



NARODOWY BANK POLSKI

Financial Statements of Narodowy Bank Polski as at 31 December 2021

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Balance Sheet of Narodowy Bank Polski

as at 31 December 2021

Assets	Note	31.12.2021	31.12.2020
		PLN thousand	
1. Gold and gold receivables	1	54,843,799.4	52,252,619.6
2. Claims on non-residents denominated in foreign currency		619,333,303.4	527,465,943.1
2.1. <i>Receivables from the IMF</i>	2	30,010,120.7	6,879,394.5
2.2. <i>Balances with foreign institutions, securities, loans granted and other foreign assets</i>	3.1	589,323,182.7	520,586,548.6
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 credit institutions related to monetary policy operations denominated in domestic currency	3.2	0.0	52,955.4
5.1. <i>Main refinancing operations</i>		0.0	0.0
5.2. <i>Fine-tuning operations</i>		0.0	0.0
5.3. <i>Structural operations</i>		0.0	0.0
5.4. <i>Marginal lending facilities</i>		0.0	0.0
5.5. <i>Other monetary policy operations</i>		0.0	52,955.4
6. Other claims on credit institutions denominated in domestic currency		7.0	16.0
7. Securities of residents denominated in domestic currency	3.2	149,322,164.0	112,563,027.9
7.1. <i>Securities held for monetary policy purposes</i>		149,322,164.0	112,563,027.9
7.2. <i>Other securities</i>		0.0	0.0
8. Claims on general government denominated in domestic currency		0.0	0.0
9. Items in course of settlement		0.0	0.0
10. Other assets		1,824,535.8	1,978,942.9
10.1. <i>Tangible and intangible fixed assets</i>	4	1,033,750.4	1,031,541.1
10.2. <i>Other financial assets</i>	3.3	299,061.9	297,239.1
10.3. <i>Off-balance-sheet instruments revaluation differences</i>	10	354,272.7	444,371.2
10.4. <i>Accruals and prepaid expenses</i>	8	41,496.4	37,263.3
10.5. <i>Sundry</i>	3.4.	95,954.3	168,528.2
Total assets		825,323,809.6	694,313,504.9

Liabilities	Note	31.12.2021	31.12.2020
		PLN thousand	
1. Banknotes and coins in circulation	5	355,557,725.3	321,800,665.9
2. Liabilities to credit institutions related to monetary policy operations denominated in domestic currency	6.1	96,525,124.4	62,629,413.3
2.1. Current accounts (incl. the required minimum reserve accounts)		66,061,581.2	30,351,413.3
2.2. Deposit facilities		30,463,543.2	32,278,000.0
2.3. Other monetary policy operations		0.0	0.0
3. Other liabilities to credit institutions denominated in domestic currency	6.2	762,678.9	444,908.2
4. Liabilities due to issued securities denominated in domestic currency	6.1	184,521,188.7	127,767,680.0
5. Liabilities to other residents denominated in domestic currency	6.2	15,251,900.0	24,859,721.0
5.1. Liabilities to general government		15,185,508.3	23,852,886.1
5.2. Other liabilities		66,391.7	1,006,834.9
6. Liabilities to non-residents denominated in domestic currency	6.2	3,960,800.8	2,196,156.7
7. Liabilities to residents denominated in foreign currency	6.3	32,629,719.7	46,262,773.2
8. Liabilities to non-residents denominated in foreign currency	6.3	36,036,430.1	45,352,526.9
9. SDR allocation	2	29,769,702.4	7,128,746.3
10. Items in course of settlement		0.0	0.0
11. Other liabilities		1,108,023.7	729,945.2
11.1. Off-balance-sheet instruments revaluation differences	10	24,134.5	111.8
11.2. Accruals and deferred income	8	97,536.8	90,135.9
11.3. Sundry	6.4	986,352.4	639,697.5
12. Provisions		16,693,832.6	10,030,488.9
12.1. FX risk provision*	9.2	16,499,460.9	9,850,919.3
12.2. Provisions for liabilities	7	194,371.7	179,569.6
13. Revaluation accounts	9.1	51,038,899.5	45,740,356.1
14. Capital and reserves		1,500,000.0	1,891,425.1
14.1. Statutory fund	9	1,500,000.0	1,500,000.0
14.2. Reserve fund	9.3	0.0	391,425.1
15. Financial result	9.4	-32,216.5	-2,521,301.9
15.1. Financial result for the financial year		10,974,518.7	9,344,061.5
15.2. Loss of previous years		-11,006,735.2	-11,865,363.4
Total liabilities		825,323,809.6	694,313,504.9

* In 2021, the balance of the FX risk provision presented as at 31 December 2020 in Item 14.3 Reserves was transferred to Item 12.1 FX risk provision (for detailed information on changes in the presentation of assets and liabilities – see Chapter 3).

Profit and Loss Account of Narodowy Bank Polski for the year ended on 31 December 2021

	Note	2021	2020
		PLN thousand	
1. Net result on interest	11	2,252,493.1	3,141,511.1
1.1. Interest income		8,619,588.1	8,158,572.5
1.2. Interest expenses		-6,367,095.0	-5,017,061.4
2. Net result on financial operations		9,949,936.6	7,339,131.4
2.1. Realised gains/losses	12.1	20,257,561.3	10,587,467.3
2.2. Unrealised losses	12.2	-3,658,590.0	-83,733.9
2.3. Write-downs on financial assets		-493.1	0.0
2.4. Transfer to/from FX risk provision	9.2	-6,648,541.6	-3,164,602.0
3. Net result on commissions and fees	13	1,385.0	8,686.2
3.1. Commissions and fees income		47,466.7	48,426.8
3.2. Commissions and fees expenses		-46,081.7	-39,740.6
4. Income on shares and participating interests	14	38,256.7	13,478.2
5. Other income	19	176,280.0	109,648.6
A. Total net income		12,418,351.4	10,612,455.5
6. Salaries	15	-640,499.1	-606,498.8
7. Administrative expenses	16	-299,532.6	-242,149.3
8. Depreciation and amortisation expenses	17	-114,186.4	-89,487.4
9. Expenses on issue of banknotes and coins	18	-364,457.2	-321,754.6
10. Other expenses	19	-25,157.4	-8,503.9
B. Financial result for the financial year		10,974,518.7	9,344,061.5

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 particular, in the following acts and regulations:

- the Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws of 2020, item 2027, as amended), hereinafter referred to as the “Act on NBP”,
- the Act of 29 August 1997 – Banking Law (Journal of Laws of 2021, item 2439, 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. Governor 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 2021 was as follows:

Governor of NBP

Adam Glapiński

Monetary Policy Council¹

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 NBP²

Chairperson	<i>Adam Glapiński</i>	
First Deputy Governor of NBP	<i>Marta Kightley</i>	
Deputy Governor of NBP	<i>Adam Lipiński</i>	
Members	<i>Marta Gajęcka</i>	<i>Piotr Pogonowski</i>
	<i>Andrzej Kaźmierczak</i>	<i>Paweł Szalámacha</i>

¹ On 25 January 2022 Eugeniusz Gatnar and Jerzy Kropiwnicki ceased to act as members of the Monetary Policy Council (after their term of office ended).

On 26 January 2022 Ludwik Kotecki and Przemysław Litwiniuk started to act as members of the Monetary Policy Council.

On 9 February 2022 Grażyna Ancyparowicz and Eryk Łon ceased to act as members of the Monetary Policy Council (after their term of office ended).

On 20 February 2022 Łukasz Hardt and Kamil Zubelewicz ceased to act as members of the Monetary Policy Council (after their term of office ended).

On 21 February 2022 Ireneusz Dąbrowski and Henryk Wnorowski started to act as members of the Monetary Policy Council.

On 23 February 2022 Wiesław Janczyk started to act as member of the Monetary Policy Council.

² On 1 January 2021 Marta Gajęcka started to act as member of the Management Board of NBP.

On 4 August 2021 Ryszard Kokoszczyński ceased to act as member of the Management Board of NBP (after his term of office ended).

1.2. Legal basis of preparation of the financial statements

The Management Board of NBP prepared the financial statements of NBP as at 31 December 2021 on the basis of the following provisions:

- the Act on NBP,
- Resolution No. 13/2020 of the Monetary Policy Council of 6 November 2020 on the accounting principles of Narodowy Bank Polski, format of the Balance Sheet and the Profit and Loss Account and contents of the Notes (NBP Official Journal, item 24), hereinafter referred to as "Resolution No. 13/2020 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. 64/2020 of the Management Board of Narodowy Bank Polski of 21 December 2020 on the rules on organisation of accounting at Narodowy Bank Polski (as amended), 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 2021 to 31 December 2021. Comparative data in the financial statements cover the financial year from 1 January 2020 to 31 December 2020.

1.4. Certified auditor and its selection

The annual financial statements of NBP prepared as at 31 December 2021 are subject to audit by the certified auditor KPMG Audyt sp. z o. o. 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). In 2021, the MPC decided to extend the agreement.

1.5. Information on the adoption and approval of NBP financial statements for the year 2020

The annual financial statements of NBP prepared as at 31 December 2020 were adopted by the MPC by Resolution No. 2/2021 on 7 April 2021 (NBP Official Journal, item 6) and approved by the Council of Ministers by Resolution No. 67/2021 on 27 May 2021. 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 2020, NBP recorded a net financial result of PLN 9,344,061.5 thousand. Therefore, in 2021 in accordance with Article 69 para. 4 of the Act on NBP, NBP paid a contribution from profit in the amount of 8,876,858.4 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 467,203.1 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,
- consistency and 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 instruments³ the principle of valuation at a market value is applied.⁴ The revaluation results of the assets and liabilities to a market value effective as at the balance sheet date are recognised in accordance with the following rules:

- recognising unrealised losses (revaluation losses) 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*.

Price valuation of financial instruments valued at a market price is made prior to their currency valuation.

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 at the average market price for an ounce of gold quoted in US dollars on the London Bullion Market.

Marketable securities not classified as held-to-maturity are valued at their market value.

Marketable securities held to maturity are valued at their clean price adjusted for amortised discount and premium, less impairment.⁵

³ Off-balance sheet items arising from foreign exchange forwards and foreign exchange swaps are valued at the average NBP exchange rate.

⁴ The principle of valuation at market value was not applied for securities held-to-maturity and securities held for monetary policy purposes. Market value is the average value of the purchase price and the sale price based on quotations for a standardised transaction on a given market by recognised entities active on an organised market or a non-organised market, and where such prices are not available on the market – it is the value determined according to an adopted and consistently applied valuation model, including a value determined according to the relevant yield curves made public.

⁵ Marketable securities held-to-maturity may be sold before their maturity:

- 1) if the amount of securities sold is considered non-significant in comparison with the total value of the held-to-maturity securities portfolio, or

Marketable securities held for monetary policy purposes are valued at their clean price adjusted for amortised discount and premium, less impairment.

Securities issued by NBP are valued at their issue price adjusted for amortised discount and premium.

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

Futures contracts are valued at their market value.

The remaining components of assets and liabilities are valued at, respectively, nominal value, transaction price or market value.

Assets not valued at market value are tested for impairment, i.e. if it is highly probable that a given asset will not generate expected economic benefits in the future. If such evidence is identified, the amount of expected impairment is determined by comparing their book value with their recoverable 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 2021, the prices/exchange rates announced on 31 December 2021 were used and for comparative data – those announced on 31 December 2020.

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 the adjusting events as at the balance sheet date.

3. Changes in accounting principles

Changes in the NBP accounting policy in 2021 were introduced by Resolution No. 13/2020 of the MPC and Resolution No. 64/2020 of the Management Board of NBP.

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- 2) if the securities are sold during one month before maturity date, or
 - 3) under exceptional circumstances, in particular in the case of a significant deterioration of the issuer's creditworthiness.

Recognition, valuation and presentation of assets and liabilities in the NBP Balance Sheet

As from 1 January 2021, as regards the manner of recognition, valuation and presentation of assets and liabilities in the NBP Balance Sheet changes were introduced, mainly relating to issued securities, provision against the foreign exchange rate risk of the zloty (hereinafter referred to as FX risk provision), accruals and prepaid expenses and deferred income, and assets' impairment:

- securities issued by NBP are recognised in the NBP accounting books at their issue price and are valued as at the balance-sheet date according to their issue price adjusted for amortised discount and premium; until 31 December 2020 securities issued by NBP were recognised on the liabilities side at nominal value, whereas discount on these securities was recognised on the assets side as accruals and prepaid expenses and amortised pro rata in the financial result at the end of each operating day,
- FX risk provision is presented in the Liabilities Item 12. *Provisions*, which complies with the principles set out in the ECB Guideline; until 31 December 2020 the FX risk provision was presented in the Liabilities Item 14. *Capital and reserves*,
- interest on impaired assets and interest for non-compliance with the obligation to maintain the required minimum reserve are presented as interest accruals, less impairment, whereas income on this interest is recognised as the claims arise; until 31 December 2020 the amount of interest accruals on impaired assets and the amount of interest for non-compliance with the obligation to maintain the required minimum reserve were initially recognised in the balance sheet as deferred income and subsequently recognised in the financial result on the payment day or when the impairment had ceased (the interest was not subject to impairment),
- the value of disclosed assets or assets received free of charge which are not depreciated/amortised over the period of use, as well as the value of those assets whose initial value or unit value is lower than PLN 10.0 thousand, is on a one-off basis recognised in other income; until 31 December 2020, their value was recognised as deferred income.

