

NATIONAL BANK OF POLAND

NBP

FINANCIAL STATEMENTS
OF THE NATIONAL BANK OF **POLAND**

as at 31 December 2010

NOTES

GENERAL INFORMATION

Warsaw, March 2011

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1. INTRODUCTION

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

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

The National Bank of Poland has a legal personality and is not subject to entry into the register of state enterprises. The NBP performs its activities in the territory of the Republic of Poland, and its registered office is in Warsaw. The role, functions and tasks of the NBP are set forth in the following acts and regulations:

- the Act of 29 August 1997 on the National Bank of Poland (consolidated text: Journal of Laws of 2005, No. 1, item 2, as amended), hereinafter referred to as the “Act on the NBP”,
- the Act of 29 August 1997 – Banking Law (consolidated text: Journal of Laws of 2002, No. 72, item 665. as amended),
- European regulations (Treaty of Accession, Treaty on European Union, Statute of the European System of Central Banks and the European Central Bank).

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

- organising monetary clearing;
- managing the foreign exchange reserves;
- conducting foreign exchange activities within the bounds stipulated by relevant laws;
- providing banking services to the State budget;
- regulating the liquidity of banks and providing them with refinancing facilities;
- establishing the necessary conditions for the development of the banking system;

- acting in favour of the stability of the national financial system¹;
- compiling the monetary and banking statistics, the balance of payments and international investment position;
- performing other tasks as specified by laws.

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

- 1) President of the National Bank of Poland,
- 2) Monetary Policy Council,
- 3) Management Board of the National Bank of Poland.

Composition of the bodies of the NBP:

1) **President of the NBP**

Marek Belka — appointed at the motion of the Speaker of the Sejm, acting President of the Republic of Poland, by the Sejm of the Republic of Poland on 10 June 2010 for a six-year term of office. The term began on 11 June 2010.

He replaced the tragically deceased Sławomir Stanisław Skrzypek, whose term ended on 10 April 2010.

Between 10 April 2010 and 11 June 2010, the acting President of NBP was Piotr Wiesiołek, the Vice-President of NBP — the First Deputy President of the NBP.

2) **Monetary Policy Council**, hereinafter referred to as the “MPC”:

Chairperson of the MPC, President of the NBP

Marek Belka

Members of the MPC, appointed for a six-year, non-renewable term of office:

Andrzej Bratkowski the term began on 10 January 2010,

Elżbieta Chojna-Duch the term began on 10 January 2010,

¹ Pursuant to Article 2 para. 1 of the Act of 7 November 2008 on the Financial Stability Committee (Journal of Laws No. 209, item 1317) the “national financial system” shall mean all entities subject to supervision pursuant to the Act of 21 July 2006 on supervision of the financial market (Journal of Laws No. 157, item 1119, as amended).

Zyta Gilowska	the term began on 19 February 2010,
Adam Glapiński	the term began on 19 February 2010,
Jerzy Hausner	the term began on 24 January 2010,
Andrzej Kaźmierczak	the term began on 19 February 2010,
Andrzej Rzońca	the term began on 24 January 2010,
Jan Winiecki	the term began on 24 January 2010,
Anna Zielińska-Głębocka	the term began on 9 February 2010.

Members of the MPC of the previous term of office:

Jan Czekaj	the term ended on 9 January 2010,
Dariusz Filar	the term ended on 18 February 2010,
Stanisław Nieckarz	the term ended on 7 February 2010,
Marian Noga	the term ended on 23 January 2010,
Stanisław Owskiak	the term ended on 23 January 2010,
Mirosław Pietrewicz	the term ended on 9 January 2010,
Andrzej Sławiński	the term ended on 18 February 2010,
Halina Wasilewska-Trenkner	the term ended on 23 January 2010,
Andrzej Wojtyna	the term ended on 18 February 2010.

3) Management Board of the NBP:

Chairperson of the Management Board, President of the NBP

Marek Belka

First Deputy President of the NBP

Piotr Wiesiołek appointed by the President of the Republic of Poland as of 6 March 2008.

Deputy President of the NBP

Witold Koziński appointed by the President of the Republic of Poland as of 24 October 2008.

Members of the Management Board of the NBP:

Eugeniusz Gatnar appointed by the President of the Republic of Poland as of 25 March 2010,

Zbigniew Hockuba appointed by the President of the Republic of Poland as of 2 November 2007,

Andrzej Raczko appointed by the President of the Republic of Poland as of 7 September 2010,

Jakub Skiba appointed by the President of the Republic of Poland as of 2 November 2007,

Zdzisław Sokal appointed by the President of the Republic of Poland as of 13 March 2007,

Małgorzata Zaleska appointed by the President of the Republic of Poland as of 3 August 2009.

Members of the Management Board of the NBP are appointed for a six-year term of office.

The term of office of Jerzy Stopyra, Member of the Management Board of the NBP, expired on 25 March 2010.

1.2. Cooperation of the NBP with international institutions

In accordance with Article 5 of the Act on the NBP, the NBP may be a member of international financial and banking institutions and may cover expenses related to membership in such institutions from its own funds. Moreover, pursuant to Article 11 para. 3 of the Act on the NBP, the President of the NBP represents the interests of the Republic of Poland in international banking institutions and, unless the Council of Ministers decides otherwise, in international financial institutions. Cooperation of the NBP with international financial and banking institutions is related both to the implementation of tasks resulting from Poland's membership of the European Union (participation in the activities of the European System of Central Banks) and to Poland's membership of other economic and financial organisations and institutions.

International institutions with which NBP currently cooperates include, in particular:

- 1) European Central Bank,
- 2) Bank for International Settlements in Basel,
- 3) International Monetary Fund,
- 4) World Bank Group,
- 5) European Bank for Reconstruction and Development,
- 6) Organisation for Economic Cooperation and Development,
- 7) International Bank for Economic Cooperation,
- 8) Committee of European Banking Supervisors.

1.3. Description of adopted accounting principles

1.3.1. Legal basis for the accounting of the NBP

Financial statements of NBP were prepared on the basis of accounting books, kept in compliance with the provisions of:

- the Act on the NBP,
- Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, format of balance sheet and the profit and loss account of the National Bank of Poland (NBP Official Journal of 2003 No. 22, item 38, as amended), hereinafter referred to as “Resolution No. 16/2003”,

- Resolution No. 63/2008 of the Management Board of the National Bank of Poland of 11 December 2008 on the manner of performing tasks in the area of accounting at the National Bank of Poland, as amended, together with the “NBP Chart of Accounts”,
- Resolution No. 12/2010 of the Monetary Policy Council of 14 December 2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at the National Bank of Poland (NBP Official Journal of 2010 No. 17, item 19), hereinafter referred to as the “Resolution No. 12/2010”,
- Resolution No. 29/2007 of the Management Board of the National Bank of Poland of 25 October 2007 on the management of fixed assets in the National Bank of Poland, as amended, hereinafter referred to as the “Resolution No. 29/2007”.

1.3.2. Basic accounting principles of the NBP

In accordance with Article 67 of the Act on the NBP, the accounting principles of the NBP should conform to the standards applied in the European System of Central Banks.

The financial year in the NBP is from 1 January until 31 December. The balance sheet date is 31 December.

The true and fair view principle

The NBP applies accounting principles so to ensure a true and fair view of the economic and financial standing and financial performance, in accordance with the true nature and economic significance of economic events.

The going concern principle

Pursuant to Article 58 of the Act on the NBP, the NBP cannot be declared bankrupt.

The prudence principle

Valuation of assets and liabilities as well as recognition of revenues as part of the profit and loss account is performed prudently. In accordance with this principle, unrealised gains are not recognised as income in the profit and loss account, but are recorded as revaluation differences in the liabilities side of the balance sheet, At the same time, unrealised losses are taken at year-end to the profit and loss account. Unrealised losses related to a respective holding of debt securities, foreign currency or gold are not netted with unrealised gains on another holding of debt securities, foreign currency or gold.

The materiality principle

A simplified method for grouping economic operations on accounts, for the valuation of assets and liabilities, and for the recognition of income and expense may be applied at the NBP, provided that it does not adversely affect either the true and fair view of the economic and financial standing of financial performance.

The comparability principle

Accounting principles are applied throughout. In subsequent financial years, the grouping of economic operations on accounts, the valuation of assets and liabilities, the establishment of the financial result and the preparation of the financial statements are similar, so that the information included therein is comparable. The value of assets and liabilities shown in accounting books as at the end of the year is recognised in the same amount in accounting books that are opened for the subsequent financial year.

The accrual basis/economic approach

All economic events in a given financial year are recognised in accounting books for that year:

- foreign currencies and gold purchased or sold in a spot transaction or a forward transaction as well as debt securities purchased or sold in a forward transaction are recognised on the trade date,
- debt securities purchased or sold in a spot transaction, and cash received or deposited by the NBP subject to repayment are recognised on the settlement date,
- interest, discount and premium on assets and liabilities as well as off-balance-sheet instruments are taken to the profit and loss account at the end of each operating day².

Events after the balance sheet date

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

² Except for interest on balances maintained on nostro accounts, interest on the required reserve payment (interest payment date) as well as interest on assets and liabilities related to own activities (at the end of the reporting period, not later than at the end of the month).

Principles for the recognition of assets, liabilities, income and expense

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

- it is probable that any future economic benefits will flow in or liabilities will be settled,
- risks or benefits related to an asset or liability were transferred to the NBP,
- the value of an asset or liability, and of income or expense may be estimated in a reliable manner.

All income and expense regarding a given financial year are recognised in the financial result of that financial year. These rules are followed:

- unrealised gains are not recognised in the profit and loss account³,
- unrealised losses are recognised in the financial result as at the balance sheet date⁴,
- deferred income or expense is recognised in assets or liabilities.

Any issues not regulated in the accounting regulations shall be solved by the NBP, taking into account the following positions, effective as at the date of the preparation of the financial statements:

- provisions of other legal acts of the bodies of the NBP,
- guidelines of the European Central Bank (ECB) on the legal framework for accounting and financial reporting in the European System of Central Banks, hereinafter referred to as “ECB guidelines”,
- reports and decision of the Accounting and Monetary Income Committee (AMICO), operating within the ECB,
- preparatory work to ECB guidelines,
- practices applied in other central banks of the European System of Central Banks,
- international accounting standards.

in order to ensure reliability and correctness of the financial statements.

1.3.3. Principles for recognition and valuation of individual items of the financial statements of the NBP

The subsequent tables present the principles for:

³ Except for income on the decrease of gold revaluation account.

⁴ Except for unrealised losses related to debt securities, not qualified as held-to-maturity, taken to the profit and loss account on the date of reclassification of these items to held-to-maturity securities.

- 1) valuation of assets and liabilities of the NBP as at the date of their recognition in accounting books and as at the balance sheet date,
- 2) recognition of basic items of income and expense,
- 3) valuation of off-balance-sheet items as at the date of their recognition in accounting books and as at the balance sheet date.

Table 1

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
ASSETS			
Gold	<p>at the purchase price of gold, converted into domestic currency according to the average USD exchange rate effective as at the date of recognition of the economic event in the accounting books;</p> <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of gold</i></p>	at the average market price of gold, converted into domestic currency according to the average USD exchange rate effective as at the balance sheet date	A1
Gold receivables	<p>at the average market price of gold as at the date of recognition of the economic event in the accounting books, converted into domestic currency according to the average USD exchange rate effective as at the date of recognition of the economic event in the accounting books;</p> <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of gold</i></p>	at the average market price of gold, converted into domestic currency according to the average USD exchange rate effective as at the balance sheet date	A1
Foreign banknotes and coins	<ul style="list-style-type: none"> • purchased for domestic currency — at nominal value converted into domestic currency according to the exchange rate specified in an agreement or in a separate regulation • purchased for the same foreign currency — at nominal value converted into domestic currency according to the 	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A2

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
	<p>average exchange rate effective as at the date of the economic event</p> <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>		
SDR within a reserve tranche*	<ul style="list-style-type: none"> • purchased for domestic currency — at nominal value converted into domestic currency according to the exchange rate specified in an agreement • purchased for other foreign currency — at nominal value converted into domestic currency according to the average exchange rate of foreign currency quoted • other increases/decreases in SDR within a reserve tranche — at nominal value converted into domestic currency according to the exchange rate specified in an agreement <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A2
Current accounts with the IMF	<p>at nominal value converted into domestic currency according to the average exchange rate effective as at the date of recognition of the economic event in the accounting books</p> <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the value calculated according to the average cost of foreign currency</i></p>	in the amount of required payment converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A2
Current accounts in foreign currency	<ul style="list-style-type: none"> • funds arising from the purchase of foreign currency for domestic currency — at nominal value converted into domestic currency according to the exchange rate specified in an agreement or in a separate regulation 	in the amount of required payment converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A2

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
	<ul style="list-style-type: none"> • funds arising from the purchase of foreign currency for another foreign currency — at nominal value converted into domestic currency according to the average exchange rate of foreign currency quoted • other increases/decreases on current accounts in foreign currency — at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event or according to the average exchange rate effective as at the date of recognition of the economic event in the accounting books <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>		
Term deposits in foreign currency	<p>at nominal value converted into domestic currency according to the average exchange rate effective as at the date of recognition of the economic event in the accounting books</p> <p><i>at the end of the operating day, the value in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>	in the amount of required payment, converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A2 A3
Deposits (loans granted) in foreign currency under debt securities reverse repo transactions	<p>at nominal value converted into domestic currency according to the average exchange rate effective as at the date of recognition of the economic event in the accounting books</p> <p>debt securities purchased under this transaction do not change the balance of securities, are not subject to valuation, and no income and expense generated in relation to these securities is recognised in the financial result</p> <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average</i></p>	in the amount of required payment, converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A2 A3

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
	<i>cost of foreign currency</i>		
Debt securities in foreign currency	<p>at purchase price converted into domestic currency according to the average exchange rate effective as at the date of recognition of the economic event in the accounting books</p> <p>if a debt security item was purchased with a coupon, the amount of interest purchased is recognised in the accounting books separately from the the debt security item</p> <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>	<ul style="list-style-type: none"> • marketable securities other than held-to-maturity — at average market price converted into domestic currency according to the average exchange rate effective as at the balance sheet date • marketable securities classified as held-to - maturity— at purchase price, adjusted by the amortised discount/premium, decreased by impairment write-down**, converted into domestic currency according to the average exchange rate effective as at the balance sheet date <p>debt securities with the same code are valued jointly for the whole holding</p> <ul style="list-style-type: none"> • non-marketable securities — at purchase price, adjusted by the amortised discount/premium, decreased by an impairment charge**, converted into domestic currency according to the average exchange rate effective as at the balance sheet date 	A2 A3
Credits and loans granted in foreign currency	<p>at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event</p> <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>	<p>in the amount of required payment, decreased by impairment charge**, converted into domestic currency according to the average exchange rate effective as at the balance sheet date</p>	A2 A3

