

The cover features a large, abstract graphic on the left side. It consists of several overlapping circular and semi-circular shapes in various shades of blue and green. The central part of the graphic shows a close-up of a wind turbine tower with a bright light source at the top, creating a lens flare effect. The background is a gradient of light blue and white, with a large green shape on the right side.

2022
ANNUAL REPORT

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MESSAGE FROM THE CHAIR OF THE COUNCIL AND THE PRESIDENT OF THE MANAGEMENT BOARD OF THE BANK GUARANTEE FUND

DEAR ALL,

On behalf of the Council and the Management Board of the Bank Guarantee Fund, we have the honour to present you the Annual Report of the BFG for 2022.

At the beginning of the description of the Fund's operations in 2022, it is necessary to write about the resolution of the Getin Noble Bank S.A. This process, which began on 30 September last year, is the fourth and largest resolution in the history of Polish banking sector. It was the 10th largest bank in Poland, and we protected all deposits of the clients in the amount of PLN 38.1 billion – together with PLN 3.3 billion of deposits, which could not be paid out under the BFG guarantee in the case of bankruptcy. Of course, we did not carry out this process on our own. We acted in consultation with other members of the financial safety net: the Polish Financial Supervisory Authority, the Minister of Finance and the National Bank of Poland, and before the process initiation, the BFG carried out consultations with the European Commission, which within a very short period of time, approved a number of support measures in connection with the Getin Noble Bank resolution.

It is necessary to separately mention our partners from the Commercial Banks Protection System (System Ochrony Banków Komercyjnych – SOBK), established by the eight largest commercial banks operating in Poland (Alior Bank S.A., Bank Millennium S.A., Bank Pekao S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Santander Bank Polska S.A.). Without the cooperation with the Commercial Banks Protection System and the sense of responsibility of leading representatives from the banking sector for the stability of the financial system in Poland, performing an efficient resolution of Getin Noble Bank without difficulties for the depositors would not be possible. It should be remembered that the total amount allocated to stabilise the situation and to cover the GNB losses is PLN 10.34 billion – with 6.87 billion from the BFG resources and 3.47 billion from the Commercial Banks Protection System. Therefore, one-third of the resources that had to be allocated to the GNB resolution came from the private sector. Our cooperation is unique on the international scale and constitutes not only the evidence of exemplary cooperation between state institutions and businesses but also an example of great trust between broadly understood supervision and supervised entities and creativity within collaborative problem-solving.

On 30 September 2022, the Getin Noble Bank resolution began, but this does not mean that it will be completed soon. The process ends once the bankruptcy of the entity in restructuring is declared, and the bridge bank is sold. The sale of VeloBank S.A., i.e. the bridge bank established for the purposes of the GNB resolution, should be successfully carried out until the end of March 2024, while in 2022, along with the bankruptcy declaration by the court, the previous resolution of Idea Bank S.A. was completed.

In the scope of planning the resolution, the Fund, in addition to carrying out reviews and updates of resolution plans, also determined the MREL requirements as of 31 December 2023 (together with the designated build-up path in accordance with the newly adopted update of the MREL policy MREL attainment schedule in accordance with the updated MREL policy as well as reviewed the bail-in playbooks provided by credit institutions.

It is also necessary to mention contributions to the BFG. In 2022, after 2021 – an exceptional pandemic year, the normal path of contributions was resumed. Its shape results from four factors: the level of the funds, target levels resulting from

the Bank Guarantee Fund Act, the period of time left to reach the purpose and the average annual growth of covered deposits. However, during the year, the Fund suspended the collection of contributions for the BFG guarantee fund.

In October 2022, the Council of the Bank Guarantee Fund, taking into account the opinion of the Financial Stability Committee, reduced the target level of funds of the deposit-guarantee scheme in banks to 1.6 percent of the covered deposits. At the end of 2022, funds of the deposit-guarantee scheme in banks were equivalent to 1.77% of the guaranteed funds in banks, which means that the target level was exceeded. This opened the door for the lack of collecting contributions to the bank guarantee fund in 2023.

The Fund maintained a high level of efficiency in the recovery of claims from the liquidation of assets of entities for which the guarantee condition was met. In 2022, the BFG obtained PLN 89.9 million as satisfaction of claims, due to which the Fund recovered a total of PLN 1.24 billion by the end of 2022 – which constitutes 18.83% of the BFG claims on account of the disbursement of covered deposits in pending bankruptcy proceedings. Our investment results are also excellent. As a result of the operations performed, at the end of 2022, the total result of securities reached a record level of PLN 1.14 billion. This result, significantly exceeding, e.g. the results obtained in this period by investment funds of public debt securities, was approx. twice as high as the planned result.

Resolution in the Polish legal framework applies to banks and Credit Unions (CUs), but in the European Union, works are in progress on repealing the directive establishing a framework for the purposes of conducting corrective actions as well as restructuring and structured liquidation in relation to insurance and reinsurance undertakings (IRR Directive, IRRD).

At the end of 2021, the Financial Stability Committee granted the BFG a mandate to establish a resolution body for insurance companies, and in 2022 preparatory works, including works preparing the Fund for this role, were in progress.

The development of the above topics as well as plenty of other information about the Fund's operations in 2022, may be found in this report, which you are kindly welcome to read.



MATEUSZ BERGER
CHAIR OF THE COUNCIL
OF THE BANK GUARANTEE FUND

A handwritten signature in blue ink, appearing to read 'Mateusz Berger'.



PIOTR TOMASZEWSKI
PRESIDENT OF THE MANAGEMENT BOARD
OF THE BANK GUARANTEE FUND

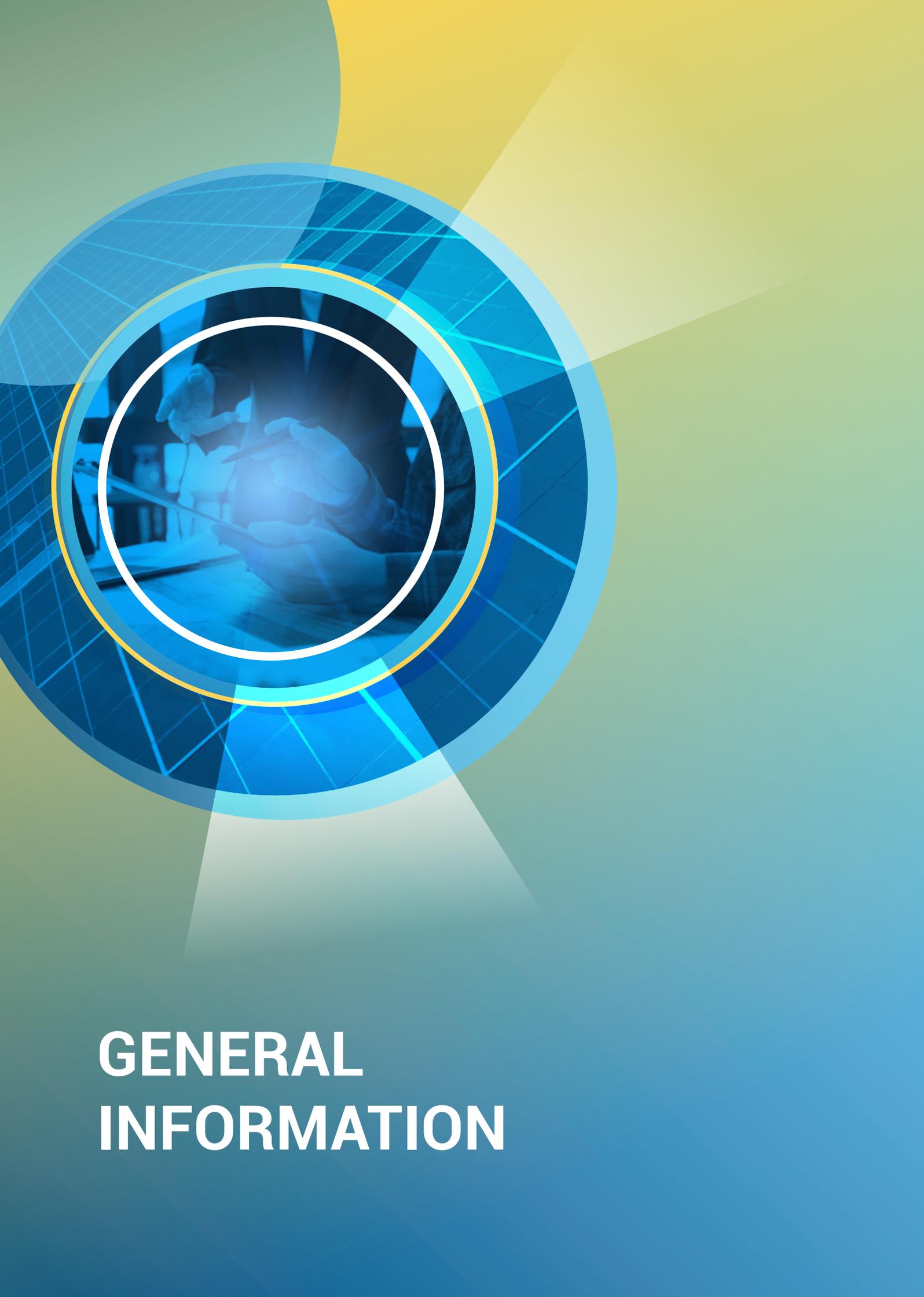
A handwritten signature in blue ink, appearing to read 'Piotr Tomaszewski'.



KEY ABBREVIATIONS

BFG, Fund	Bank Guarantee Fund
BS	Cooperative banking institution (Bank Spółdzielczy)
BRR Directive, BRRD	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012, of the European Parliament and of the Council (OJ EU L of 12 June 2014, as amended)
BRRD2	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC (OJ EU L of 7 June 2019)
CCP	a legal person who interposes itself between counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer
DGS	Deposit Guarantee Scheme
IRR Directive, IRRD	Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No. 1094/2010 and (EU) No. 648/2012
EBA	European Banking Authority
EIOPA	European Insurance and Occupational Pensions Authority
foóg	Guaranteed Deposit Protection Funds (fundusze ochrony środków gwarantowanych)
GNB	Getin Noble Bank S.A. with its registered office in Warsaw
IPS	Institutional Protection Scheme
KNF, UKNF	Polish Financial Supervision Authority, Office of the Polish Financial Supervision Authority
MF	Ministry of Finance
MREL	minimum requirement for own funds and eligible liabilities
NBP	National Bank of Poland
PBS, PBS in Sanok	Podkarpacki Bank Spółdzielczy with its registered office in Sanok (Cooperative banking institution)

Council, BFG Council, Fund's Council	Council of the Bank Guarantee Fund
resolution	forced restructuring
CRR Regulation	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (OJ EU L of 27 June 2013, as amended)
SBRiR in Wołomin	Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin (Cooperative banking institution)
SKOK, Union	Cooperative Credit and Savings Union
SOBK	System Ochrony Banków Komercyjnych S.A. (Commercial Banks Protection System)
Articles of Association	Articles of Association of the Bank Guarantee Fund, constituting an annexe to the Regulation of the Minister of Development and Finance of 25 January 2017 on the adoption of the Articles of Association for the Bank Guarantee Fund (Journal of Laws item 203, as amended)
EWS	Early Warning System
EU	European Union
UFG	Insurance Guarantee Fund
LCG agreement	loss coverage guarantee agreement
BFG Act	Polish Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution (Journal of Laws of 2022, item 2253, as amended)
Act amending the Act on covered bonds	Polish Act of 7 April 2022 amending the Act on covered bonds and mortgage banks and certain other acts (Journal of Laws item 872)
PAC in Warsaw	Provincial Administrative Court in Warsaw
Management Board, BFG Management Board, Fund Management Board	Management Board of the Bank Guarantee Fund



GENERAL INFORMATION



THE BANK GUARANTEE FUND

The Bank Guarantee Fund is an institution conducting actions for the stability of the domestic financial system; in particular, it ensures deposits in banks and unions and is responsible for carrying out resolution proceedings of financial institutions which are at risk of bankruptcy.