In the context of the above changes, on 1 January 2021 the following adjustments were introduced to the NBP Balance Sheet:

- nominal value of securities issued by NBP was adjusted for unamortised discount (PLN 2,459.5 thousand) – see Note 6.1 and Note 8,
- the amount of interest and the value of disclosed assets or assets received free of charge, which were not amortised in previous years, hitherto recognised as deferred income in the accounting books, were recognised on a one-off basis in the financial result (PLN 1,002.4 thousand); at the same time the related items were tested for impairment (PLN 716.2 thousand) – see Note 3.4., Note 4, Note 8, Note 11 and Note 19.

Moreover, minor adjustments were introduced for the names of balance sheet items and items of the profit and loss account, mainly of a linguistic nature.

One-off depreciation/amortisation

As of 1 January 2021, the depreciation/amortisation of tangible and intangible fixed assets of the initial value of less than PLN 10.0 thousand is made on a one-off basis in the amount equal to the initial value, at the end of the month when the tangible or intangible fixed asset were made available for use. Until 31 December 2020, the threshold was set for PLN 3.5 thousand. As at 1 January 2021, the non-depreciated/non-amortised value of tangible and intangible fixed assets of a unit value below PLN 10.0 thousand was recognised on a one-off basis as depreciation/amortisation expenses (PLN 18,996.7 thousand) – see Note 4 and Note 17.

The table below presents changes in the items of the NBP Balance Sheet arising from the changes introduced to the Bank's accounting policy.

Assets	01.01.2021	31.12.2020	Change
	PLN thousand		
...			
10. Other assets	1,956,770.6	1,978,942.9	-22,172.3
10.1. Tangible and intangible fixed assets	1,012,544.4	1,031,541.1	-18,996.7
...			
10.4. Accruals and prepaid expenses	34,803.8	37,263.3	-2,459.5
10.5. Sundry	167,812.0	168,528.2	-716.2
Liabilities	01.01.2021	31.12.2020	Change
	PLN thousand		
...			
4. Liabilities due to issued securities denominated in domestic currency	127,765,220.5	127,767,680.0	-2,459.5
...			
11. Other liabilities	728,942.8	729,945.2	-1,002.4
11.2. Accruals and deferred income	89,133.5	90,135.9	-1,002.4
...			
12. Provisions	10,030,488.9	179,569.6	9,850,919.3
12.1. FX risk provision	9,850,919.3	-	9,850,919.3
12.2. Provisions for liabilities	179,569.6	179,569.6	0.0
...			
14. Capital and reserves	1,891,425.1	11,742,344.4	-9,850,919.3
14.1. Statutory fund	1,500,000.0	1,500,000.0	0.0
14.2. Reserve fund	391,425.1	391,425.1	0.0
14.3. Reserves	-	9,850,919.3	-9,850,919.3
15. Financial result	-2,540,012.4	-2,521,301.9	-18,710.5
15.1. Financial result for the financial year	-18,710.5	9,344,061.5	-
...			

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 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 the 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, death in service benefits and jubilee awards (the provisions are estimated on the basis of actuarial assessment carried out periodically by an independent actuary),
- 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-related payments, and consequently to determine the value of lease assets – see Note 4 and Note 6.4),
- write-downs due to assets' impairment.

5. Explanatory notes

Note 1 Gold and gold receivables

Financial instruments in gold are recognised in the NBP accounting books at transaction price. The transaction price of an ounce of gold in USD is translated into domestic currency according to the average NBP exchange rate of the US dollar effective as at the date of transaction.

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 market value of an ounce of gold expressed in USD, 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>	31.12.2021	31.12.2020	Change
Gold stored at NBP	24,912,428.2	23,961,404.3	951,023.9
Gold on accounts with foreign banks, of which:	29,931,371.2	28,291,215.3	1,640,155.9
- <i>current accounts in gold</i>	18,144,948.1	20,210,979.9	-2,066,031.8
- <i>term deposits in gold</i>	11,786,423.1	8,080,235.4	3,706,187.7
Total	54,843,799.4	52,252,619.6	2,591,179.8
<i>of which gold revaluation differences</i>	23,474,557.2	27,525,036.9	-4,050,479.7

		31.12.2021	31.12.2020	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	4,050.5	3,980.5	70.0
	(tons)	(125.9)	(123.8)	(2.1)
- <i>current accounts in gold</i>	thousands of ounces	2,455.5	2,843.6	-388.1
	(tons)	(76.3)	(88.4)	(-12.1)
- <i>term deposits in gold</i>	thousands of ounces	1,595.0	1,136.9	458.1
	(tons)	(49.6)	(35.4)	(14.2)
Total	thousands of ounces	7,421.7	7,351.7	70.0
	(tons)	(230.8)	(228.7)	(2.1)

Gold is held at NBP and on accounts in foreign banks. Gold held in foreign banks is:

- held on the current accounts (mainly 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 70.0 thousand ounces was a result of the investment policy pursued.

The domestic currency value of the item was mainly affected by the revaluation of the holding of gold (see Note 9.1 and Note 12.1).

Note 2 Receivables from and liabilities to the IMF

Transactions 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 nominal value. Valuation of assets is carried out with consideration for impairment write-downs.

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 effective 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 of the IMF).

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 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 in the IMF** (non-interest bearing) includes funds in the IMF-administered PRG-HIPC Trust (Poverty Reduction and Growth – Heavily Indebted Poor Countries Initiative).

▪ Loans in foreign currency extended to the IMF

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 interest-bearing loans up to the arranged limit. As at the end of 2021 the maximum limit of loans amounted to SDR 2,570,800.0 thousand⁶ (SDR 1,285,400.0 as at the end of 2020). The increase in the item results from the entry into force of the decision to increase NAB, which is effective from 1 January 2021 to 31 December 2025.

Under the 2017 bilateral borrowing agreement (BBA) concluded by NBP and the IMF, until the end of 2020 NBP had made a commitment to extend interest-bearing loans to the IMF amounting up to the SDR equivalent of EUR 6,270,000.0 thousand. In accordance with the agreement of 2020, effective from 1 January 2021 to 31 December 2023, with an option to extend it for one year, subject to approval by NBP, the available limit of the loan was reduced to EUR 2,701,000.0 thousand⁷ (which was related to the increased limit of loans under NAB). 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 2020 nor in 2021 did the IMF borrow funds under BBA.

- **SDR allocations**, meaning granting SDRs to member countries, were conducted in 2009 and in 2021. Under the SDR allocations, the Republic of Poland received a total of SDR 5,229,896.4 thousand.

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

<i>PLN thousand</i>	Balance sheet item	31.12.2021	31.12.2020	Change
Reserve tranche, of which		5,737,726.8	4,903,695.4	834,031.4
- Member quota in the IMF		23,798,105.3	21,905,925.0	1,892,180.3
- No. 1 Account of the IMF		-18,060,378.5	-17,002,229.6	-1,058,148.9
Current account with the IMF		24,059,229.8	1,601,691.4	22,457,538.4
Term deposit with the IMF		40,261.8	38,645.5	1,616.3
Loans extended to the IMF		172,902.3	335,362.2	-162,459.9
Total assets (Receivables from the IMF)	A.2.1	30,010,120.7	6,879,394.5	23,130,726.2
SDR allocation (Liabilities to the IMF)	L.9	29,769,702.4	7,128,746.3	22,640,956.1
Net item		240,418.3	-249,351.8	489,770.1
<i>of which SDR currency revaluation differences</i>		7,985.7	3,209.7	4,776.0

⁶ That is PLN 14,632,222.4 thousand according to the average NBP exchange rate as at 31 December 2021.

⁷ That is PLN 12,422,979.4 thousand according to the average NBP exchange rate as at 31 December 2021.

<i>SDR thousand</i>	Balance sheet item	31.12.2021	31.12.2020	Change
Reserve tranche		1,008,086.7	897,586.7	110,500.0
- Member quota in the IMF		4,095,400.0	4,095,400.0	0.0
- No. 1 Account of the IMF		-3,087,313.3	-3,197,813.3	110,500.0
Current account with the IMF		4,227,072.6	293,178.2	3,933,894.4
Term deposit with the IMF		7,073.8	7,073.8	0.0
Loans extended to the IMF		30,378.0	61,385.7	-31,007.7
Total assets (Receivables from the IMF)	A.2.1	5,272,611.1	1,259,224.4	4,013,386.7
SDR allocation (Liabilities to the IMF)	L.9	5,230,371.0	1,304,866.4	3,925,504.6
Net item		42,240.1	-45,642.0	87,882.1

Under SDR allocation in 2021 the Republic of Poland was granted SDR 3,925,256.7 thousand, which resulted in the increase in the balance of the current account with the IMF and liabilities due to SDR allocation.⁸ In addition, the change in the item in original currency was due to:

- an increase in the reserve tranche 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,
- 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 IMF⁹,
- an increase in the current account with the IMF, mainly as a result of settlements of operations other than the SDR allocation (see Note 12.1).

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).

⁸ The SDR allocation decision was taken by the IMF Board of Governors on 2 August 2021. The main purpose of the SDR allocation was to meet the IMF member countries' needs to supplement the existing reserve assets, bearing in mind the challenges posed by the crisis caused by the COVID-19 pandemic. Under the general allocation, the IMF distributed SDRs to all member countries in proportion to their paid member quota.

⁹ As at 31 December 2021, the outstanding amount of the NBP's commitment to the IMF under the NAB amounted to SDR 2,540,425.0 thousand (PLN 14,459,337.0 thousand according to the average NBP exchange rate as at 31 December 2021). As at 31 December 2020, the outstanding amount of NBP's commitment was SDR 1,224,025.0 thousand (SDR 6,687,093.4 thousand according to the average NBP exchange rate as at 31 December 2020).

Note 3 Other financial assets

▪ Securities

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

As at the balance sheet date, securities denominated in foreign currencies, not classified as held-to-maturity, are valued at market price effective on the balance sheet date. Unrealised losses related to a given securities holding 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 foreign currency held to maturity are valued at their clean price adjusted for amortised discount and premium, less impairment.

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

▪ Reverse repo transactions

A reverse repo transaction is a contract under which an entity agrees to purchase assets and, simultaneously, agrees to re-sell equivalent assets in future, for a transaction price. This transaction is recognised in assets as a loan granted, collateralised with received assets. Securities received as collateral do not increase the holding of these securities and are not disclosed in assets of the NBP balance sheet. Securities received in reverse repo transactions are not subject to valuation and no income or expense on these securities are recognised in the financial result of NBP.

The difference between the agreed purchasing and re-selling price of securities in 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 at nominal value.

▪ Term deposits

Term deposits are recognised in the NBP accounting books and valued as at the balance sheet date at nominal value.

- **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 the 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, less impairment.

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

Credit and loans granted and other claims are recognised in the NBP accounting books and valued at the balance sheet date according to their nominal value, less impairment.

- **Financial assets in foreign currency**

Following the valuation of financial assets 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 3.1 Balances with foreign institutions, securities, loans granted and other foreign assets

<i>PLN thousand</i>	31.12.2021	31.12.2020	Change
Current accounts, of which	22,771,019.4	31,124,418.7	-8,353,399.3
- <i>current account with the ECB for settlements in TARGET2</i>	2,574,140.7	2,857,132.0	-282,991.3
Term deposits	22,638,153.6	26,407,882.5	-3,769,728.9
Reverse repo transactions	35,876,615.9	45,225,495.5	-9,348,879.6
Securities, of which	506,790,467.3	417,564,746.5	89,225,720.8
- <i>securities held to maturity</i>	41,215,224.6	0.0	41,215,224.6
Foreign banknotes and coins in stock	211,890.8	263,278.9	-51,388.1
Other claims, of which	1,035,035.7	726.5	1,034,309.2
- <i>margins related to futures transactions</i>	1,024,049.9	722.9	1,023,327.0
- <i>interest on term deposits in gold</i>	405.5	3.6	401.9
- <i>other</i>	10,580.3	0.0	10,580.3
Total	589,323,182.7	520,586,548.6	68,736,634.1
<i>of which</i>			
- <i>currency revaluation differences</i>	27,820,277.4	15,866,753.7	11,953,523.7
- <i>price revaluation differences</i>	-3,003,299.9	3,784,535.7	-6,787,835.6

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

- securities (discount securities and fixed-interest-rate securities) – all securities purchased by NBP are marketable securities; in 2021 under the implemented investment policy a portfolio comprising securities issued by the US Government in the amount of USD 9.9 billion was separated (in the value approximate to the book value as at the balance sheet date) and re-classified as held-to-maturity¹⁰,
- term deposits,
- reverse repo transactions – under the NBP investment process reverse repo transactions are usually executed simultaneously with repo transactions¹¹ (see Note 6.3).

The item also includes futures margins whose increase resulted from higher investment in futures contracts (see Note 10.3).