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
Other claims in foreign currency	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	in the amount of required payment, decreased by impairment charge**, converted into domestic currency according to the average exchange rate applicable as at the balance sheet date	A2 A3 A10
Credits and loans granted in domestic currency	at nominal value	in the amount of required payment, decreased by impairment charge**	A4 A5 A6 A10
Other claims in domestic currency	at nominal value	in the amount of required payment, decreased by impairment charge**	A4 A6 A8 A10
Deposits (loans granted) in domestic currency under debt securities reverse repo transactions	at nominal value debt securities purchased under this transaction do not change the balance of securities, are not subject to valuation, and no income or expense generated in relation to these securities is recognised in the financial result	in the amount of required payment	A5
Debt securities in domestic currency	at purchase price if a debt security was purchased with a coupon, the amount of interest purchased is recognised in the accounting books separately from the debt security item	<ul style="list-style-type: none"> • marketable securities — at average market price • marketable securities classified as held-to-maturity,— at purchase price, adjusted by amortised discount/premium, decreased by impairment charge** debt securities with the same code are valued jointly for the whole holding <ul style="list-style-type: none"> • non-marketable securities — at purchase price, adjusted by the amortised 	A7 A10

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
		discount/premium, decreased by impairment charge**	
Items in the course of settlement in foreign currency	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A9
Items in the course of settlement in domestic currency	at nominal value	at nominal value	A9
Tangible and intangible fixed assets	at initial value, i.e. at purchase price increased by costs directly related to the purchase and adaptation of an asset to the condition enabling its use, or at manufacturing cost of a tangible fixed asset, comprising costs incurred in the period from first expenditures on this asset until it is adopted for use initial value of a tangible or intangible fixed asset is increased by modernisation expense, if modernisation significantly increases the original utility value of such an asset.	at initial value less depreciation and impairment charge**	A10
Expenditures on tangible and intangible fixed assets	at purchase price or manufacturing cost	in the amount of total expenses directly related to manufacturing, modernisation of a tangible asset already in use at the NBP and adaptation of purchased tangible or intangible asset to the needs of the NBP or utility condition, decreased by impairment charge**	A10

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
Shares in foreign currency	at purchase price converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	<ul style="list-style-type: none"> • marketable — at average market price as at the balance sheet date, converted into domestic currency according to the average exchange rate effective as at the balance sheet date • non-marketable — at purchase price, decreased by impairment charge**, converted into domestic currency according to the average exchange rate effective as at the balance sheet date 	A10
Shares in domestic currency	at purchase price	<ul style="list-style-type: none"> • marketable — at average market price as at the balance sheet date • non-marketable — at purchase price, decreased by impairment charge** 	A10
Equities in foreign currency	at purchase price converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	at purchase price, decreased by impairment charge** converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A10
Equities in domestic currency	at purchase price	at purchase price, decreased by impairment charge**	A10
Off-balance-sheet instruments revaluation differences	at nominal value in the amount of difference between the value of off-balance-sheet spot and forward transactions, calculated according to the market price/average exchange rate, and the value calculated according to the purchase price/exchange rate used for a given transaction	at nominal value in the amount of difference between the value of off-balance-sheet spot and forward transactions, calculated according to the market price/average exchange rate and the value calculated according to the purchase price/exchange rate used for a given transaction	A10

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
Accruals and prepaid expenses in foreign currency	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date	A10
Accruals and prepaid expenses in domestic currency	at nominal value	at nominal value	A10
Inventories			A10
a/ inventory of products	at manufacturing cost	at manufacturing cost of products, decreased by an impairment charge**	
b/ inventory of goods and materials	at purchase price	at purchase price, decreased by an impairment charge**	
c/ inventory of gold not conforming to international standards of purity and of other precious metals	at purchase price	at purchase price, decreased by an impairment charge**	
d/ Collector items not in circulation	at nominal value	at nominal value	
Foreign exchange revaluation accounts	at nominal value in the amount of difference between the value of balance-sheet and off-balance-sheet assets and liabilities in a respective foreign currency, calculated according to the average exchange rate and the value calculated according to the average cost of foreign currency <i>revaluation bookings are reversed before the next valuation is performed</i>	revaluation accounts — unrealised losses are taken to the profit and loss account as at the balance sheet date	A10

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
Price revaluation accounts	at nominal value in the amount of difference between the value of balance-sheet and off-balance-sheet assets and liabilities in a respective foreign currency, calculated according to the average market price and the value calculated according to the average cost of debt securities <i>revaluation bookings are reversed before the next valuation is performed</i>	revaluation accounts — unrealised losses are taken to the profit and loss account recognised as at the balance sheet date	A10
LIABILITIES			
Banknotes and coins in circulation	at nominal value of banknotes and coins issued, decreased by nominal value of banknotes and coins at the NBP cash points and vaults, deposited in vaults of other banks, and by the nominal value of banknotes and coins worn out or damaged that have been withdrawn from circulation	at nominal value	L1
Current accounts/ subsidiary accounts/ term deposits kept in domestic currency	at nominal value	in the amount of required payment	L2 L3 L4 L5 L8
Deposits received in domestic currency under debt securities repo transactions	at nominal value debt securities sold under this transaction do not decrease the balance of securities	in the amount of required payment	L2
Debt securities issued in domestic currency	at nominal value	in the amount of required payment	L2
Other liabilities in domestic currency	at nominal value	in the amount of required payment	L3 L4 L5 L10
Current accounts/ subsidiary accounts/ term deposits kept in foreign currency	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is</i>	in the amount of required payment, converted into domestic currency according to the average exchange rate effective as at the balance sheet date	L6 L7

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
	<i>regulated (updated) to the amount calculated according to the average cost of foreign currency</i>		
Deposits received in foreign currency under debt securities repo transactions	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of recognition of the economic event in the accounting books debt securities sold under this transaction do not decrease the balance of securities <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	in the amount of required payment, converted into domestic currency according to the average exchange rate effective as at the balance sheet date	L6 L7
Credits received in foreign currency	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	in the amount of required payment, converted into domestic currency according to the average exchange rate effective as at the balance sheet date	L6 L7
Other liabilities in foreign currency	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	in the amount of required payment, converted into domestic currency according to the average exchange rate effective as at the balance sheet date	L6 L7
Counterpart of SDR allocation	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the value in domestic currency is adjusted (updated) to the value calculated according to the average cost of foreign currency stock</i>	in the amount of required payment, converted into domestic currency according to the average exchange rate effective as at the balance sheet date	L8

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
Items in the course of settlement in foreign currency	at nominal value converted into domestic currency according to the average exchange rate, effective as at the date of the economic event	at nominal value converted into domestic currency according to the average exchange rate, effective as at the balance sheet date	L9
Items in the course of settlement in domestic currency	at nominal value	at nominal value	L9
Off-balance-sheet instruments revaluation differences	at nominal value in the amount of difference between the value of off-balance-sheet spot and forward transactions, calculated according to the market price/average exchange rate and the value calculated according to the purchase price/exchange rate used for a given transaction	at nominal value in the amount of difference between the value of off-balance-sheet spot and forward transactions, calculated according to the market price/average exchange rate and the value calculated according to the purchase price/exchange rate used for a given transaction	L10
Accruals in foreign currency	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date	L10
Accruals in domestic currency	at nominal value	at nominal value	L10
Deferred income in foreign currency	at nominal value converted into domestic currency according to the average exchange rate effective as at the date of the economic event <i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i>	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date	L10
Deferred income in	at nominal value	at nominal value	L10

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
domestic currency			
Special funds	at nominal value	at nominal value	L10
Provisions for future liabilities***	in a reliably estimated amount which would have to be paid not later than at the balance sheet date, to fulfil the obligation arising from past events or from identified risk, and would be appropriate to cover the identified risk	in a reliably estimated amount, which would have to be paid not later than at the balance sheet date to fulfil the obligation arising from past events or from identified risk, and would be appropriate to cover the identified risk	L11
Gold revaluation account	at nominal value	at nominal value the balance of the revaluation account is decreased by the amount of: <ul style="list-style-type: none"> • unrealised gold revaluation losses, taken to the profit and loss accounts on the balance sheet date • corresponding to the pro-rata decrease in gold balance as compared to the balance at the balance sheet date of the previous financial year 	L12
Foreign exchange revaluation accounts	at nominal value in the amount of difference between the value of balance-sheet and off-balance-sheet assets and liabilities in a respective foreign currency, calculated according to the average exchange rate and the value calculated according to the average cost of foreign currency <i>revaluation bookings are reversed before the next valuation is performed</i>	at nominal value in the amount of difference between the value of balance-sheet and off-balance-sheet assets and liabilities in a respective foreign currency, calculated according to the average exchange rate and the value calculated according to the average cost of foreign currency <i>the differences are derecognised before the next valuation is performed following the balance sheet date</i>	L12
Price revaluation accounts	at nominal value in the amount of difference between the value of balance-sheet and off-balance-	at nominal value in the amount of difference between the value of balance-	L12

Balance sheet item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date	Balance sheet position
	sheet assets and liabilities in foreign currency, calculated according to the average market price and the value calculated according to the average cost of respective debt securities <i>revaluation bookings are reversed before the next valuation is performed</i>	sheet and off-balance-sheet assets and liabilities in foreign currency, calculated according to the average market price and the value calculated according to the average cost of respective debt securities <i>the differences are derecognised before the next valuation is performed following the balance sheet date</i>	
Provision against the foreign exchange rate risk of the zloty	in an estimated amount that would cover the potential change in the value of foreign currency due to identified foreign exchange rate risk of the zloty, decreased by estimated unrealised gains arising from changes in the foreign exchange rate of the zloty; the amount of provision is estimated on the basis of generally accepted and consistently applied by the NBP methods of financial risk assessment; the estimated provision may not be lower than the amount of uncovered accumulated loss from previous years, arising from changes in the foreign exchange rate of the zloty; the provision is created as expense and may not lead to a negative financial result of current year for the NBP	in an estimated amount that would cover the potential change in the value of foreign currency due to identified the foreign exchange rate risk of the zloty, decreased by estimated unrealised gains, arising from changes in the foreign exchange rate of the zloty; the amount of provision is estimated on the basis of generally accepted and consistently applied by the NBP methods of financial risk assessment; the estimated provision may not be lower than the amount of uncovered accumulated loss from previous years, arising from changes in the foreign exchange rate of the zloty; the provision is created as expense and may not lead to a negative financial result of current year for the NBP	L13
Financial result	at nominal value	at nominal value	L14

* **SDR within a reserve tranche** and a quota in domestic currency (corresponding to funds on Account No. 1 of the IMF) constitute the amount of membership quota of the Republic of Poland in the IMF.

** **Impairment of assets** is determined on the balance sheet date by comparing of their book value with utility or market value, or if it highly probable that a given asset will not generate expected economic benefits in the future. The procedure for recognising impairment of assets is applied to: debt securities held-to-maturity, non-marketable debt securities and other non-marketable financial instruments (including non-marketable shares and equities), claims (including credits and loans), expenditures on tangible and intangible fixed assets, tangible

and intangible fixed assets, inventory of products, materials and goods, stock of gold non-conforming to international standards of purity and of other precious metals.

The book value of assets, except for amounts increasing the value of claims, as at the balance sheet date is decreased in the case of their impairment and due to credit risk, in particular if:

1) assets are used by:

- a domestic bank carrying out a recovery proceedings programme,
- a foreign institution originating in a country of increased insolvency risk due to the economic situation of this country,
- a company which has not generated gross profit in the last two financial years,
- a debtor against whom liquidation or bankruptcy has been declared;

2) claims are questioned by debtors (claims in dispute);

3) a debtor has defaulted on claims in full amount or in part, or on the payment of expected benefits other than interest;

4) guarantees and sureties granted were executed.

*** **Provisions for future liabilities** are recognised in accounting books when the NBP is under obligation arising from past events or from identified risk and when it is probable that the fulfilment of the obligation or the materialisation of the identified risk will reduce the economic benefits of the NBP, and the amount of this obligation and the amount adequate to cover the identified risk can be estimated in a trustworthy manner.

Provisions for future liabilities are set up, updated with respect to the amount and released at the end of the reporting period, not later than at the end of the month, except for provisions for future obligations towards employees, which are set up, updated and released on the balance sheet date.

Provisions for future liabilities unused on account on partial or full cessation of obligation or risk justifying their creation, are released and recognised in the financial result.

Table 2

Item	Method of recognition in the financial result	Item of the profit and loss account
PROFIT AND LOSS ACCOUNT		
Discount and premium on securities purchased	are recognised in the financial result at the end of a given operating day in the amounts calculated according to the internal rate of return	(1) net interest, discount and premium income/expense
Discount and premium on securities issued	taken, respectively, as deferred income or accrued expenses, are recognised in the financial result of a given operating day, in amount calculated for the period for which a given debt security was issued, proportionally to the time elapsed	(1) net interest, discount and premium income/expense

Item	Method of recognition in the financial result	Item of the profit and loss account
	between the beginning date of the obligation and the end of a given day	
Interest on deposits made, credits granted and debt securities purchased	is recognised in the financial result at the end of a given operating day, in the amount calculated proportionally to the time elapsed between the beginning date of an asset and the end of a given day	(1) net interest, discount and premium income/expense
Interest on deposits received, credits taken and debt securities issued	is recognised in the financial result at the end of a given operating day, in the amount calculated proportionally to the time elapsed between the beginning date of the obligation and the end of a given day	(1) net interest, discount and premium income/expense
Interest on balances on nostro accounts	is recognised in the financial result as at the payment date	(1) net interest, discount and premium income/expense
Interest on other assets and liabilities	is recognised in the financial result not later than as at the end of the month	(1) net interest, discount and premium income/expense (7) other administrative expense
Income and expense resulting from the sale of debt securities*	It is calculated for the securities of the same code and it is recognised as income/expense on the settlement date in the amount resulting from the difference between the selling price and the average acquisition cost	(2) net income/expense on financial operations
Income and expense resulting from the sale of foreign currency**	<p>are recognised in the financial result at the trade date:</p> <ul style="list-style-type: none"> • with respect to foreign currency purchased and sold at the same time on a given operating day — in the amount resulting from the difference between the daily average cost of foreign currency sold and the daily average cost of respective foreign currency purchased • with respect to the surplus of foreign currency sold over foreign currency purchased on a given operating day (net outflow) — in the amount resulting from the difference between the daily average cost of foreign currency sold and the average cost of a respective foreign currency 	(2) net income/expense on financial operations
Unrealised foreign exchange losses	are recognised in the financial result as at the balance sheet date in the amount of	(2) net income/expense on financial operations

Item	Method of recognition in the financial result	Item of the profit and loss account
	the difference between the value of balance-sheet and off-balance-sheet assets and liabilities in foreign currency, calculated according to the average exchange rate and the value calculated according to the average cost of foreign currency	
Unrealised price losses	are recognised in the financial result as at the balance sheet date in the amount of difference between the value of balance-sheet and off-balance-sheet assets and liabilities in foreign currency, calculated according to the average market price and the value calculated according to the average cost of debt securities	(2) net income/expense on financial operations
Income due to a decrease in the balance of gold revaluation account	<p>is recognised in the financial result as at the balance sheet date in the amount of:</p> <ul style="list-style-type: none"> • unrealised gold revaluation losses, taken to the profit and loss account on the balance sheet date • corresponding to the pro-rata decrease in gold balance as compared to the as at balance sheet date of the previous financial year 	(2) net income/expense on financial operations
Income and expense from the sale of tangible and intangible fixed assets	<p>are recognised in the financial result as at the selling date:</p> <ul style="list-style-type: none"> • with respect to tangible and intangible fixed assets — in the amount of the difference between the value obtained from the sale and the non-depreciated part of the initial value, decreased by an impairment charge, the cost of preparing the asset for sale and the cost of sale transaction itself • with respect to expenditures on tangible and intangible fixed assets — in the amount of the difference between the value obtained from the sale and the value of expenditures, decreased by an impairment charge, the cost of preparing the asset for sale and the cost of sale transaction itself 	(5) other income (10) other costs

Item	Method of recognition in the financial result	Item of the profit and loss account
Depreciation charges	are recognised as cost in the amount resulting from spreading of the initial value of tangible and intangible fixed assets over the expected profit-generating period, proportionally to the lapse of time, in equal instalments, not later than at the end of a given month	(8) depreciation
Issue of banknotes and coins expense	are recognised in the financial result on the date of the economic event in the amount of cost of the purchase of banknotes and coins	(9) issue of banknotes and coins expense

* The average cost of a holding of debt securities with the same code is modified by unrealised losses taken to the profit and loss account on the balance sheet date.

