.9	17,108.0	-155.0	72,198.2	0.0	279,688.1
Change	405,251.6	42,037.2	42,235.7	313,037.9	84.9	802,647.3

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

PLN thousand	USD	EUR	GBP	AUD	Total
Bond futures					
2020	179,978.7	53,555.5	40,101.8	25,258.7	298,894.7
2019	-22,693.2	-67,659.2	-9,548.1	-10,365.3	-110,265.8
Change	202,671.9	121,214.7	49,649.9	35,624.0	409,160.5
Depo futures					
2020	-1,376.4	0.0	1,754.7	0.0	378.3
2019	0.0	0.0	-411.1	0.0	-411.1
Change	-1,376.4	0.0	2,165.8	0.0	789.4

The higher net result on realised price gains/losses in 2020 was mostly related to forward transactions in securities and bond futures, and resulted mainly from transactions carried out in the first half of 2020 amid falling yields in the USD, GBP and AUD markets.

Note 12.2 Unrealised losses

▪ Currency revaluation losses

Currency revaluation losses are determined by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is lower than the average cost (in the case of a positive foreign currency holding) or by comparing the average cost of foreign currency holding with the average NBP exchange rate, which is higher than the average holding (in the case of a negative foreign currency holding) – see Note 9.1.

▪ Price revaluation losses

Price revaluation losses on securities are determined by comparing the average cost of securities holding with the average market price of these securities, which is lower than the average cost.

Price revaluation losses on forward transactions in securities are determined by comparing the contract price discounted as at the settlement date (spot) with a lower (in the case of forward purchase) or a higher (in the case of forward sale) current market price of the instrument.

<i>PLN thousand</i>	2020	2019	Change
Currency revaluation losses	-5.6	-109,545.3	109,539.7
Price revaluation losses, of which	-83,728.3	-246,687.9	162,959.6
- revaluation losses on securities	-83,616.5	-246,687.9	163,071.4
- revaluation losses on off-balance-sheet financial instruments	-111.8	0.0	-111.8
Total	-83,733.9	-356,233.2	272,499.3

Currency revaluation losses by foreign currency are presented below.

<i>PLN thousand</i>	2020	2019	Change
EUR	0.0	-5,817.7	5,817.7
NOK	0.0	-103,646.7	103,646.7
Other	-5.6	-80.9	75.3
Total	-5.6	-109,545.3	109,539.7

Price revaluation losses by securities denominated in foreign currencies are presented below.

<i>PLN thousand</i>	2020	2019	Change
Securities in USD	-74,703.8	-147,292.3	72,588.5
Securities in EUR	-2,510.6	-54,730.5	52,219.9
Securities in GBP	-3,937.6	-33,333.6	29,396.0
Securities in AUD	-2,080.1	-11,331.5	9,251.4
Securities in NOK	-384.4	0.0	-384.4
Total	-83,616.5	-246,687.9	163,071.4

Price revaluation losses on off-balance-sheet financial instruments mainly relate to forward sale transactions in securities denominated in USD (see Note 10.2).

Note 12.3 Transfer to/from FX risk provision

See Note 9.2 and Chapter 7.1.4.

Note 13 Net result on fees and commissions

<i>PLN thousand</i>	P&L Item	2020	2019	Change
Income on the execution of payment orders		31,279.7	32,388.7	-1,109.0
Other fees and commissions income		17,147.1	17,176.9	-29.8
Fees and commissions income	P&L 3.1	48,426.8	49,565.6	-1,138.8
Expenses due to fees for NBP's TARGET2 participation		-16,226.2	-14,640.6	-1,585.6
Expenses on opening and operation of NBP accounts (including gold and securities accounts)		-12,839.1	-7,963.7	-4,875.4
Expenses on the execution of own payment orders		-5,257.0	-4,979.8	-277.2
Expenses due to substitution cash services		-1,801.7	-3,693.5	1,891.8
Other fees and commissions expenses		-3,616.6	-8,049.2	4,432.6
Fees and commissions expenses	P&L 3.2	-39,740.6	-39,326.8	-413.8
Net result on fees and commissions		8,686.2	10,238.8	-1,552.6

The decrease in the net result on fees and commissions in 2020 was mainly the effect of:

- an increase in expenses on the operation of NBP accounts was mainly related to higher expenses on a deposit of securities denominated in domestic currency purchased under structural open market operations (see Note 3.2),

with a simultaneous

- decrease in income and expenses due to non-delivery of securities in time (fails charges¹⁴) by, respectively, PLN 3,483.2 thousand and PLN 4,523.1 thousand,
- decrease in expenses due to substitution cash services¹⁵ related to account holders' lower interest in these services in the context of COVID-19 epidemic(see Note 20) and the accessibility of substitution banking services provided by NBP.

¹⁴ Fails charges relate to securities purchase/sale transactions and repo/reverse repo transactions in USD. Fails charges are calculated when one of the transaction parties delivers securities to the other party at a date later than agreed. In the event of a late delivery of securities to NBP by the counterparty, NBP receives income therefrom. In such case, NBP may also incur expenses due to its being unable to transfer the required securities to other counterparties.