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

31.12.2021							
<i>thousand units of original currency</i>	USD	EUR	GBP	CAD	AUD	NOK	NZD
Term deposits	411,700.0	2,506,181.4	19,000.0	0.0	0.0	12,099,299.6	1,353,791.6
Reverse repo transactions	2,903,444.3	1,167,701.4	2,634,208.9	0.0	1,377,438.0	0.0	74,187.3
Securities	51,985,974.5	22,819,662.3	11,380,580.4	16,830,953.6	13,593,472.8	50,926,300.6	3,979,327.0
Total	55,301,118.8	26,493,545.1	14,033,789.3	16,830,953.6	14,970,910.8	63,025,600.2	5,407,305.9
31.12.2020							
<i>thousand units of original currency</i>	USD	EUR	GBP	CAD	AUD	NOK	NZD
Term deposits	151,800.0	4,115,991.0	432,900.0	0.0	0.0	10,502,127.8	0.0
Reverse repo transactions	4,409,715.6	1,157,260.8	3,775,517.4	0.0	897,227.5	0.0	492,194.3
Securities	57,947,757.4	18,204,454.8	9,849,525.4	0.0	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	0.0	12,567,982.2	59,970,403.0	4,051,254.5
Change							
<i>thousand units of original currency</i>	USD	EUR	GBP	CAD	AUD	NOK	NZD
Term deposits	259,900.0	-1,609,809.6	-413,900.0	0.0	0.0	1,597,171.8	1,353,791.6
Reverse repo transactions	-1,506,271.3	10,440.6	-1,141,308.5	0.0	480,210.5	0.0	-418,007.0
Securities	-5,961,782.9	4,615,207.5	1,531,055.0	16,830,953.6	1,922,718.1	1,458,025.4	420,266.8
Total	-7,208,154.2	3,015,838.5	-24,153.5	16,830,953.6	2,402,928.6	3,055,197.2	1,356,051.4

¹⁰ As at 31 December 2021 the market value of securities classified as held to maturity was PLN 40,029,535.5 thousand.

¹¹ As at 31 December 2021 securities of the value of PLN 35,657,895.9 thousand were collateral to repo transactions (PLN 45,085,487.1 thousand as at 31 December 2020).

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 accounts with NBP as well as NBP's own transactions (see Note 6.1 and Note 6.3),
- a change in the investment structure of foreign currency reserves – the start of investment in CAD with a simultaneous reduction of the portfolio in USD (see Chapter 7.1.4),
- a decrease in investment in simultaneous reverse repo and repo transactions in USD, GBP and NZD (see Note 6.3),
- the IMF financing under the FTP (see Note 2).

Additionally, the change in the item was a result of currency revaluation (see Note 9.1, Note 12.1 and Note 12.2).

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

<i>PLN thousand</i>	Balance sheet item	31.12.2021	31.12.2020	Change
Bill discount credits	A.5.5	0.0	52,955.4	-52,955.4
Securities, of which	A.7	149,322,164.0	112,563,027.9	36,759,136.1
- Treasury securities		86,952,637.8	58,528,091.6	28,424,546.2
- securities guaranteed by the State Treasury		62,369,526.2	54,034,936.3	8,334,589.9
Total		149,322,164.0	112,615,983.3	36,706,180.7

In 2021 and 2020 NBP purchased Treasury bonds and securities guaranteed by the State 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 Note 11).

Furthermore, in 2020 NBP offered a 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 loans extended to entrepreneurs (see Chapter 7.1.1.2.2). In 2021, NBP ceased to offer this instrument.

Note 3.3 Other financial assets

PLN thousand	31.12.2021	31.12.2020	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	170,213.0	168,390.2	1,822.8
- participating interests in the European Central Bank	112,649.7	113,026.8	-377.1
- shares in the Bank for International Settlements	56,917.0	54,632.0	2,285.0
- participating interests in S.W.I.F.T.	646.3	731.4	-85.1
Total	299,061.9	297,239.1	1,822.8

The increase in the value of the item was a result of currency revaluation of shares and participating interests in foreign entities and a decrease in the number of participating interests of NBP in S.W.I.F.T. as a result of re-allocation of participating interests carried out by this entity.

The participation of NBP in domestic entities did not change in comparison to 31 December 2020, and as at 31 December 2021 was as follows:

NBP's participation in domestic entities

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 (%)
	31.12.2021	31.12.2021	31.12.2021	31.12.2021
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 2021 and 31 December 2020, the capital paid up by NBP to the ECB amounted to EUR 24,492.3 thousand.

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.¹² 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 the 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 its losses. As at 31 December 2021 and 31 December 2020, the capital paid up by NBP to the ECB amounted 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 2021 and 31 December 2020, NBP held 8,000 shares that translated into the same number of votes. 25% of the nominal value of shares (the nominal value of one 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. (Society for Worldwide Interbank Financial Telecommunication)
As at 31 December 2021 NBP had 47 shares (in the amount of EUR 140.5 thousand). As at 31 December 2020 NBP had 53 shares (in the amount of EUR 158.5 thousand), which represented less than 0.05% of their total number.

¹² 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.

Note 3.4. Sundry

<i>PLN thousand</i>	31.12.2021	31.12.2020	Change
Inventories, of which	25,601.6	27,555.3	-1,953.7
- <i>precious metals</i>	24,477.1	26,505.9	-2,028.8
- <i>collector items not in circulation</i>	366.7	364.7	2.0
- <i>other</i>	757.8	684.7	73.1
Credit and loans extended in domestic currency, of which	22,107.6	89,773.3	-67,665.7
- <i>loans to employees, of which</i>	22,107.6	22,784.1	-676.5
• <i>loans extended from the Employee Benefit Fund</i>	11,435.2	12,266.3	-831.1
- <i>other loans</i>	0.0	66,989.2	-66,989.2
Other claims, of which	19,977.9	29,710.3	-9,732.4
- <i>on public authorities</i>	3.3	0.2	3.1
- <i>on customers and suppliers</i>	7,387.6	15,574.8	-8,187.2
- <i>other</i>	12,587.0	14,135.3	-1,548.3
Funds of the Employee Benefit Fund	8,476.5	6,420.9	2,055.6
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	19,790.7	15,068.4	4,722.3
Total	95,954.3	168,528.2	-72,573.9

As at 31 December 2020, the item *Other loans* included a claim due to a refinancing loan, in another form specified by the Management Board of NBP, granted in 2015. In 2021 this claim was repaid in full from the funds obtained from claims on loan agreements, assigned in favour of NBP as collateral to the loan granted.

Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding relates to spot and forward transactions in foreign currency recognised on off-balance-sheet accounts (as at 31 December 2020 it related to spot transactions only). 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

– or according to market value, if it is not possible to determine purchase price 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 2021.

Tangible fixed assets	Periods of use (in months)
Land, NBP's cultural goods	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 10.0 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 (see Chapter 3).

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 asset is depreciated or amortised throughout the period of lease or the period of use of the underlying asset, whichever is shorter, using the straight-line method, starting from the month of the asset'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 6.4) 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 or the monthly lease fee is worth less than PLN 10.0 thousand, except for the lease concerning the right of perpetual usufruct of land) are not settled according to the above principles and are recognised as expense throughout the lease period.

PLN thousand	31.12.2021	31.12.2020	Change
Fixed assets	727,780.8	732,938.5	-5,157.7
Lease assets	205,422.0	185,954.0	19,468.0
Intangible assets	100,547.6	112,648.6	-12,101.0
Total	1,033,750.4	1,031,541.1	2,209.3

Change in tangible fixed assets, lease assets and intangible fixed assets in 2021 (due to rounding, individual figures in the table may not add up to totals) PLN thousand	Tangible fixed assets				Lease assets			Intangible fixed assets				Total
	Land, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total	Right of perpetual usufruct of land	Other lease assets	Total	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction		
Gross value as at start of period	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	49,918.5	1,450.0	486,962.1	
Increases	20,991.2	60,105.7	53,651.7	134,748.6	0.0	32,733.1	32,733.1	5,848.4	1,326.9	8,300.3	15,475.6	
Decreases	-446.4	-50,966.6	-63,627.3	-114,940.3	0.0	-1,982.3	-1,982.3	-37,348.3	-1,061.2	-2,266.0	-40,677.4	
Gross value as at end of period	970,487.5	691,023.9	11,530.6	1,673,042.0	175,983.5	48,002.4	223,985.9	434,093.6	20,184.3	7,482.4	461,760.3	
of which fully depreciated/amortised	1,481.9	253,619.6	0.0	255,101.5	0.0	0.0	0.0	102,369.6	4,260.8	0.0	106,650.4	
Depreciation/amortisation as at start of period	-403,287.3	-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	
Increases	-14,238.0	-61,554.3	0.0	-75,792.3	-2,542.7	-10,640.6	-13,183.3	-22,818.0	-2,433.1	0.0	-25,251.1	
Decreases	251.1	50,578.1	0.0	50,829.2	0.0	1,900.6	1,900.6	37,335.5	1,016.4	0.0	38,351.9	
Depreciation/amortisation as at end of period	-437,274.2	-507,236.9	0.0	-944,511.1	-5,085.3	-13,478.6	-18,563.9	-350,453.2	-10,750.6	0.0	-361,203.7	
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	-5.0	0.0	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Decreases	0.0	2.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Impairment as at end of period	-272.9	-477.2	0.0	-750.1	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Net value as at end of period	532,940.4	183,309.8	11,530.6	727,780.8	170,898.2	34,523.8	205,422.0	83,631.6	9,433.7	7,482.4	100,547.6	

Change in tangible fixed assets, lease assets and intangible fixed assets in 2020 (due to rounding, individual figures in the table may not add up to totals) PLN thousand	Tangible fixed assets				Lease assets			Intangible fixed assets				Total
	Land, buildings, premises, land and water engineering objects	Machines, devices, appliances, tools, equipment and vehicles	Tangible fixed assets under construction	Total	Right of perpetual usufruct of land	Other lease assets	Total	Computer software	Copyrights, proprietary rights and similar rights and values	Intangible fixed assets under construction		
Gross value as at start of period	932,627.8	651,584.4	26,320.0	1,610,526.1	175,983.5	11,390.2	187,373.8	470,580.4	18,965.9	4,145.4	489,691.8	
Increases	17,341.3	39,970.2	33,667.3	90,878.8	0.0	8,150.7	8,150.7	33,444.4	1,073.2	27,839.3	62,356.9	
Decreases	-20.4	-9,669.8	-38,481.0	-48,171.2	0.0	-2,289.3	-2,289.3	-38,431.3	-120.6	-30,534.7	-69,086.6	
Gross value as at end of period	949,942.7	681,884.8	21,406.2	1,653,233.7	175,983.5	17,251.6	193,235.2	465,593.5	19,918.5	1,450.0	486,962.1	
of which fully depreciated/amortised	1,547.2	249,804.4	0.0	251,351.6	0.0	0.0	0.0	123,831.7	2,952.1	0.0	126,783.8	
Depreciation/amortisation as at start of period	-410,162.0	-461,525.3	0.0	-871,687.3	0.0	0.0	0.0	-381,816.0	-8,057.7	0.0	-389,873.7	
Increases	-13,144.4	-43,831.4	0.0	-56,975.8	-2,542.7	-7,027.8	-9,570.5	-21,547.1	-1,397.5	0.0	-22,944.6	
Decreases	19.0	9,096.1	0.0	9,115.1	0.0	2,289.3	2,289.3	38,392.4	121.3	0.0	38,513.7	
Depreciation/amortisation as at end of period	-423,287.3	-496,260.7	0.0	-919,548.0	-2,542.7	-4,738.5	-7,281.2	-364,970.7	-9,333.9	0.0	-374,304.6	
Impairment as at start of period	-272.9	-474.3	0.0	-747.2	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Decreases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Impairment as at end of period	-272.9	-474.3	0.0	-747.2	0.0	0.0	0.0	-8.9	0.0	0.0	-8.9	
Net value as at end of period	526,382.4	185,149.8	21,406.2	732,938.5	173,440.9	12,513.1	185,954.0	100,613.9	10,584.6	1,450.0	112,648.6	

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 issued circulation banknotes and coins in domestic currency, decreased by a nominal value of circulation banknotes and coins in domestic currency:

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

PLN thousand	31.12.2021	31.12.2020	Change
Domestic banknotes in circulation	349,495,557.8	316,074,943.6	33,420,614.2
Domestic coins in circulation	6,062,167.5	5,725,722.3	336,445.2
Total	355,557,725.3	321,800,665.9	33,757,059.4

The item comprises banknotes and coins in circulation issued by NBP, including collector banknotes and coins, whose value as at 31 December 2021 amounted to PLN 313,639.6 thousand, as compared with PLN 304,515.9 thousand as at 31 December 2020. The 10.5% increase in the item was related to a general rise in money supply in the economy, which – measured with the M2 monetary aggregate – increased in 2021 on a comparable scale (i.e. by 8.8%). The effect of the pandemic, causing above average growth in cash in circulation in 2020, lost its relevance in 2021.

The average level of banknotes and coins in circulation throughout 2021 amounted to PLN 341,610.0 million as compared with PLN 287,577.3 million in 2020.

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 and are valued as at the balance-sheet date at nominal value.

▪ Issued securities

Issued securities are recognised in the NBP accounting books at issue price and valued as at the balance sheet date at issue price adjusted for amortised discount and premium (see Note 8).

▪ Repo transactions

A repo transaction is a contract under which an entity agrees to sell assets and, simultaneously, agrees to re-purchase equivalent assets in future, for a transaction price. This transaction is recognised in *Liabilities* as a received deposit, collateralised with assigned assets. Securities assigned as collateral

do not decrease the holding of these securities and are disclosed in the assets of the NBP balance sheet.

The difference between the agreed selling and re-purchasing price of securities in 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, repo transactions are valued at nominal value.

- **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 calculated according to the adopted discount rate and for the value of outstanding lease fees.

In the event of a change of lease conditions, the value of lease assets and liabilities is adjusted accordingly (see Note 4).