* The average cost of a holding of foreign currency is modified by unrealised losses taken to the profit and loss account on the balance sheet date.

Table 3

Item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date
OFF-BALANCE-SHEET ITEMS		
Spot transactions	<ul style="list-style-type: none"> foreign currency purchased/sold for domestic currency — at nominal value, converted into domestic currency according to the exchange rate specified in an agreement or in a separate regulation foreign currency purchased/sold for another foreign currency — at nominal value of foreign currency quoted, converted into domestic currency according to the average exchange rate of foreign currency quoted <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date

Item	Valuation as at the date of recognition in the accounting books	Valuation as at the balance sheet date
Foreign exchange swap transactions*	<ul style="list-style-type: none"> • spot purchased/sold and, respectively, forward sold/purchased foreign currency for domestic currency — at nominal value converted into domestic currency according to the spot exchange rate specified in an agreement • spot purchased/sold and, respectively, forward sold/purchased foreign currency for another foreign currency — at nominal value converted into domestic currency according to the spot exchange rate specified in an agreement and to the average exchange rate of foreign currency quoted <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date
Foreign exchange forward transactions**	<ul style="list-style-type: none"> • foreign currency purchased/sold for domestic currency — at nominal value, converted into domestic currency according to the spot exchange rate specified in an agreement • foreign currency purchased/sold for another foreign currency — at nominal value converted into domestic currency according to the spot exchange rate specified in an agreement and to the average exchange rate of foreign currency quoted <p><i>at the end of the operating day, the amount in domestic currency is regulated (updated) to the amount calculated according to the average cost of foreign currency</i></p>	at nominal value converted into domestic currency according to the average exchange rate effective as at the balance sheet date
Guarantee collateral	at nominal value	at nominal value

* Interest to be received or paid in foreign currency or in domestic currency, resulting from the difference between exchange rates agreed upon in the foreign exchange swap transaction agreement, is recognised in the financial result at the end of each operating day in amounts calculated proportionally to the time lapsed between the settlement date of the spot transaction and the settlement date of the foreign exchange forward transaction.

** Interest to be received or paid in foreign currency or in domestic currency, resulting from the difference between the forward exchange rate agreed upon in the foreign exchange forward transaction agreement and the spot exchange rate, is recognised in the financial result at the end of each operating day in amounts calculated proportionally to the time lapsed between the date customarily accepted for settlement of the spot transaction and the settlement date of the foreign exchange forward transaction.

1.4. Information about significant events following the balance sheet date unrecorded in the NBP financial statements

Changes in accounting principles in the financial year 2011

Changes in accounting principles adopted in Resolution No. 11/2010 of the Monetary Policy Council of 14 December 2010, amending Resolution No. 16/2003 of 16 December 2003 on accounting principles, format of balance sheet and the profit and loss account of the National Bank of Poland, are primarily related to:

- 1) the expansion of the investment instruments, planned by the NBP in 2011, with the following financial instruments:
 - futures,
 - interest rate swaps,
 - forward rate agreements,
 - forward transactions in securities;
- 2) changes in the ECB guidelines in the scope of definition of SDR holding and the approach for the recognition of transactions resulting in the change of balance of this currency,
- 3) recognition and valuation of intangible assets generated internally by NBP.

Settlement of withdrawn issue

Pursuant to the Act of 7 July 1994 on the Redenomination of the Zloty (Journal of Laws No. 84, item 386, and of 1995 No. 16, item 79), banknotes and coins in circulation before 1 January 1995 were, without limitations, subject to exchange until 31 December 2010 in NBP branches and in other banks obliged to carry out this activity by the President of the NBP. Banknotes and coins not returned until this date, with the value of PLN 172,093.0 thousand, were recognised by the NBP as income on 1 January 2011, decreasing simultaneously the item **Banknotes and coins in circulation**.

Increase in the quota of the Republic of Poland in the International Monetary Fund

On 28 April 2008, the IMF Board of Governors adopted Resolution No. 63-2 on the Reform of Quota and Voice in the International Monetary Fund, pursuant to which selected countries, including the Republic of Poland, are entitled to increase their quotas in the Fund. According to this Resolution, no increase in quota shall become effective before entry into force of the Resolution's proposed amendment of the Articles of Agreement of the IMF, i.e. as of the date on which the Fund certifies that three fifths of the members, having eighty-five-percent of the total voting power, have accepted this amendment.

On the basis of authorisation of the Council of Ministers, on 28 October 2008, the Minister of Finance notified the Fund of the Republic of Poland's consent to the increase in the quota in the IMF. Due to the above, the Republic of Poland's quota in the Fund's capital will increase from SDR 1,369,000.0 thousand to SDR 1,688,400.0 thousand.

As a result of entry into force, as at 3 March 2011, of the amendments set forth in Resolution No. 63-2, the NBP's payment in the amount equivalent to SDR 319,400.0 was scheduled for March 2011.

1.5. Certified auditor and its selection

The NBP annual financial statements drawn up as at 31 December 2010 are subject to examination and evaluation by a certified auditor, PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw. The certified auditor was appointed in 2010 by the MPC, pursuant to Article 69 para. 1 of the Act on the NBP. The selection was made by unlimited tender, pursuant to the Act of 29 January 2004 — Public Procurement Law (consolidated text, Journal of Laws of 2007 No. 223, item 1655, as amended) for a period of three years (auditing the financial statements for the years 2010, 2011 and 2012).

1.6. Information on the NBP financial statements for 2009

In accordance with Article 12 para. 2 subpara. 5 of the Act on the NBP, the NBP annual financial statements drawn up as at 31 December 2009 were adopted by the MPC by Resolution No. 3/2010⁵ on 27 April 2010 and approved by the Council of Ministers by Resolution No. 107/2010 on 21 July 2010. The certified auditor in charge of auditing

⁵ Resolution No. 3/2010 of the MPC of 27 April 2010 on the adoption of the annual financial statements of the National Bank of Poland, drawn up as at 31 December 2009 (NBP Official Journal of 2010, No. 7, item 7).

the financial statements — PricewaterhouseCoopers Sp. z o.o. – issued an unqualified opinion on the audited financial statements.

In the financial statements drawn up as at 31 December 2009, the NBP disclosed a financial result in the amount of PLN 4,165,554.4 thousand; consequently in 2010, the NBP paid a contribution from profit to the State budget in the amount of PLN 3,957,276.7 thousand. In accordance with Article 62 of the Act on the NBP, 5% of annual profit, i.e. the amount of PLN 208,277.7 thousand, was allocated to the reserve fund.

1.7. Other information important for adequate understanding of the NBP asset and financial situation

NBP's share in the ECB's subscribed capital

In accordance with Article 28 of the Statute of the European System of Central Banks and the European Central Bank, only the national central banks of the ESCB are entitled to subscribe the ECB capital. The ECB capital is subscribed according to the key determined in Article 29 of the Statute (see Table 4), i.e. shares of national central banks in the ECB capital are expressed in percentage and correspond to the shares of particular member states in the total population and the combined GDP of EU states (in equal consideration). Central banks from outside the euro area are required to cover only the minimum percentage of the ECB capital subscribed by them, specified by the ECB General Council, as their contribution to the ECB's operating costs.

Table 4

	ECB subscribed capital key	
	as at December 2010	
	%	
Oesterreichische Nationalbank		1.9417
Nationale Bank van België/ Banque Nationale de Belgique		2.4256
Central Bank of Cyprus		0.1369
Suomen Pankki/Finlands Bank		1.2539
Banque de France		14.2212
Bank of Greece		1.9649
Banco de España		8.3040
De Nederlandsche Bank		3.9882
Central Bank of Ireland		1.1107
Banque centrale du Luxembourg		0.1747
Central Bank of Malta		0.0632
Deutsche Bundesbank		18.9373
Banco de Portugal		1.7504
Národná banka Slovenska		0.6934
Banka Slovenije		0.3288
Banca d'Italia		12.4966
<i>National central banks in the euro area total</i>		<i>69.7915</i>
Българска народна банка		0.8686
Česka národní banka		1.4472
Danmarks Nationalbank		1.4835
Esti Pank/Bank of Estonia*		0.1790
Lietuvos bankas		0.4256
Latvijas Banka		0.2837
Narodowy Bank Polski		4.8954
Banca Națională a României		2.4645
Sveriges Riksbank		2.2582
Magyar Nemzeti Bank		1.3856
Bank of England		14.5172
<i>National central banks outside the euro area total</i>		<i>30.2085</i>
Total		100.0

* On 1 January 2011, Estonia introduced the euro as its currency.

On 29 December 2010, the subscribed capital of the European Central Bank increased by EUR 5,000,000.0 thousand, from EUR 5,760,652,402.58 to EUR 10,760,652,402.58. Subsequently, the minimum percentage of the ECB capital subscribed by the NBP, which the NBP as a central bank outside the euro area is required to pay to the ECB, decreased from 7% to 3.75%. As a result, on 29 December 2010, NBP paid EUR 13,648.22 (PLN 54,374.51) to the ECB, adjusting the hitherto paid-in contribution to the new minimum percentage. Once Poland joins the euro area, the NBP will be required to pay the remaining 96.25% of an increased ECB capital subscribed by it, i.e. EUR 507,022,841.06.

The amounts of subscribed shares as well as of capital paid in by individual national central banks to the European System of Central Banks are presented in Table 5.

Table 5

	Subscribed shares in ECB capital	Paid-up shares	Subscribed shares in ECB capital	Paid-up shares
	till 28 December 2010		from 29 December 2010	
	EUR			
Oesterreichische Nationalbank	111,854,587.70	111,854,587.70	208,939,587.70	144,216,254.37
Nationale Bank van België	139,730,384.68	139,730,384.68	261,010,384.68	180,157,051.35
Central Bank of Cyprus	7,886,333.14	7,886,333.14	14,731,333.14	10,167,999.81
Suomen Pankki/Finlands Bank	72,232,820.48	72,232,820.48	134,927,820.48	93,131,153.81
Banque de France	819,233,899.48	819,233,899.48	1,530,293,899.48	1,056,253,899.48
Bank of Greece	113,191,059.06	113,191,059.06	211,436,059.06	145,939,392.39
Banco de España	478,364,575.51	478,364,575.51	893,564,575.51	616,764,575.51
De Nederlandsche Bank	229,746,339.12	229,746,339.12	429,156,339.12	296,216,339.12
Central Bank of Ireland	63,983,566.24	63,983,566.24	119,518,566.24	82,495,232.91
Banque centrale du Luxembourg	10,063,859.75	10,063,859.75	18,798,859.75	12,975,526.42
Central Bank of Malta	3,640,732.32	3,640,732.32	6,800,732.32	4,694,065.65
Deutsche Bundesbank	1,090,912,027.43	1,090,912,027.43	2,037,777,027.43	1,406,533,694.10
Banco de Portugal	100,834,459.65	100,834,459.65	188,354,459.65	130,007,792.98
Národná banka Slovenska	39,944,363.76	39,944,363.76	74,614,363.76	51,501,030.43
Banka Slovenije	18,941,025.10	18,941,025.10	35,381,025.10	24,421,025.10
Banca d'Italia	719,885,688.14	719,885,688.14	1,344,715,688.14	928,162,354.81
<i>National central banks in euro area total</i>	<i>4,020,445,721.55</i>	<i>4,020,445,721.55</i>	<i>7,510,020,721.55</i>	<i>5,183,637,388.22</i>
Българска народна банка _	50,037,026.77	3,502,591.87	93,467,026.77	3,505,013.50
Česká národní banka	83,368,161.57	5,835,771.31	155,728,161.57	5,839,806.06
Danmarks Nationalbank	85,459,278.39	5,982,149.49	159,634,278.39	5,986,285.44
Eesti Pank/Bank of Estonia	10,311,567.80	721,809.75	19,261,567.80	722,308.79
Lietuvos bankas	24,517,336.63	1,716,213.56	45,797,336.63	1,717,400.12
Latvijas Banka	16,342,970.87	1,144,007.96	30,527,970.87	1,144,798.91
Narodowy Bank Polski	282,006,977.72	19,740,488.44	526,776,977.72	19,754,136.66
Banca Națională a României	141,971,278.46	9,937,989.49	265,196,278.46	9,944,860.44
Sveriges Riksbank	130,087,052.56	9,106,093.68	242,997,052.56	9,112,389.47
Magyar Nemzeti Bank	79,819,599.69	5,587,371.98	149,099,599.69	5,591,234.99
Bank of England	836,285,430.59	58,539,980.14	1,562,145,430.59	58,580,453.65
<i>National central banks outside euro area total</i>	<i>1,740,206,681.03</i>	<i>121,814,467.67</i>	<i>3,250,631,681.03</i>	<i>121,898,688.04</i>
Total*	5,760,652,402.58	4,142,260,189.22	10,760,652,402.58	5,305,536,076.26

* Individual items may not add up due to rounding.