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

Note 14 Income on shares and participating interests

Income on dividends from shares and participating interests held by NBP is recognised in the financial result on the day they are received. Dividends received in foreign currency are translated into domestic currency at the average exchange rate effective on that day.

The item comprises income on dividends from shares and participating interests held by NBP in domestic and foreign entities (see Note 3.3).

PLN thousand	2020	2019	Change
Dividends received, of which	13,478.2	23,372.2	-9,894.0
- Krajowy Depozyt Papierów Wartościowych S.A.	5,187.0	6,565.5	-1,378.5
- Krajowa Izba Rozliczeniowa S.A.	8,291.2	6,570.0	1,721.2
- Bank for International Settlements	0.0	10,236.7	-10,236.7

Note 15 Salaries

PLN thousand	2020	2019	Change
Expenses on salaries	-470,700.7	-442,092.8	-28,607.9
Expenses on provisions for future liabilities to employees	-28,923.7	-33,218.0	4,294.3
Expenses on social contributions, of which	-106,874.4	-99,402.1	-7,472.3
- Occupational Pension Scheme	-29,656.4	-27,888.2	-1,768.2
Total	-606,498.8	-574,712.9	-31,785.9

In 2020, the average headcount at NBP amounted to 3,355 employees and was higher by 43 employees as compared with 2019. This increase was caused by, among others, expanding the reporting responsibilities in the area of payment systems), and development and modernisation of NBP's IT systems.

In 2020, higher salary expenses resulted mainly from the adopted Human Resources and payroll policy.

The decrease in expenses on provisions for future liabilities to employees was mainly driven by a lack of expenses on the creation of provisions for future liabilities due to untaken leaves. In 2020 and 2019, expenses on the creation of provisions for future liabilities to employees by categories were as follows (see Note 7).

PLN thousand	2020		2019	
	Expenses on provisions	of which actuarial gains/losses*	Expenses on provisions	of which actuarial gains/losses*
Expenses on provisions for future liabilities to employees, of which	-28,923.7	-18,204.2	-33,218.0	-20,163.5
- due to retirement severance payments	-18,281.2	-13,127.7	-15,168.1	-10,506.3
- due to disability severance payments	-280.0	-45.0	-268.1	-73.3
- due to jubilee awards	-10,362.5	-5,031.5	-14,259.8	-9,583.9
- due to untaken leaves	0.0**	-	-3,522.0	-

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

** In the case of a provision for liabilities due to untaken leaves in 2020, an income from its partial release was taken to the Item *Other income*.

Note 16 Administrative expenses

PLN thousand	2020	2019	Change
Materials and energy used	-25,586.8	-23,329.4	-2,257.4
Benefits for employees and other eligible persons	-11,897.2	-14,077.1	2,179.9
Business travel	-703.8	-4,264.0	3,560.2
Services from third parties	-172,274.4	-179,471.9	7,197.5
Taxes and fees	-10,997.7	-22,363.3	11,365.6
Transfers to Employee Benefit Fund	-6,151.4	-4,914.5	-1,236.9
Other administrative expenses	-14,538.0	-16,139.2	1,601.2
Total	-242,149.3	-264,559.4	22,410.1

The decrease in administrative expenses in 2020 was mainly a result of:

- changes in the presentation of expenses on lease fees (see Chapter 3, Note 4 and 17); until 31 December 2019 these expenses were mainly recognised as expenses on services from third parties and expenses on taxes and fees (fees expenses due to the right to perpetual usufruct of land),
- activities of NBP in the context of COVID-19, which led first of all to a reduction in expenses on business travel, benefits for employees and services from third parties,

with a simultaneous:

- increase in expenses on services from third parties related to IT systems maintenance.

Note 17 Depreciation and amortisation expenses

PLN thousand	2020	2019	Change
Tangible fixed assets depreciation expenses	-56,972.3	-62,404.0	5,431.7
Lease assets depreciation expenses	-9,570.5	0.0	-9,570.5
Intangible fixed assets amortisation expenses	-22,944.6	-24,270.3	1,325.7
Total	-89,487.4	-86,674.3	-2,813.1

The increase in depreciation and amortisation expenses in 2020 was mainly related to the change in the principles of presentation of leases (see Chapter 3 and Note 4 and Note 16).

Note 18 Expenses on issue of banknotes and coins

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

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

In 2020, the item amounted to PLN 321,754.6 thousand and was by PLN 39,499.7 thousand higher as compared with 2019. The increase in the item resulted mainly from higher expenses on the issue of:

- general circulation banknotes, as a result of the increase in the overall number of ordered banknotes,
- collector coins, mostly resulting from a rise in the cost of materials used for their production.

Note 19 Other income and other expenses

Other income/expenses include mainly income on the sale of collector coins and banknotes, and expenses corresponding to the nominal value of collector coins and banknotes sold. The increase in the balance of other income was mainly the result of an increase in this income.