The Bank Guarantee Fund, together with the National Bank of Poland, the Ministry of Finance and the Polish Financial Supervision Authority, forms part of the financial safety net in Poland. The President of the Management Board of the BFG is a permanent member of the Financial Stability Committee.

Figure 1.

FINANCIAL SAFETY NET



1. LEGAL FRAMEWORK

The BFG was established pursuant to the Act of 14 December 1994 on the Bank Guarantee Fund. Currently, the legal grounds for the Fund's activities are laid out by the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution, which has been in force since 9 October 2016 and has provided the Fund with broad powers and intervention mechanisms in case of a threat to the stability of the domestic financial system.

The BFG Act introduced into the domestic legal order the provisions of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes and Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.

2. OBJECTIVES AND TASKS OF THE BANK GUARANTEE FUND



THE OBJECTIVE OF THE FUND:

The objective of the Fund's operation is to take measures to ensure the stability of the national financial system, in particular, by ensuring the operation of the obligatory deposits guaranteeing system and conducting resolution.



KEY TASKS OF THE FUND:

- ✓ guaranteeing deposits in a bank or a credit union up to the statutory limit (the equivalent of EUR 100,000 in PLN) and making disbursements of the guaranteed funds – within 7 working days from the date of meeting the guarantee condition; in special cases and within a limited time, the depositor is entitled to guarantee protection in the amount higher than the equivalent of EUR 100,000 in PLN;
- ✓ verifying the correctness of data included in the calculation systems of the entities covered by the guarantee scheme;
- ✓ restructuring domestic entities and other institutions if they are subject to consolidated supervision exercised by the Polish Financial Supervision Authority, by way of write-down or conversion of capital instruments;
- ✓ preparing, reviewing and updating resolution plans and group resolution plans;
- ✓ carrying out the resolution;
- ✓ collecting and analysing information on entities covered by the guarantee scheme, in particular, to make analyses and forecasts on the banking sector and credit union sector for early identification of threats;
- ✓ taking other measures for the stability of the domestic financial system;
- ✓ acting as a trustee, referred to in Article 144(1) of the Banking Law Act or Article 72c(1) of the Act on Cooperative Credit and Savings Unions, if the Fund is appointed to be the trustee by the Polish Financial Supervision Authority.

3. ORGANISATION OF THE BANK GUARANTEE FUND

Statutory bodies of the Bank Guarantee Fund are the Council of the Fund and the Management Board of the Fund. The role of the BFG Management Board is to manage the Fund's activities and represent it to third parties, while the BFG Council supervises and controls the operations of the Fund's Management Board.

The Fund's Council consists of six members appointed by institutions forming the financial safety net. The Chair of the Fund's Council is the representative of the minister for financial institutions issues. On 4 July 2021, the ninth three-year term of office of the BFG Council began.

Table 1.

COMPOSITION OF THE BFG COUNCIL AT THE BEGINNING OF 2022

Mateusz Berger	Chair of the Council – representative of the MF
Patryk Łoszewski	Member of the Council – representative of the MF
Marcin Martyniak	Member of the Council – representative of the MF
Olga Szczepańska	Member of the Council – representative of the NBP
Witold Grostal	Member of the Council – representative of the NBP
Jacek Jastrzębski	Member of the Council – representative of the KNF

Table 2.

COMPOSITION OF THE BFG COUNCIL AT THE END OF 2022

Mateusz Berger	Chair of the Council – representative of the MF
Krzysztof Budzich	Member of the Council – representative of the MF (since 27 October 2022)
Marcin Martyniak	Member of the Council – representative of the MF
Olga Szczepańska	Member of the Council – representative of the NBP
Witold Grostal	Member of the Council – representative of the NBP
Jacek Jastrzębski	Member of the Council – representative of the KNF

In 2022, the BFG Management Board worked in the following composition: President of the Management Board – Piotr Tomaszewski, Vice-President of the Management Board – Sławomir Stawczyk, Member of the Management Board – Tomasz Obal, Member of the Management Board – Dagmara Wieczorek-Bartczak (since 1 February 2022).

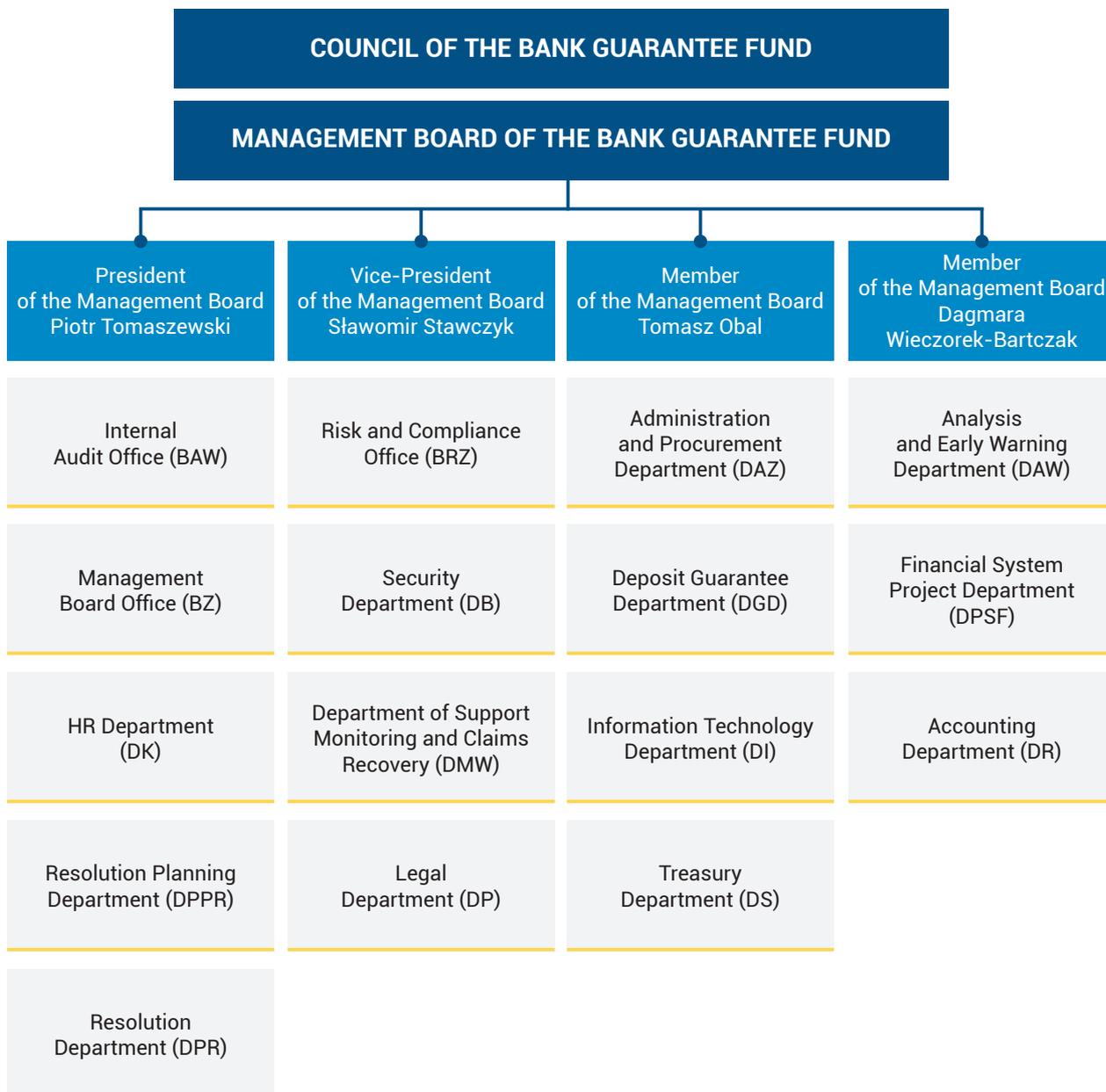
THE ORGANISATIONAL STRUCTURE OF THE BANK GUARANTEE FUND OFFICE COMPRISES ORGANISATIONAL UNITS RESPONSIBLE FOR TASKS IN THE SCOPE OF:



- ✓ **Internal Audit Office (BAW)** – auditing the activities of the Fund in terms of compliance with the specified objectives, provisions of law and internal legal acts;
- ✓ **Management Board Office (BZ)** – providing services to the bodies of the Fund and to the President of the Management Board, domestic and foreign cooperation, publishing, promotional and educational activities;
- ✓ **Administration and Procurement Department (DAZ)** – support and administration aimed at ensuring effective functioning, proper conditions for operation and provision of proper administrative-technical and office-archiving services for the Fund, and carrying out procedures connected with the Fund's procurement and purchases under the Public Procurement Law;
- ✓ **Analysis and Early Warning Department (DAW)** – analyses of the banking and credit union sectors, early warning, analyses and assessments of the economic and financial situation of individual banks and credit unions, performing the function of the trustee by the Fund, developing and updating methods for calculation of contributions paid by entities to guarantee and resolution funds as well as drafting applications with regard to the overall amount of such contributions for a given year and proposals for their distribution among individual entities;
- ✓ **Security Department (DB)** – protecting and securing data, people and property, providing ICT security and maintaining the business continuity plan of the Fund;
- ✓ **Deposit Guarantee Department (DGD)** – ensuring that the Fund reimburses guaranteed funds to depositors and auditing the correctness of data in the calculation systems of the entities covered by the mandatory guarantee scheme;
- ✓ **Information Technology Department (DI)** – obtaining, processing and providing information necessary for the operation of the Fund's Office, developing and maintaining the ICT and communication systems and ensuring the continued operation of the Fund's ICT system;
- ✓ **HR Department (DK)** – matters relating to staff, employment and remuneration policies, as well as training;
- ✓ **Department of Support Monitoring and Claims Recovery (DMW)** – managing the Fund's receivables, pursuing claims and monitoring the performance of the agreements on the granted financial aid and support;
- ✓ **Resolution Planning Department (DPPR)** – preparing, reviewing and updating, including the assessment of enforceability of resolution plans and group resolution plans, as well as carrying out projects on the financial security network and financial stability;
- ✓ **Legal Department (DP)** – providing legal services to the bodies of the Fund, the President of the Management Board and the Fund's Office;
- ✓ **Financial System Project Department (DPSF)** – preparation of the BFG for the role of a resolution body for insurance and reinsurance undertakings;
- ✓ **Resolution Department (DPR)** – carrying out resolution proceedings, providing support and administration of entities under resolution, executing the process of restructuring of credit unions;
- ✓ **Accounting Department (DR)** – providing accounting and financial management services to the Fund;
- ✓ **Treasury Department (DS)** – investment activities of the Fund, managing the financial liquidity and analysing the macroeconomic situation in Poland and in the world;
- ✓ **Risk and Compliance Office (BRZ)** – coordinating and supporting the management control system in the Fund, including the risk management process.

Figure 2.

BFG ORGANISATIONAL STRUCTURE AT THE END OF 2022



MOREOVER, THE FOLLOWING COMMITTEES OPERATED WITHIN THE BFG OFFICE:

- ✓ Asset Management Committee,
- ✓ Risk Committee,
- ✓ Early Warning System Committee.