- **Other financial liabilities**

Other financial liabilities are recognised in the NBP accounting books and valued as at the balance sheet date at their nominal value.

- **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	31.12.2021	31.12.2020	Change
	Current accounts (incl. required minimum reserve accounts), of which	66,061,581.2	30,351,413.3	35,710,167.9
	- current accounts of banks and KSKOK	65,724,007.7	30,010,468.9	35,713,538.8
	- required minimum reserve accounts of banks not having a current account with NBP	337,573.5	340,944.4	-3,370.9
	Deposit facilities, of which	30,463,543.2	32,278,000.0	-1,814,456.8
	- accrued interest	1,043.2	0.0	1,043.2
	Liabilities to credit institutions related to monetary policy operations denominated in domestic currency	96,525,124.4	62,629,413.3	33,895,711.1
	NBP bills issued under main operations	184,521,188.7	127,767,680.0	56,753,508.7
	Liabilities due to issued securities denominated in domestic currency	184,521,188.7	127,767,680.0	56,753,508.7
	Total	281,046,313.1	190,397,093.3	90,649,219.8

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

The amount of funds held by banks and KSKOK¹³ 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 due to issued securities denominated in domestic currency comprise mainly liabilities to domestic banks related to the issue of NBP bills under open market main¹⁴ and fine-tuning¹⁵ operations aimed to absorb liquidity (see Chapter 3).¹⁶

The funds of the required minimum reserve and deposit facilities bear interest, whereas NBP bills are issued at a discount (see Chapter 3 and Note 8). As at 31 December 2021 and 31 December 2020, 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:

¹³ 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"].

¹⁴ In 2021, the maturity of main operations was 7 days (in 2020 it was 6, 7 and 8 days).

¹⁵ In 2021, the maturity of fine-tuning operations was 1 day, 2 and 3 days (in 2020 it was 1 day, 2, 3 and 4 days).

¹⁶ Pursuant to Resolution No. 30/2003 of the NBP Management Board of 12 September 2003 on the issue of NBP bills (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 KSKOK.

Rate of interest on liabilities due to monetary policy operations		
%	31.12.2021	31.12.2020
Required minimum reserve*	1.75	0.10
Deposit facility**	1.25	0.00
NBP bills***	1.75	0.10

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

** NBP deposit rate.

*** NBP reference rate.

The increase in the total liabilities of NBP related to the monetary policy operations by PLN 90,649,219.8 thousand as at 31 December 2021 as compared with 31 December 2020 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 and Note 6.3),

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

- an increase in the volume of cash in circulation in 2021 (see Note 5).

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

Note 6.2 Other liabilities denominated in domestic currency

<i>PLN thousand</i>	Balance sheet item	31.12.2021	31.12.2020	Change
Settlements in the domestic payment systems of Krajowa Izba Rozrachunkowa, of which		762,678.9	444,908.2	317,770.7
- in the Elixir system		403,231.9	84,561.7	318,670.2
- in the Express Elixir system		359,447.0	360,346.5	-899.5
Other liabilities to credit institutions denominated in domestic currency	L.3	762,678.9	444,908.2	317,770.7
Liabilities to general government, of which	L.5.1	15,185,508.3	23,852,886.1	-8,667,377.8
- State budget accounts		6,454,710.0	6,017,708.9	437,001.1
- accounts of social insurance funds		8,637,379.5	17,534,326.2	-8,896,946.7
- other		93,418.8	300,851.0	-207,432.2
Other liabilities	L.5.2	66,391.7	1,006,834.9	-940,443.2
Liabilities to other residents denominated in domestic currency	L.5	15,251,900.0	24,859,721.0	-9,607,821.0
Accounts of international financial institutions and central banks, of which		54,713.6	343,796.4	-289,082.8
- No. 2 Account of the IMF		22,890.0	21,066.0	1,824.0
Accounts of international non-financial organisations		3,906,087.2	1,852,360.3	2,053,726.9
Liabilities to non-residents denominated in domestic currency	L.6	3,960,800.8	2,196,156.7	1,764,644.1
Total		19,975,379.7	27,500,785.9	-7,525,406.2

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,
- 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 of the IMF) – see Note 12.1,
- liabilities due to settlements in the payment systems operated by Krajowa Izba Rozliczeniowa S.A.

The decrease in the item was mainly related to a decrease in the balance of accounts in domestic currency operated by NBP for social insurance funds, with a simultaneous increase in the balance of accounts operated for international non-financial organisations.

Note 6.3 Liabilities denominated in foreign currency

<i>PLN thousand</i>	Balance sheet item	31.12.2021	31.12.2020	Change	
	State budget accounts	29,844,278.0	42,867,098.8	-13,022,820.8	
	Accounts of domestic banks for settlements in TARGET2	2,574,101.1	2,857,108.2	-283,007.1	
	Other liabilities to residents	211,340.6	538,566.2	-327,225.6	
	Liabilities to residents denominated in foreign currency	L.7	32,629,719.7	46,262,773.2	-13,633,053.5
	Repo transactions	35,873,254.8	45,222,015.4	-9,348,760.6	
	Accounts of international non-financial organisations	163,175.3	130,498.1	32,677.2	
	Other liabilities to non-residents	0.0	13.4	-13.4	
	Liabilities to non-residents denominated in foreign currency	L.8	36,036,430.1	45,352,526.9	-9,316,096.8
	Total	68,666,149.8	91,615,300.1	-22,949,150.3	
	<i>of which currency revaluation differences</i>	2,871,552.2	3,589,772.4	-718,220.2	

The item comprises mainly:

- current accounts, auxiliary accounts and term deposit accounts in foreign currency operated by NBP for general government entities and international non-monetary financial organisations, as well as accounts of domestic banks for settlements in TARGET2,
- liabilities due to repo transactions with foreign financial institutions under the investment process implemented by NBP, 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
31.12.2021	2,903,406.7	1,167,558.5	2,633,780.4	1,377,374.6	74,182.2
31.12.2020	4,409,614.4	1,157,171.5	3,775,008.6	897,212.0	492,182.8
Change	-1,506,207.7	10,387.0	-1,141,228.2	480,162.6	-418,000.6

- 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 the item was mainly related to a decrease in the balance of accounts in foreign currency operated by NBP for the State budget and to a lower value of repo transactions.

Note 6.4 Sundry

<i>PLN thousand</i>	31.12.2021	31.12.2020	Change
Lease liabilities	209,587.8	188,057.2	21,530.6
Other liabilities, of which	64,572.8	61,007.3	3,565.5
- to public authorities	18,073.8	19,041.1	-967.3
- to suppliers	34,508.0	25,512.6	8,995.4
- other	11,991.0	16,453.6	-4,462.6
Employee Benefit Fund	19,911.7	18,686.9	1,224.8
Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding	692,280.1	371,946.1	320,334.0
Total	986,352.4	639,697.5	346,654.9

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

Adjustment of off-balance-sheet instruments to the average cost of foreign currency holding relates to swap, spot and forward transactions in foreign currency recognised on off-balance-sheet accounts (see Note 10.1).

Note 7 Provisions for liabilities

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

As at the balance-sheet date, provisions for liabilities are adjusted. Provisions for liabilities unused due to a full or partial cessation of obligation justifying their creation are released as income. Provisions for liabilities may be allocated exclusively for the purpose for which they were created.

<i>PLN thousand</i>	31.12.2021	31.12.2020	Change
Provisions for liabilities to employees	192,667.9	171,187.2	21,480.7
Other provisions	1,703.8	8,382.4	-6,678.6
Total	194,371.7	179,569.6	14,802.1

The changes in provisions for liabilities in 2021 and 2020 by allocation into particular categories are presented in tables below (see also Note 15 and Note 16).

Notes

PLN thousand	01.01.2021	Increase	Use	Decrease	31.12.2021
Provisions for liabilities to employees, of which	171,187.2	38,183.0	-14,138.7	-2,563.6	192,667.9
- due to retirement severance payments	93,366.3	17,602.4	-5,221.5	0.0	105,747.2
- due to disability severance payments	2,168.9	322.8	-152.4	0.0	2,339.3
- due to jubilee awards	60,009.8	14,960.8	-8,303.2	0.0	66,667.4
- due to untaken leaves	14,808.2	0.0	-235.3	-2,563.6	12,009.3
- due to death in service benefits	0.0	3,671.9	0.0	0.0	3,671.9
- due to statutory and additional severance payments for employees under employment contracts who are laid off for reasons unrelated to employees	834.0	1,625.1	-226.3	0.0	2,232.8
Other provisions, of which	8,382.4	348.0	0.0	-7,026.6	1,703.8
- for liabilities due to court proceedings	8,325.3	343.4	0.0	-7,026.6	1,642.1
- for liabilities resulting from financial operations in domestic currency	57.1	4.6	0.0	0.0	61.7
Total	179,569.6	38,531.0	-14,138.7	-9,590.2	194,371.7

PLN thousand	01.01.2020	Increase	Use	Decrease	31.12.2020
Provisions for 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 liabilities due to court proceedings	8,671.6	319.5	-664.6	-1.2	8,325.3
- for 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

Note 8 Accruals, prepaid expenses and deferred income

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

Expenses and income, partly or completely related to future financial years, are recognised in the NBP accounting books accordingly as accruals and prepaid expenses or accruals and deferred income and are carried to the financial result of the financial year which they concern.

Expenses relating to the current financial year for which the obligation to pay will arise in the following financial year are recognised in the financial result in the amount estimated in a reliable way, and the underlying potential liability of the current financial year is recognised in the accounting books as accruals and prepaid expenses.

The value of assets received free of charge or the value of disclosed tangible and intangible fixed assets subject to depreciation/amortisation according to the straight-line method are initially recognised in the accounting books as accruals and deferred income and are subsequently carried to the financial result along with depreciation/amortisation made on these assets.

<i>PLN thousand</i>	Balance sheet item	31.12.2021	31.12.2020	Change
Accruals related to discount on NBP bills*		0.0	2,459.5	-2,459.5
Prepaid expenses related to services		41,496.4	34,803.8	6,692.6
Total assets (Accruals and prepaid expenses)	A.10.4	41,496.4	37,263.3	4,233.1
Accruals		96,244.0	88,597.8	7,646.2
Deferred income		1,292.8	1,538.1	-245.3
Total liabilities (Accruals and deferred income)	L.11.2	97,536.8	90,135.9	7,400.9

* See Chapter 3 and Note 6.1

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

As at 31 December 2020, the value of accruals related to discount on NBP bills concerned discount expenses on securities issued by NBP, which were not amortised in 2020. Due to the change in the principles of recognition and presentation of these operations as of 1 January 2021, as at 31 December 2021 this item did not occur (see Chapter 3 and Note 6.1).

Note 9 Equity

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

- 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 the current year at the disposal of NBP (5% of profit), 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 the valuation date.

The value of gold holding revaluation differences, revaluation differences on holdings of individual foreign currencies and price revaluation differences on securities holdings 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.

The balance of the gold revaluation account is decreased as income in the amount of unrealised gold revaluation losses recognised in the financial result at the balance sheet date.

- **FX risk provision**

The FX risk 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. In NBP, a one year horizon and a 95% confidence level were adopted for the purposes of estimating the FX risk provision.

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 as at the balance sheet date and 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.12 Provisions	L.13 Revaluation accounts		L.14 Capital and reserves		L.15 Financial result		Total
	FX risk provision	Gold revaluation account	Revaluation accounts*	Statutory fund	Reserve fund	Loss of previous years	Financial result for the financial year	
As at 31.12.2019	6,686,317.3	1,618,023.2	28,876,107.4	1,500,000.0	0.0	-11,865,363.4	7,828,502.5	34,643,587.0
Contribution from NBP's profit							-7,437,077.4	-7,437,077.4
Allocation of NBP 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 FX risk provision	3,164,602.0							3,164,602.0
Financial result for the financial year							9,344,061.5	9,344,061.5
As at 31.12.2020	9,850,919.3	1,618,023.2	44,122,332.9	1,500,000.0	391,425.1	-11,865,363.4	9,344,061.5	54,961,398.6
Contribution from NBP's profit							-8,876,858.4	-8,876,858.4
Allocation of NBP profit to reserve fund					467,203.1		-467,203.1	0.0
Covering loss of previous years					-858,628.2	858,628.2		0.0
Gold holding, currency and price revaluation gain/loss			5,298,543.4					5,298,543.4
Transfer to FX risk provision	6,648,541.6							6,648,541.6
Financial result for the financial year							10,974,518.7	10,974,518.7
As at 31.12.2021	16,499,460.9	1,618,023.2	49,420,876.3	1,500,000.0	0.0	-11,006,735.2	10,974,518.7	69,006,143.9
Contribution from NBP's profit							-10,425,792.8	-10,425,792.8
Allocation of NBP profit to reserve fund					548,725.9		-548,725.9	0.0
Balance after allocation of financial result for the financial year**	16,499,460.9	1,618,023.2	49,420,876.3	1,500,000.0	548,725.9	-11,006,735.2	0.0	58,580,351.1

* 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 financial 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 (see Note 9.4).