6. Other explanatory notes

Note 20 Activities related to COVID-19 pandemic

Taking into account the gravity of the situation and risk to the Polish economy resulting from the COVID-19 pandemic, since March 2020 NBP has implemented measures to reduce the negative impact of the pandemic.

In the area of monetary policy, NBP:

- purchased Treasury bonds and securities guaranteed by the State Treasury in the secondary market, as part of structural open market operations (see Note 3.2 and Note 11),
- conducted a repo transaction as a liquidity-providing operation for banks (see Note 11).

- offered bill discount credit to banks which enabled them to refinance loans granted to non-financial corporations (see Note 3.2 and Note 11),
- lowered interest rates, including the required minimum reserve rate, setting the remuneration of funds held with NBP under the required minimum reserve at the level of the NBP reference rate (see Note 6 and Note 11).

Moreover, the pandemic had an impact on NBP's financial position and performance as relates to:

- the issue of banknotes and coins – through higher market demand for cash (see Note 5).
- foreign currency reserves management – due to the altered conditions in the global economy caused by COVID-19 pandemic (i.a. lower interest rate on foreign markets), and investment policy adjustments aimed at mitigating financial risk amid elevated market uncertainty (see Chapter 7.1.1.1).
- NBP's own administrative activities – through cost rationalisation of NBP operations (see Note 16).

Note 21 Events after the balance sheet date

Change in limits on foreign currency loans extended to the IMF (see Note 2)

As of 1 January 2021, the limit of loans available for the IMF under the New Arrangements to Borrow (NAB) was changed. Following the entry into force of the decision to increase NAB from 1 January 2021 to 31 December 2025 the limit of loans under NAB has increased from SDR 1,285,400.0 thousand to SDR 2,570,800.0 thousand (i.e. from PLN 7,022,397.3 thousand to PLN 14,044,794.6 thousand according to the average NBP exchange rate as at 31 December 2020).

As of 1 January 2021, the limit of loans available for the IMF under the Bilateral Borrowing Agreement (BBA) has also changed. The BBA entered between NBP and the IMF in 2020 is in force from 1 January 2021 to 31 December 2023, with a possibility to extend it for one year, subject to NBP consent. The available loan limit was lowered from EUR 6,270,000.0 thousand to EUR 2,701,000.0 thousand (i.e. from PLN 28,934,796.0 thousand to PLN 12,464,574.8 thousand according to the average NBP exchange rate as at 31 December 2020), which is related to the increased limit of loans under NAB. As in the previous BBA, funds will be transferred by NBP at the request of the IMF. The IMF will be able to use these funds provided that it has exhausted other available resources originating from quotas of member countries and loans under the NAB.

FX swap transactions with domestic banks

In the first quarter of 2021, NBP executed a FX swap transaction on the CHF/PLN currency pair.

Note 22 Other issues

In 2020 Narodowy Bank Polski has been party to swap arrangements with the Swiss National Bank and the National Bank of Ukraine (NBU)¹⁶ since 2012 and 2015, respectively. These arrangements had no bearing on the NBP Balance Sheet or Profit and Loss Account in 2020 and 2019.

¹⁶ The swap arrangement with the NBU expired in February 2020.

7. Financial and operational risk

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

- as relates to financial risk – the activity of the NBP Head Office department responsible for financial risk management;
- as relates to operational risk (see Chapter 7.2) – management at the following levels:
 - decentralised operational risk management by directors of the Head Office departments and NBP regional branches who, on an ongoing basis, monitor operational risk, perform the assessment of its level and take measures mitigating risk occurrence in their units,
 - the activity of the NBP Head Office department, which – on an ongoing basis – monitors and analyses operational risk in NBP as a whole, prepares regulations and draft measures related to changes to operational risk management. It also prepares reports on operational risk for the Commission for Operational Risk Management and the Management Board of NBP,
 - the Commission for Operational Risk Management, which assesses the effectiveness of operational risk management in NBP, monitors the current level of operational risk and analyses the causes underlying materialisation of risk assessed as high or unacceptable. The Commission also submits and recommends to the Management Board of NBP proposed solutions and changes in the area of operational risk management.
- strategic decision-making by the NBP Management Board.

The tasks carried out as part of risk management include:

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

7.1. Financial risk

The main types of financial risk underlying the activities of NBP are: credit risk, liquidity risk and market risk (interest rate risk and foreign exchange rate risk). The accepted level of financial risk is set through the system of investment limits, determination of which takes also into account mitigation of concentration risk. NBP's exposure to individual types of risk stems from its performance of statutory tasks of the central bank, i.e. managing the foreign currency reserves and implementing monetary policy, including regulating the liquidity of banks and providing them with refinancing facilities. The Financial Risk Management Department monitors, on an ongoing basis, the Bank's exposure to financial risk and presents the analysis of financial risk to the Management Board of NBP.