GUARANTEERING DEPOSITS



THE BANK GUARANTEE FUND

The Bank Guarantee Fund has been guaranteeing deposits collected at banks since 17 February 1995, and since 29 November 2013 – also at cooperative credit and savings unions.



THE BANK GUARANTEE FUND BECOMES LIABLE

The Bank Guarantee Fund becomes liable to the depositor on account of the deposit guarantee **on the day when the guarantee condition is fulfilled**, i.e. on the day when the Polish Financial Supervision Authority suspends the activity of the bank or credit union and appoints receivership (at a bank) or a receiver (at a union), unless they were appointed earlier, as well as files for bankruptcy with a competent court, or on the day when the Bank Guarantee Fund files for bankruptcy with a competent court in respect of the bank or credit union undergoing resolution.

1. RULES FOR GUARANTEEING DEPOSITS

At the end of 2022, the guarantee protection covered deposits at all domestic banks (excluding Bank Gospodarstwa Krajowego and mortgage banks), in one branch of an international bank and at all cooperative credit and savings unions, i.e.:

- 25 commercial banks,**
- 495 cooperative banks,**
- 1 branch of an international bank and**
- 18 cooperative credit and savings unions.**

The Fund's guarantees cover funds from the day of depositing them in the account, but not later than on the day preceding the day when the guarantee condition is met – **up to the PLN equivalent of EUR 100,000** (including interest accrued at the beginning of the date when the guarantee condition is met). In specific cases determined in Article 24(3) and (4) of the BFG Act, the depositor's funds, within three months from the date they are deposited in the account or the receivables arise, are guaranteed in an amount exceeding the PLN equivalent of EUR 100,000 (for entities for which the fulfilment of the guarantee condition occurred after 8 October 2016). Higher guarantees apply to, for example, funds in the account which are obtained from the sale of a specific type of real estate, payment of the sum insured or payment of damages or compensation. Disbursement of funds is made on the individual request of the depositor, sent directly to the Fund.



25

COMMERCIAL
BANKS

495

COOPERATIVE
BANKS

1

BRANCH OF AN
INTERNATIONAL BANK

18

COOPERATIVE CREDIT
AND SAVINGS UNIONS



FUNDS GUARANTEED

IN THE CASE OF A BANK

Cash held by the depositor in bank accounts in respect of which it is a party to an agreement, both in PLN and in foreign currencies, as at the date of the fulfilment of the guarantee condition, plus accrued interest at the beginning of the date of the fulfilment of the guarantee condition at the interest rate indicated in the agreement, and:

- ✓ other receivables of the depositor resulting from the maintenance of bank accounts by the bank;
- ✓ receivables of the depositor resulting from the monetary settlements made by the bank;
- ✓ receivables of the depositor resulting from the bank securities issued before 2 July 2014, if they are confirmed with registered documents issued by the issuer or with registered deposit certificates;
- ✓ debts towards the bank on account of instruction in case of death and on account of the costs of the funeral of the account holder, as long as those debts had become due and payable before the date on which the guarantee condition with respect to the bank was fulfilled.

IN THE CASE OF A CREDIT UNION

Cash held by the depositor in accounts in respect of which it is a party to an agreement, both in PLN and in foreign currencies, as at the date of the fulfilment of the guarantee condition, plus accrued interest at the beginning of the day of the fulfilment of the guarantee condition at the interest rate indicated in the agreement, and:

- ✓ other receivables of the depositor resulting from the maintenance of their accounts by the credit union,
- ✓ receivables of the depositor resulting from the financial settlements made by the credit union,
- ✓ debts towards the credit union on account of instruction in case of death and on account of the costs of the funeral of the account holder, as long as those debts had become due and payable before the date on which the guarantee condition with respect to the credit union was fulfilled.

2. DISBURSEMENT PROCESS OF GUARANTEED FUNDS

The Fund is statutorily obliged to satisfy claims under the guarantee within 7 business days of the day when the guarantee condition is met.

If the guarantee condition is met, the bank's receivership or credit union's receiver reconciles the accounting books of the entity, towards which the guarantee condition is met, and makes a list of depositors, which it then provides to the Fund within 3 business days (counting from the day when the guarantee condition is met).

The Fund verifies data of depositors using SRG, and then makes a list of disbursements and provides it to the entity which will make these payments in the name and for the benefit of the Fund.

Depositors do not have to report their claims to the Fund before collecting the guaranteed funds.



GUARANTEE EXECUTION SYSTEM (SRG)

The IT application of the Bank Guarantee Fund, which makes it possible to control the depositor lists effectively, verify the disbursement amounts and prepare lists of disbursement of funds due to depositors.



Pursuant to the BFG Act, depending on the Fund's decision, guaranteed funds may be disbursed to depositors by receivership (in the case of a bank) or a receiver (in the case of a credit union), or through another entity, with which the Fund concludes an agreement on disbursement of guaranteed funds.



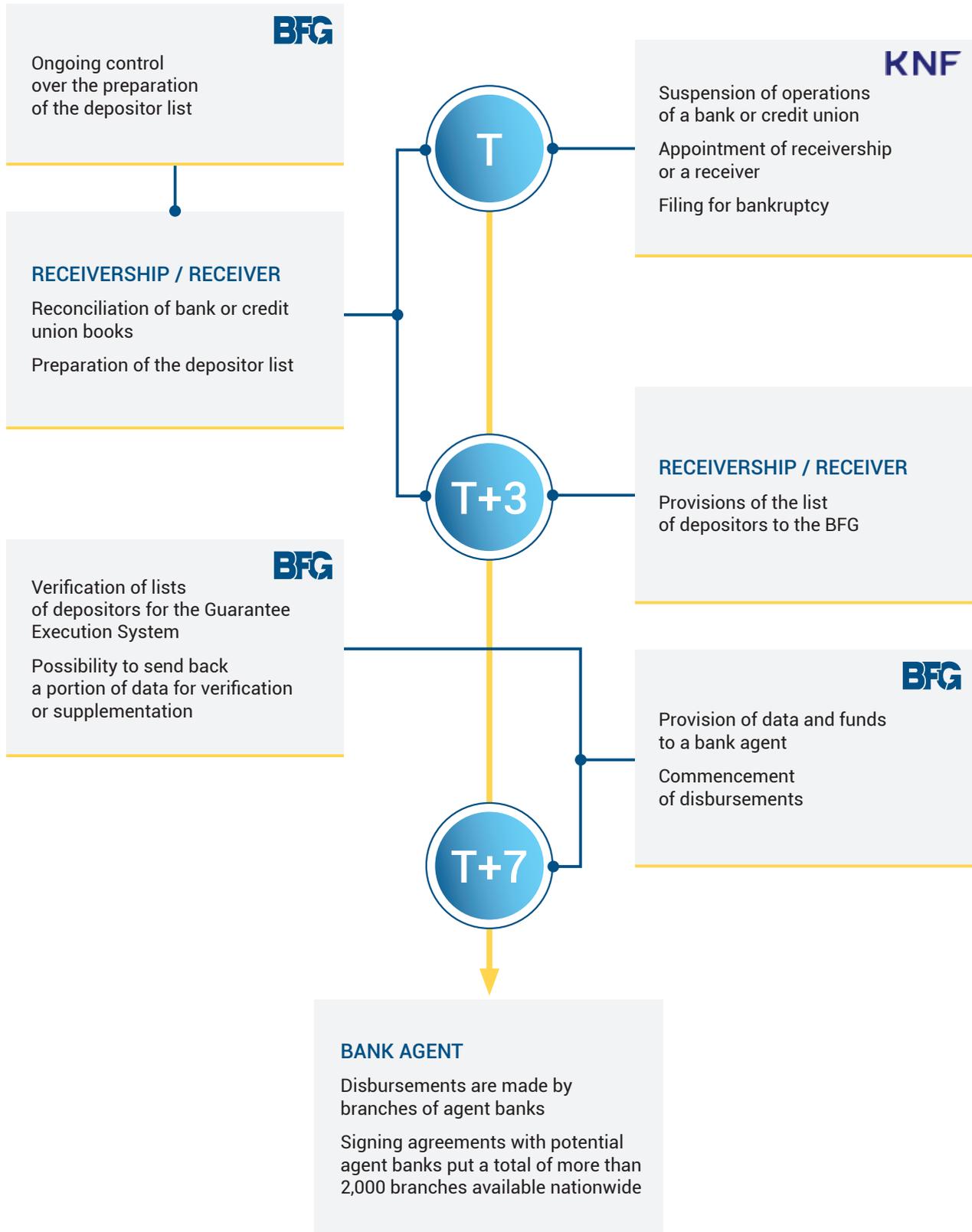
In recent years, the Funds signed agreements for disbursements with four banks (agent banks). These are retail banks managing a large network of branches, which makes it possible to make disbursements throughout the country, allowing depositors easy access to guaranteed funds. Three of these banks signed agreements extending the possible scope of disbursements by credit union depositors.



Persons, who do not collect their receivables for a variety of reasons during the time when the disbursements are made by the entity indicated by the Fund, may collect them directly from BFG by the end of the calendar year in which five years from the date of fulfilment of the guarantee condition expires. After this period, depositors' claims under the guarantee are time-barred.

Figure 3.

PROCESS FOR PREPARING THE DISBURSEMENT OF GUARANTEED FUNDS



3. FULFILMENT OF THE GUARANTEE CONDITION TOWARDS THE BANK IN WHOSE CASE THE BANK GUARANTEE FUND SUBMITTED AN APPLICATION TO A COMPETENT COURT FOR A DECLARATION OF BANKRUPTCY

IDEA BANK S.A.

On 21 February 2022, the Fund submitted an application to the District Court for the capital city of Warsaw, in Warsaw, for a declaration of bankruptcy of Idea Bank S.A.; therefore, this day became the day of fulfilling the guarantee condition towards the Bank. Carrying out tasks determined by the decision of the Fund's Management Board on initiating the resolution towards the Bank, redeeming the Bank's equity instruments, applying the resolution tool towards the Bank and appointing the administrator of Idea Bank S.A., as of 3 January 2021 (i.e. before the day of fulfilling the guarantee condition towards the Bank) as a result of applying the resolution instrument in the form of the enterprise acquisition, all funds of the Bank's depositors constituting funds covered with the guarantee protection were taken over by Bank Polska Kasa Opieki S.A. Therefore, the Fund refrained from taking actions related to preparing and disbursing the guaranteed funds to depositors of Idea Bank S.A.

4. DISBURSEMENT OF GUARANTEED FUNDS



Since the beginning of the Fund's operations, the guarantee condition has been fulfilled towards 100 banks (including 6 commercial banks and 94 cooperative banks) and 11 credit unions.

Table 3.

FULFILMENT OF THE GUARANTEE CONDITION BETWEEN 1995 AND 2022

Year	Commercial banks	Cooperative banks	Cooperative Credit and Savings Unions
1995*	2	48	
1996	1	30	
1997	-	6	
1998	-	4	
1999	1	-	
2000	1	-	
2001	-	1	
2002–2013	-	-	-
2014	-	-	2
2015	-	1	-
2016	-	1	5
2017	-	-	4
2018	-	-	-
2019	-	1	-
2020	-	2	-
2021	-	-	-
2022	1	-	-
TOTAL	6	94	11

Guarantees for credit unions came into effect on 29 November 2013

* Since 17 February 1995, i.e. since the day when the Act of 14 December 1994 on the Bank Guarantee Fund came into effect.



Between 1995 and 2022, PLN 3,022.0 million was allocated for the payment of guaranteed funds to 360.2 thousand eligible bank depositors.

Table 4.