Note 9.1 Revaluation accounts

PLN thousand	31.12.2021	31.12.2020	Change
Gold holding revaluation gains	23,474,557.2	27,525,036.9	-4,050,479.7
Currency revaluation gains	25,546,797.0	12,729,143.9	12,817,653.1
Price revaluation gains, of which	399,522.1	3,868,152.1	-3,468,630.0
- on securities	395,860.3	3,868,152.1	-3,472,291.8
- on off-balance-sheet financial instruments	3,661.8	0.0	3,661.8
Gold revaluation account	1,618,023.2	1,618,023.2	0.0
Total	51,038,899.5	45,740,356.1	5,298,543.4

Average cost of holding of foreign currency and gold, average NBP exchange rates and 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
	31.12.2021		31.12.2020	
USD	3.7755	4.0600	3.7354	3.7584
EUR	4.5015	4.5994	4.3906	4.6148
GBP	5.1105	5.4846	4.9275	5.1327
CAD	3.2076	3.1920	2.9054	2.9477
AUD	2.8198	2.9506	2.6837	2.8950
NOK	0.4340	0.4608	0.4148	0.4400
NZD	2.7263	2.7775	2.5552	2.7132
SDR	5.5026	5.6917	5.5335	5.4632
Ounce of gold*	4,226.6645	7,389.6060	3,363.4973	7,107.5102

- **Gold revaluation gains**

In 2021, a decrease in gold revaluation gains was mainly related to a lower positive difference between the average price of gold and the average cost of gold holding. The increase in the price of gold was due to the increase in the average USD exchange rate with a simultaneous decrease in the price of an ounce of gold in USD (the price of an ounce of gold in USD was respectively: USD 1,820.10 as at 31 December 2021 and USD 1,891.10 as at 31 December 2020). The increase in the average cost of gold holding was mainly due to purchase/sale transactions in gold (see Note 1 and Note 12.1).

- **Currency revaluation gains**

PLN thousand	31.12.2021	31.12.2020	Change
USD	14,894,942.8	1,377,723.8	13,517,219.0
EUR	2,256,854.0	4,301,254.9	-2,044,400.9
GBP	4,273,426.7	2,120,771.6	2,152,655.1
CAD	0.0	41.0	-41.0
AUD	1,890,391.4	2,599,836.7	-709,445.3
NOK	1,689,541.3	1,536,138.4	153,402.9
NZD	263,912.0	789,091.0	-525,179.0
SDR	9,876.3	2,506.5	7,369.8
CHF	267,391.3	1,018.0	266,373.3
Other	461.2	762.0	-300.8
Total	25,546,797.0	12,729,143.9	12,817,653.1

- **Price revaluation gains on securities**

<i>PLN thousand</i>	31.12.2021	31.12.2020	Change
Securities in USD	247,735.4	2,283,063.6	-2,035,328.2
Securities in EUR	50,668.8	273,597.1	-222,928.3
Securities in GBP	0.0	424,298.7	-424,298.7
Securities in CAD	89,134.5	0.0	89,134.5
Securities in AUD	864.9	370,358.5	-369,493.6
Securities in NOK	397.0	200,971.3	-200,574.3
Securities in NZD	7,059.7	315,862.9	-308,803.2
Total	395,860.3	3,868,152.1	-3,472,291.8

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

As at 31 December 2021, price revaluation gains on off-balance-sheet financial instruments related to forward purchase transactions in securities denominated in USD and 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 2021 no unrealised gold revaluation losses occurred, NBP – similarly to 31 December 2020 – did not release the gold revaluation account.

Note 9.2 FX risk provision

As at 31 December 2021, 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 52,036,768.0 thousand (PLN 63,641,590.1 thousand as at 31 December 2020). Pursuant to Resolution No. 6/2019 of the MPC as at 31 December 2021 the provision was supplemented by the amount of PLN 6,648,541.6 thousand (PLN 3,164,602.0 thousand as at 31 December 2020), 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 Chapter 7.1.4). As at 31 December 2021, the FX risk provision amounted to PLN 16,499,460.9 thousand (PLN 9,850,919.3 thousand as at 31 December 2020).

Note 9.3 Reserve fund

In 2021 the reserve fund of NBP in the amount of PLN 858,628.2 thousand was allocated to cover NBP's balance sheet loss of previous years (see Note 9.4).

Note 9.4 Financial result

- **Financial result for the financial year**

The NBP financial result for 2021 amounted to PLN 10,974,518.7 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 548,725.9 thousand,
- contribution from NBP's profit to the State budget – PLN 10,425,792.8 thousand.

- **Loss of previous years**

Uncovered loss of previous years in the amount of PLN 11,006,735.2 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,
- in 2021 – in the amount of PLN 858,628.2 thousand.

Note 10 Off-balance-sheet items

- **Spot, forward and swap transactions in foreign currency**

Foreign currency purchased or sold by NBP for another foreign currency is recognised in the NBP accounting books at the value of the foreign currency quoted in the transaction, which is translated into domestic currency at the average exchange rate effective as at the transaction date.

Foreign currency purchased or sold by NBP for domestic currency is recognised in the NBP accounting books at transaction value, unless separate regulations provide otherwise.

Funds purchased or sold in FX forward transaction are recognised on off-balance-sheet accounts from the trade date to the settlement date at the FX spot rate set in the contract.

Funds purchased or sold (in a spot transaction) and, respectively, re-sold or re-purchased (in a forward transaction) as part of FX swap are recognised from the trade date to the settlement date on off-balance-sheet account at an agreed FX spot rate.

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 transaction type (spot, forward, swap) and separately for each foreign currency – gains as assets, while 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 value of such transactions effective as at the valuation date by comparing the market value of securities 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 revaluation gains or losses on forward transactions in securities denominated in foreign currency recognised on 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 value.

The list of currency revaluation gains and losses on spot, forward or swap 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	31.12.2021	31.12.2020	Change
Currency revaluation gains on FX spot, FX forward and FX swap transactions		350,610.9	444,371.2	-93,760.3
Price revaluation gains		3,661.8	0.0	3,661.8
- on forward transactions in securities in foreign currency		3,661.8	0.0	3,661.8
Total assets (Off-balance-sheet instruments revaluation differences)	A.10.3	354,272.7	444,371.2	-90,098.5
Currency revaluation losses on FX spot and FX forward transactions		23,930.4	0.0	23,930.4
Price revaluation losses		204.1	111.8	92.3
- on forward transactions in securities in foreign currency		204.1	111.8	92.3
Total liabilities (Off-balance-sheet instruments revaluation differences)	L.11.1	24,134.5	111.8	24,022.7

Note 10.1 Spot, forward and swap transactions in foreign currency recognised on off-balance-sheet accounts

<i>PLN thousand</i>	Balance sheet item	31.12.2021	31.12.2020	Change
Currency to be received in FX spot, FX forward and FX swap transactions	-	5,903,731.3	31,352,880.3	-25,449,149.0
Currency to be delivered in FX spot, FX forward and FX swap transactions	-	5,903,731.3	31,352,880.3	-25,449,149.0
Gains on adjustments to the average costs of holding	A.10.5	19,790.7	15,068.4	4,722.3
Losses on adjustments to the average costs of holding	L.11.3	692,280.1	371,946.1	320,334.0
Currency revaluation gains on FX spot, FX forward and FX swap transactions	A.10.3	350,610.9	444,371.2	-93,760.3
Currency revaluation losses on FX spot and FX forward transactions	L.11.1	23,930.4	0.0	23,930.4

The decrease in off-balance-sheet items resulted from a lower volume of spot transactions carried out by NBP and, at the same time, a higher value of forward and swap transactions in foreign currency carried out by NBP. FX swap transactions were carried out in domestic operations on the CHF/PLN currency pair (see Chapter 7.1.1.2.3).

The change in the adjustment to the average cost of holding of spot, forward and swap 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, forward and swap 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	31.12.2021	31.12.2020	Change
Securities denominated in foreign currency purchased in forward transactions, of which		3,333,696.7	0.0	3,333,696.7
- securities in USD		3,333,696.7	0.0	3,333,696.7
Securities denominated in foreign currency sold in forward transactions, of which		794,394.2	3,025,403.6	-2,231,009.4
- securities in AUD		794,394.2	0.0	794,394.2
- securities in USD		0.0	3,025,403.6	-3,025,403.6
Price revaluation gains	A.10.3	3,661.8	0.0	3,661.8
Price revaluation losses	L.11.1	204.1	111.8	92.3

Forward transactions in securities denominated in foreign currency are used by NBP as part of the foreign currency reserve 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

<i>PLN thousand</i>	31.12.2021	31.12.2020	Change
Bond futures purchased, of which	204,764.0	0.0	204,764.0
- bond futures in AUD	204,764.0	0.0	204,764.0
Bond futures sold, of which	682,241.1	0.0	682,241.1
- bond futures in EUR	682,241.1	0.0	682,241.1
Depo futures purchased, of which	0.0	4,946,000.0	-4,946,000.0
- depo futures in GBP	0.0	4,946,000.0	-4,946,000.0
Depo futures sold, of which	0.0	4,946,000.0	-4,946,000.0
- depo futures in GBP	0.0	4,946,000.0	-4,946,000.0
Equity index futures purchased, of which	3,441.1	0.0	3,441.1
- equity index futures in EUR	1,286.7	0.0	1,286.7
- equity index futures in GBP	260.2	0.0	260.2
- equity index futures in USD	1,894.2	0.0	1,894.2

Futures are used by NBP as part of the foreign currency reserve management (see Note 3.1). In 2021 investment in equity index futures was started with the aim to raise long-term yields on foreign currency reserves and increase investment diversification.

Note 11 Net result on interest

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 paid due to the required minimum reserve, which is recognised in the financial result at the end of each month in amounts calculated for each reserve maintenance period,
- on funds deposited in current accounts in other banks, which is recognised in the financial result on the payment date,
- on 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).

Interest to be received or paid due to forward transactions in foreign currency, resulting from a difference between the agreed FX spot and forward rates, is recognised in the net result on interest at the end of each operating day in amounts calculated according to the straight-line method.

Interest to be received or paid due to swap transactions in foreign currency, resulting from a difference between the agreed FX spot and forward rates, is recognised in the net result on interest at the end of each operating day in amounts calculated according to the straight-line method.

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		
	2021	2020	2021	2020	2021	2020	Change
Investment instruments of foreign exchange reserves, of which	5,692,036.4	6,544,787.8	-4,541,472.9	-3,855,175.6	1,150,563.5	2,689,612.2	-1,539,048.7
- securities*	5,631,240.3	6,325,338.5	-4,248,203.5	-3,610,156.2	1,383,036.8	2,715,182.3	-1,332,145.5
- term deposits**	21,547.1	101,152.8	-253,966.8	-147,342.3	-232,419.7	-46,189.5	-186,230.2
- reverse repo transactions**	21,756.5	113,095.2	-27,583.7	-3,302.5	-5,827.2	109,792.7	-115,619.9
- repo transactions***	17,390.2	4,514.9	-6,036.6	-93,130.5	11,353.6	-88,615.6	99,969.2
- other**	102.3	686.4	-5,682.3	-1,244.1	-5,580.0	-557.7	-5,022.3
Gold**	3,364.7	5,064.0	0.0	0.0	3,364.7	5,064.0	-1,699.3
International Monetary Fund	7,833.8	10,860.7	-8,005.4	-14,158.3	-171.6	-3,297.6	3,126.0
Monetary policy instruments, of which	2,897,212.6	1,579,158.9	-1,775,013.4	-1,106,326.8	1,122,199.2	472,832.1	649,367.1
- NBP bills	0.0	0.0	-768,225.5	-489,710.4	-768,225.5	-489,710.4	-278,515.1
- securities*	2,876,340.1	1,577,680.4	-889,645.7	-526,751.0	1,986,694.4	1,050,929.4	935,765.0
- required minimum reserve****	420.9	144.6	-64,430.0	-85,256.3	-64,009.1	-85,111.7	21,102.6
- deposit facility	0.0	0.0	-52,187.4	-4,609.1	-52,187.4	-4,609.1	-47,578.3
- other*****	20,451.6	1,333.9	-524.8	0.0	19,926.8	1,333.9	18,592.9
Other interest income/expense	19,140.6	18,701.1	-42,603.3	-41,400.7	-23,462.7	-22,699.6	-763.1
Total	8,619,588.1	8,158,572.5	-6,367,095.0	-5,017,061.4	2,252,493.1	3,141,511.1	-889,018.0

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

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

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

**** Income includes interest income for non-compliance with the obligation to maintain the required minimum reserve (see Chapter 3).

***** The item includes mainly income/expenses on swap transactions in foreign currency, reverse repo transactions, bill discount credit, intraday credit and Lombard credit (see Chapter 7.1.1.2.2.).