Provision for exchange rate risk

On 14 December 2010, the MPC adopted Resolution No. 12/2010 on the principles for creating and releasing the provision against the foreign exchange rate risk of the zloty at the National Bank of Poland, which replaced Resolution No. 9/2006 of the MPC of 19 December 2006, as amended. The change was aimed at specifying the principles for

estimation, creation and release of provision against the foreign exchange rate risk of the zloty.⁶

According to Resolution No. 12/2010, the provision against the foreign exchange rate risk of the zloty is equal to an estimated amount that would cover the potential change in the value of foreign currency due to identified foreign exchange rate risk of the zloty, decreased by estimated unrealised gains arising from changes in the foreign exchange rate of the zloty. The amount of provision is estimated on the basis of generally accepted and consistently applied by the NBP methods of financial risk assessment. The estimated provision may not be lower than the amount of uncovered accumulated loss from previous years, arising from changes in the foreign exchange rate of the zloty; the provision is created as expense and may not lead to a negative financial result of current year for the NBP. If the amount of provision estimated as at the balance sheet date is lower than the amount of provision created as at the balance sheet date of the previous financial year, the surplus of provision is released and recognised as income; when it is higher — the difference is supplemented as expense. If unrealised losses arising from changes in the foreign exchange rate of the zloty as at the end of the financial year could result in a loss, the provision is released as income in the amount of unrealised losses that could result in a loss. If an increase in the provision, as at the balance sheet date, by the difference between the estimated provision and the amount of provision set up as at the balance sheet date of the preceding financial year could result in a loss, the provision is increased as expense by the amount not leading to a negative financial result.

Flexible Credit Line

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

On 2 July 2010, the Executive Board of the International Monetary Fund approved the request of Poland's authorities for a renewed access to the Flexible Credit Line arrangement in the amount of SDR 13,690,000.0 thousand (1000% of the Republic of Poland's quota in the IMF). This IMF instrument was made available to the Republic of Poland for a period of

⁶ Under the provisions of Resolution No. 12/2010, the provision against the foreign exchange rate risk of the zloty was estimated, as at 31 December 2010, in the amount of PLN 12.6 bn. As at 31 December 2009, the estimated amount of provision was PLN 16.4 billion. Had the provisions of Resolution No. 12/2010 been applicable on 31 December 2009, the amount of provision on that date would have amounted to PLN 15.6 bn.

12 months. The Government of the Republic of Poland was an authorising entity of the FCL, while the NBP serviced it as the fiscal agency of the Government.

On 21 January 2011, the Executive Board of the IMF cancelled the Line extended to Poland on 2 July 2010 and granted access to the Flexible Credit Line arrangement under new principles: the amount was increased to SDR 19,166,000.0 thousand (1400% of the Republic of Poland's quota in IMF) and granted access to its funds for a period of 24 months (i.e. until 20 January 2013). Also in this case, the Government of the Republic of Poland is an authorising entity of the new FCL, while the NBP is the Government's fiscal agency.

2. GENERAL INFORMATION

2.1. Changes in accounting principles in the financial year 2010

Changes in accounting principles in the financial year 2010 were introduced by Resolution No. 14/2009 of the Monetary Policy Council of 15 December 2009, amending Resolution No. 16/2003 on accounting principles, format of balance sheet and the profit and loss account of the National Bank of Poland. These changes are related to the development of common practices in the scope of accounting solutions for financial instruments by a group of central banks of the European System of Central Banks (including the NBP).

In order to mandate the abovementioned solutions, on 1 January 2010, the NBP introduced changes to regulations on accounting of quoted currency and the internal rate of return:

- transactions of purchase or sale of one foreign currency for another foreign currency are converted into domestic currency according to the value of the quoted foreign currency (till 31 December 2009, they were converted according to the value of foreign currency sold); the quoted currency means a currency in which the price of a unit of another currency is specified;
- discount and premium on all debt securities purchased by the NBP are settled according to the internal rate of return (till 31 December 2009, the method of internal rate of return was required only in relation to securities with no interest on the coupon and with maturity of over one year; in other cases, the straight-line method was applied).

According to the NBP estimates, if the NBP applied the quoted currency exchange rate instead of the sold currency exchange rate when converting transactions of sale of one foreign currency for another currency into domestic currency in 2009, the financial result for this period would have been lower by PLN 69.2 million. On the other hand, if discount and premium on debt securities held by the NBP in 2009 were settled using the internal rate of return method instead of the straight-line method, the financial result of NBP in the period during which the securities were held would have been lower by approx. PLN 44.3 million. Due to the fact that the above changes in the accounting principles would not have material impact on the asset and financial situation and financial result of the NBP, financial data presented in the financial statements for 2009 are treated as comparable to the financial data for 2010.

2.2. Risk management in the NBP

In order to mitigate financial and operational risk, the NBP has implemented the **Integrated Risk Management System**. It comprises three (interconnected) levels:

- 1) decentralised operational risk management in all departments and organisational units of the NBP, by directors of individual units, with the participation of the so-called “risk managers” responsible for risk monitoring;
- 2) activities of specialised organisational units: the Financial Risk Management Department (FRMD), responsible for financial risk management, the Operational Risk Unit⁷ that supports the process of identification, measurement and analysis of operational risk in the bank as a whole, and the Commission for Risk Management;
- 3) strategic decision-making by the NBP Management Board.

Tasks carried out under the Integrated Risk Management System include:

- ongoing identification and analysis of individual types of risk,
- measurement of risk level,
- selection and application of risk mitigation mechanisms,
- monitoring the efficiency of applied risk mitigation mechanisms,
- provision of ongoing and periodical information about the results of risk management.

2.2.1. Financial risk

The main types of financial risk underlying the activities of the NBP include: credit risk, liquidity risk and market risk (interest rate risk and exchange rate risk). The accepted level of financial risk is set through the system of investment limits and constraints and exposure to various types of risk under the adopted constraints is monitored on an ongoing basis by the Financial Risk Management Department. The analysis of exposure to financial risk as well as the rates of return of foreign exchange currency reserves are submitted to the NBP Management Board in monthly presentations and quarterly reports *Analysis of foreign exchange currency reserves management*. Information regarding financial risk management is also presented on a quarterly basis to the Commission for Risk Management.

⁷ On 1 January 2011, the Operational Risk Unit was transformed into the Operational Risk and Compliance Department.

2.2.1.1. Credit risk

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

a) Credit risk in foreign exchange reserves management

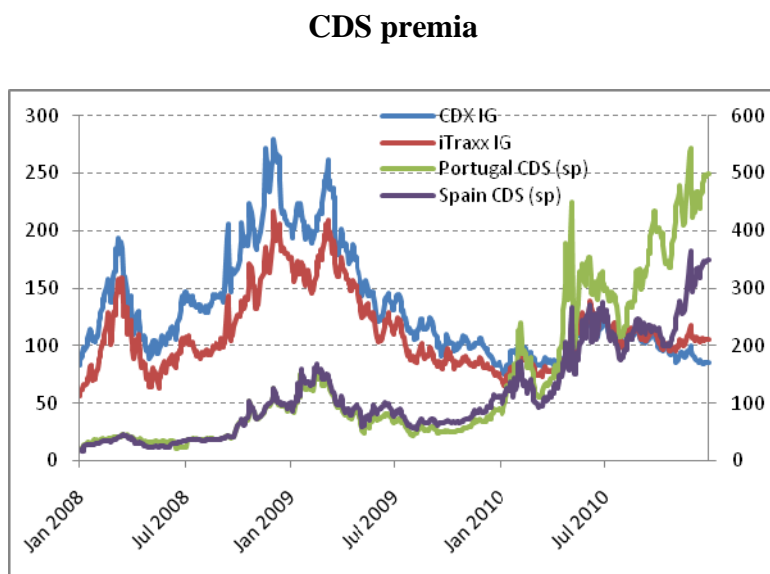
Methods of credit risk mitigation used by the NBP in the process of foreign exchange reserves management are presented in Table 6.

Table 6

Risk	Mitigation methods
Credit risk	<ul style="list-style-type: none"> Reduction in the share of deposit and non-government securities transactions Counterparty selection criteria and ongoing monitoring of their creditworthiness Limits imposed on deposit and currency exchange transactions for counterparties Limitation of the duration to maturity of deposit transactions Selection criteria for securities Limits for issuers of securities Collateral in deposit transactions with securities reverse repo agreements

In spite of a certain improvement in the condition of the global financial sector, credit risk in 2010 remained at an increased level, which resulted, among others, from significant exposure of financial institutions to assets of countries experiencing fiscal problems. Therefore, the share of deposits in foreign exchange reserves remained limited and the investment horizon for deposit transactions also remained shorter to enable prompt response to changes in the financial position of the counterparty. Limit reductions for deposit transactions for counterparties were also maintained.

Figure 1



Credit risk analyses were conducted using both data related to the financial position of the counterparties and assessments of rating agencies, as well as risk valuation reflected in market premia.

b) Credit risk underlying domestic credit operations

In 2010, the interest of domestic banks in liquidity-providing instruments in PLN and foreign currency decreased as compared with 2009. The improved liquidity situation in banks led to the discontinuing of foreign exchange swaps (the last swap operation was conducted in December 2009) and 6-month repo operations (from July 2010). The National Bank of Poland continued to make the following instruments available to domestic banks:

- marginal lending facility,
- technical credit,
- intraday credit in euro,
- repo operations.

Risk management in the abovementioned operations is focused on setting the list of securities that are eligible as collateral, as well as setting the required level of risk, determined by its haircut rate. The purpose of applying haircut is the reduction of the probability of a drop in the market value of the collateral below the value of extended loan as a result of a decrease in the market price of securities and/or adverse foreign exchange rate changes.

Treasury bills and bonds are the primary collateral presented by banks in credit operations, although the list of securities accepted as collateral also includes other securities deposited with the National Depository of Securities, in particular, mortgage bonds, communal bonds, corporate bonds (road construction financing bonds of BGK), bonds issued by the European Investment Bank, denominated in PLN, as well as Polish eurobonds.

The haircut rate for the marginal lending facility and technical credit is set on the basis of the ratio of the market price of securities to their nominal value. Intraday credit in euro is extended in line with the principles laid down by the European Central Bank, and it may be collateralised only by liquid Treasury bonds participating in BondSpot SA fixing (additionally, haircut due to foreign exchange risk is taken into account).

When determining the required level of collateral in repo operations, the NBP takes into account the maturity of transactions conducted, fluctuations in the market prices of securities and in exchange rates; it also considers elevated credit risk and lower liquidity of non-Treasury securities.

2.2.1.2. Liquidity risk

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

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

The NBP is, however, exposed to liquidity risk related to foreign exchange currency reserves management. This risk is managed through an adequate match of current and expected cash flows. Methods applied by the NBP to mitigate this risk are shown in Table 7.

Table 7

Risk	Mitigation methods
Liquidity risk	Investments in currencies whose financial markets exhibit highest

	liquidity Reduction in the share of deposit transactions Selection criteria for securities
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2.2.1.3. Interest rate risk

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

The primary measure of interest rate risk, applied by the NBP, is *modified duration* that specifies the sensitivity of the value of investment portfolios to changes in the yield on financial instruments. Methods of interest rate risk mitigation applied by the NBP in the foreign exchange currency reserves management are presented in Table 8.

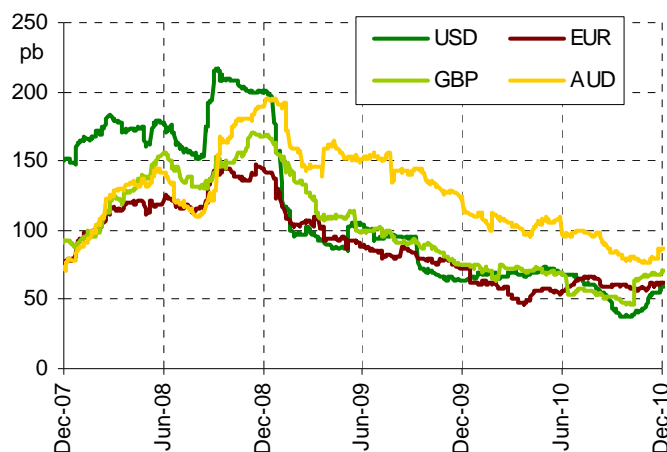
Table 8

Risk	Mitigation methods
Interest rate risk	Maximum level of modified duration of reserves Optimal level of modified duration of reserves specified in the benchmark Benchmark volatility ranges of modified duration of foreign exchange portfolios

Due to adopted priorities, i.e. to ensure the highest level of safety and liquidity, the dominant portion of the NBP foreign exchange currency reserves is invested in government debt securities. After a sudden increase in volatility of government bond yield during the subprime crisis in 2008, the last two years saw a decline of this volatility, which reflected a gradual stabilisation of the market, although in 2010, the declining tendency came to a halt. At the end of 2010, the yield volatility on short-term American government securities was at the level from before the crisis, whereas in the case of long-term American bonds and German, British and Australian securities, it remained increased as compared with the levels observed in mid-2007. As in the preceding year, the highest market risk accompanied investment in Australian bonds.

Figure 2

Annualised volatility of changes in 2-year government bond yield



2.2.1.4. Exchange rate risk

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

On the account of the functions performed by the National Bank of Poland, the assets of its balance sheet are predominantly assets in foreign currencies, and liabilities — predominantly liabilities in domestic currency. An open position for individual foreign currencies exposes the NBP to a significant exchange rate risk.

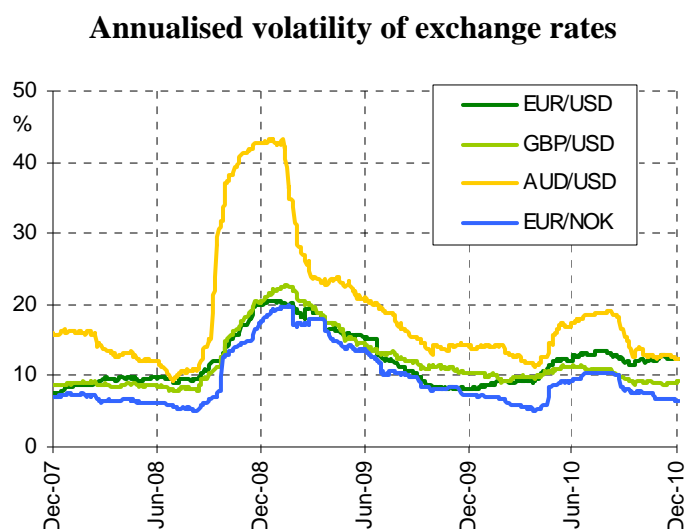
The analysis of the foreign exchange rate risk of the zloty is performed by the NBP, among others, based on the Value at Risk methodology. It estimates an expected/anticipated loss due to fluctuations in the foreign exchange risk of the zloty, which in normal conditions, with an assumed probability, should not be exceeded within the assumed timeframe. Value at Risk calculated as at the balance sheet date is the basis for creating a provision against the foreign exchange rate risk of the zloty.