7.1.1. Credit risk

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

7.1.1.1. Credit risk in foreign currency reserve management

Exposure to credit risk in the process of foreign currency reserve management is mitigated using the following methods:

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

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

NBP's exposure to credit risk due to the main investment instruments of foreign currency reserves is presented below.¹⁷

<i>PLN thousand</i>	31.12.2020	31.12.2019	Balance sheet item	Note
Current account in gold	20,210,979.9	10,813,438.9	A.1	1
Term deposits in gold	8,080,235.4	12,206,191.1	A.1	1
Current accounts in foreign currency*	28,267,286.7	5,751,215.4	A.2.2	3.1
Term deposits in foreign currency	26,407,882.5	32,168,428.6	A.2.2	3.1
Reverse repo transactions	45,225,495.5	43,215,223.2	A.2.2	3.1
Securities denominated in foreign currency	417,564,746.5	354,961,158.9	A.2.2	3.1
Margins related to futures transactions	722.9	141,124.2	A.2.2	3.1
Interest on term deposits in gold	3.6	199.1	A.2.2	3.1
Total	545,757,353.0	459,256,979.4		

* Current accounts, excluding the current accounts in the ECB, used for settlements in TARGET2 (see Note 3.1).

The dominant portion of foreign currency reserves is invested in government securities of high rating countries characterised by the highest level of safety and liquidity. Non-government securities held in the investment portfolios are issued primarily by international institutions and government agencies.

¹⁷ It is assumed that the exposure to the IMF (claims on the IMF – see Note 2) does not generate credit risk.

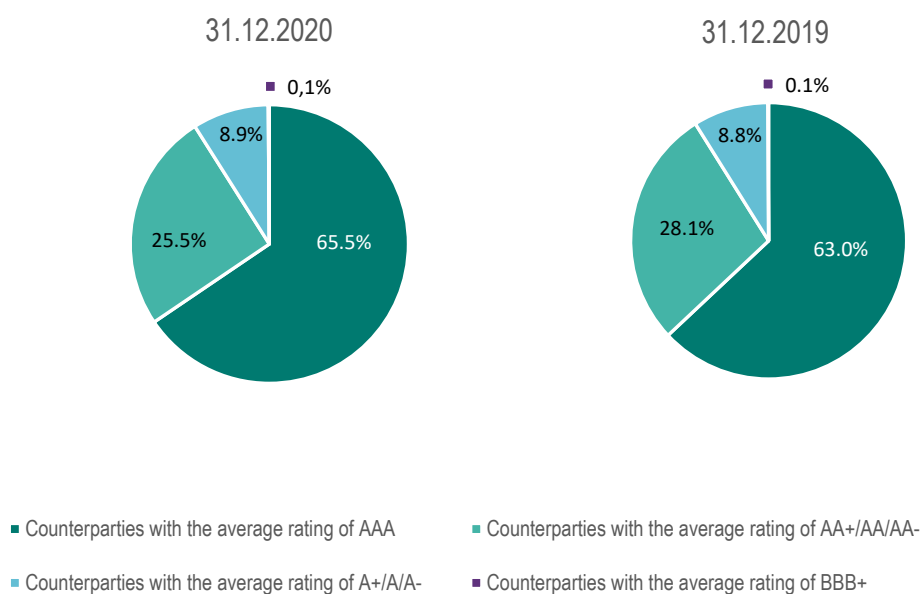
The scale of investment in the corporate bond market is small. The share of term deposits in foreign currency reserves is also low – transactions are concluded for short periods with banks of high creditworthiness. NBP also holds funds in current accounts, mainly operated by central banks, in the process of foreign currency reserves management.

When estimating the credit quality of securities issued by governments and central banks, the creditworthiness ratings of the country of the securities issuer are, among others, considered. The credit quality of issuers of other securities, as well as counterparties with which term deposits are concluded (with the exception of central banks), is assessed based on the scoring models that take into account, among others, ratings assigned by rating agencies and individual issuer's financial data. The financial standing of issuers and NBP's counterparties is subject to on-going monitoring based on daily information provided by rating agencies about changes in creditworthiness ratings and rating forecasts, as well as implied ratings derived from CDS (Credit Default Swap).

Below, exposure to credit risk for term deposits and securities related to foreign currency reserve management is presented by issuer/counterparty's sector, geographical location and credit rating.

<i>PLN thousand</i>	31.12.2020	31.12.2019
General government institutions	394,553,133.1	321,835,806.5
- Foreign central government institutions	383,704,758.3	301,854,448.9
- Other	10,848,374.8	19,981,357.6
Monetary financial institutions	44,121,163.7	57,120,517.1
- Foreign credit institutions	31,652,839.4	55,554,628.4
- Central banks	12,468,324.3	1,565,888.7
International financial organisations	0.0	4,582,535.4
Non-monetary financial institutions	8,634,691.6	11,436,888.7
Non-financial sector	4,743,879.6	4,360,230.0
Total	452,052,868.0	399,335,977.7

<i>PLN thousand</i>	31.12.2020	31.12.2019
United States	192,927,896.6	152,922,430.7
Euro area	114,837,106.4	119,624,326.1
United Kingdom	61,109,955.6	57,981,475.2
Australia	33,786,834.9	30,040,175.3
Norway	22,206,036.8	14,262,038.5
Asian countries	14,671,705.2	9,688,303.6
New Zealand	9,656,442.0	6,396,326.2
Denmark	1,474,880.0	1,394,496.0
Canada	1,342,844.8	0.0
Switzerland	0.0	825,240.2
Sweden	0.0	1,489,661.6
Other	39,165.7	4,711,504.3
Total	452,052,868.0	399,335,977.7