FUNDS ALLOCATED FOR GUARANTEE DISBURSEMENTS FOR BANK DEPOSITORS BETWEEN 1995 AND 2022

Year	Funds for disbursements (in millions of PLN)					Number of depositors
	In total	Including from:				
		fośg*	liquid assets of the bankruptcy estate	bankruptcy estate recovery fund	Guarantee fund	
1995	105.0	85.9	19.1	0	-	89,939
1996	50.8	47.3	3.1	0.4	-	59,420
1997	6.4	4.7	0.6	1.1	-	10,418
1998	8.2	4.1	1.8	2.3	-	6,775
1999	4.7	0	2.0	2.7	-	1,572
2000	626.0	484.1	141.9	0	-	147,739
2001	12.5	0	4.5	8.0	-	2,658
2002	0.1	0	0.1	0	-	46
2003	0.1	0	0.1	0	-	27
2004	0.4	0	0.4	0	-	124
2005	0.1	0	0.1	0	-	99
2006	0.1	0	0.1	0	-	5
2007–2008	0	0	0	0	-	0
2009	0.004	0	0	0.004	-	1
2010–2014	0	0	0	0	-	0
2015	2,037.0**	2,036.9	-	-	-	33,147**
2016	145.7**	145.6	-	0.04	0.03	5,670**
TOTAL	2,997.1	2,808.6	173.8	14.5	0.03	357,640

Year	Funds for the disbursements under the BFG Act in force since 9 October 2016 (in millions of PLN)			Number of depositors**
	In total	Including from:		
		Guarantee fund	fośg***	
2017	0.2	0.2	0.0	184
2018	0.002	0.002	0.0	3
2019	24.7**	24.7	0.0	2,382
2020–2022	0.0	0.0	0.0	0
ALL YEARS IN TOTAL	3,022.0	24.9	2,808.6	360,209

* Until the end of 2016, the Guaranteed Deposit Protection Funds were the main source of financing the disbursements of guaranteed funds to depositors. Under the BFG Act, from 1 January 2017 to 31 December 2024, banks are obliged to create and maintain guaranteed deposit protection funds for the satisfaction of claims of depositors, but these funds may be used for disbursement of guaranteed funds only after the bank guarantee fund, extraordinary contributions and resources from other own funds (excluding resolution funds) are exhausted.

** The values shown take into account the liabilities included in the depositor list, which require confirmation of the correctness of the data.

*** Entities covered by the guarantee scheme are required to establish and maintain guaranteed deposit protection funds for the satisfaction of depositors' claims until 31 December 2024.



Between 2014 and 2022, PLN 4,366.6 million was allocated for the payment of guaranteed funds to 246.5 thousand eligible credit union depositors.

Table 5.

FUNDS ALLOCATED FOR GUARANTEE DISBURSEMENTS FOR CREDIT UNION DEPOSITORS BETWEEN 2014 AND 2022

Year	Funds for guarantee disbursements (in millions of PLN)				Number of depositors*
	In total*	including from:			
		Credit union guarantee fund	National Union contributions	Assistance fund	
2014	3,064.0**	20.7	32.8	3,010.5	119,509
2015	0.1	0.1	0.0	0.0	0
2016	617.2	44.5	0.007	572.7	55,226
TOTAL	3,681.3	65.3	32.8	3,583.2¹	174,735

Funds for the guarantee disbursements under the BFG Act in force since 9 October 2016 (in millions of PLN)				
Year	In total*	including from the guarantee fund:		Number of depositors*
		Credit unions	Banks	
2017	685.2	58.2	627.0	71,738
2018	(-)0.02	(-)0.02	0.0	0
2019	0.09	0.09	0.0	2
2020–2022	0.0	0.0	0.0	0
ALL YEARS IN TOTAL	4,366.6	123.6	627.0	246,475

* The values shown take into account the liabilities included in the depositor list, which require confirmation of the correctness of the data.

** Including liabilities of PLN 73 thousand resulting from the resolution of the Fund's Council of 9 February 2015 on the disbursement of guaranteed funds to SKOK in Wofomin depositors after the list of deponents was supplemented.

¹ Due to the fact the amount of liabilities of the Fund on account of guaranteed funds exceeded the credit union fund resources available for use and the value of the stabilisation fund resources provided by the National Union – pursuant to the decision of the Fund's Council – the remaining amount was covered from the resources of the BFG assistance fund.



In 2022, the Fund's Office made disbursements of guaranteed funds in the amount of PLN 1,728.8 thousand for 75 depositors, who did not collect amounts due to them during the time of disbursements made by agent banks or for whom investigations were ongoing.

The table shows information on all disbursements made for bank and credit union depositors (including disbursements made through agent banks), towards whom the fulfilment of the guarantee condition occurred between 2014 and 2019.

Table 6.

DISBURSEMENT OF GUARANTEED FUNDS BETWEEN 2014 AND 2022

Disbursement of guaranteed funds between 2014 and 2022 ^{*/**}							
No.	Entity name	Date of meeting the guarantee condition	Number of depositors	Liabilities due to depositors (in millions of PLN)	Total disbursements by the end of 2022 (in millions of PLN)	Amount of liabilities at the end of 2022 (in millions of PLN)	Disbursement rate at the end of 2022 (%)
1.	BS Grębów	15.07.2019	2,365	23.0	22.7	0.2	99.0%
2.	SKOK 'Wybrzeże'	15.09.2017	7,696	120.8	119.9	0.9	99.3%
3.	SKOK 'Nike'	02.06.2017	10,443	114.4	112.9	1.6	98.7%
4.	Twoja SKOK	12.05.2017	14,019	165.8	164.0	1.8	98.9%
5.	Wielkopolska SKOK	03.02.2017	39,574	284.2	280.6	3.6	98.7%
6.	BS in Nadarzyn	24.10.2016	5,860	145.9	145.2	0.0006	99.5%
7.	SKOK 'Skarbiec'	22.07.2016	8,348	88.0	87.7	0.03	99.6%
8.	SKOK 'Arka'	11.05.2016	13,947	93.1	92.4	0.003	99.2%
9.	SKOK 'Jowisz'	25.04.2016	7,380	81.9	80.7	0.03	98.5%
10.	SKOK 'Polska'	25.02.2016	8,343	170.2	169.1	0.000002	99.3%
11.	SKOK Kujawiak	08.01.2016	17,200	183.9	183.1	0.0009	99.6%
12.	SBRiR in Wołomin	23.11.2015	33,144	2,036.9	2,032.1	0.04	99.8%
13.	SKOK in Wołomin	12.12.2014	45,447	2,246.5	2,242.1	0.02	99.8%
14.	SKOK Wspólnota	18.07.2014	74,042	817.5	812.2	0.006	99.4%

* The amounts do not take into account the Fund's liabilities included in the list of depositors, which require confirmation of the correctness of data.

** The inconsistency between the values reported in the Liabilities towards depositors column and the sum of the values reported in the Total disbursements until the end of 2022 and Amount of liabilities at the end of 2022 columns, for some entities, is due to the rounding applied to the values included in these columns.

5. TIME BAR ON DEPOSITORS' CLAIMS

Claims under the guarantee expire at the end of a calendar year in which the period of 5 years from the day of fulfilling the guarantee condition expires. Due to the fact that the last day of 2022 fell on a Saturday, at the end of 2022 no claims of depositors expired².

6. AUDIT OF THE CORRECTNESS OF DATA CONTAINED IN THE CALCULATION SYSTEMS OF BANKS AND CREDIT UNIONS

Banks and credit unions are obliged to have calculation systems. The calculation systems allow obtaining information within a short time on the value of guaranteed funds thanks to the automated process of establishing the value of such funds for each depositor and the possibility of transferring data to the Fund. These systems organise data in accordance with the Single Customer View standard, which allows assigning a specific client all information concerning them.

BFG audits the correctness of data contained in the calculation systems of entities covered by the guarantee scheme based on provisions of Article 32(1)(1) and (2) of the BFG Act, in accordance with the quarterly verification plans accepted by the Management Board. Audits of high-risk entities are carried out on a sequential basis.



CALCULATION SYSTEM

an IT system at a bank or credit union which allows preparing for the detailed BFG data concerning depositors of the bank or credit union together with the amount of guaranteed funds calculated for them (Single Customer View). Details on the calculation systems are set out in the Regulation of the Minister of Finance of 26 September 2016 on the requirements for calculation systems maintained in entities covered by the obligatory guarantee scheme (Journal of Laws 2016, item 1642).

² In the case of entities in relation to which the guarantee condition was fulfilled in 2017, depositors' claims expired on 2 January 2023, i.e. on the first day not being a public holiday or a Saturday, following 31 December 2022.

Audits in the registered office of the Fund are carried out, in particular with the use of automatic control algorithms and based on expert analyses of data sets. Audits carried out in registered offices of banks and credit unions additionally included, for example, verification of data contained in the calculation systems with source documents.

The aim of the audit is to minimise the risk of preparation of the depositor list containing incorrect or incomplete data, and to allow quick possible disbursements if the guarantee condition is met towards the entity covered by the guarantee scheme. For this purpose, it is verified whether calculation systems are adjusted in terms of requirements applicable in the scope of data, manner of their presentation and appropriate markings of data, connected with definitions of the depositor and guaranteed funds specified in the provisions of the BFG Act. It is also verified whether entities can prepare a correct list of depositors within the shortest possible period from the fulfilment of the guarantee condition and submit the list of depositors to the Fund. Moreover, the scale of change in the data quality in relation to the state determined during previous audits of the Fund is assessed.

The following table presents information about the number of audits concerning the correctness of data in the calculation systems of entities covered with the guarantee scheme carried out in 2022.

Table 7.

NUMBER OF AUDITS OF DATA IN 2022

Audit type	Commercial banks	Cooperative banks	Credit unions	Total
in the Fund*	5	133	7	145
in a bank/credit union**	0	3	0	3
TOTAL	5	136	7	148

* audit carried out on the basis of automatic control algorithms and expert analyses of data sets.

** verification of data in the calculation systems with source documents.



ANALYSES THE RESULTS OF AUDITS OF DATA

The Fund carries out periodic analyses concerning the results of audits of data contained in the calculation systems of banks and credit unions. The results of the above-mentioned analyses have confirmed that:

- ✓ the Fund's control function allowed the detection of individual entities' risk factors related to inadequate data quality and had an impact on its improvement;
- ✓ entities whose data were covered with the audit, in general, adjusted calculation systems to the requirements applicable in the scope of the structure of the data transferred. It was also determined that these entities performed activities aimed at improving the quality of data contained in the calculation systems; however, some of them should continue works in the scope of proper parametrisation of IT systems, including for the purpose of showing in the calculation systems correct marking of clients and receivables in terms of the definition of a depositor and funds covered with guarantee protection.

7. SATISFACTION OF THE FUND'S CLAIMS ON ACCOUNT OF DISBURSEMENTS OF GUARANTEED FUNDS

As of 31 December 2022, the Fund participated in 13 bankruptcy proceedings as a creditor for the disbursement of guaranteed funds with a total exposure of PLN 5,357,691.8 thousand, of which three proceedings concerned banks and the rest are conducted against failed credit unions.

In 2022, the Fund monitored the bankruptcy proceedings, analysing their effectiveness and future perspectives, and made comments in the case of objections to the actions of the trustees.

Table 8.