Exchange rate risk mitigation methods applied by the NBP in foreign exchange currency reserves managements are presented in Table 9.

Table 9

Risk	Mitigation methods
Exchange rate risk	Optimal benchmark currency composition Volatility ranges of currency composition

The intensification of the financial market crisis in the second half of 2008 was reflected in the rise of exchange rate risk, measured by the volatility of exchange rates, to its highest level in at least three decades. Since the beginning of 2009, the volatility of exchange rates has been steadily declining. In the second quarter of 2010 this tendency was halted by rising investor concern about the fiscal position of some of the euro area countries. The year 2010 saw a decline in volatility of GBP/USD, AUD/USD and EUR/NOK and a rise in volatility of EUR/USD. At the end of 2010, the volatility of exchange rates of all above currency pairs was higher than at the onset of the subprime mortgage crisis in mid-2007, with the highest volatility exhibited by EUR/USD and AUD/USD.

Figure 3

2.2.2. Operational risk

In line with the classification adopted by the NBP, operational risk is divided into five subcategories:

- 1) safety risk — arising out of lack of or inadequate solutions safeguarding the NBP against unauthorised, detrimental or criminal activities of employees or third parties, or against force majeure, which adversely affects the performance of key tasks, essential for the achievement of NBP objectives;
- 2) personnel risk — arising out of the use of ineffective mechanisms of recruitment, professional qualifications upgrading, employee assessment and motivation leading to inadequacy of personnel, undesirable personnel rotation and lack of self-identification with the NBP (its mission, strategy, ethics and culture), as well as resulting from human error (which do not stem from insufficient skills or inappropriate work organisation) — negatively affecting, as a consequence, the performance of key tasks, essential for the achievement of NBP objectives;
- 3) legal risk — arising out of wrong or too late development or adoption of external and internal legal regulations or their absence, unstable legal regulations, changes in judicial decisions, inappropriate or incorrect development of legal relations or court rulings settling disputes arising out of legal relations between the NBP and other entities. Legal risk may also arise out of inappropriate (inconsistent) application of regulations, negatively influencing the performance of key tasks, essential for achievement of the Bank's objectives. Legal risk may also arise during the performance of activities related to legal services for the NBP in international relations;
- 4) technological risk — arising out of the application of inadequate, unreliable or inappropriately implemented technology, which may disrupt the continuity of processes or lead to situations where the changing needs of users are not efficiently and timely satisfied, which negatively affects the performance of material tasks, essential for the achievement of the NBP objectives;
- 5) management risk — arising out of inappropriate selection of methods and measures the process of planning, organising (e.g. information flow and management, operating procedures, division of competences), implementing, controlling and overseeing the performance of key tasks, essential for the achievement of NBP objectives.

The NBP has drawn up a list of risk mitigation methods⁸, including prevention of incidents⁹ and limiting their consequences. These mechanisms include, in particular:

⁸ Based on *Methodology of actions of risk managers in the NBP* of 2 December 2010.

⁹ Incident — a one-off event of incorrect functioning of NBP resources or an external event that leads or may lead to negative financial or non-financial consequences for the NBP.

- external and internal regulations,
- the scope of job responsibilities and division of duties,
- data reconciliation (so-called reconciliation), the “four-eyes” principle
- the system of (financial, time) limits and restrictions,
- backup copies, contingency and evacuation plans,
- insurance,
- ongoing control.

One of the methods for limiting the occurrence of incidents whose probability is low, but potential effects would be significant, is the Business Continuity Plan of the National Bank of Poland (BCP-NBP) for five critical functions:

- 1) settlement of payments in SORBNET and SORBNET-EURO systems,
- 2) foreign exchange reserves management,
- 3) servicing the account holder,
- 4) implementing monetary and exchange rate policy,
- 5) performing tasks of Treasury debt securities issuing agent and keeping the securities register,

and, in the case of two remaining critical functions:

- 6) providing banks with banknotes and coins,
- 7) operational activity for the maintenance of financial stability

Contingency Plans are in force.

In 2010, the NBP continued work on *Business Continuity Plan* management comprising such activities as updating the BCP-NBP and developing it (additional scenarios were included and the timeframe and scope of tests was expanded).

Under the *NBP Activity Plan for 2010–2012*:

- an IT system was implemented to support operational risk management (the system was put into operation in the first quarter of 2010),
- “Technological risk management policy of the building structure and movable equipment in the NBP” was developed and implemented; its aim is to mitigate non-ICT technological risk.

Currently, the NBP has developed and adopted all policies for management of particular operational risk subcategories.

In addition the following activities were carried through in 2010:

- 1) descriptions of 11 main processes of the NBP were updated;
- 2) regulations concerning operational risk were updated (in connection with the implementation of the IT system supporting operational risk management), i.e.: *Methodology of actions of risk managers in the NBP*, *Methodology of operational loss assessment in the NBP under operational risk management* and *Methodology of determining, monitoring and reporting of the Key Risk Indicators under operational risk management in the NBP*, which entered into force on 1 January 2011;
- 3) Resolution No. 65/2010 of the Management Board of the National Bank of Poland, repealing Resolution No. 6/2005 of the Management Board of the National Bank of Poland of 28 January 2005 on operational risk management in the National Bank of Poland, was implemented in connection with the necessity to make adjustments arising from implementation of the IT system in the NBP and updating issues regarding functions of risk managers;
- 4) changes in *Methodology of actions of risk managers in the NBP* were prepared, introducing, among others, assessment of the reputational effects of incidents;
- 5) information on operational risk for the NBP Management Board and Commission for Risk Management were drawn up on a regular basis, i.e.:
 - monthly information on operational risk,
 - monthly incident analyses,
 - quarterly analyses of Key Risk Indicators,
 - quarterly analyses of operational risk levels,
 - annual report on Risk Management System in the NBP.

2.3. Changes in individual items of the balance sheet

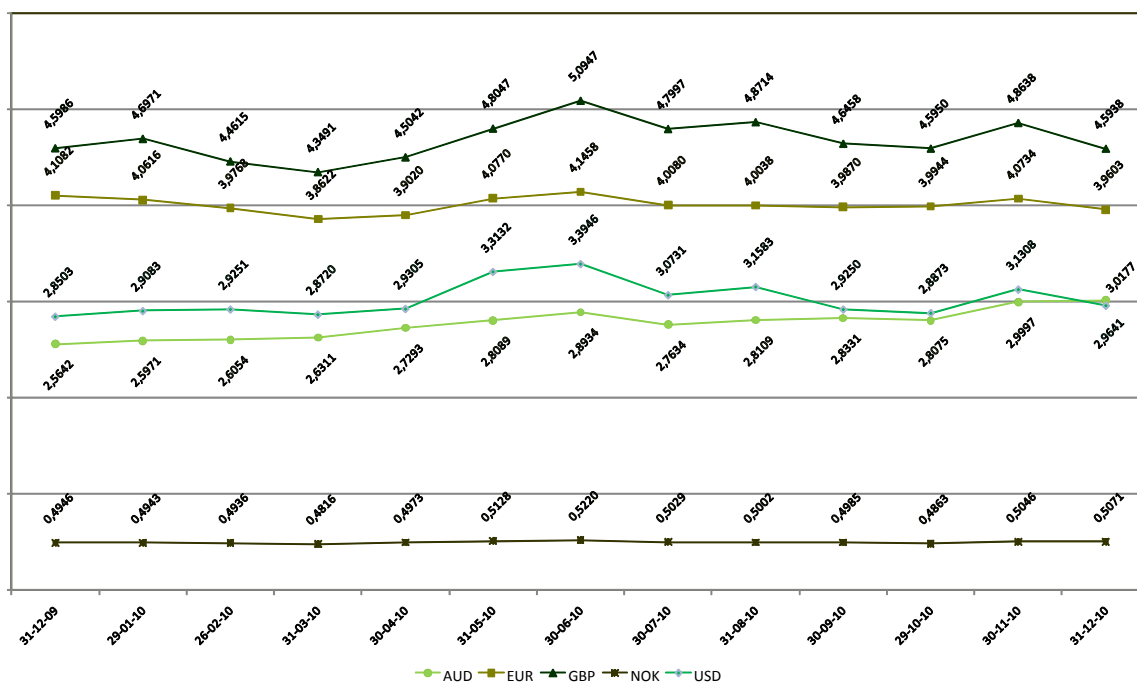
The balance sheet total of the National Bank of Poland as at 31 December 2010 amounted to PLN 279,340,384.8 thousand and increased by PLN 35,315,907.1 thousand (14.5%), as compared with the balance sheet as at 31 December 2009. On the assets side, the increase of the balance sheet total was mainly supported by the growth in the volume of foreign

exchange currency reserves of the NBP, whereas on the liabilities side — by the rise in liabilities related to monetary policy operations.

The balance sheet total was also affected by quotations of the Polish currency against reserve currencies. The development of average NBP exchange rates of five foreign currencies, USD, EUR, GBP, AUD and NOK, in 2010 is presented in Figure 4.

Figure 4

Average NBP exchange rates of main foreign currencies in 2010



Comparing 31 December 2010 with 31 December 2009, AUD, USD and NOK gained in value against PLN 17.7%, 4.0% and 2.5%, respectively. On the other hand, EUR and GBP lost in value against PLN, 3.6% and 0.1%, respectively

Exchange rates of PLN against foreign currencies, effective as at the balance sheet date, average cost of foreign currency currencies and average annual exchange rates of PLN against selected foreign currencies are presented in the Tables below.

Table 10













Foreign currency	Average NBP exchange rate	Average cost of foreign currency	Average NBP exchange rate	Average cost of foreign currency
	As at 31.12.2009		As at 31.12.2010	
 AUD	2.5642	2.1922668449	3.0177	2.4951134193
 CAD	2.7163	2.6342239906	2.9691	2.9195067170
 CHF	2.7661	2.7371031035	3.1639	2.9500312778
 CZK	0.1554	0.1431369454	0.1580	0.1477682188
 DKK	0.5520	0.5523842664	0.5313	0.5390868912
 EUR	4.1082	4.0597669356	3.9603	4.0142685282
 GBP	4.5986	4.5774255829	4.5938	4.5922079667
 HUF	0.0152	0.0136389441	0.0142	0.0136439457
 JPY	0.0309	0.0314002164	0.0364	0.0347231325
 NOK	0.4946	0.4606418022	0.5071	0.4787569358
 SEK	0.4000	0.4025230744	0.4415	0.4207589705
 USD	2.8503	2.7886839609	2.9641	2.8754225618
XAU	3146.7312	1310.3014310778	4180.1220	1310.3996257646
SDR	4.4755	4.3090701801	4.5926	4.3519660165

Table 11

Average annual exchange rate	2009	2010	Movement 2009–2010	
	PLN		%	
USD/PLN	3.1162	3.0157	-0.1005	-3.2
EUR/PLN	4.3273	3.9946	-0.3327	-7.7
GBP/PLN	4.8565	4.6575	-0.1990	-4.1
AUD/PLN	2.4453	2.7687	0.3234	13.2
NOK/PLN	0.4954	0.4986	0.0032	0.6

Balance sheet items which amounted to PLN 0.00 as at 31 December 2009 and 31 December 2010 are not addressed in the further part in the document.

2.3.1. Assets

Table 12

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand			%
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
ASSETS				
1. Gold and gold receivables	10,411,718.9	13,831,663.5	3,419,944.6	32.8
2. Claims on non-residents in foreign currency	216,485,462.7	263,380,105.3	46,894,642.6	21.7
2.1. <i>Receivables from IMF</i>	7,256,617.6	7,505,332.2	248,714.6	3.4
2.2. <i>Balances with foreign institutions, debt securities, loans granted and other foreign assets</i>	209,228,845.1	255,874,773.1	46,645,928.0	22.3
3. Claims on residents denominated in foreign currency	930.9	448.7	-482.2	-51.8
4. Claims on non-residents in domestic currency	0.0	0.0	0.0	-
5. Claims on other domestic monetary financial institutions related to monetary policy operations in domestic currency	14,627,195.7	0.0	-14,627,195.7	-100.0
5.1. <i>Main refinancing operations</i>	0.0	0.0	0.0	-
5.2. <i>Long-term refinancing operations</i>	0.0	0.0	0.0	-
5.3. <i>Fine-tuning operations</i>	14,627,195.7	0.0	-14,627,195.7	-100.0
5.4. <i>Structural operations</i>	0.0	0.0	0.0	-
5.5. <i>Marginal lending facility</i>	0.0	0.0	0.0	-
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	1,101,497.8	728,945.8	-372,552.0	-33.8
7. Debt securities of residents denominated in domestic currency	0.0	0.0	0.0	-
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0	-
9. Items in the course of settlement	0.0	0.0	0.0	-
10. Other assets	1,397,671.7	1,399,221.5	1,549.8	0.1
10.1. <i>Tangible and intangible fixed assets</i>	884,085.7	885,615.4	1,529.7	0.2
10.2. <i>Other financial assets</i>	180,032.4	178,323.0	-1,709.4	-0.9
10.3. <i>Off-balance sheet instruments revaluation differences</i>	485.6	2,919.3	2,433.7	501.2
10.4. <i>Accruals and prepaid expenses</i>	44,075.3	60,231.3	16,156.0	36.7
10.5. <i>Sundry</i>	288,992.7	272,132.5	-16,860.2	-5.8
TOTAL ASSETS	244,024,477.7	279,340,384.8	35,315,907.1	14.5

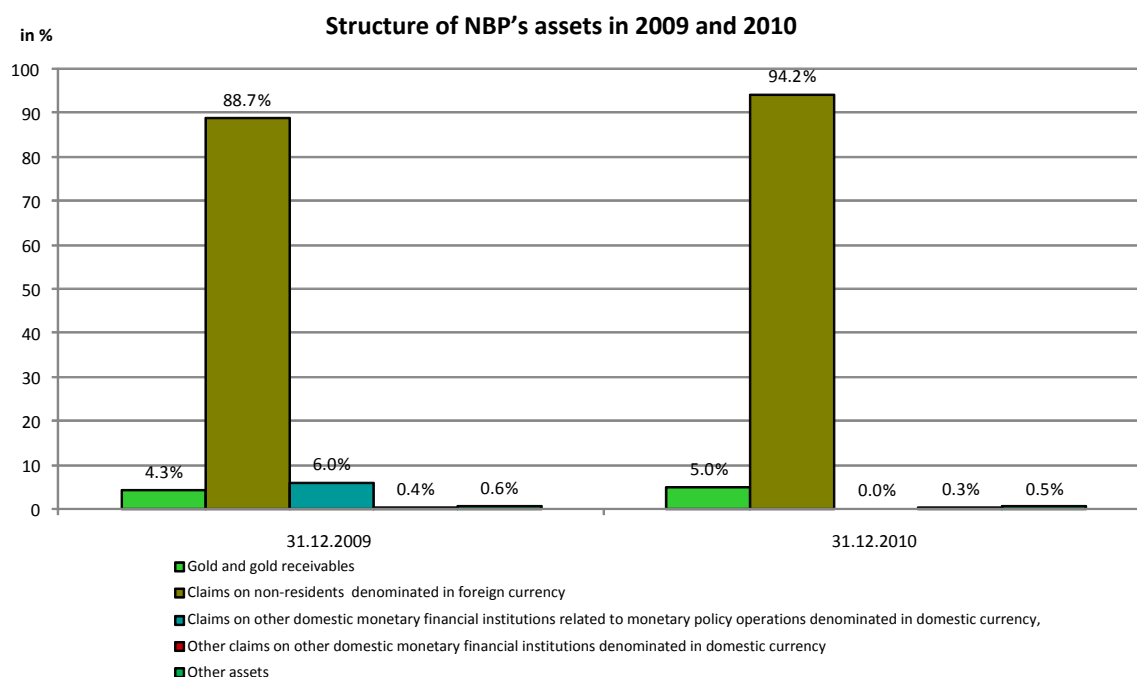
The share of main assets in the balance sheet total as at 31 December 2009 and 31 December 2010 is presented in the Table below.