7.1.1.2. Credit risk underlying domestic operations

7.1.1.2.1. Securities

In 2020, NBP purchased Treasury bonds and securities guaranteed by the Treasury in the secondary market, as part of its structural open market operations. In line with the business intent, securities purchased in domestic currency are held for monetary policy purposes and valued at purchase price, adjusted for the amortised discount/premium, less impairment. As a result of the operations conducted

as of 31 December 2020, NBP held Treasury securities in zloty and securities guaranteed by the Treasury in zloty for a total accounting book value of PLN 112,563,027.9 thousand (see Chapter 3 and Note 3.2).

Securities held for monetary policy purposes were issued or fully guaranteed by the State Treasury. The results of the analysis performed as at 31 December 2020 revealed that no indications of their impairment have occurred.

7.1.1.2.2. Claims on credit operations

To support the liquidity of the financial system, NBP may grant a refinancing loan in zloty to banks in order to supplement their financial resources. Specifically, banks use intraday credit and marginal lending facility (Lombard credit). Banks also use intraday credit in euro. NBP may also, on request by a bank, grant a refinancing loan in another form specified by the Management Board of NBP. In 2020, NBP offered bill discount credit to banks with the aim to enable them to refinance loans extended to entrepreneurs (see Note 3.2).

<i>PLN million / EUR</i>	2020	2019	Change
Lombard credit*	20.4	7.6	12.8
Intraday credit	16,692,407.7	12,106,854.1	4,585,553.6
Refinancing loan extended in another form specified by the Management Board of NBP**	67.0	84.9	-17.9
Bill discount credit	53.0	0.0	53.0
Intraday credit in EUR	55,477.7	68,263.3	-12,785.6

* The values of intraday credit and intraday credit in euro are the sum total of the daily drawings of these loans. The values of a refinancing loan granted in another form specified by the Management Board of NBP and bill discount credit are accounting book value as at the balance sheet date (see Note 3.4, Chapter 7.1.1.2.3 and Note 3.2).

The risk underlying these operations is mitigated through the use of eligible collateral that meets the criteria set by NBP. When setting the required level of collateral, the haircut rate is applied, with the purpose to take into account the risk of unfavourable changes of the market value of collateral, in particular of market prices and exchange rates.

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

Bill discount credit is extended to banks that meet, among others, the minimum capital adequacy and liquidity requirements. This credit is collateralised with bills of exchange which banks accept as collateral to the loans extended to entrepreneurs.

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

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

As at 31 December 2020 the following were reported:

- claims due to bill discount credit (see Note 3.2); no indications of impairment of the credit occurred, therefore no impairment loss was recognised,
- claim due to a refinancing loan extended in another form specified by the Management Board of NBP (see Chapter 7.1.1.2.3).

7.1.1.2.3. Overdue claims on credit operations

As at 31 December 2020, NBP had an overdue claim in the amount of PLN 66,989.2 thousand (PLN 84,878.0 thousand as at 31 December 2019) from a domestic bank under winding-up proceedings, which was related to a refinancing loan granted in 2015 in another form specified by the Management Board of NBP (see Note 3.44). As at the balance-sheet date, the outstanding portion of the loan was collateralised with the claims of the domestic bank under the loan agreements which were assigned in favour of NBP. Under the assessment carried out, it was established that as at 31 December 2020 the discounted value of expected cash flows from collateral fully covers the carrying amount of the claim. Claims of the domestic bank arising from the loan agreements which were assigned in favour of NBP as collateral to the refinancing loan granted in another form specified by the Management Board of NBP are not included in the bankruptcy estate of the domestic bank, in accordance with the provisions of Article 67 paragraphs 2 and 3 of the Act of 28 February 2003 on the Bankruptcy and Restructuring Law¹⁸ (Journal of Laws of 2015, item 233, as amended).

7.1.2. Liquidity risk

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

As NBP has the exclusive right to issue banknotes and coins of the Republic of Poland, NBP is capable of creating liquidity in domestic currency. This is, however, constrained by the responsibility of NBP

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

for the stability of domestic currency. The assumptions of monetary policy are set annually by the MPC, which, based on the above assumptions, also approves the financial plan of NBP.

In the process of foreign currency reserves management, NBP ensures adequate liquidity of funds by matching current and expected cash flows. Investments are made in the markets that ensure immediate availability of funds – reserve currencies and investment instruments are principally characterised by high liquidity.

7.1.2.1. Maturity analysis for financial liabilities in foreign currency

The table below presents the maturity analysis for financial liabilities of NBP denominated in foreign currency as at 31 December 2020 and 31 December 2019.¹⁹

Moreover, when joining the IMF borrowing programmes (see Note 2 and Note 21), NBP committed to grant foreign-currency-denominated loans to the IMF under, respectively:

- NAB agreement – up to the amount of SDR 1,285,400.0 thousand, of which the outstanding amount as at 31 December 2020 was SDR 1,224,025.0 thousand,
- bilateral borrowing agreements – up to the amount of EUR 6,270,000.0 thousand, of which the outstanding amount as at 31 December 2020 was EUR 6,270,000.0 thousand.