Net result on interest on investment instruments of foreign currency reserves (see Note 3.1 and Note 6.3)

2021									
PLN thousand	USD	EUR	GBP	CAD	AUD	NOK	NZD	Other	Total
Securities	1,352,686.4	-591,738.5	81,971.3	25,711.6	194,004.9	188,159.8	132,241.3	0.0	1,383,036.8
Term deposits	339.5	-253,879.6	331.7	114.3	37.5	9,547.1	11,089.8	0.0	-232,419.7
Reverse repo transactions	8,373.4	-27,572.5	12,552.2	0.0	230.3	0.0	589.4	0.0	-5,827.2
Repo transactions	6,651.3	8,664.5	-4,141.3	0.0	434.8	0.0	-255.7	0.0	11,353.6
Other	-553.1	-4,732.4	-84.4	0.0	-28.5	-16.4	-153.2	-12.0	-5,580.0
Total	1,367,497.5	-869,258.5	90,629.5	25,825.9	194,679.0	197,690.5	143,511.6	-12.0	1,150,563.5
2020									
PLN thousand	USD	EUR	GBP	CAD	AUD	NOK	NZD	Other	Total
Securities	2,379,324.3	-435,179.2	174,205.2	0.0	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	0.0	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	0.0	1,036.4	0.0	576.7	0.0	109,792.7
Repo transactions	-64,791.5	3,747.0	-26,743.0	0.0	-641.7	0.0	-186.4	0.0	-88,615.6
Other	647.0	-1,206.8	2.2	0.4	7.2	6.5	0.5	-14.7	-557.7
Total	2,395,496.3	-583,041.5	184,548.7	0.4	259,818.0	236,754.4	196,050.6	-14.7	2,689,612.2

PLN thousand	Change								Total
	USD	EUR	GBP	CAD	AUD	NOK	NZD	Other	
Securities	-1,026,637.9	-156,559.3	-92,233.9	25,711.6	-64,688.6	18,928.8	-36,666.2	0.0	-1,332,145.5
Term deposits	-4,484.6	-106,779.6	-762.9	114.3	-685.1	-57,969.8	-15,662.5	0.0	-186,230.2
Reverse repo transactions	-67,119.0	-24,270.0	-23,437.5	0.0	-806.1	0.0	12.7	0.0	-115,619.9
Repo transactions	71,442.8	4,917.5	22,601.7	0.0	1,076.5	0.0	-69.3	0.0	99,969.2
Other	-1,200.1	-3,525.6	-86.6	-0.4	-35.7	-22.9	-153.7	2.7	-5,022.3
Total	-1,027,998.8	-286,217.0	-93,919.2	25,825.5	-65,139.0	-39,063.9	-52,539.0	2.7	-1,539,048.7

The decrease of PLN 1,539,048.7 thousand in the net result on interest 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,
 - higher average annual investment in stand-alone reverse repo transactions in EUR,
- with a simultaneous:
- increase in the level of foreign currency reserves – their average annual level¹⁷ was PLN 509,112.5 million in 2021 as compared with PLN 414,889.3 million in 2020 (see also Note 3.1),
 - average annual depreciation of the zloty against EUR, GBP, AUD, NOK and NZD (see table below),
 - rise in average annual investment in simultaneous repo and reverse repo transactions in USD.

Average annual foreign exchange rates

PLN	2021	2020	Change
USD	3.8629	3.8993	-0.0364
EUR	4.5674	4.4448	0.1226
GBP	5.3117	5.0003	0.3114
CAD	3.0810	2.9073	0.1737
AUD	2.9000	2.6878	0.2122
NOK	0.4493	0.4147	0.0346
NZD	2.7310	2.5323	0.1987

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

The item includes the net result on interest on term deposits in the form of physical gold holding, which is accrued and paid in USD. The decrease in the item in 2021 was the result of the lower, in average annual terms, placement of deposits and appreciation of the zloty against USD, in average annual terms.

¹⁷ Calculations are based on nominal values on a daily basis.

Net result on interest on receivables/liabilities related to the IMF (see Note 2)

PLN thousand	Income		Expenses		Net result		
	2021	2020	2021	2020	2021	2020	Change
Interest on reserve tranche	2,713.6	6,888.7	0.0	0.0	2,713.6	6,888.7	-4,175.1
Interest on current account with the IMF	4,996.9	3,278.8	0.0	0.0	4,996.9	3,278.8	1,718.1
Interest on loans extended to the IMF	123.3	693.2	0.0	0.0	123.3	693.2	-569.9
Interest on SDR allocation	0.0	0.0	-8,005.4	-14,158.3	-8,005.4	-14,158.3	6,152.9
Total	7,833.8	10,860.7	-8,005.4	-14,158.3	-171.6	-3,297.6	3,126.0

The net result on interest on receivables/liabilities related to the IMF is a result of higher interest expenses on interest-bearing liabilities in SDR (SDR allocation) and income on interest-bearing receivables in SDR (reserve tranche¹⁸, 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 average annual surplus of liabilities over receivables in SDR in 2021, 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 5.4301 in 2020 to 5.5009 in 2021).

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

The increase, by PLN 649,367.1 thousand, in the net result on interest on instruments used in monetary policy operations was mostly driven by:

- a higher, by PLN 935,765.0 thousand, result on securities purchased under the structural open market operations (see Note 3.2),

PLN thousand	2021	2020	Change
Net result on securities held for monetary policy purposes	1,986,694.4	1,050,929.4	935,765.0
- Treasury securities	908,442.0	489,972.8	418,469.2
- securities guaranteed by the State Treasury	1,078,252.4	560,956.6	517,295.8

- higher, by PLN 278,515.1 thousand, discount expenses on NBP bills (see Note 6.1),

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

<i>PLN thousand</i>	2021	2020	Change
Discount expenses on NBP bills issued under main monetary policy operations	-761,414.2	-478,240.0	-283,174.2
Discount expenses on NBP bills issued under fine-tuning monetary policy operations	-6,811.3	-11,470.4	4,659.1
Total	-768,225.5	-489,710.4	-278,515.1

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

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

<i>PLN million / %</i>	2021	2020	Change
Main operations	205,666.6	133,635.4	72,031.2
Fine-tuning operations	393.6	1,235.6	-842.0
NBP reference rate	0.35	0.51	-0.16 p.p.

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

- higher, by PLN 47,578.3 thousand, expenses on deposit facility, which was mainly a result of the higher average use of this instrument, particularly at the end of 2021, when the deposit rate rose.

Value of deposit facilities and the average annual level of deposit rate

<i>PLN million / %</i>	2021	2020	Change
Total value of deposit facilities*	3,894,163.6	1,186,249.6	2,707,914.0
Average annual deposit rate**	0.15	0.14	0,01 p.p.

* Value calculated for the days of use.

** All calendar days from 1 January to 31 December were taken into account for the calculation of the average annual level of the interest rate.

- lower, by PLN 20.826,3 thousand, interest expenses on the required minimum reserve, which resulted mainly from a decrease in the average level of the required minimum reserve during the year (see Note 6.1).

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

<i>PLN million / %</i>	2021	2020	Change
Required minimum reserve	10,119.6	20,396.7	-10,277.1
Interest rate on required minimum reserve	0.34	0.30	0.04 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 (see Note 4 and Note 6.4).

Note 12 Net result on financial operations

Note 12.1 Net realised gains/losses

- **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 in domestic currency resulting from a decrease of a foreign currency holding (or a gold holding) and the value determined according to the average daily purchase cost of foreign currency (or gold) – with respect to an inflow and outflow of foreign currency (or gold) in a given operating day,
- the difference between the value in domestic currency resulting from a decrease of a foreign currency holding (or a gold holding) and the value determined according to the average cost of foreign currency (or gold) – with respect to the surplus of outflow of foreign currency (or gold) over inflow in a given operating day (net outflow),

In the case of a short position in a given foreign currency (or gold) a reverse approach applies.

- **Realised price gains/losses**

Gains or losses resulting from spot 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 at the end of the current business day.

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

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

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.

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.

<i>PLN thousand</i>	2021	2020	Change
Realised foreign exchange gains/losses on transactions in foreign currency	13,556,309.0	6,329,209.6	7,227,099.4
Realised gains/losses on transactions in gold	6,142,695.3	12.6	6,142,682.7
Realised price gains/losses, of which	514,987.4	4,249,573.7	-3,734,586.3
- on spot transactions in securities	-690,621.7	2,867,965.3	-3,558,587.0
- on off-balance-sheet financial instruments, of which	1,205,536.4	1,381,608.4	-176,072.0
* on forward transactions in securities	-173,431.7	1,082,335.4	-1,255,767.1
• on futures, of which:	1,378,968.1	299,273.0	1,079,695.1
# on bond futures	369,122.9	298,894.7	70,228.2
# on depo futures	-1,029.5	378.3	-1,407.8
# on equity index futures	1,010,874.7	0.0	1,010,874.7
- other realised price gains/losses*	72.7	0.0	72.7
Other financial operations**	43,569.6	8,671.4	34,898.2
Total	20,257,561.3	10,587,467.3	9,670,094.0

* Other realised price gains/losses include the result of reallocation of participating interests in S.W.I.F.T. (see Note 3.3).

** The increase in the item resulted from an income of PLN 45,657.7 thousand as the result of settlement of the IMF's transactions (PLN 6,911.9 thousand in 2020 – see Note 2) and a lower result of the valuation of the balance of the No. 2 Account of the IMF (PLN -2,088,0 thousand in 2021 as compared with PLN 1,759,5 thousand in 2020 – see Note 6.3).

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

<i>PLN thousand</i>	USD	EUR	GBP	CAD	AUD	NOK	NZD	SDR	Other	Total
2021	6,600,229.9	1,728,124.5	1,617,679.8	-2,507.7	1,504,073.4	1,238,855.8	826,414.6	10,004.4	33,434.3	13,556,309.0
2020	3,805,216.0	1,436,384.4	688,504.0	93.7	392,851.5	-245,329.7	260,373.0	-11,849.8	2,966.5	6,329,209.6
Change	2,795,013.9	291,740.1	929,175.8	-2,601.4	1,111,221.9	1,484,185.5	566,041.6	21,854.2	30,467.8	7,227,099.4

The increase in the net result stemmed mainly from the sale of USD, which was related to a new investment in CAD (see Note 3.1 and Chapter 7.1.4), as well as an increase in the average annual positive difference between the average NBP exchange rate and the average cost of holding for GBP, AUD, NOK and NZD.

Net result on realised gains/losses on transactions in gold

In 2021, the increase resulted mainly from purchase/sale transactions in the gold market in the context of an average annual positive difference between the average price of gold and the average cost of gold holding (see Note 1 and Note 9.1).

Net result on realised price gains/losses

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

<i>PLN thousand</i>	USD	EUR	GBP	AUD	NOK	NZD	Total
2021	-386,863.1	-14,368.7	-132,368.1	-6,221.1	-123,178.3	-27,622.4	-690,621.7
2020	1,557,709.5	248,210.0	589,761.3	439,090.0	4,194.8	28,999.7	2,867,965.3
Change	-1,944,572.6	-262,578.7	-722,129.4	-445,311.1	-127,373.1	-56,622.1	-3,558,587.0

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

<i>PLN thousand</i>	USD	EUR	GBP	CAD	AUD	NOK	NZD	Total
2021	-460.5	-4,792.0	-6.3	2,856.8	-177,934.0	-5,160.5	12,064.8	-173,431.7
2020	595,788.5	59,145.2	42,080.7	0.0	385,236.1	0.0	84.9	1,082,335.4
Change	-596,249.0	-63,937.2	-42,087.0	2,856.8	-563,170.1	-5,160.5	11,979.9	-1,255,767.1

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

<i>PLN thousand</i>	USD	EUR	GBP	AUD	Total
Bond futures					
2021	288,252.4	18,035.9	37,344.7	25,489.9	369,122.9
2020	179,978.7	53,555.5	40,101.8	25,258.7	298,894.7
Change	108,273.7	-35,519.6	-2,757.1	231.2	70,228.2
Depo futures					
2021	0.0	0.0	-1,029.5	0.0	-1,029.5
2020	-1,376.4	0.0	1,754.7	0.0	378.3
Change	1,376.4	0.0	-2,784.2	0.0	-1,407.8
Equity index futures					
2021	623,853.3	320,255.4	66,766.0	0.0	1,010,874.7
2020	0.0	0.0	0.0	0.0	0.0
Change	623,853.3	320,255.4	66,766.0	0.0	1,010,874.7

The lower net result on realised price gains/losses in 2021 was mostly related to sale transactions in securities amid rising yields in the USD and AUD markets. The decrease in the net result was partly offset with gains on investment in equity index futures – see Note 3.1 and Note 10.3.

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 cost (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 of the spot transaction, 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>	2021	2020	Change
Currency revaluation losses	-259,225.8	-5.6	-259,220.2
Price revaluation losses, of which	-3,399,364.2	-83,728.3	-3,315,635.9
- revaluation losses on securities	-3,399,160.1	-83,616.5	-3,315,543.6
- revaluation losses on off-balance-sheet financial instruments	-204.1	-111.8	-92.3
Total	-3,658,590.0	-83,733.9	-3,574,856.1

Currency revaluation losses by foreign currency are presented below.

<i>PLN thousand</i>	2021	2020	Change
CAD	-259,212.6	0.0	-259,212.6
HUF	-3.9	-5.6	1.7
JPY	-9.3	0.0	-9.3
Total	-259,225.8	-5.6	-259,220.2

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

<i>PLN thousand</i>	2021	2020	Change
Securities in USD	-881,434.3	-74,703.8	-806,730.5
Securities in EUR	-406,979.5	-2,510.6	-404,468.9
Securities in GBP	-680,668.5	-3,937.6	-676,730.9
Securities in CAD	-9,229.7	0.0	-9,229.7
Securities in AUD	-526,847.3	-2,080.1	-524,767.2
Securities in NOK	-533,468.6	-384.4	-533,084.2
Securities in NZD	-360,532.2	0.0	-360,532.2
Total	-3,399,160.1	-83,616.5	-3,315,543.6

In 2021 the increase in unrealised price revaluation losses was a result of the increase in the yields in the USD, EUR, GBP, AUD, NOK and NZD markets (see Note 3.1).