Table 13

Item	As at		Movement
	31.12.2009	31.12.2010	31.12.2009—31.12.2010
	%		p.p.
(1)	(2)	(3)	(4)=(3)-(2)
ASSETS			
1. Gold and gold receivables	4.3	5.0	0.7
2. Claims on non-residents in foreign currency	88.7	94.2	5.5
2.1. <i>Receivables from IMF</i>	3.0	2.7	-0.3
2.2. <i>Accounts in foreign institutions, debt securities, loans granted and other foreign assets</i>	85.7	91.5	5.8
3. Claims on residents denominated in foreign currency	0.0	0.0	0.0
4. Claims on non-residents in domestic currency	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	6.0	0.0	-6.0
5.1. <i>Basic refinancing operations</i>	0.0	0.0	0.0
5.2. <i>Long-term refinancing operations</i>	0.0	0.0	0.0
5.3. <i>Fine-tuning operations</i>	6.0	0.0	-6.0
5.4. <i>Structural operations</i>	0.0	0.0	0.0
5.5. <i>Marginal lending facility</i>	0.0	0.0	0.0
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	0.4	0.3	-0.1
7. Debt securities of residents denominated in domestic currency	0.0	0.0	0.0
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0
9. Items in the course of settlement	0.0	0.0	0.0
10. Other assets	0.6	0.5	-0.1
10.1. <i>Tangible and intangible fixed assets</i>	0.4	0.3	-0.1
10.2. <i>Other financial assets</i>	0.1	0.1	0.0
10.3. <i>Off-balance sheet instruments revaluation differences</i>	0.0	0.0	0.0
10.4. <i>Accruals and prepaid expenses</i>	0.0	0.0	0.0
10.5. <i>Sundry</i>	0.1	0.1	0.0
TOTAL ASSETS	100.0	100.0	-

A comparison of the share of assets in the balance sheet total of NBP in 2009 and 2010 is shown in the figure below.

Figure 5



Both at the end of 2009 and at the end of 2010, **Claims on non-residents denominated in foreign currency** — item 2 and **Gold and gold receivables** — item 1 constituted the dominant assets. Total share of these items in the balance sheet total increased by 6.2 p.p., from 93.0% to 99.2%. **Balances with foreign institutions, debt securities, loans granted and other foreign assets** (item 2.2) had the biggest share in item 2.

The share of other items in the balance sheet total in 2010 decreased as compared to 2009.

2.3.1.1. Gold and gold receivables

Table 14

Item	As at:		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
1. Gold and gold receivables	10,411,718.9	13,831,663.5	3,419,944.6	32.8

As at 31 December 2010, the NBP owned 3,308,913.829 ounces of gold stored in NBP vault and deposited in the account in a foreign bank. The change in gold equilibrium resulted primarily from the increase in the market price of gold (see 1.1.1. of *Detailed information*).

2.3.1.2. Claims on non-residents denominated in foreign currency

Table 15

Item	As at:		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010		31.12.2009	31.12.2010
	PLN thousand			%		
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100	(6)	(7)
2. Claims on non-residents denominated in foreign currency	216,485,462.7	263,380,105.3	46,894,642.6	21.7	100.0	100.0
2.1. Receivables from the IMF	7,256,617.6	7,505,332.2	248,714.6	3.4	3.4	2.8
2.2. Balances with foreign institutions, debt securities, loans granted and other foreign assets	209,228,845.1	255,874,773.1	46,645,928.0	22.3	96.6	97.2

This item includes assets denominated in foreign currency, constituting the main official reserve assets of the NBP¹⁰. As at the end of 2010, the balance of official reserve assets of the NBP increased by the equivalent of EUR 14,770.1 million. The increase resulted from positive net flows related to the servicing of the debt of the State Treasury, funds from the EU (transferred via the TARGET2 system), as well as from the investment activities of the NBP.

The item includes primarily debt securities in foreign currency, the NBP's balances with foreign institutions (current and term) as well as receivables from the International Monetary Fund (see 1.1.2. of *Detailed information*).

¹⁰ NBP's official assets in foreign currency include: a reserve tranche in the IMF, current accounts and deposits denominated in foreign currency abroad, foreign securities, deposits (loans granted) in foreign currency under debt securities reverse repo transactions, foreign currency and monetary gold.

2.3.1.3. Claims on residents denominated in foreign currency**Table 16**

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009-31.12.2010	
	PLN thousand			%
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
3. Claims on residents denominated in foreign currency	930.9	448.7	-482.2	-51.8

This item includes receivables from Krajowa Izba Rozliczeniowa SA due to coverage of a portion of costs incurred by the NBP in relation to participation in the TARGET2 system (see 1.1.3. of *Detailed information*).

2.3.1.4. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency**Table 17**

Item	As at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010		31.12.2009	31.12.2010
	PLN thousand			%		
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100	(6)	(7)
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	14,627,195.7	0.0	-14,627,195.7	-100.0	100.0	-
5.1. Main refinancing operations	0.0	0.0	0.0	-	0.0	-
5.2. Long-term refinancing operations	0.0	0.0	0.0	-	0.0	-
5.3. Fine-tuning operations	14,627,195.7	0.0	-14,627,195.7	-100.0	100.0	-
5.4. Structural operations	0.0	0.0	0.0	-	0.0	-
5.5. Marginal lending facility	0.0	0.0	0.0	-	0.0	-

This item includes NBP's claims related to monetary policy operations conducted with domestic banks. In the course of the year, primarily fine-tuning repo operations were used (deposits in domestic currency under debt securities reverse repo transactions), temporarily providing liquidity to the banking sector. The average level of repo transactions in 2010 amounted to PLN 5,057,427.6 thousand.

Due to a rapid increase in excess liquidity of the banking sector, a gradual improvement of the situation in domestic financial markets and dwindling demand for liquidity-providing

instruments from banks as at 31 December 2010, the balance of the item **Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency** amounted to PLN 0.00 (see 1.1.4. of *Detailed Information*).

2.3.1.5. Other claims on other domestic monetary financial institutions denominated in domestic currency

Table 18

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
6. Other claims other domestic monetary financial institutions denominated in domestic currency	1,101,497.8	728,945.8	-372,552.0	-33.8

This item includes NBP's claims arising from operations with banks and unrelated to monetary policy. Its main component is the refinancing credit granted for central investments. The decrease in the balance results from quarterly repayments of instalments of this credit, together with interest (see 1.1.5. of *Detailed Information*).

2.3.1.6. Other assets

Table 19

Item	As at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010		31.12.2009	31.12.2010
	PLN thousand		%		(6)	(7)
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100	(6)	(7)
10. Other assets	1,397,671.7	1,399,221.5	1,549.8	0.1	100.0	100.0
10.1. Tangible and intangible fixed assets	884,085.7	885,615.4	1,529.7	0.2	63.3	63.3
10.2. Other financial assets	180,032.4	178,323.0	-1,709.4	-0.9	12.9	12.7
10.3. Off-balance sheet instruments revaluation differences	485.6	2,919.3	2,433.7	501.2	0.0	0.2
10.4. Accruals and prepaid expenses	44,075.3	60,231.3	16,156.0	36.7	3.1	4.3
10.5. Sundry	288,992.7	272,132.5	-16,860.2	-5.8	20.7	19.5

Tangible and intangible fixed assets owned by the NBP constitute the main component of the item under discussion. Also presented in this item — as **Other financial assets** — are NBP's shares and equities in domestic and foreign entities. Moreover, the item **Other assets** includes, among others: prepaid expenses, off-balance-sheet instruments revaluation differences and precious metals (see 1.1.6. of *Detailed Information*).

2.3.2. Liabilities

Table 20

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
LIABILITIES				
1. Banknotes and coins in circulation	100,344,808.8	103,064,357.1	2,719,548.3	2.7
2. Liabilities to other domestic monetary financial institutions related to monetary policy denominated in domestic currency	78,536,967.1	111,703,477.5	33,166,510.4	42.2
2.1. <i>Current accounts (including minimum reserve requirement accounts)</i>	36,223,474.3	36,562,970.1	339,495.8	0.9
2.2. <i>Deposit facility</i>	1,329,072.8	500,827.4	-828,245.4	-62.3
2.3. <i>Fixed-interest deposits</i>	0.0	0.0	0.0	-
2.4. <i>Other monetary policy operations</i>	40,984,420.0	74,639,680.0	33,655,260.0	82.1
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	57,511.2	71,135.0	13,623.8	23.7
4. Liabilities to other residents denominated in domestic currency	11,131,978.4	6,961,633.8	-4,170,344.6	-37.5
4.1. <i>Liabilities to general government</i>	11,114,582.7	6,938,331.2	-4,176,251.5	-37.6
4.2. <i>Other liabilities</i>	17,395.7	23,302.6	5,906.9	34.0
5. Liabilities to non-residents denominated in domestic currency	1,335,084.6	471,511.8	-863,572.8	-64.7
6. Liabilities to residents denominated in foreign currency	13,400,160.5	7,480,666.7	-5,919,493.8	-44.2
7. Liabilities to non-residents denominated in foreign currency	8,145,431.9	13,982,819.8	5,837,387.9	71.7
8. Liabilities to the IMF	5,841,288.9	5,995,355.5	154,066.6	2.6
9. Items in the course of settlement	0.0	0.0	0.0	-
10. Other liabilities	303,421.9	299,341.2	-4,080.7	-1.3
10.1. <i>Off-balance sheet instruments revaluation differences</i>	518.2	44,199.7	43,681.5	8,429.5
10.2. <i>Accruals and deferred income</i>	218,237.9	204,510.8	-13,727.1	-6.3
10.3. <i>Sundry</i>	84,665.8	50,630.7	-34,035.1	-40.2
11. Provisions for future liabilities	112,545.1	99,659.9	-12,885.2	11.4
12. Revaluation accounts	14,215,672.2	19,830,056.2	5,614,384.0	39.5
12.1. <i>Revaluation account</i>	1,618,023.2	1,618,023.2	0.0	0.0
12.2. <i>Differences on exchange rate revaluation of assets, liabilities and off-balance-sheet instruments in foreign currency</i>	10,840,211.6	16,681,166.6	5,840,955.0	53.9
12.3. <i>Assets and liabilities price revaluation differences</i>	1,757,437.4	1,530,866.4	-226,571.0	-12.9
13. Capital and reserves	17,891,964.4	14,309,163.3	-3,582,801.1	-20.0
13.1. <i>Statutory fund</i>	1,500,000.0	1,500,000.0	0.0	0.0
13.2. <i>Reserve fund</i>	0.0	208,277.7	208,277.7	-
13.3. <i>Reserves</i>	16,391,964.4	12,600,885.6	-3,791,078.8	-23.1
14. Financial result	-7,292,357.3	-4,928,793.0	2,363,564.3	-32.4
14.1. <i>Financial result for the current year</i>	4,165,554.4	6,529,118.7	2,363,564.3	56.7
14.2. <i>Loss of previous years</i>	-11,457,911.7	-11,457,911.7	0.0	0.0
TOTAL LIABILITIES	244,024,477.7	279,340,384.8	35,315,907.1	14.5

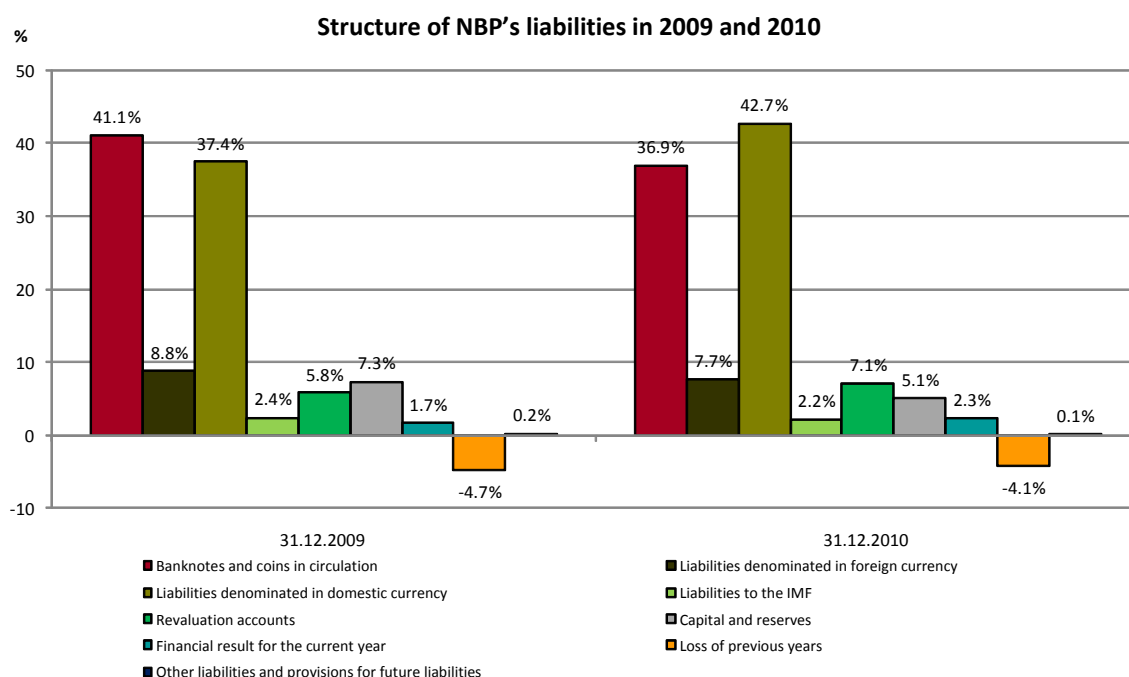
The share of main liabilities in the balance sheet total as at 31 December 2009 and 31 December 2010 is presented in the table below.