¹⁹ Liabilities due to current transactions recognised on off-balance-sheet accounts are presented in Note 10.1. Liabilities related to NBP's own administrative activities were not included, as bearing no material impact.

31.12.2020	Total	Avista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance-sheet value	L.7 Liabilities to residents denominated in foreign currency	L.8 Liabilities to non-residents denominated in foreign currency	L.9 Liabilities to the IMF	L.11 Other liabilities
<i>PLN thousand</i>										
Current/auxiliary accounts in foreign currency operated by NBP	45,866,771.3	45,866,771.3	0.0	0.0	0.0	45,866,771.3	45,736,273.2	130,498.1	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	6,661.6	0.0	6,661.6	0.0	0.0	6,661.6	6,661.6	0.0	0.0	0.0
Repo transactions	45,222,443.4	0.0	37,191,442.7	3,790,510.3	4,240,490.4	45,222,015.4	0.0	45,222,015.4	0.0	0.0
Other financial liabilities denominated in foreign currency	527,529.6	0.0	527,402.1	127.5	0.0	527,304.1	519,838.4	13.4	0.0	7,452.3
SDR allocation	7,129,155.5	0.0	1,648.0	0.0	7,127,507.5	7,128,746.3	0.0	0.0	7,128,746.3	0.0
Total	98,752,561.4	45,866,771.3	37,727,154.4	3,790,637.8	11,367,997.9	98,751,498.7	46,262,773.2	45,352,526.9	7,128,746.3	7,452.3

31.12.2019	TOTAL	Avista	From 1 day to 1 month	Over 1 month to 3 months	Over 3 months	Balance-sheet value	L.7 Liabilities to residents denominated in foreign currency	L.8 Liabilities to non-residents denominated in foreign currency	L.9 Liabilities to the IMF	L.11 Other liabilities
<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	42,934,107.1	0.0	38,326,005.1	4,608,102.0	0.0	42,919,855.6	0.0	42,919,855.6	0.0	0.0
Other financial liabilities denominated in foreign currency	2,581,322.5	0.0	2,581,254.2	68.3	0.0	2,581,322.5	2,575,149.4	0.0	0.0	6,173.1
SDR allocation	6,879,551.6	0.0	13,232.9	0.0	6,866,318.7	6,875,252.6	0.0	0.0	6,875,252.6	0.0
Total	72,921,888.6	20,508,301.2	40,939,098.4	4,608,170.3	6,866,318.7	72,903,332.9	22,356,217.5	43,665,689.7	6,875,252.6	6,173.1

7.1.3. Interest rate risk

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

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

To mitigate the interest rate risk in the process of managing foreign currency reserves, NBP defines the benchmark level of MD of foreign currency reserves, along with admissible fluctuation bands. In 2020, the MD of the reserves was kept at a level binding in the preceding year.

Sensitivity analysis, conducted based on MD,²⁰ has shown that a change in interest rates by 100 basis points (for each foreign exchange portfolio, evenly distributed along the yield curve) would result in a change of the value of securities portfolios by PLN 9,091.1 million as at 31 December 2020 (as at 31 December 2019 – by PLN 7,583.4 million). The change in value of securities portfolios in individual currencies in response to a change in interest rates by 100 basis points, as estimated based on MD analysis, is presented below.

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

<i>PLN million</i>	31.12.2020	31.12.2019	Change
USD	3,795.1	3,345.4	449.7
EUR	1,579.7	1,377.7	202.0
GBP	1,618.1	1,398.4	219.7
AUD	1,069.5	937.8	131.7
NOK	714.2	352.7	361.5
NZD	314.5	171.4	143.1
Total	9,091.1	7,583.4	1,507.7

In accordance with the accounting principles of NBP, price revaluation gains on securities denominated in foreign currency at the end of the year are recorded as revaluation accounts on the liabilities side of the Balance Sheet, while losses on price revaluation of these securities are debited to NBP's financial result.

²⁰ In its sensitivity analysis NBP applied the MD ratio for individual foreign-currency securities portfolios as at 31 December 2020 and 31 December 2019 as a linear measure of the relationship between price and yield, as well as the holding of securities portfolios as at 31 December 2020 and 31 December 2019 based on values used in the monitoring of MD.

Securities denominated in domestic currency held for monetary policy purposes are valued at purchase price, adjusted for the amortised discount/premium, less impairment (see Chapter 3 and Note 3.2).

7.1.4. Foreign exchange rate risk and gold price risk

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

The assessment of exposure to foreign exchange rate risk is carried out based on the parametric Value at Risk (VaR) methodology. The level of VaR calculated as at the balance sheet date is taken into account for calculating the amount of the FX risk provision (see Chapter 4 and Note 9).