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

Note 13 Net result on commissions and fees

<i>PLN thousand</i>	P&L Item	2021	2020	Change
Income on the execution of payment orders		33,740.4	31,279.7	2,460.7
Other commissions and fees income		13,726.3	17,147.1	-3,420.8
Commissions and fees income	P&L 3.1	47,466.7	48,426.8	-960.1
Expenses on fees for NBP's TARGET2 participation		-15,339.3	-16,226.2	886.9
Expenses on opening and operation of NBP accounts (including gold and securities accounts)		-17,098.2	-12,839.1	-4,259.1
Expenses on the execution of own payment orders		-4,276.3	-5,257.0	980.7
Expenses due to substitution cash services		-1,840.3	-1,801.7	-38.6
Other commissions and fees expenses		-7,527.6	-3,616.6	-3,911.0
Commissions and fees expenses	P&L 3.2	-46,081.7	-39,740.6	-6,341.1
Net result on commissions and fees		1,385.0	8,686.2	-7,301.2

The decrease in the net result on commissions and fees in 2021 was mainly the effect of:

- an increase in expenses on the operation of NBP accounts, mainly related to higher expenses on a deposit of securities denominated in domestic currency purchased under structural open market operations (see Note 3.2),
- an increase in other commissions and fees expenses, mainly due to higher expenses on futures, mainly in relation with higher trade in bond futures, and the start of investment in equity index futures (see Note 3.1, Note 10.3 and Note 12.1),
- a decrease in income and expenses due to non-delivery of securities in time (fails charges¹⁹) by, respectively, PLN 1,032.2 thousand and PLN 309.4 thousand.

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 an asset originates. Dividends received in foreign currency are translated into domestic currency at the average NBP exchange rate effective on that day.

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

¹⁹ Fails charges relate to securities purchase/sale transactions and repo/reverse repo transactions in USD. Fails charges are calculated when one of the parties to a transaction delivers securities to the other party at a date later than an agreed date. 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.

<i>PLN thousand</i>	2021	2020	Change
Dividends received, of which	38,256.7	13,478.2	24,778.5
- Krajowy Depozyt Papierów Wartościowych S.A.	6,641.6	5,187.0	1,454.6
- Krajowa Izba Rozliczeniowa S.A.	8,859.4	8,291.2	568.2
- Bank for International Settlements	22,755.7	0.0	22,755.7

Note 15 Salaries

<i>PLN thousand</i>	2021	2020	Change
Expenses on salaries	-496,170.7	-470,700.7	-25,470.0
Expenses on provisions for liabilities to employees	-32,886.0	-28,923.7	-3,962.3
Expenses on social contributions, of which	-111,442.4	-106,874.4	-4,568.0
- Occupational Pension Scheme	-31,108.3	-29,656.4	-1,451.9
Total	-640,499.1	-606,498.8	-34,000.3

In 2021, the average headcount at NBP amounted to 3,360 employees and was higher by 5 employees as compared with 2020. This increase was caused by, among others, organisational changes and new cybersecurity tasks.

In 2021, higher salaries resulted mainly from the adopted HR and remuneration policy.

The increase in expenses on provisions for liabilities to employees in 2021 was mainly driven by higher expenses on creation of the provision for jubilee awards. In 2021 and 2020, expenses on the creation of provisions for liabilities to employees by categories were as follows (see Note 7).

<i>PLN thousand</i>	2021		2020	
	Expenses on provisions	of which actuarial gains/losses*	Expenses on provisions	of which actuarial gains/losses*
Expenses on provisions for liabilities to employees, of which	-32,886.0	-21,105.7	-28,923.7	-18,204.2
- due to retirement severance payments	-17,602.4	-11,631.8	-18,281.2	-13,127.7
- due to disability severance payments	-322.8	-74.0	-280.0	-45.0
- due to jubilee awards	-14,960.8	-9,399.9	-10,362.5	-5,031.5
- due to untaken leaves	0.0**	-	0.0**	-

* Actuarial gains and losses result from changes in the 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 2021 and 2020, an income from its partial release was taken to item *Other income*.

Note 16 Administrative expenses

<i>PLN thousand</i>	2021	2020	Change
Materials and energy used	-28,517.8	-25,586.8	-2,931.0
Benefits for employees and other eligible persons	-18,310.6	-11,897.2	-6,413.4
Business travel	-471.3	-703.8	232.5
Services from third parties	-218,468.7	-172,274.4	-46,194.3
Taxes and fees	-11,053.2	-10,997.7	-55.5
Transfers to Employee Benefit Fund	-6,203.7	-6,151.4	-52.3
Other administrative expenses	-16,507.3	-14,538.0	-1,969.3
Total	-299,532.6	-242,149.3	-57,383.3

The increase in administrative expenses in 2021 was primarily a result of:

- an increase in expenses on services from third parties – mainly related to IT systems (software upgrades, modifications, servicing, maintenance and technical assistance) and tangible fixed assets (refurbishment, repair, maintenance and inspection of tangible fixed assets),
- an increase in expenses on benefits for employees and other eligible persons – mainly due to the creation of a provision for death in service benefits (see Note 7).

Note 17 Depreciation and amortisation expenses

<i>PLN thousand</i>	2021	2020	Change
Tangible fixed assets depreciation expenses	-75,787.1	-56,972.3	-18,814.8
Lease assets depreciation expenses	-13,149.2	-9,570.5	-3,578.7
Intangible fixed assets amortisation expenses	-25,250.1	-22,944.6	-2,305.5
Total	-114,186.4	-89,487.4	-24,699.0

The increase in depreciation and amortisation expenses in 2021 was mainly related to a change of the threshold of depreciation/amortisation made on a one-off basis related to tangible and intangible fixed assets (see Chapter 3 and Note 4).

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 the liability arose, 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 2021, the item amounted to PLN 364,457.2 thousand and was by PLN 42,702.6 thousand higher as compared with 2020. The increase in the item resulted mainly from higher expenses on the issue of:

- general circulation banknotes, as a result of an 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 Other issues

In 2021 and 2020, NBP was party to a swap arrangement with the Swiss National Bank (SNB). Until February 2020, NBP was also party to a swap arrangement with the National Bank of Ukraine (NBU) – see Note 21.²⁰ These arrangements had no bearing on the NBP Balance Sheet and Profit and Loss Account in 2021 and 2020.

In 2021, NBP also carried out FX swap transactions with domestic banks (see Note 10.1 and Chapter 7.1.1.2.3).

Note 21 Events after the balance sheet date

Monetary Policy Council decisions on key NBP interest rates

In the period January – March 2022, the Monetary Policy Council decided to raise interest rates (including the reference rate from 1.75% to 3.50%, Lombard rate from 2.25% to 4.00% and deposit rate from 1.25% to 3.00%).

The Russian Federation's military aggression against Ukraine

Narodowy Bank Polski has carefully analysed the impact of the Russian Federation's military aggression against Ukraine on the economic situation in Poland, standing ready to immediately take preventive actions against possible negative trends on the financial and FX markets.

In February and March 2022, NBP took decisions, among others, concerning:

- interventions in the FX market, particularly with the aim to reduce fluctuations of the zloty exchange rate which were not in line with the direction of the pursued monetary policy,
- opening a FX swap line with the National Bank of Ukraine (NBU),

²⁰ The swap arrangement with SNB was concluded in 2012, whereas the arrangement with NBU in 2015.

- supporting the process of exchange of Ukrainian hryvnia for Polish zloty in Polish banks.

As at 31 December 2021, NBP did not have direct exposures to Russian or Belarussian entities subject to the economic sanctions which arising from the above mentioned military aggression. None of NBP's counterparties which are involved in relationships with NBP within the framework of foreign currency reserve management (including issuers of securities) had its seat in the territory of Ukraine. NBP monitored, on an ongoing basis, the adverse effects of the military aggression on the risk to foreign currency reserve management and to monetary policy operations. In particular, it analysed credit risk and the financial standing of commercial banks in which funds are deposited as part of foreign currency reserve management, as well as issuers of corporate bonds held in NBP's portfolio. The analyses (including the analyses of entities' ratings) did not indicate any significant increase in credit risk.

Moreover, NBP monitored, on an ongoing basis, the level of operational and cybersecurity risk. The Bank had in place contingency procedures, including a business continuity plan.

The above mentioned events had no bearing on the NBP Balance Sheet and Profit and Loss Account in 2021.

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 for 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. It also submits and recommends to the Management Board of NBP proposed solutions and changes in this area.
- 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 the risk mitigation mechanisms,

- monitoring and day-to-day control of the efficiency of the risk mitigation mechanisms applied,
- 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, foreign exchange rate risk, equity index futures price 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 financial risk analysis 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 NBP foreign exchange 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 exchange reserves is presented below.²¹

²¹ It is assumed that the exposure to the IMF (receivables from the IMF – see Note 2) does not generate credit risk.

<i>PLN thousand</i>	31.12.2021	31.12.2020	Balance sheet item	Note
Current account in gold	18,144,948.1	20,210,979.9	A.1	1
Term deposits in gold	11,786,423.1	8,080,235.4	A.1	1
Current accounts in foreign currency*	20,196,878.7	28,267,286.7	A.2.2	3.1
Term deposits in foreign currency	22,638,153.6	26,407,882.5	A.2.2	3.1
Reverse repo transactions	35,876,615.9	45,225,495.5	A.2.2	3.1
Securities denominated in foreign currency	506,790,467.3	417,564,746.5	A.2.2	3.1
Margins related to futures transactions	1,024,049.9	722.9	A.2.2	3.1
Interest on term deposits in gold	405.5	3.6	A.2.2	3.1
Total	616,457,942.1	545,757,353.0		

* 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. 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 reserve management.

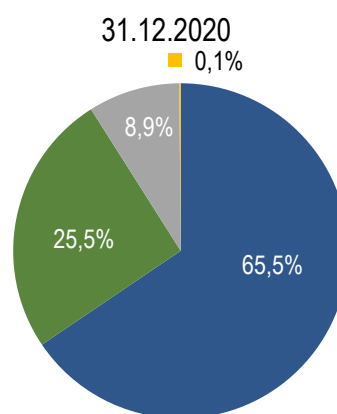
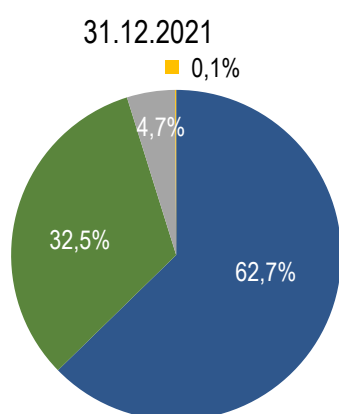
When estimating the credit quality of securities issued by governments and central banks, the creditworthiness ratings of the country of the securities issuer are, among others, considered. The credit quality of issuers of other securities, as well as counterparties with which term deposits are concluded (except for 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).

The results of an analysis as of 31 December 2021 indicate that no cases of impairment of securities held to maturity have occurred.

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

PLN thousand	31.12.2021	31.12.2020
General government institutions	469,944,728.5	394,553,133.1
- Foreign central government institutions	431,946,535.0	383,704,758.3
- Other	37,998,193.5	10,848,374.8
Monetary financial institutions	54,893,091.8	44,121,163.7
- Foreign credit institutions	47,011,150.8	31,652,839.4
- Central banks	7,881,941.0	12,468,324.3
International financial organisations	822,850.1	0.0
Non-monetary financial institutions	7,189,758.1	8,634,691.6
Non-financial sector	8,365,021.0	4,743,879.6
Total	541,215,449.5	452,052,868.0

PLN thousand	31.12.2021	31.12.2020
United States	178,075,175.1	192,927,896.6
Euro area	142,415,872.5	114,837,106.4
United Kingdom	70,305,912.3	61,109,955.6
Canada	53,724,403.9	1,342,844.8
Australia	40,108,900.8	33,786,834.9
Norway	24,508,810.5	22,206,036.8
Asian countries	14,755,401.3	14,671,705.2
New Zealand	11,052,580.7	9,656,442.0
Switzerland	4,138,547.4	0.0
Other	2,129,845.0	1,514,045.7
Total	541,215,449.5	452,052,868.0



■ Counterparties with the average rating of AAA
 ■ Counterparties with the average rating of A+/A/A-

■ Counterparties with the average rating of AA+/AA/AA-
 ■ Counterparties with the average rating of BBB+/BBB

7.1.1.2. Credit risk underlying domestic operations

7.1.1.2.1. Securities

In 2021, NBP continued to purchase Treasury bonds and securities guaranteed by the Treasury in the secondary market, as part of its structural open market operations. As a result of the operations conducted as of 31 December 2021, NBP held Treasury securities in zloty and securities guaranteed by the State Treasury in zloty for a total accounting book value of PLN 149,322,164.0 thousand (see Note 3.2). Securities denominated in domestic currency held for monetary policy purposes are valued according to their clean price adjusted for amortised discount and premium, less impairment.

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 2021 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. Until 19 October 2021, NBP offered bill discount credit to banks with the aim to enable them to refinance loans extended to entrepreneurs (see Note 3.2).

The total drawing on the credit in annual terms*

PLN million / EUR	2021	2020	Change
Lombard credit	9.9	20.4	-10.5
Intraday credit	19,527,146.4	16,692,407.7	2,834,738.7
Refinancing loan extended in another form specified by the Management Board of NBP	0.0	67.0	-67.0
Bill discount credit	0.0	53.0	-53.0
Intraday credit in EUR	52,551.4	55,477.7	-2,926.3

* The values of intraday credit and intraday credit in euro are the sum totals of a daily drawing 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 values as at the balance-sheet date (see Note 3.4. 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 was extended to banks that met, among others, the minimum capital adequacy and liquidity requirements. This credit was collateralised with bills of exchange which banks accepted 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).