Table 21

Item	As at		Movement
	31.12.2009	31.12.2010	31.12.2009—31.12.2010
	%		p.p.
(1)	(2)	(3)	(4)=(3)-(2)
LIABILITIES			
1. Banknotes and coins in circulation	41.1	36.9	-4.2
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	32.2	40.0	7.8
2.1. <i>Current accounts (including minimum reserve requirement accounts)</i>	14.8	13.1	-1.7
2.2. <i>Deposit facility</i>	0.6	0.2	-0.4
2.3. <i>Fixed-interest deposits</i>	0.0	0.0	0.0
2.4. <i>Other monetary policy operations</i>	16.8	26.7	9.9
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	0.0	0.0	0.0
4. Liabilities to other residents denominated in domestic currency	4.6	2.5	-2.1
4.1. <i>Liabilities to general government</i>	4.6	2.5	-2.1
4.2. <i>Other liabilities</i>	0.0	0.0	0.0
5. Liabilities to non-residents denominated in domestic currency	0.6	0.2	-0.4
6. Liabilities to residents denominated in foreign currency	5.5	2.7	-2.8
7. Liabilities to non-residents denominated in foreign currency	3.3	5.0	1.7
8. Liabilities to the IMF	2.4	2.2	-0.2
9. Items in the course of settlement	0.0	0.0	0.0
10. Other liabilities	0.1	0.1	0.0
10.1. <i>Off-balance-sheet instruments revaluation differences</i>	0.0	0.0	0.0
10.2. <i>Accruals and deferrend income</i>	0.1	0.1	0.0
10.3. <i>Sundry</i>	0.0	0.0	0.0
11. Provisions for future liabilities	0.1	0.0	-0.1
12. Revaluation accounts	5.8	7.1	1.3
12.1. <i>Revaluation account</i>	0.7	0.6	-0.1
12.2. <i>Differences on exchange rate revaluation of assets, liabilities and off-balance-sheet instruments in foreign currency</i>	4.4	6.0	1.6
12.3. <i>Assets and liabilities price revaluation differences</i>	0.7	0.5	-0.2
13. Capital and reserves	7.3	5.1	-2.2
13.1. <i>Statutory fund</i>	0.6	0.5	-0.1
13.2. <i>Reserve fund</i>	0.0	0.1	0.1
13.3. <i>Reserves</i>	6.7	4.5	-2.2
14. Financial result	-3.0	-1.8	1.2
14.1. <i>Financial result for the current year</i>	1.7	2.3	0.6
14.2. <i>Loss of previous years</i>	-4.7	-4.1	0.6
TOTAL LIABILITIES	100.0	100.0	-

A comparison of the share of liabilities in the balance sheet total of the NBP in 2009 and 2010 is presented in the figure below.

Figure 6



As at the end of 2010, **Liabilities in domestic currency** was the largest item of liabilities.

The following items **increased** their share in the structure of liabilities:

- liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency (item 2) — by 7.8 p.p., from 32.2% to 40.0%,
- liabilities to non-residents denominated in foreign currency (item 7) — by 1.7 p.p., from 3.3% to 5.0%,
- revaluation accounts (item 12) — by 1.3 p.p., from 5.8% to 7.1%,
- financial result (item 14) — by 1.2 p.p., from -3.0% to -1.8% (in 2010, the NBP made a profit).

The share of the following items in the balance sheet total in 2010 **decreased** as compared with 2009:

- banknotes and coins in circulation (item 1) — by 4.2 p.p., from 41.1% to 36.9%,
- liabilities to residents denominated in foreign currency (item 6) — by 2.8 p.p., from 5.5% to 2.7%.

- capital and reserves (item 13) — by 2.2 p.p., from 7.3% to 5.1%,
- liabilities to other residents denominated in domestic currency (item 4) — by 2.1 p.p., from 4.6% to 2.5%,
- liabilities to non-residents denominated in domestic currency (item 5) — by 0.4 p.p., from 0.6% to 0.2%,
- liabilities to the IMF (item 8) — by 0.2 p.p., from 2.4% to 2.2%,
- provisions for future liabilities (item 11) — by 0.1 p.p., from 0.1% to 0.0%,

The share of the remaining items of liabilities in the balance sheet total in 2010 **did not change** as compared with 2009.

2.3.2.1. Banknotes and coins in circulation

Table 22

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
1. Banknotes and coins in circulation	100,344,808.8	103,064,357.1	2,719,548.3	2.7

Banknotes and coins in circulation as at 31 December 2010 amounted to PLN 103,064,357.1 thousand and increased, as compared with the end of 2009, by PLN 2,719,548.3 thousand (2.7%). Throughout 2010, the average level of banknotes and coins in circulation amounted to PLN 101,164.5 million (see 1.2.1. of *Detailed Information*).

2.3.2.2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

Table 23

Item	As at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009-31.12.2010		1.12.2009	1.12.2010
	PLN thousand		%			
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100	(6)	(7)
2 Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	78,536,967.1	111,703,477.5	33,166,510.4	42.2	100.0	100.0

2.1 Current accounts (including minimum reserve accounts)	36,223,474.3	35,562,970.1	339,495.8	0.9	46.1	32.7
2.2 Deposit facility	1,329,072.8	500,827.4	-828,245.4	-62.3	1.7	0,5
2.3 Fixed-interest deposits	0.0	0.0	0.0	-	0.0	0.0
2.4 Other monetary policy operations	40,984,420.0	74,639,680.0	33,655,260.0	82.1	52.2	66.8

This item includes liabilities from other monetary policy operations, among others, primarily:

- current account balances of domestic banks (including in minimum reserve requirement accounts),
- liabilities arising from issue of NBP monetary bills (indicated in the item **other monetary policy operations**).

In 2010, the issue of NBP monetary bills was the primary instrument in open market operations, used for forming market interest rates (see 1.2.2. of *Detailed Information*).

2.3.2.3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency

Table 24

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009-31.12.2010	
	PLN thousand			%
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
2 Liabilities to other domestic monetary financial institutions denominated in foreign currency	57,511.2	71,135.0	13,623.8	23.7

This item mainly comprises the balance of settlements in the national payment system KIR which results from payment orders of NBP's clients, unsettled by KIR SA as at 31 December 2010 (see 1.2.3. of *Detailed Information*).

2.3.2.4. Liabilities to other residents denominated in domestic currency**Table 25**

Item	As at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010		31.12.2009	31.12.2010
	PLN thousand			%		
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100	(6)	(7)
4. Liabilities to other residents denominated in domestic currency	11,131,978.4	6,961,633.8	-4,170,344.6	-37.5	100.0	100.0
4.1. Liabilities to general government	11,114,582.7	6,938,331.2	-4,176,251.5	-37.6	99.8	99.7
4.2. Other liabilities	17,395.7	23,302.6	5,906.9	34.0	0.2	0.3

The item comprises primarily liabilities to general government, i.e. to government and local self-government institutions (including state specific-purpose funds and social security funds). These liabilities include mainly current accounts, subsidiary accounts and term deposit accounts in domestic currency kept by the NBP. During the analysed period, there was a decrease in the discussed item, which resulted mainly from a decrease in funds in the current accounts and term deposit accounts of the State budget, with a simultaneous increase in funds on its subsidiary accounts (see 1.2.4. of *Detailed Information*).

2.3.2.5. Liabilities to non-residents denominated in domestic currency**Table 26**

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand			%
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
5. Liabilities to non-residents denominated in domestic currency	1,335,084.6	471,511.8	-863,572.8	-64.7

This item mainly includes funds in the current accounts of international financial and non-financial organisations and central banks for which NBP keeps current accounts denominated in domestic currency. The decrease in the discussed item as at the end of 2010, as compared with the previous year, resulted primarily from a decrease of funds in the current accounts of the European Commission and the World Bank Group (see 1.2.5. of *Detailed Information*).

2.3.2.6. Liabilities to residents denominated in foreign currency**Table 27**

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
6. Liabilities to residents denominated in foreign currency	13,400,160.5	7,480,666.7	-5,919,493.8	-44.2

This item concerns mainly funds accumulated in current accounts in foreign currency of the government government units. The decrease in the discussed item in the analysed period resulted mainly from a decrease in funds in the current accounts of the State budget (including on the structural funds accounts) (see 1.2.6. of *Detailed Information*).

2.3.2.7. Liabilities to non-residents denominated in foreign currency**Table 28**

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
7. Liabilities to non-residents denominated in foreign currency	8,145,431.9	13,982,819.8	5,837,387.9	71.7

Term deposits in foreign currency under debt securities repo transactions, made with foreign financial institutions, are the main component of liabilities to non-residents denominated in foreign currency (see 1.2.7. of *Detailed Information*).

2.3.2.8. Liabilities to the IMF**Table 29**

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
8. Liabilities to the IMF	5,841,288.9	5,995,355.5	154,066.6	2.6

The item liabilities to the IMF includes SDR allocation liabilities. SDR allocation was conducted in the second half of 2009. Under the so-called general and special allocation, the Republic of Poland received a total of SDR 1,304,639.7 thousand. An increase in the discussed item in zloty terms, as at the end of 2010, as compared to the previous year, results from an increase in the level of accrued interest and changes in average SDR exchange rate (see 1.2.8. of *Detailed Information*).

2.3.2.9. Other liabilities

Table 30

Item	As at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010		31.12.2009	31.12.2010
	PLN thousand			%		
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100	(6)	(7)
10. Other liabilities	303,421.9	299,341.2	-4,080.7	-1.3	100.0	100.0
10.1. Off-balance sheet instruments revaluation differences	518.2	44,199.7	43,681.5	8,429.5	0.2	14.8
10.2. Accruals and deferred income	218,237.9	204,510.8	-13,727.1	-6.3	71.9	68.3
10.3. Sundry	84,665.8	50,630.7	-34,035.1	-40.2	27.9	16.9

The item includes primarily prepaid expenses and deferred income.

The slight decrease in other liabilities results mainly from a decrease in liabilities from financial operations in domestic currency, concerning mainly purchase of banknotes, precious metals (silver) and coins (item 10.3.) as well as prepaid expenses (item 10.2.) with a simultaneous increase in off-balance-sheet instruments revaluation differences (item 10.1.) (See point 1.2.9. of *Detailed Information*).

2.3.2.10. Provisions for future liabilities

Table 31

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand			%
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
11. Provisions for future liabilities	112,545.1	99,659.9	-12,885.2	-11.4

Provisions for future liabilities to employees are the main component of the discussed item of liabilities. As at 31 December 2010, they included, in particular, provisions for liabilities due to retirement and disability severance payments, jubilee awards and provisions for liabilities due to untaken leave. The decrease in the discussed item in 2010 results primarily from use of the above provisions as well as from use and release of provisions for statutory severance payments and provisions for additional monetary benefits for employees laid off under the employment optimisation process (see 1.2.10. of *Detailed Information*).

2.3.2.11. Revaluation accounts

Table 32

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
12. Revaluation accounts	14,215,672.2	19,830,056.2	5,614,384.0	39.5

Positive differences on exchange rate valuation of assets, liabilities and off-balance sheet instruments in foreign currency are the main component of the above. Moreover, this item includes gold revaluation account and positive debt securities price revaluation differences. The increase in this item resulted mainly from an increase in gold prices and from the depreciation of PLN against AUD and USD (calculated on a year-to-year basis) (see 1.2.11. of *Detailed information*).

2.3.2.12. Capital and reserves

Table 33

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
13. Capital and reserves	17,891,964.4	14,309,163.3	-3,582,801.1	-20.0

This item includes statutory fund, reserve fund and a provision against the foreign exchange rate risk of the zloty, created pursuant to Resolution No. 12/2010. The decrease in the discussed item in the analysed period resulted from adjustment of the provision in the amount

PLN 3,791,078.8 thousand and a simultaneous increase in the reserve fund as a result of contribution from profit for 2009 in the amount of PLN 208,277.7 thousand (see 1.2.12. of *Detailed Information*).

2.3.2.13. Financial result

Table 34

Item	As at		Movement		Structure	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010		31.12.2009	31.12.2010
	PLN thousand			%		
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100	(6)	(7)
14. Financial result	-7,292,357.3	-4,928,793.0	2,363,564.3	-32.4	100.0	100.0
14.1. Financial result for the current year	4,165,554.4	6,529,118.7	2,363,564.3	56.7	-57.1	-132.5
14.2. Loss of previous years	-11,457,911.7	-11,457,911.7	0.0	0.0	157.1	232.5

The item includes uncovered loss of previous years in the amount of PLN 11,457,911.7 thousand and the financial result for the current year in the amount of PLN 6,529,118.7 thousand (see 1.2.13. of *Detailed Information*).

2.3.3. Off-balance sheet items

The most important component of off-balance-sheet items are receivables and liabilities denominated in foreign currency and in domestic currency.

Table 35

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
Off-balance sheet items				
Receivables and liabilities arising from spot transactions and forward transactions				
1. Receivables denominated in foreign currency arising from spot and forward transactions	45,268.0	1,220,969.7	1,175,701.7	2,597.2
2. Liabilities denominated in foreign currency arising from spot and forward transactions	44,122.9	1,813,568.1	1,769,445.2	4,010.3
3. Receivables denominated in domestic currency arising from spot and forward transactions	0.0	595,560.0	595,560.0	-
4. Liabilities denominated in domestic currency arising from spot and forward transactions	1,145.1	2,961.6	1,816.5	158.6

Balances as at 31 December 2009 and 31 December 2010 applied to spot transactions only¹¹. The increase in the value of individual items results from spot transactions concluded by the NBP at the end of the year as part of its foreign exchange currency reserves management and concluded with the Bank's clients (see 1.3.1. of *Detailed Information*).

Moreover, the value of collaterals received by the NBP (as at 31 December 2010, no off-balance-sheet items regarding collaterals granted occurred), the amount of conditional

¹¹ During the financial year, the NBP also concluded foreign exchange forward transactions which were settled before the balance sheet date.

receivables claimed by the NBP and foreign currency accepted for collection are recognized in off-balance-sheet items (see 1.3.2. of *Detailed Information*).