LIST OF BANKRUPTCY PROCEEDINGS AGAINST BANKS AND CREDIT UNIONS WHERE THE FUND IS A CREDITOR ON ACCOUNT OF DISBURSEMENTS OF GUARANTEED FUNDS

No.	Failed	Date of bankruptcy declaration	BFG claims recognised in the list of claims (thousands of PLN)	Outstanding claims of the BFG as at 31.12.2022 (thousands of PLN)	
				capital	interest
	2014		828,353.6	428,257.6	0.0
1.	SKOK Wspólnota*	26.09.2014	828,353.6	428,257.6	0.0
	2015		4,287,310.0	4,177,419.3	6,893.1
2.	SKOK in Wołomin	05.02.2015	2,253,424.6	2,246,531.5	6,893.1
3.	SBRiR in Wołomin	30.12.2015	2,033,885.4	1,930,887.8	0.0
	2016		772,077.9	469,016.7	7,002.7
4.	SKOK 'Polska'	13.04.2016	171,402.2	101,164.2	0.0
5.	SKOK Kujawiak	31.05.2016	188,499.5	126,738.8	4,765.5
6.	SKOK 'Jowisz'	02.06.2016	82,511.4	25,511.4	0.0
7.	SKOK 'Arka'	12.07.2016	94,235.4	35,535.1	1,089.7
8.	SKOK 'Skarbiec'	29.09.2016	89,138.1	58,038.0	1,147.5
9.	BS in Nadarzyn	19.12.2016	146,291.3	122,029.2	0.0
	2017		689,910.9	258,612.6	0.0
10.	Wielkopolska SKOK	28.02.2017	285,508.0	71,262.6	0.0
11.	Twoja SKOK	19.06.2017	166,958.2	47,249.2	0.0
12.	SKOK 'Nike'	03.07.2017	115,104.4	68,673.5	0.0
13.	SKOK 'Wybrzeże'	21.11.2017	122,340.3	71,427.3	0.0
	2019		22,983.5	10,489.8	
14.	BS Grębów	03.09.2019	22,983.5	10,489.8	
TOTAL			6,600,635.9	4,929,434.2**	

* Bankruptcy proceedings against SKOK Wspólnota were completed in Q4 of 2022, the Fund's claim in the amount of PLN 428,257.6 thousand was not satisfied.

** In connection with the completion of the proceedings, the amount does not include the outstanding claim towards SKOK Wspólnota.



SATISFACTION OF THE FUND'S CLAIMS

By the end of 2022, the Fund recovered a total of PLN 1,242,944.1 thousand, which constitutes 18.83% of the BFG claims on account of disbursements of guaranteed funds asserted in bankruptcy proceedings.

The satisfaction obtained in 2022 amounted to PLN 89 853.83 thousand, which constituted 1.36% of the sum of the Fund's recognised claims in pending proceedings.

As of 31 December 2022, plans were filed in courts for the division of funds of the bankruptcy estates on the basis of which the Fund's satisfaction in 2023 will amount to PLN 21,526.55 thousand, including:

- ✓ SKOK 'Polska' – 5-part plan of the division; the Fund received the amount of PLN 3 034.93 thousand on 4 January 2023;
- ✓ SKOK 'Arka' – 6-part plan of the division; the Fund received the amount of PLN 2 002.63 thousand on 22 February 2023;
- ✓ BS in Nadarzyn – 3-part plan of the division; the Fund will receive the amount of PLN 3,001.92 thousand;
- ✓ Twoja SKOK – 21-part plan of the division; the Fund will receive the amount of PLN 1,007.75 thousand;
- ✓ SKOK 'Wybrzeże' – 3-part plan of the division; the Fund will receive the amount of PLN 5,490.40 thousand;
- ✓ SKOK Kujawiak – 5-part plan of the division; the Fund will receive the amount of PLN 3,999.66 thousand;
- ✓ SKOK 'Skarbiec' – 3-part plan of the division; the Fund will receive the amount of PLN 2,995,26 thousand.



COMPLETED BANKRUPTCY PROCEEDINGS

- ✓ SKOK Wspólnota – on 25 November 2022, the Receiver published in the Court and Commercial Gazette an announcement about the completion of the bankruptcy proceedings. As a result of these proceedings, the Fund recovered 48.3% of claims.

Table 9.

SATISFACTION OF THE FUND IN BANKRUPTCY PROCEEDINGS IN WHICH THE FUND IS A CREDITOR ON ACCOUNT OF DISBURSEMENTS OF GUARANTEED FUNDS

No.	Entity towards which bankruptcy was declared	Claims of the Fund recovered in 2022	Claims recovered by the Fund cumulatively	Degree of satisfaction of the Fund as of 31.12.2022	Amounts from partial distribution plans that have not been implemented in 2022
		(thousands of PLN)	(thousands of PLN)	(%)	(thousands of PLN)
1.	SKOK Wspólnota	1,296.1	400,096.0	48	0.0
2.	SKOK in Wołomin	0.0	0.0	0	0.0
3.	SBRiR in Wołomin	50,004.0	102,997.6	5	0.0
4.	SKOK 'Polska'	0.0	70,237.9	41	3,034.9
5.	SKOK Kujawiak	0.0	56,995.2	30	3,999.7
6.	SKOK 'Jowisz'	0.0	57,000.0	69	0.0
7.	SKOK 'Arka'	2,002.6	57,610.6	61	2,002.6
8.	SKOK 'Skarbiec'	0.0	29,952.6	34	2,995.3
9.	BS in Nadarzyn	0.0	24,262.1	17	3,001.9
10.	Wielkopolska SKOK	9,050.6	214,245.5	75	0.0
11.	Twoja SKOK	9,015.7	119,709.0	72	1,007.8
12.	SKOK 'Nike'	5,991.1	46,430.8	40	0.0
13.	SKOK 'Wybrzeże'		50,912.9	42	5,490.4
14.	BS Grębów	12,493.8	12,493.8	54	0.0
TOTAL		89,853.8	1,242,944.0		21,532.5



PURSUIT OF CLAIMS FOR RESOLUTION COSTS INCURRED

As of 31 December 2022, the Fund was a creditor in two bankruptcy proceedings on account of claims arising from the costs of resolution and from unpaid contributions to the bank guarantee fund and the bank resolution fund:

- ✓ PBS in Sanok – the Fund's claim on account of costs of resolution amounts to PLN 7,922.2 thousand. The claim on account of unpaid contributions amounts to PLN 1,404.6 thousand. On 14 September 2022, the Fund filed with the judge commissioner a request for speeding up the examination of objections to the list of claims. The objection was examined on 8 November 2022. On 23 November 2022, the Receiver prepared a partial plan of division. The amount of PLN 500,000 was allocated for division. It was assigned to the Bank Guarantee Fund on account of satisfaction of the resolution costs.
- ✓ Idea Bank S.A. – the Fund's claim on account of costs of resolution amounts to PLN 572,403.80 thousand. The claim on account of unpaid contributions amounts to PLN 7,654.6 thousand.



COMPLETED BANKRUPTCY PROCEEDINGS

- ✓ BS in Przemków – on 5 July 2022, the District Court in Legnica issued a decision on the completion of the bankruptcy proceedings. The Fund's claim amounted to PLN 82,841.2 thousand (costs of resolution) and PLN 20.7 thousand (unpaid contributions). A total of PLN 155.69 thousand was received for the repayment of the claim.

8. OTHER DEPOSIT GUARANTEE ISSUES

In Q3 2022, the Fund sent the BFG Announcement informing depositors of Wielkopolska SKOK, Twoja SKOK, SKOK 'Nike' and SKOK 'Wybrzeże' about the statutory limitation period for claims resulting from the guarantee ending on 2 January 2023. Taking into account the adopted minimum amount of the depositor's claim resulting from the guarantee, i.e. equal to or exceeding PLN 1,000, the BFG Announcement was sent to 666 depositors or their legal successors.



RESOLUTION

1. RULES FOR CARRYING OUT RESOLUTION

A resolution is a restructuring process of a financial institution which is failing or likely to fail carried out when its failure could have a serious negative impact on its clients, the functioning of the financial markets or the economy.

The BFG Act sets out the rules for carrying out resolution towards banks, credit unions and certain investment companies, including, for example, a set of instruments and powers necessary to take quick and effective measures in relation to the entity at risk in order to ensure the continuity of the functions that are critical to its clients and the economy (so-called critical functions), to protect financial stability, to protect guaranteed deposits, to limit the involvement of public funds.



THE FUND CARRIES OUT A RESOLUTION ONCE THE FOLLOWING CONDITIONS ARE MET CUMULATIVELY:

- ✓ an entity is failing or likely to fail;
- ✓ there are no reasonable indications that actions by the domestic entity or the institutional protection scheme or supervisory actions, including early intervention measures, will remove the threat of bankruptcy in a timely manner;
- ✓ taking measures is necessary in the public interest.



The necessity to take measures in the public interest

The necessity to take measures in the public interest occurs when the bankruptcy of this entity might have serious negative impact on its clients and the client's funds, the maintenance of financial stability (including the operation of financial markets or the economy) and the continuity of critical functions performed by this entity, or might result in the necessity to increase the involvement of the public funds in the financial sector to meet the above-mentioned objectives, while the achievement of these objectives to the same extent would not be possible within the standard insolvency proceedings.



AS PART OF A RESOLUTION, THE FUND MAY USE ONE OF THE FOLLOWING TOOL STIPULATED WITHIN THE BFG ACT:

- ✓ sale of business,
- ✓ bridge institution,
- ✓ the write-down or conversion of the liabilities of the entity in resolution,
- ✓ asset separation tool (only jointly with another resolution tool).

Before applying any resolution tools referred to in the Article 110(1) of the BFG Act, the Fund writes down or converts the capital instruments of the entity subject to the resolution. In addition, for the purpose of applying resolution tools, the Fund ensures that the valuation referred to in the Article 137(1) of the BFG Act is carried out. Subsequent to the application of resolution tools, the Fund additionally ensures that the valuation referred to in Article 241 of the BFG Act is carried out. These valuations are, depending on the scope of information contained therein, referred to in the Report as Valuation 1, Valuation 2 or Valuation 3.

Losses of the entity under resolution are borne by the owners of the entity in the first place. In order to provide additional financial assistance for the purpose of resolution, BFG created resolution funds (one for banks and investment firms and another one for CUs), to which contributions are made by all the entities covered by the BFG Act. As a result, the risk of having to commit public funds, which means taxpayers incur costs, was mitigated. The BFG may support a resolution financially, provided that this support is in line with the rules on state aid provided by the Member States of the European Union.

2. RESOLUTION PLANNING

In 2022, after having consulted the Polish Financial Supervision Authority on the determined MREL level, the Management Board of the Fund adopted resolutions on the acceptance of reviews of resolution plans for 226 cooperative banks, an associating bank, 14 cooperative credit and savings unions, 8 commercial banks and 6 investment companies.

Moreover, having consulted the Polish Financial Supervision Authority on the determined MREL level and draft updates of resolution plans, the Fund's Management Board approved updates of resolution plans for 24 cooperative banks, one associating bank (including an investment company) and three commercial banks (including two mortgage banks and an investment company).

In 2022, the Fund informed 11 commercial banks, two associating banks and 85 cooperative banks about the determined MREL as of 31 December 2023 (together with the designated build-up path in accordance with the newly adopted update of the MREL policy available on the Fund's website; publication of 22 September 2022³). Moreover, BFG exempted mortgage banks from the MREL. BFG informed banks about the identified potential impediments to effective resolution and requested banks to submit planned issuances of MREL eligible liabilities, taking into account the so-called 'credit holidays' introduced by Polish authorities in 2022.

The Fund also informed 14 cooperative credit and savings unions on the determined MREL requirements as of 1 January 2032, in accordance with Article 33(1) of the Act amending the Act on covered bonds. The obligation by cooperative credit and savings unions to fulfil the MREL requirement referred to in Article 97a(6) of the BFG Act arises on 1 January 2032.

In 2022 the Fund analysed bail-in playbooks submitted by banks.