Both claims due to bill discount credit (see Note 3.2) and claim due to a refinancing loan extended in another form specified by the Management Board of NBP (see Note 3.4.) were repaid in full in 2021.

7.1.1.2.3. FX swap transactions with domestic banks

In 2021, NBP executed an FX swap transaction on the CHF/PLN currency pair. The collateral for the operation was set with haircut and the margin requirement, thus mitigating risk exposure (see Note 10.1).

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 can create liquidity in domestic currency. This is, however, constrained by the responsibility of NBP for the stability of domestic currency. The assumptions of monetary policy are set annually by the MPC, which, based on the above assumptions, also approves the financial plan of NBP.

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

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 2021 and 31 December 2020.²²

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

- NAB agreement – up to the amount of EUR 2,570,800.0 thousand (SDR 1,285,400.0 thousand as at 31 December 2020), of which the outstanding amount of the NBP's commitment as at 31 December 2021 was SDR 2,540,425.0 thousand (SDR 1,224,025.0 thousand as at 31 December 2020),
- bilateral borrowing agreements – up to the amount of EUR 2,701,000.0 thousand (EUR 6,270,000.0 thousand as at 31 December 2020), of which the outstanding amount of the NBP's commitment as at 31 December 2021 was EUR 2,701,000.0 thousand (EUR 6,270,000.0 thousand as at 31 December 2020).

31.12.2021	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 SDR allocation	L.11 Other liabilities
<i>PLN thousand</i>										
Current/auxiliary accounts in foreign currency operated by NBP	32,619,174.3	32,619,174.3	0.0	0.0	0.0	32,619,174.4	32,455,999.0	163,175.4	0.0	0.0
Term deposit accounts in foreign currency operated by NBP	7,015.1	0.0	7,015.1	0.0	0.0	7,015.1	7,015.1	0.0	0.0	0.0
Repo transactions	35,679,576.0	0.0	25,577,651.4	1,367,527.9	8,934,396.7	35,873,254.8	0.0	35,873,254.8	0.0	0.0
Other financial liabilities denominated in foreign currency	174,485.1	0.0	174,392.0	93.1	0.0	174,332.7	166,705.5	0.0	0.0	7,627.2
SDR allocation	29,771,979.3	0.0	4,978.0	0.0	29,767,001.3	29,769,702.4	0.0	0.0	29,769,702.4	0.0
TOTAL	98,452,229.8	32,619,174.3	25,764,036.5	1,367,621.0	38,701,398.0	98,443,479.4	32,629,719.6	36,036,430.2	29,769,702.4	7,627.2

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 SDR allocation	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

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.

²² Liabilities due to FX spot, FX forward and FX swap 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.

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

To mitigate the interest rate risk in the process of managing foreign currency reserves, NBP defines the benchmark level of MD of foreign currency reserves, along with admissible fluctuation bands. In 2021, the MD of the reserves was extended in comparison with its level binding in the preceding year.

Sensitivity analysis, conducted based on MD²³, 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 14,883.7 million as at 31 December 2021 (by PLN 9,091.1 million as at 31 December 2020). The change in value of securities portfolios in individual currencies in response to a 100 bps change in interest rates, 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>	31.12.2021	31.12.2020	Change
USD	5,079.0	3,795.1	1,283.9
EUR	3,152.4	1,579.7	1,572.7
GBP	1,904.0	1,618.1	285.9
CAD	1,549.0	0.0	1,549.0
AUD	1,700.7	1,069.5	631.2
NOK	1,031.9	714.2	317.7
NZD	466.7	314.5	152.2
Total	14,883.7	9,091.1	5,792.6

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.

Securities denominated in foreign currency held to maturity and securities denominated in domestic currency held for monetary policy purposes are valued at clean price adjusted for amortised discount and premium, less impairment (see Note 3.1 and Note 3.2).

²³ In its sensitivity analysis NBP applied the MD ratio for individual foreign-currency securities portfolios as at 31 December 2021 (excluding the portfolio of securities held to maturity) and 31 December 2020 as a linear measure of the relationship between price and yield, as well as the holding of securities portfolios as at 31 December 2021 (excluding the portfolio of securities held to maturity) and 31 December 2020 based on values used in the monitoring of MD.

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 reserve management, NBP defines the currency composition of the strategic benchmark²⁴, alongside admissible fluctuation bands. In 2021 NBP started to invest in CAD, thus increasing the level of foreign currency reserves diversification (see Note 3.1 and Note 12.1).

As at 31 December 2021, similarly to 31 December 2020, the currency composition of the strategic benchmark included:

Currency	31.12.2021	31.12.2020
	% share	
USD	36%	51%
EUR	22%	20%
GBP	13%	12%
CAD	11%	-
AUD	9%	8%
NOK	6%	6%
NZD	3%	3%

The risk of a 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 2021 and 31 December 2020 by currency are presented below, wherein items in foreign currency related to NBP's own administrative activities are presented as part of PLN holdings since they are immaterial.

²⁴ 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. The strategic benchmark does not include a portfolio of securities held to maturity.

31.12.2021	PLN	USD	EUR	GBP	CAD	AUD	NOK	NZD	SDR	Gold	Other currencies	Total
PLN thousand												
ASSETS												
1. Gold and gold receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	54,843,799.4	0.0	54,843,799.4
2. Claims on non-residents denominated in foreign currency	0.0	225,161,371.4	142,818,029.7	77,116,328.7	53,732,496.3	46,402,858.2	29,048,156.7	15,019,537.0	30,010,120.6	0.0	24,404.8	619,333,303.4
5. Claims on credit institutions related to monetary policy operations denominated in domestic currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Other claims on credit institutions denominated in domestic currency	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0
7. Securities of residents denominated in domestic currency	149,322,164.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	149,322,164.0
10. Other assets	1,275,838.4	53,603.7	117,556.5	0.0	2,767.3	42,009.6	14.1	9,433.7	56,917.0	0.0	266,395.5	1,824,535.8
TOTAL ASSETS	150,598,009.4	225,214,975.1	142,935,586.2	77,116,328.7	53,735,263.6	46,444,867.8	29,048,170.8	15,028,970.7	30,067,037.6	54,843,799.4	290,800.3	825,323,809.6
LIABILITIES												
1. Banknotes and coins in circulation	355,557,725.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	355,557,725.3
2. Liabilities to credit institutions related to monetary policy operations denominated in domestic currency	96,525,124.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	96,525,124.4
3. Other liabilities to credit institutions denominated in domestic currency	762,678.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	762,678.9
4. Liabilities due to issued securities denominated in domestic currency	184,521,188.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	184,521,188.7
5. Liabilities to other residents denominated in domestic currency	15,251,900.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15,251,900.0
6. Liabilities to non-residents denominated in domestic currency	3,960,800.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,960,800.8
7. Liabilities to residents denominated in foreign currency	0.0	1,293,990.7	31,316,095.0	19,542.8	0.0	0.0	0.0	0.0	0.0	0.0	91.2	32,629,719.7
8. Liabilities to non-residents denominated in foreign currency	0.0	11,787,831.4	5,533,244.0	14,445,232.1	0.0	4,064,081.6	0.0	206,041.0	0.0	0.0	0.0	36,036,430.1
9. SDR allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29,769,702.4	0.0	0.0	29,769,702.4
11. Other liabilities	382,931.6	52,222.1	7,834.7	353.4	2,852.5	34,397.6	30.4	12,273.9	0.0	0.0	615,127.5	1,108,023.7
12. Provisions	16,693,832.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16,693,832.6
13. Revaluation accounts	50,639,377.4	247,760.7	50,668.8	0.0	89,134.5	4,501.4	397.0	7,089.7	0.0	0.0	0.0	51,038,899.5
14. Capital and reserves	1,500,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,500,000.0
15. Financial result	-32,216.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-32,216.5
TOTAL LIABILITIES	725,763,343.2	13,381,804.9	36,907,842.5	14,465,128.3	91,987.0	4,102,980.6	427.4	225,374.6	29,769,702.4	0.0	615,218.7	825,323,809.6

31.12.2020	PLN	USD	EUR	GBP	CAD	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	0.0	52,252,619.6	0.0	52,252,619.6
2. Claims on non-residents denominated in foreign currency	0.0	235,117,255.3	135,170,102.7	72,168,735.7	2,656.9	37,427,034.4	26,395,128.0	14,278,939.9	6,879,394.5	0.0	26,465.7	527,465,943.1
5. Claims on credit 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	0.0	52,955.4
6. Other claims on credit 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	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	0.0	112,563,027.9
10. Other assets	1,346,430.3	79,705.4	297,776.4	27,804.3	0.0	84,315.1	34,426.0	53,851.9	54,632.0	0.0	1.5	1,978,942.9
TOTAL ASSETS	113,962,429.6	235,196,970.7	135,467,879.1	72,196,540.0	2,656.9	37,511,349.5	26,428,554.0	14,332,791.8	6,934,026.5	52,252,619.6	26,467.2	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	0.0	321,800,665.9
2. Liabilities to credit 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	0.0	62,629,413.3
3. Other liabilities to credit 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	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	0.0	127,767,680.0
5. Liabilities to other residents denominated in domestic currency	24,859,721.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24,859,721.0
6. Liabilities to non-residents denominated in domestic currency	2,196,156.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,196,156.7
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	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	0.0	2,597,428.8	0.0	1,335,390.3	0.0	0.0	0.0	45,352,526.9
9. SDR allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,128,746.3	0.0	0.0	7,128,746.3
11. Other liabilities	348,081.5	156.9	242,180.4	11,327.5	0.1	66,902.8	23,704.7	37,567.2	0.0	0.0	24.1	729,945.2
12. Provisions*	10,030,488.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10,030,488.9
13. Revaluation accounts	41,872,204.0	2,283,063.6	273,597.1	424,298.7	0.0	370,358.5	200,971.3	315,862.9	0.0	0.0	0.0	45,740,356.1
14. Capital and reserves*	1,891,425.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,891,425.1
15. Financial result	-2,521,301.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2,521,301.9
TOTAL LIABILITIES	591,319,442.8	20,421,507.8	50,666,329.4	19,629,233.6	0.1	3,034,690.0	224,676.0	1,688,820.4	7,128,746.3	0.0	58.5	694,313,504.9

* In 2021 the balance of the FX risk provision presented as at 31 December 2020 in Item 14. Capital and reserves was transferred to Item 12. Provisions (see Chapter 3).

7.1.5. Equity index futures price risk

The risk of a change in the price of equity index futures is related to a potential loss of value of these contracts, resulting mainly from unfavourable changes in the prices of the underlying instrument (equity index).

Daily changes in the market prices of futures are recognised in the financial result on a daily basis – including also on the day of closing an open position in futures – as realised price gains/losses (see Note 12.1).

As at the end of 2021, NBP invested in equity index futures in the markets of the United States, euro area and the United Kingdom.

7.1.6. 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 to maturity,
- 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 held to maturity and securities denominated in domestic currency held for monetary policy purposes are valued at 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
Financial assets and liabilities and off-balance-sheet financial instruments whose market value is determined directly on the basis of (unadjusted) prices quoted on active markets for identical assets, liabilities or off-balance-sheet financial instruments. NBP has classified into this category securities denominated in foreign currency purchased by NBP, except for securities priced based on yield curve values.*	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). NBP has classified into this category : <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. 	Financial assets and liabilities as well as off-balance-sheet financial instruments whose market value is estimated using valuation models for which input data are not based on data observable in the market. As at 31 December 2021 and 31 December 2020, NBP did not classify any financial assets and liabilities and off-balance-sheet financial instruments into this category.

* 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 2021 and 31 December 2020 according to market value, assigned to individual levels, are presented below.

31.12.2021 PLN thousand	Level 1	Level 2	Level 3	Balance-sheet value	Balance sheet item
ASSETS					
Securities purchased by NBP	480,784,476.8	26,005,990.5	0.0	506,790,467.3	A.2.2
Forward transactions in securities (revaluation gains)	0.0	3,661.8	0.0	3,661.8	A.10.3
LIABILITIES					
Forward transactions in securities (revaluation losses)	0.0	204.1	0.0	204.1	L.11.1
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

In 2021 and 2020, there were no transfers between Level 1 and Level 2.

Narodowy Bank Polski also invests in futures contracts. These contracts 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:

- external and internal regulations,
- the scope of job responsibilities and division of duties,
- data reconciliation, and the “four-eyes” principle,
- the system of (financial, time) limits and restrictions,
- introduction of an 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 2021, the Controlling and Operational Risk Department monitored, on an ongoing basis, operational risk in NBP activity, including events resulting from the SARS-Cov-2 pandemic. In 2021, the Commission for Operational Risk Management held 12 sessions to discuss topics related to the assessment of the current activities aimed to ensure the proper execution of NBP tasks, with special attention paid to Key Risk Indices values being exceeded as a result of the pandemic. The level of risk at NBP in 2021 was monitored on an ongoing basis and mitigating measures were also systematically adopted.

Warsaw, 24 March 2022

Director of the Accounting
and Finance Department
of Narodowy Bank Polski

/-/ Krzysztof Kruszewski

Management Board
of Narodowy Bank Polski

/-/ Adam Glapiński
/-/ Marta Kightley
/-/ Adam Lipiński
/-/ Marta Gajęcka
/-/ Andrzej Kaźmierczak
/-/ Piotr Pogonowski
/-/ Paweł Szałamacha