In the process of foreign currency reserves management, NBP defines the currency structure of the strategic benchmark²¹, along with admissible fluctuation bands. As at 31 December 2020, similarly to 31 December 2019, the currency structure of the strategic benchmark included:

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

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

The impact of a decline in the price of gold on the financial result is limited by unrealised gold revaluation gains and gold revaluation account (see Note 9.1).

The balance-sheet values of foreign currency holdings and gold holding of NBP as at 31 December 2020 and 31 December 2019 by currency are presented below, wherein items in foreign currency related to own administrative activities are presented as part of PLN holdings since they are immaterial.

²¹ The strategic currency benchmark is a reference portfolio mirroring long-term assumptions for the investment strategy by setting the foreign currency composition and the level of modified duration.

31.12.2020	PLN thousand	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
ASSETS											
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52,252,619.6	0.0	52,252,619.6
2. Claims on non-residents denominated in foreign currency	0.0	235,117,265.3	135,170,102.7	72,165,735.7	37,427,034.4	26,395,128.0	14,275,939.9	6,879,394.5	0.0	29,342.6	527,465,943.1
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	52,955.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52,955.4
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0
7. Securities of residents denominated in domestic currency	112,563,027.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	112,563,027.9
10. Other assets	1,346,430.3	79,705.4	297,776.4	27,804.3	84,315.1	34,426.0	53,851.9	54,632.0	0.0	1.5	1,978,942.9
<i>of which, adjustment and revaluation differences on off-balance sheet items</i>	0.0	79,705.4	179,335.4	27,804.3	84,315.1	34,426.0	53,851.9	0.0	0.0	1.5	469,499.6
Total assets	113,962,429.6	235,196,970.7	135,467,879.1	72,196,540.0	37,511,349.5	26,429,554.0	14,332,791.8	6,934,026.5	52,252,619.6	29,344.1	694,313,504.9
LIABILITIES											
1. Banknotes and coins in circulation	321,800,665.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	321,800,665.9
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	62,629,413.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62,629,413.3
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	444,908.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	444,908.2
4. Liabilities due to issued securities denominated in domestic currency	127,767,680.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	127,767,680.0
5. Liabilities to other residents denominated in domestic currency	24,659,721.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24,659,721.0
6. Liabilities to non-residents denominated in domestic currency	2,196,166.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,196,166.7
7. Liabilities to residents denominated in foreign currency	0.0	1,565,192.4	44,679,925.5	17,620.9	0.0	0.0	0.0	0.0	0.0	34.4	46,262,773.2
8. Liabilities to non-residents denominated in foreign currency	0.0	16,573,094.9	5,470,626.4	19,375,986.5	2,597,428.8	0.0	1,335,390.3	0.0	0.0	0.0	45,352,526.9
9. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,128,746.3	0.0	0.0	7,128,746.3
11. Other liabilities	346,081.5	156.9	242,180.4	11,327.5	66,902.8	23,704.7	37,567.2	0.0	0.0	24.2	729,945.2
<i>of which, adjustment and revaluation differences on off-balance sheet items</i>	0.0	0.0	232,592.5	11,206.0	66,877.0	23,703.4	37,567.2	0.0	0.0	0.0	371,946.1
12. Provisions for future liabilities	179,589.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	179,589.6
13. Revaluation accounts	41,672,204.0	2,283,063.6	275,597.1	424,298.7	370,368.5	200,971.3	315,862.9	0.0	0.0	0.0	45,740,366.1
14. Capital and reserves	11,742,344.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11,742,344.4
15. Financial result	-2,621,301.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2,621,301.9
Total liabilities	591,319,442.7	20,421,507.8	50,666,329.4	19,629,233.6	3,034,690.1	224,676.0	1,688,820.4	7,128,746.3	0.0	58.6	694,313,504.9