³ On the basis of Article 97(4) of the BFG Act, the Fund exempted five mortgage banks operating in Poland from the obligation to maintain MREL.

3. RESOLUTION OF IDEA BANK S.A.

On 21 February 2022, the Fund submitted to the District Court for the capital city of Warsaw in Warsaw, 18th Commercial Division, an application for a declaration of Idea Bank S.A. bankruptcy. On 26 July 2022, the Court declared the Idea Bank S.A. bankruptcy. Within the bankruptcy proceedings, the Fund lodged on the Idea Bank S.A. bankruptcy estate a claim on account of unpaid contributions for the bank resolution fund and the bank guarantee fund, informing at the same time the receiver on an ongoing basis about the amount of the Fund's claim on account of the resolution costs.

The Fund's claim on account of the resolution costs is subject, in accordance with Article 440(3) of the Bankruptcy Law, to the satisfaction of the bankruptcy estate in the first place, after the costs of the bankruptcy proceedings. The Fund's claims on account of unpaid contributions are subject, in accordance with Article 440(2) of the Bankruptcy Law, to the satisfaction in categories 3 (capital) and 4 (interest).

In accordance with Article 122 of the BFG Act, the issue of a decision on a declaration of the Idea Bank S.A. bankruptcy means the completion of its resolution.

4. RESOLUTION OF GETIN NOBLE BANK S.A.

In 2022, one of the key challenges for the national banking sector was the risk of bankruptcy of Getin Noble Bank S.A. (GNB). Since 2016 the Bank has recorded annual losses, and on 29 April 2022, announced publicly about the occurrence of the risk of bankruptcy. It should be noted that it was the tenth-largest bank in Poland in terms of total assets, with nearly 39.5 billion of retail deposits. The hypothetical bankruptcy of Getin Noble Bank would have a negative impact on the stability of the Polish banking sector. Undoubtedly, resolution of this bank was in the public interest, understood in particular as the necessity to maintain financial stability of the banking sector.

The resolution framework have been introduced in order to address the risk of bankruptcy of systemically important banks. For many years the Fund had been preparing perform as the resolution authority. Prior to 2022, BFG successfully carried out three resolution processes; however, none of them have been carried out in respect to such a large bank as GNB.

The resolution decision was preceded by a number of necessary actions. The Fund commissioned to an independent body (Deloitte Advisory spółka z ograniczoną odpowiedzialnością sp. k.) the valuation of GNB assets and liabilities, which showed that the bank had negative equity at the level of – PLN 3.6 billion, which meant that its assets were insufficient to cover its liabilities, and the first condition for resolution ('failing' or 'likely to fail') was fulfilled. The Fund held an intensive dialogue with other institutions, including the Polish Financial Supervision Authority, which noticed that there were no justified premises indicating that supervisory activities, including early intervention measures, GNB activities or institutional protection scheme activities, would allow removing the risk of the bank bankruptcy at an appropriate time.

The Fund also contacted the Minister of Finance, who gave consent to carry out the resolution, and the European Commission, whose consent was necessary for the BFG to grant public financial assistance to the resolution process. Another important element of the preparations to resolution was the establishment of a bridge institution, which currently functions as VeloBank S.A.

The next key partner was the Commercial Banks Protection System (System Ochrony Banków Komercyjnych – SOBK), established by the eight largest commercial banks operating in Poland (Alior Bank S.A., Bank Millennium S.A., Bank Pekao S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Santander Bank Polska S.A.). The engagement of the Commercial Banks Protection System was necessary for the Fund to carry out the resolution process, protecting fully all deposits of the GNB clients.

On 29 September 2022, the Fund took the decision on the initiation of resolution in respect to GNB: the write down of GNB equity instruments, application towards GNB of a resolution instrument in the form of a bridge institution and appointment of the GNB administrator, and one day later the largest resolution in the history of Poland, and one of the largest processes of this type in the EU, began.

During the so-called resolution weekend, the GNB enterprise and its liabilities were transferred to the bridge institution (currently functioning under the name of VeloBank S.A.), taking into account exemptions indicated in the Fund's Decision, including loans and borrowings denominated in the Swiss franc (CHF) or indexed with the Swiss franc (CHF) and mortgage loans denominated in a foreign currency or indexed with the foreign currency exchange rate. This process was smooth, and the service of the bank's clients, including access to funds, was undisturbed and uninterrupted; soon VeloBank S.A. became a recognisable brand in the national banking market.

THE SCALE OF THE PROBLEM FACED BY THE FUND (AND OTHER INSTITUTIONS COOPERATING WITH IT) IS REFLECTED IN THE SCALE OF PUBLIC AID GRANTED IN CONNECTION WITH THE GNB RESOLUTION. WITHIN THE GNB RESOLUTION, THE FOLLOWING PUBLIC AID WAS GRANTED BY THE FUND:

- ✔ the capital of the bridge institution from the bank resolution fund amounted to PLN 357 million,
- ✔ the bridge institution received a subsidy from the bank resolution fund in the amount of PLN 5.92 billion,
- ✔ the bridge institution received a subsidy from the bank guarantee fund in the amount of PLN 596 million,
- ✔ the BFG granted the guarantee for covering losses resulting from the risk related to selected GNB proprietary rights transferred to the bridge institution.

IN ADDITION, THE COMMERCIAL BANKS PROTECTION SYSTEM GRANTED GNB THE FOLLOWING AID OF A PRIVATE NATURE (I.E. NOT CONSTITUTING PUBLIC AID):

- ✔ the Commercial Banks Protection System granted GNB the aid of PLN 3.127 billion – the claim on this account was transferred to the bridge institution on the basis of the decision on the resolution initiation,
- ✔ the Commercial Banks Protection System purchased from the Fund, 49% of the bridge institution's shares for PLN 343 million.

In total, for the stabilisation of the situation and covering the GNB losses, PLN 10.34 billion was used, of which 6.87 billion came from the BFG resources and 3.47 billion from the Commercial Banks Protection System's resources.

It was necessary to protect all deposits of the clients in the amount of PLN 38.1 billion – together with PLN 3.3 billion of deposits, which could not be paid out under the BFG guarantee in the case of bankruptcy. A significant part of the funds, which could not be paid out within the Fund's guarantee, belongs to territorial self-government units, e.g. schools or hospitals. It should also be borne in mind that the GNB hypothetical bankruptcy would involve the necessity to pay out approx. PLN 36 billion of guaranteed funds, which would result in the necessity to impose an additional burden on other banks in the form of higher extra contributions to the BFG.

The compliance of the financial support granted by the Fund within the process of the GNB resolution with the EU state aid rule for was confirmed by the European Commission in the decision as of 1 October 2022 on the State aid SA.100687 (2022/N) – Poland – Liquidation aid to Getin Noble Bank S.A. in resolution.

The next stage of the Getin Noble Bank S.A. resolution, including the preparation for the process of the bridge bank sale or the submission of the application for a declaration of the GNB bankruptcy, will be the object of the Fund's Report for 2023.

5. PERFORMANCE OF TASKS OF THE GETIN NOBLE BANK S.A. TRUSTEE

On 27 December 2021, in accordance with the Polish Financial Supervision Authority's decision, the Bank Guarantee Fund was appointed as the trustee of Getin Noble Bank S.A. The tasks determined in the decision include monitoring of activities undertaken by the Bank's bodies in order to: restore the capital ratios to levels fulfilling regulatory requirements, restore sustainable profitability by the Bank, improve the quality of assets, ensure the effectiveness of the implemented recovery plan of the Bank or its update, in the case of their approval by the Polish Financial Supervision Authority. The trustee's proxies participated in meetings of the Bank's bodies and committees functioning in the Bank, including the audit committee and the supervisory board risk committee, and materials submitted by the Bank in connection with the trustee function performed by the Fund, crucial due to possible negative impact of decisions taken by the Bank's bodies, after the proxies' opinion, were analysed internally.

During the period of performing the trustee function by the Fund, 10 monthly reports were submitted to the Polish Financial Supervision Authority. The Polish Financial Supervision Authority did not raise objections to the form and substantive content of those reports.

The trustee's proxies cooperated with the Polish Financial Supervision Authority, participating in selected meetings of the Committee, during which they presented detailed information concerning the Bank's economic and financial situation and responded to questions of the Members of the Committee. Information about significant events affecting the economic and financial situation and the risk level in the Bank was submitted on an ongoing basis by the trustee to the employees of the Office of the Polish Financial Supervision Authority indicated by the supervision authority.

In connection with the initiation on 30 September 2022 of the GNB resolution, in accordance with Article 113(1)(6)(d) of the BFG Act, the decision on the trustee appointment expired. Therefore, the Fund lost the status of the Bank's trustee granted to it on the basis of the Polish Financial Supervision Authority's decision, and the powers of attorney issued by the Fund to perform activities resulting from the Fund's appointment as the trustee on behalf of the BFG expired.



SUPPORT AND RESTRUCTURING ACTIVITIES

1. RULES FOR THE FUND'S SUPPORT AND RESTRUCTURING ACTIVITIES



THE FUND'S TASKS

In the field of restructuring credit unions at risk of insolvency, the Fund's tasks are:

- ✓ granting repayable financial aid;
- ✓ purchasing debts of credit unions;
- ✓ providing support to entities taking over credit unions, taking over certain property rights or selected liabilities of credit unions, or to the purchaser of the enterprise of a credit union in liquidation, the organised part thereof or certain property rights.



FINANCIAL AID

Financial assistance in the form of loans, guarantees and sureties may be granted to a credit union under a recovery plan/programme positively evaluated by the KNF. Financial aid may be earmarked only for removing the threat of insolvency.

The Fund grants financial assistance provided that, in particular:

- ✓ the Fund's Management Board recognises the results of an audit of the financial statements presented by a credit union requesting aid as regards its activities;
- ✓ the credit union presents a positive opinion of the KNF on the recovery programme;
- ✓ the credit union demonstrates that the amount of the aid requested by the credit union would be not higher than the total amount under guarantee in that credit union, calculated as the sum of guaranteed deposits on the accounts of the credit union's depositors;
- ✓ the credit union requesting aid uses its existing own funds to cover losses;
- ✓ in the case of repayable financial aid, securing claims on account of the aid granted guarantees the repayment of the full aid amount with interest thereon.

The Fund consults measures taken as part of the restructuring as well as obligations imposed on a credit union with the KNF.

Financial aid may be granted provided that it complies with the aid programme in force or the applicant (credit union) obtains a positive decision from the EC to grant the aid as part of the individual aid notification process.

The Fund may also grant aid in the form of the acquisition of monetary claims of credit unions at risk of insolvency. At the same time, according to *the Regulation of the Minister of Development and Finance of 1 December 2016 on trading by the Bank Guarantee Fund in receivables purchased from cooperative savings and credit unions in which the risk of insolvency has arisen* (Journal of Laws of 2016, item 1969), these can be only undue claims resulting from loans and credits granted, classified by credit unions in the 'regular' category, for which there are no delays in repayment and the economic and financial situation of the debtor does not pose a threat to further timely repayment of the debt.



SUPPORT

Support may be granted to entities taking over the activities or a part of activities of a credit union or to purchasers of the enterprise or assets of a credit union in liquidation by:

- ✓ acquiring shares of the acquiring bank;
- ✓ granting a loan or a guarantee;
- ✓ granting a guarantee for total or partial coverage of losses;
- ✓ providing a subsidy.