Table 36

Item	As at		Movement	
	31.12.2009	31.12.2010	31.12.2009—31.12.2010	
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
Other off-balance sheet items				
1. Received collaterals	15,785.6	18,413.3	2,627.7	16.6
2. Conditional receivables	269.0	271.2	2.2	0.8
3. Foreign currency accepted for collection	0.3	0.0	-0.3	-100.0

Interest from Bank Handlowo-Kredytowy S.A. in liquidation, accrued after the date of bank liquidation (from 1 April 1992) amounts to PLN 1,183,103.7 thousand. Its amount did not change as compared with the previous reporting period (see 1.1.6.5. of *Detailed Information*).

2.4. Changes in items of the NBP profit and loss account

The basic components of the financial result of the NBP are:

- result from investment activity in foreign exchange currency reserves, which is affected by:
 - level of foreign exchange currency reserves (in 2010, the NBP recorded an average annual increase of 34.0% of foreign exchange currency reserves that generate income and expenses, from EUR 42,925.4 million to EUR 57,501.7 million, i.e. by EUR 14,576.3 million),

- investment and currency structure of foreign exchange currency reserves dependent on strategic benchmark and investment policy,
 - changes in interest rate and prices of investment instruments,
 - changes in foreign exchange rates,
- result from monetary policy conducted by the NBP, covering mainly costs of issue of bills. Moreover, in 2010, the NBP conducted fine-tuning repo operations (see 2.3.1.4. of the *General Information*),
 - the operating costs of the NBP, which are influenced primarily by costs of salaries and social contributions, administrative expenses and issue of banknotes and coins expense.

Table 37

Item	Data for		Movement	
	2009	2010		
	PLN thousand		%	
(1)	(2)	(3)	(4)=(3)-(2)	(5)=(4)/(2)*100
Financial result	4,165,554.4	6,529,118.7	2,363,564.3	56.7
1. Net interest, discount and premium income/expense	2,989,740.8	517,233.1	-2,472,507.7	-82.7
1.1. Interest, discount and premium income	6,675,900.8	6,197,387.4	-478,513.4	-7.2
1.2. Interest, discount and premium expense	3,686,160.0	5,680,154.3	1,993,994.3	54.1
2. Net income/expense on financial operations	2,321,140.5	6,982,656.6	4,661,516.1	200.8
2.1. Income on financial operations	18,117,051.9	6,772,009.6	-11,345,042.3	-62.6
2.2. Expense on financial operations	980,316.8	2,114,850.7	1,134,533.9	115.7
2.3. Unrealised losses	563,281.0	1,465,581.1	902,300.1	160.2
2.4. Income on transfers from risk provisions and on reversal of write-down of financial assets	16.7	3,791,078.8	3,791,062.1	22,700,970.7
2.5. Expense on transfer to risk provisions and on write-down of financial assets	14,252,330.3	0.0	-14,252,330.3	-100.0
3. Net income/expense from fees and commissions	-127,532.9	-65,062.2	62,470.7	-49.0
4. Income on shares/equities	12,309.9	27,853.2	15,543.3	126.3
5. Other income	204,996.5	151,589.9	-53,406.6	-26.1
6. Salaries and social contributions	413,695.3	411,819.5	-1,875.8	-0.5
7. Other administrative expenses	266,530.3	256,691.7	-9,838.6	-3.7
8. Depreciation	88,575.2	81,312.3	-7,262.9	-8.2
9. Issue of banknotes and coins expense	429,360.9	308,249.2	-121,111.7	-28.2
10. Other expenses	36,938.7	27,079.2	-9,859.5	-26.7

In 2010, the NBP posted a profit in the amount of PLN 6,529,118.7 thousand. It was mainly due to positive net income on financial operations, in particular NBP's realised gains on transactions in foreign exchange currency reserves (realised foreign exchange and price gains), as well as gains on release of provision for the exchange rate risk of the zloty.

Net interest, discount and premium income/expense for 2010 amounted to PLN 517,233.1 thousand and was by PLN 2,427,507.7 thousand (82.7%) lower than in 2009. It resulted from an increase in expense by PLN 1,993,994.3 thousand (54.1%), which was accompanied by a decrease in income by PLN 478,513.4 thousand (7.2%).

The increase in **interest, discount and premium expense** was primarily influenced by an increase in expenses related to securities (by a total of PLN 2,100,576.5 thousand, i.e. by 81.5%), both issued by the NBP and kept as a holding, i.e.:

- an increase by PLN 1,480,973.7 thousand (125.5%) in discount on NBP monetary bills expense, resulting from an increased issue of NBP monetary bills under open market operations, absorbing liquidity surplus of the banking sector,
- an increase by PLN 645,596.1 thousand (47.1%) in premium on foreign securities expense, mainly as a result of higher share of securities settled with premium in the holding of interest-bearing securities purchased by the NBP in the context of increased foreign exchange currency reserves and a fall in securities yields.

At the same time, the year 2010 saw a decrease by PLN 91,456.6 thousand (8.5%) in expense on interest on accounts maintained by the NBP. This amount was affected by:

- lower interest expense on accounts maintained in domestic currency — a decrease by PLN 132,233.7 thousand (13.5%), mainly as a result of lower interest rate on funds kept on these accounts, especially on the minimum reserve requirement account,
- higher interest expense on accounts in foreign currency — and an increase of PLN 40,777.1 thousand (41.9%), which was primarily the result of higher amount involved in simultaneous debt securities repo and reverse repo transactions in foreign currency, while at the same time, interest expense on term deposits, and current and subsidiary accounts in foreign currency decreased.

A decrease in **interest, discount and premium income** was mainly due to:

- a) a decrease, by PLN 303,580.7 thousand (5.3%), in interest and discount income on foreign securities, which resulted primarily from a drop in the average rate of return for some portfolios of debt securities in foreign currency, maintained by the NBP, and a fall of average annual exchange rates of the zloty against foreign currencies (see Table 11),

b) a decrease, by PLN 143,620.7 thousand (18.3%), in income on funds accumulated on bank accounts, which was primarily the result of:

- a decrease, by PLN 316,260.6 thousand (61.7%), in income on deposits (loans granted) in domestic currency under debt securities reverse repo transactions (see 2.3.1.4. of the *General Information*),
- an increase, by PLN 109,611.4 thousand (58.9%), in interest income on term deposits, which was influenced by an increase in average annual interest rates on deposit transactions, while foreign exchange currency reserves increased,
- an increase by PLN 67,597.6 thousand (99.8%) in income on deposits in foreign currency (loans granted) under securities reverse repo transactions, primarily on account of lower involvement in simultaneous debt securities repo and reverse repo transactions and an increase in the average rate of return on deposits denominated in AUD.

(See 2.1.1.–2.1.4. and 2.1.5–2.1.7. of *Detailed Information*)

The net income/expense on financial operations for 2010 amounted to PLN 6,982,656.6 thousand and was by PLN 4,661,516.1 thousand (200.8%) higher as compared with the previous year. Its amount was primarily due to:

- realised foreign exchange and price gains in the amount of PLN 4,657,152.7 thousand, lower by PLN 12,479,582.4 thousand as compared with 2009,
- unrealised losses in the amount of PLN 1,465,681.1 thousand (including unrealised foreign exchange losses — PLN 990,173.8 thousand, and unrealised price losses— PLN 475,407.3 thousand), higher by PLN 902,300.1 thousand as compared with 2009,
- income on adjustment of a provision for exchange risk in the amount of PLN 3,791,078.8 thousand (in 2009, NBP incurred costs related to the creation of a provision for exchange rate risk in the amount of PLN 14,252,330.3 thousand).

(See 2.2. of *Detailed Information*)

In 2010, the NBP incurred **loss on fees and commissions** in the amount of PLN 65,062.2 thousand, which was lower by PLN 62,470.7 thousand (49.0%) as compared with the previous year. The decreased loss was mainly related to lower costs incurred in 2010 by the NBP due to the fee for the Flexible Credit Line, extended to the Republic of Poland by the IMF in 2009 (see 2.3. of *Detailed Information*).

Income on shares and equities for 2010 amounted to PLN 27,853.2 thousand and was by PLN 15,543.3 thousand (126.3%) higher as compared to the previous year. This change resulted mainly from an increase dividend proceeds from stock holdings held by the NBP in the Bank for International Settlements in Basel (see 2.4. of *Detailed Information*).

Other income amounted to PLN 151,589.9 thousand and was lower by PLN 53,406.6 thousand (26.1%) than other income in 2009. The decrease was mainly caused by lower proceeds from sales of collector banknotes and coins (see 2.5. of *Detailed Information*).

Salaries and social contributions for 2010 amounted to PLN 411,819.5 thousand, and were by PLN 1,875.8 thousand (0.5%) lower than in the previous year. The change was primarily influenced by a decrease in costs of creation the provisions for future liabilities to employees (due to jubilee awards, retirement and disability severance payments as well as untaken leave), which was accompanied by an increase in costs of personal wages and salaries, according to the HR and payroll policy adopted in the NBP (see 2.6. of *Detailed Information*).

Administrative expenses for 2010 amounted to PLN 256,691.7 thousand and were by PLN 9,838.6 thousand (3.7%) lower than in the previous year. This change resulted primarily from a decrease in employee benefits, outsourced services expenses, business travel expenses and expenses related to educational activity (see 2.7. of *Detailed Information*).

Depreciation for 2010 amounted to PLN 81,312.3 thousand and were by PLN 7,262.9 thousand (8.2%) lower than in the previous year. The decrease concerned both fixed assets depreciation expense and intangible assets depreciation expense (see 2.8. of *Detailed Information*).

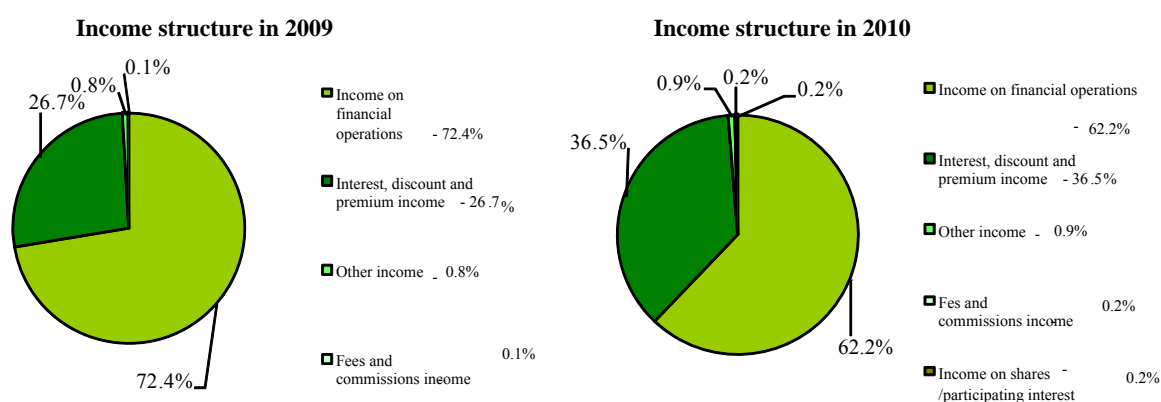
Issue of banknotes and coins expense for 2010 amounted to PLN 308,249.2 thousand and were by PLN 121,111.7 thousand (28.2%) lower than in the previous year. The decrease in costs was related to the decrease by the NBP in orders for the supply of banknotes and coins, which in turn resulted from a forecast of smaller growth of cash in circulation and rationalisation of banknotes and coins owned.

(See 2.9. of *Detailed information*)

Other expenses for 2010 amounted to PLN 27,079.2 thousand and were by PLN 9,859.5 thousand (26.7%) lower than in the previous year. The decrease in expenses was primarily related to a decrease in “other operating expense”, in particular relating to the nominal amount of collector coins and banknotes, recognised as expense at the date of sale, with a simultaneous increase in other assets revaluation write-down expense (see 2.10. of *Detailed Information*).

Changes in the **NBP income structure** in 2009 and 2010 are presented in the figures below:

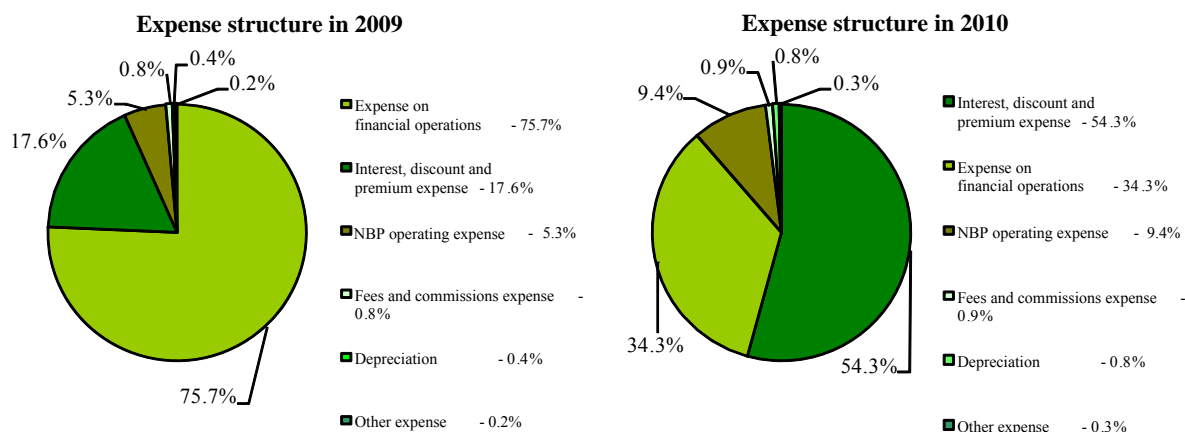
Figure 7



Both in 2009 and in 2010, income on financial operations and interest, discount and premium income, which in total amounted to, respectively, 99.1% and 98.7% of total income, accounted for the largest share of income. The decrease by 10.2 p.p. in the share of income on financial operations in 2010 as compared with the previous year (from 72.4% in 2009 to 62.2% in 2010) was accompanied by an increase in interest, discount and premium income by 9.8 p.p. (from 26.7% in 2009 to 36.5% in 2010). This change was related to income on realised foreign exchange gains, which in 2010 was lower than recorded in 2009, and adjustment of the amount of provision against the foreign exchange risk of the zloty in 2010, which resulted in income.

Changes in the **NBP expense structure** in 2009 and 2010 are presented in the figures below:

Figure 8



As regards the expense structure, the most significant change related to a decrease in the share of expense on financial operations by 41.4 p.p. (from 75.7% in 2009 to 34.3% in 2010). At the same time, the share of interest, discount and premium expense rose by 36.7 p.p. (from 17.6% in 2009 to 54.3% in 2010) and so did NBP operating expense – by 4.1 p.p. (from 5.3% in 2009 to 9.4% in 2010). The change in the expense structure was primarily related to expense of the creation of provision for foreign exchange risk of the zloty .

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