31.12.2019	PLN	USD	EUR	GBP	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
ASSETS											
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	42,518,790.2	0.0	42,518,790.2
2. Claims on non-residents denominated in foreign currency	0.0	218,342,530.6	96,137,916.9	58,606,832.1	32,140,848.3	23,215,158.5	11,452,125.4	5,271,036.0	0.0	28,984.0	445,195,431.8
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	10.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.4
10. Other assets	1,222,529.2	8,676.2	94,825.7	4,337.7	858.6	963.1	1,263.5	52,630.0	0.0	0.0	1,386,084.0
<i>of which, adjustment and revaluation differences on off-balance sheet items</i>	0.0	8,676.2	44.1	4,337.7	0.0	963.1	1,263.5	0.0	0.0	0.0	15,284.6
Total assets	1,222,539.6	218,351,206.8	96,232,742.6	58,611,169.8	32,141,706.9	23,216,121.6	11,453,388.9	5,323,666.0	42,518,790.2	28,984.0	489,100,316.4
LIABILITIES											
1. Banknotes and coins in circulation	238,777,248.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	238,777,248.0
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	65,410,357.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	65,410,357.6
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	385,342.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	385,342.2
4. Liabilities due to issued securities denominated in domestic currency	64,985,650.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	64,985,650.0
5. Liabilities to other residents denominated in domestic currency	9,346,735.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9,346,735.8
6. Liabilities to non-residents denominated in domestic currency	2,266,129.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,266,129.9
7. Liabilities to residents denominated in foreign currency	0.0	3,588,664.6	18,743,067.6	16,645.0	0.0	0.2	0.0	0.0	0.0	7,840.1	22,356,217.5
8. Liabilities to non-residents denominated in foreign currency	0.0	26,515,994.7	2,848,108.9	12,961,450.4	1,340,135.7	0.0	0.0	0.0	0.0	0.0	43,665,689.7
9. Liabilities to the IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,875,252.6	0.0	0.0	6,875,252.6
11. Other liabilities	199,914.9	9,165.5	5,794.5	5,029.7	20.2	1,162.0	1,383.5	0.0	0.0	7.0	222,477.3
<i>of which, adjustment and revaluation differences on off-balance sheet items</i>	0.0	8,872.5	16.6	4,956.3	0.0	1,160.4	1,383.5	0.0	0.0	0.0	16,389.3
12. Provisions for future liabilities	165,628.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	165,628.8
13. Revaluation accounts	28,432,057.2	788,135.0	195,235.2	248,152.7	502,871.4	68,874.1	258,805.0	0.0	0.0	0.0	30,494,130.6
14. Capital and reserves	8,186,317.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,186,317.3
15. Financial result	-4,036,860.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4,036,860.9
Total liabilities	414,118,520.8	30,901,959.8	21,792,206.2	13,231,277.8	1,843,027.3	70,036.3	260,188.5	6,875,252.6	0.0	7,847.1	489,100,316.4

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

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

- claims and liabilities due to bank accounts, including deposits and term deposits,
- credits and loans granted,
- securities held for monetary policy purposes,
- banknotes and coins in circulation,
- securities issued by NBP,
- other financial assets and liabilities (presented in items A.10 and L.11).

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

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

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

Level 1	Level 2	Level 3
<p>Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined directly on the basis of (unadjusted) prices quoted on active markets for identical assets, liabilities or off-balance-sheet financial instruments.</p> <p>NBP has classified into this category securities purchased by NBP, except for securities priced based on yield curve values.*</p>	<p>Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined on the basis of valuation models, for which all significant input data are observable in the market directly (as prices) or indirectly (as based on prices).</p> <p>NBP has classified into this category:</p> <ul style="list-style-type: none"> • securities priced based on the yield curves values for a given type of securities having the same credit risk of the issuer, • forward transactions in securities for the revaluation of which it uses the model with input parameters coming directly from the market. 	<p>Financial assets and liabilities as well as off-balance-sheet financial instruments, whose market value is estimated using valuation models for which input data are not based on data observable in the market.</p> <p>As at 31 December 2020 and 31 December 2019, NBP did not classify any financial assets and liabilities and off-balance-sheet financial instruments into this category.</p>

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

Financial assets and liabilities and off-balance-sheet financial instruments that are presented in the balance sheet as at 31 December 2020 and 31 December 2019 according to market value, assigned to individual levels, are presented below.

31.12.2020 PLN thousand	Level 1	Level 2	Level 3	Balance sheet value	Balance sheet item
ASSETS					
Securities purchased by NBP	403,940,645.4	13,624,101.1	0.0	417,564,746.5	A.2.2
Forward transactions in securities (revaluation gains)	0.0	0.0	0.0	0.0	A.10.3
LIABILITIES					
Forward transactions in securities (revaluation losses)	0.0	111.8	0.0	111.8	L.11.1

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

In 2020 and 2019, there were no transfers between Level 1 and Level 2.

Narodowy Bank Polski also invests in futures transactions. These transactions are marked to market (Level 1) and settled on a daily basis (see Chapter 2.4 and Note 12.1).

7.2. Operational risk

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

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

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

- internal regulations,
- the scope of job responsibilities and division of duties,
- data reconciliation, and the “four-eyes” principle,

- the system of (financial, time) limits and restrictions,
- introduction of access control system as well as IT and telecommunications, physical and electronic safeguards,
- generation of back-up copies of electronic files,
- development of contingency and evacuation plans as well as training and tests related to securing business continuity in NBP,
- insurance,
- control and internal audit.

In 2020, Operational Risk and Compliance Department monitored, on an ongoing basis, operational risk in NBP activity, including events resulting from the COVID-19 pandemic. In 2020, the Commission for Operational Risk Management held 11 sessions during which topics were discussed related to the assessment of the current activities aimed to ensure the proper execution of NBP tasks in the context of the pandemic and counteracting its effects. On top of that, the Commission discussed risks related to a possible 'hard Brexit' and cyber-threats, and the choice of risk mitigating mechanisms. The level of risk at NBP in 2020 was monitored on an ongoing basis and mitigating measures were also systematically adopted.

Warsaw, 25 March 2021

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Management Board
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/-/ Marta Kightley
/-/ Adam Lipiński
/-/ Marta Gajęcka
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/-/ Piotr Pogonowski
/-/ Paweł Szalamacha