CONDITIONS FOR GRANTING SUPPORT

The Fund grants support provided that, in particular:

- ✓ the Fund's Management Board recognises the results of an audit of the financial statements presented by the acquirer or the purchaser regarding its activities;
- ✓ the acquirer or the purchaser presents to the Fund's Management Board a positive opinion of the KNF on the advisability of the acquisition and the absence of risk to the safety of depositors' funds collected at a credit union with respect to which the KNF has issued the decision on acquisition or liquidation, and at the assuming or acquiring bank or credit union;
- ✓ the acquirer or the purchaser demonstrates that the amount of funds committed by the Fund to support the acquirer or the purchaser would not be higher than the total amount under guarantee at the credit union with respect to which the KNF has issued a decision on acquisition or liquidation, calculated as the sum of guaranteed funds in the credit union's depositors' accounts being acquired;
- ✓ own funds of the credit union being acquired or liquidated have been used to cover losses;
- ✓ the Fund's claims are secured, guaranteeing the repayment of the full amount of the support with interest thereon in the case of support in the form of a loan or a guarantee.

Similarly, as in the case of granting financial aid, measures related to granting support for the restructuring of credit unions may be undertaken and implemented by the Fund after obtaining a decision from the EC on consistency with the rules of granting state aid.

2. RESTRUCTURING OF COOPERATIVE CREDIT AND SAVINGS UNIONS



For the purpose of preparing restructuring processes of credit unions, the Fund monitored the economic and financial situation of credit unions, in particular those at which the KNF appointed receivers or with respect to which the KNF instituted proceedings with a view to appointing receivers and those the situation of which had deteriorated.

Among other things, analyses focused on the possibility of providing potential support in the processes of acquiring credit unions characterised by a worse financial situation.

In 2022, the Fund did not sign any aid agreement in connection with the restructuring of cooperative credit and savings unions.

Table 10.

SUPPORT PROVIDED BETWEEN 2014 AND 2022 IN THE FORM OF SUBSIDIES AND LOSS COVERAGE GUARANTEES IN CONNECTION WITH THE RESTRUCTURING OF CREDIT UNIONS

No.	Bank name	Acquired credit union	Year of providing support	Net value of acquired property rights on the date of acquisition in the books of the Credit union (thousands of PLN)	Initial support provided (subsidy) (thousands of PLN)
1.	Alior Bank S.A.	SKOK im. św. Jana z Kęt*	2014	25,873.95	15,895.75
		SKOK im. Stefana Kardynała Wyszyńskiego	2016	110,002.86	52,533.74
		Powszechna SKOK	2016	24,982.44	9,310.12
		SKOK Jaworzno	2019	143 217.94	110,000.00
2.	Bank Pekao S.A.	SKOK im. Mikołaja Kopernika	2015	221,696.40	101,926.31
3.	PKO BP S.A.	SKOK 'Wesoła'*	2015	219,465.09	278,858.41
4.	Śląski BS 'SILESIA'	SKOK 'Profit'*	2017	1,909.15	115.84
5.	ING Bank Śląski S.A.	SKOK Bieszczadzka	2018	27,810.24	11,824.76
6.	BS in Wschów	SKOK Lubuska*	2018	6,527.00	1,877.63
7.	BGŻ BNP Paribas S.A.	Rafineria SKOK	2018	34,405.80	41,082.26
8.	Bank Millennium S.A.	SKOK PIAST	2019	127,251.62	67,492.28
TOTAL				943,142.49	690,917.10

* Completed agreements.

Between 2018 and 2022, the settlement of 4 agreements, of which the settlement of 3 agreements in 2022, was completed.

3. MONITORING OF THE PERFORMANCE OF AGREEMENTS ON WHOSE BASIS THE AID FROM THE CREDIT UNIONS' FUND AND THE RESOLUTION FUND WAS GRANTED



AT THE END OF 2022, THE PROCESS OF MONITORING COVERED 9 AGREEMENTS MADE WITH:

- ✓ 5 commercial banks benefiting from the aid granted between 2015 and 2019 in connection with the restructuring process of seven credit unions;
- ✓ 2 commercial banks benefiting from the aid granted between 2020 and 2022 in connection with the resolution process of two banks.

Table 11.

BANKS USING THE SUPPORT OF THE COOPERATIVE CREDIT AND SAVINGS UNION GUARANTEE FUND AND THE BANK RESOLUTION FUND

No.	Bank name	Acquired credit union	Period of the aid (loss, revenue reversal coverage)	Period of the aid (contribution to revenue, loss reversals)
1.	Alior Bank S.A.	SKOK im. Stefana Kardynała Wyszyńskiego with its registered office in Września /Wyszyński/	31.12.2020	31.12.2020 (revenue) 31.12.2022 (loss reversals)
		Powszechna SKOK with its registered office in Knurów /Powszechna/	31.12.2020	31.12.2022
		SKOK Jaworzno with its registered office in Jaworzno	31.03.2027	31.03.2027
2.	Bank Pekao S.A.	SKOK im. Mikołaja Kopernika with its registered office in Ornontowice /Kopernik/	21.12.2019	31.12.2019 (revenue) 31.12.2021 (loss reversals)
		Idea Bank S.A.	31.12.2028 (losses)	31.12.2028 (loss reversals)
3.	ING Bank Śląski S.A.	Bieszczadzka SKOK with its registered office in Sanok	31.07.2025	31.07.2025
4.	Bank BNP Paribas S.A.	SKOK Rafineria with its registered office in Gdańsk	30.04.2026	30.04.2026
5.	Bank Millennium S.A.	SKOK Piast with its registered office in Tychy	30.09.2026	30.09.2026
6.	VeloBank S.A.	Getin Noble Bank S.A.	31.03.2027	31.03.2027 (loss reversals)

Based on financial statements and data contained in the EWS, the Fund monitored the economic and financial situation of these banks and the performance of obligations under the concluded aid agreements, in particular, in the scope of settlement of loss coverage guarantee agreements.



SETTLEMENT OF LOSS COVERAGE GUARANTEE AGREEMENTS MADE IN CONNECTION WITH THE RESTRUCTURING OF CREDIT UNIONS

In 2022, as a result of settlements of loss coverage guarantee agreements: in connection with the restructuring of credit unions:

- ✓ the Fund's receivables from the Beneficiaries amounted to PLN 8,918.51 thousand,
- ✓ the Fund's liabilities towards the Beneficiaries amounted to PLN 80.89 thousand.

From the beginning of the term of the current loss coverage guarantee agreements until the end of 2022, the incremental value of:

- ✓ the Fund's receivables amounted to PLN 66,854.31 thousand,
- ✓ the Fund's liabilities amounted to PLN 15,627.17 thousand.

The maximum liability of the Fund as of 31 December 2022, calculated on the basis of the value of assets covered by loss coverage guarantees resulting from banks' statements, is presented in the following table. It is a potential liability that would occur if it was necessary to cover losses in relation to all proprietary rights acquired by Banks. On the basis of current analyses, it is possible to state that such a risk does not occur.

Table 12.

MAXIMUM VALUE OF LIABILITIES RESULTING FROM GPS AGREEMENTS MADE IN CONNECTION WITH THE RESTRUCTURING OF CREDIT UNIONS

No.	Bank	SKOK	Maximum liabilities of the Fund (thousands of PLN)
1.	Alior Bank S.A.	SKOK Wyszyńskiego	0.00
		Powszechna SKOK	0.00
		SKOK Jaworzno	26,411.87
2.	Bank Pekao S.A.	SKOK im. Mikołaja Kopernika	0.00
3.	ING Bank Śląski S.A.	Bieszczadzka SKOK	4,093.22
4.	Bank BNP Paribas S.A.	SKOK Rafineria	3,175.22
5.	Bank Millennium S.A.	SKOK Piast	27,030.04
TOTAL			60,710.35



SETTLEMENT OF LOSS COVERAGE GUARANTEE AGREEMENTS MADE IN CONNECTION WITH THE RESOLUTION OF BANKS

The agreement made with Bank Pekao S.A. is settled in two periods of six months. In 2022 the Fund accepted:

- ✓ the settlement for the first and second settlement periods on account of the CRM Guarantee and the Guarantee for other risks,
- ✓ the settlement for the third settlement period on account of the CRM Guarantee and the Guarantee for other risks, with the exclusion of the part of costs of debt collection and liabilities.

In December 2022, in connection with granting VeloBank S.A. the support in the Getin Noble Bank S.A. resolution process, the agreement regarding the guarantee for covering losses resulting from the risk related to proprietary rights, including the portfolio of lease receivables, was signed. Settlements on account of this agreement will take place every six months. Reports for the initial and first settlement periods have been submitted by the Bank within the deadline resulting from the agreement, i.e. by the end of February 2023.



RESTRUCTURING OF INSURANCE UNDERTAKINGS

RESTRUCTURING OF INSURANCE UNDERTAKINGS

As a consequence of the Financial Stability Committee's support on 10 December 2021 for the proposal of the Ministry of Finance in the scope of entrusting the BFG the role of a resolution body for insurance and reinsurance undertakings, the Fund continued its preparations for performing this function. It related to the EU's works on the adoption of the Directive establishing the framework for the purposes of the recovery and restructuring as well as resolution of insurance and reinsurance undertakings (IRR Directive, IRRD).

In 2022, the BFG activities were focused on three areas: legal and regulatory, analytical and operational areas.

In the legal and regulatory area, the BFG's main task in 2022 was to issue an opinion on the IRR Directive – the basic legal act in the area of restructuring and resolution on the insurance market. Other works from the legal and regulatory scope included: an analysis of legal solutions related to the restructuring of credit unions in terms of the possible use of analogous solutions for mutual insurance companies and an analysis of the Bankruptcy Law in terms of the application of its provisions in relation to insurance undertakings. The aim of the Bankruptcy Law analysis was mainly to work out a model approach to the bankruptcy process of insurance undertakings, which will be necessary to assess the occurrence of the public interest condition in this sector.

In the analytical area, the BFG focused on reviewing the scope of guarantees for clients in the context of a hypothetical bankruptcy of an insurance undertaking, and analysing the functioning of insurance undertakings in terms of critical functions performed by them, as well as analysing the functioning of mutual insurance companies in terms of possible selection of tools in the resolution process on the insurance market.

In the operational area, the Fund cooperated with national institutions, e.g. the Ministry of Finance, the Polish Financial Supervision Institution, the Insurance Guarantee Fund and the Permanent Representation of the Republic of Poland in Brussels. The Fund also cooperated on an ongoing basis in the scope of building negotiating strategies, in particular, transferring materials and arguments and sharing knowledge of other countries' positions in the context of the IRRD draft. Within preparatory works for the implementation of the IRR Directive, the Fund entered into dialogue with the market representatives, including the insurance self-government in Poland, i.e. the Polish Insurance Chamber.

The Fund also cooperated with international partners, e.g. with EIOPA, in particular sharing its experience in the scope of establishing the resolution body in Poland during the EIOPA Technical Seminar on recovery and resolution in (re-) insurance, in which almost 500 people from the EEA countries took part.



ANALYTICAL ACTIVITIES



OBJECTIVE OF THE ANALYTICAL ACTIVITIES

The basic objective of the analytical activities of the Fund is to assess the financial condition of the banking sector and of the individual banks, as well as the credit unions' sector and of the individual credit unions, to allow early identification of entities with a deteriorating economic and financial condition, and to get ready in advance for the potential resolution activities or for the disbursement of guaranteed funds to depositors. The Fund conducts a broad range of analytical works with the use of information and data from the National Bank of Poland, the Polish Financial Supervision Authority, banks and the National Cooperative Savings and Credit Union.

Based on the available information on banks and credit unions, the Fund regularly prepared analyses of the economic and financial situation of the banking sector and individual banks, as well as the credit unions' sector and individual credit unions, indicating potential risk areas.



AT ITS MONTHLY MEETINGS, THE EARLY WARNING SYSTEM COMMITTEE DISCUSSED, E.G.:

- ✓ results of the assessment of commercial banks, cooperative banks and credit unions, taking into account particularly banks and credit unions with bad and worsening economic and financial situations;
- ✓ the economic and financial situation of banks and credit unions assessed as entities with an increased risk and placed on the observation lists;
- ✓ current information about selected entities, including: BION assessment, results of inspections of the Office of the Polish Financial Supervision Institution and IPS audits, the status of the fulfilment of corrective actions and other information, e.g. publicly available reports and statements of entities submitted by the Office of the Polish Financial Supervision Institution;
- ✓ verification of the observation list and the list of banks with an increased risk, taking into account quantitative data and current information obtained from other sources than reports;
- ✓ changes in the balance sheet structure and results of commercial banks, including the 10 largest banks in terms of the balance sheet total, on the basis of SIS NBP data and financial statements of commercial banks;
- ✓ information about the problem of foreign currency mortgage loans in commercial banks on the basis of the analysis of banks with the largest portfolio of these loans;
- ✓ the economic and financial situation of selected commercial banks whose dominant shareholder is a foreign entity;
- ✓ the current economic and financial situation in the banking system;
- ✓ the current situation in the SKOK sector, with details about the situation of the largest credit union and general information concerning the balance sheet and income statement of SKOK.



DURING THE EARLY WARNING SYSTEM COMMITTEE'S MEETINGS, THE FOLLOWING ISSUES WERE PRESENTED:

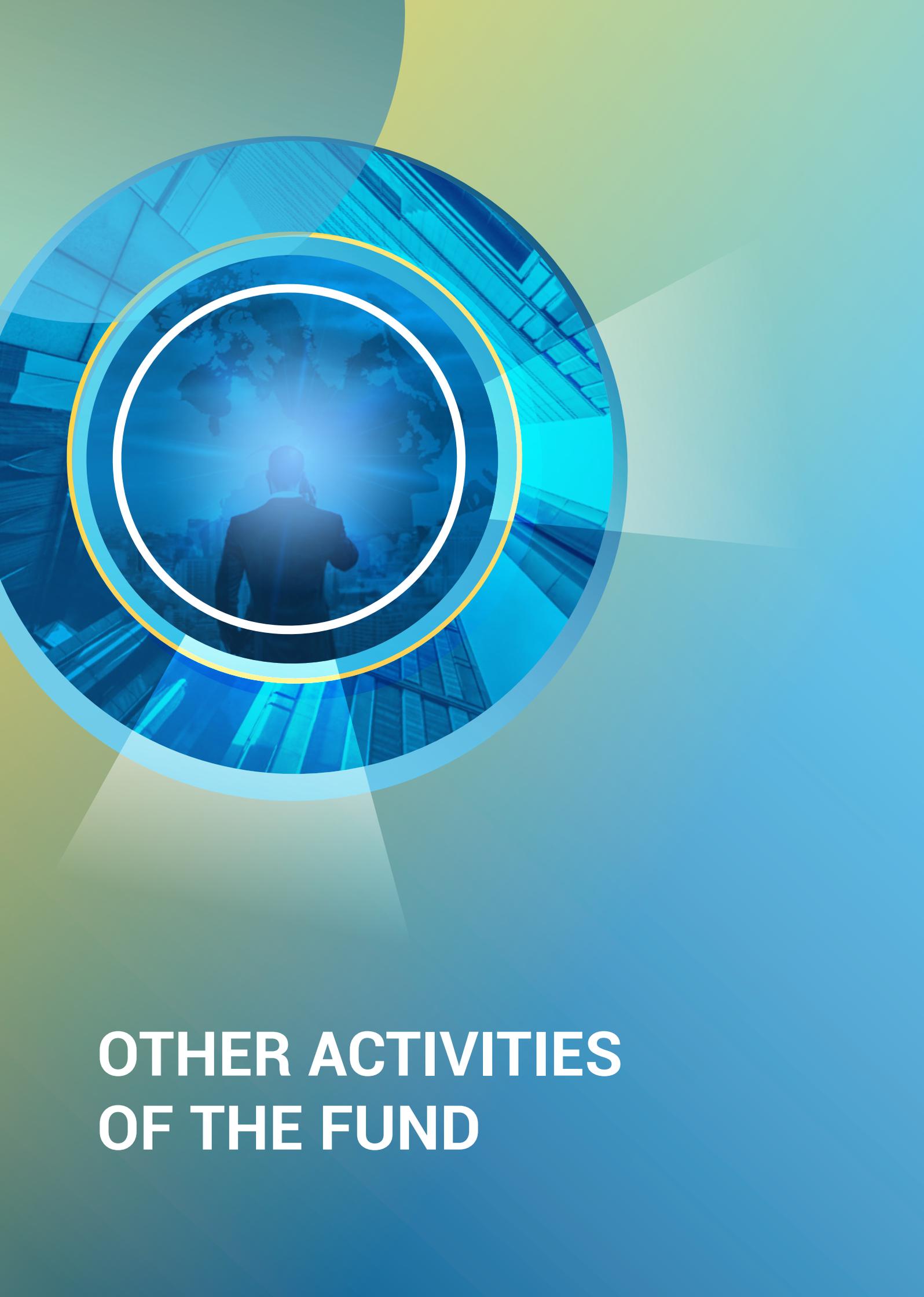
- ✓ reasons for placing individual banks on the observation list and changes in the situation of these entities since their inclusion in the observation list;
- ✓ verification of the observation list and the list of banks with an increased risk based on current data;
- ✓ current situation and projections in the scope of capital adequacy in commercial banks showing the highest risk of reduction in own funds;
- ✓ summary of results from the review of statutory auditors' opinions on financial statements of banks for 2021;
- ✓ information about cooperative banks obliged to carry out merger processes.



MOREOVER, AT THE EARLY WARNING SYSTEM COMMITTEE'S MEETINGS IN 2022, STUDIES WERE ADDITIONALLY PREPARED IN THE SCOPE OF:

- ✓ estimation of the potential impact of introducing the so-called 'credit holidays' in accordance with the statutory proposal;
- ✓ factors affecting the pace of growth of guaranteed funds;
- ✓ housing loans for individuals in PLN in the sector of cooperative banks at the background of commercial banks;
- ✓ the impact of single events on the financial situation of commercial banks;
- ✓ additional contributions of cooperative banks belonging to IPS for the aid fund.

Other analytical work included, for example, the monthly calculation and monitoring of the ratio of securing guaranteed funds in banks and credit unions with the available financial resources of the BFG funds and the degree to which the minimum and target levels of funds for the financing of the deposit guarantee scheme and the resolution had been achieved.



OTHER ACTIVITIES OF THE FUND

1. LEGISLATIVE WORKS

LEGISLATIVE WORKS CONCERNING AMENDMENTS TO THE BFG ACT

In Q2 2022, the Act amending the Act on covered bonds and mortgage banks and certain other acts entered into force (Journal of Laws item 872). In Article 16 of this Act, a number of amendments to the BFG Act were introduced.

THE MOST SIGNIFICANT AMENDMENTS TO THE BFG ACT AND OTHER ACTS INTRODUCED BY THE ABOVE-MENTIONED ACT CONCERN:

- ✓ clarifying the "financing contract" term and provisions for suspension of obligations (Article 316a–316c of the BFG Act);
- ✓ streamlining the resolution procedure using the asset management entity instrument, including specifying the rules and mode of bond issuance by the asset management entity;
- ✓ introducing the possibility for the Fund to grant third parties a guarantee of repayment of liabilities of an entity managing assets resulting from the issue of bonds;
- ✓ clarifying the rules for the Fund to provide guarantees within a resolution;
- ✓ clarifying the rules for the use of guarantee fund resources for resolution-related activities (amendments to Articles 179 and 188(4–5a) of the BFG Act);
- ✓ the management board and supervisory board of the resolution entity and of the bank taken over "by way of shares acquisition";
- ✓ specifying the rules and mode for the Fund's issuance of bonds guaranteed by the State Treasury;
- ✓ introducing the possibility of reducing the target level of funds of the deposit guarantee scheme in banks (from 2.6% to a maximum of 1.6% of the amount of funds guaranteed in banks and foreign bank branches covered by the mandatory deposit guarantee scheme);
- ✓ mortgages and registered pledges to secure loans taken over by the asset management entity, asset separation facility, write-down or conversion of capital instruments or eligible liabilities;
- ✓ possibility of creating a protection scheme for commercial banks operating in the form of a company, the so-called IPS-K (amendment to the Act – *Banking Law*), based on the institutional protection system (IPS), referred to in the *Act of 7 December 2000 on the functioning of cooperative banking institutions, their affiliation and affiliating banks*;
- ✓ specifying the bankruptcy law for banks in the scope of the order of the satisfaction of claims.

Moreover, the Act in question in Article 33(1) introduced a transitional provision into the BFG Act in the scope of the MREL requirement fulfilment by cooperative credit and savings unions, according to which the obligation to fulfil the requirements referred to in Article 97a(6) of the act amended in Article 16, which indicates instruments through which credit unions are obliged to fulfil the MREL requirement, arises as of 1 January 2032.

On 1 June 2022 (after a nine-month period of *vacatio legis*), the provisions entered into force concerning the deputy administrator institution, introduced into the BFG act by *the Act of 8 July 2021 amending the Act on the Bank Guarantee Fund, the deposit guarantee scheme and resolution and some other acts* (Journal of Laws item 1598).

On 1 July 2022, the amendment to the BFG Act entered into force; it was introduced by *the Act of 20 May 2021 on the protection of rights of buyers of residential units and single-family houses and the Developers Guarantee Fund* (Journal of Laws item 1177), aimed at taking into account in the process of disbursements of guaranteed funds, the establishment of the Developers Guarantee Fund (adding to the BFG Act Article 15(2a), Article 47a, and changing Article 39(3)).

On 12 August 2022, amendments to the BFG Act were introduced by *the Coal Allowance Act of 5 August 2022* (Journal of Laws item 1692, as amended). The amendments were introduced in Article 174 of the BFG Act. Moreover, the Coal Allowance Act introduced (in Article 10) amendments to *the Act of 29 August 1997 – Banking Law* concerning support granted in resolution by the commercial bank protection system and (in Article 13) amendments to *the Act of 12 February 2009 on granting support by the State Treasury to financial institutions*. Within this amendment, the possibility for the State Treasury to grant support in connection with initiating resolution was introduced. This support consists in the possibility of repurchasing treasury securities by the State Treasury (on whose behalf the minister in charge of public finance acts) from the entity under restructuring at a price equal to the nominal value increased by interest accrued as of the day of settling the purchase in the form of an offer addressed to the entity in restructuring.

In 2022 legislative works on the draft *act amending the act on bonds and some other acts* (UC32) were conducted. The draft act is aimed at determining the rules for the issue of equity instruments, including a new category of bonds in the form of equity bonds classified to regulatory capital of banks and brokerage houses or own funds of insurance and reinsurance undertakings in accordance with the relevant provisions of the European Union law. The draft solutions are aimed mainly at removing barriers in relation to the issue of instruments which can be included in Tier I and Tier II additional capital of banks and brokerage houses and classified in own funds as items of the so-called basic own funds of category 1, category 2 and category 3 – in the case of insurance and reinsurance undertakings. The introduction of the draft solutions will make it easier for banks and investment companies to fulfil the MREL requirements by extending the pool of instruments, which will allow them to fulfil this requirement.

The draft in question also introduces amendments to *the Act of 12 February 2010 on the recapitalisation of certain financial institutions and government financial stabilisation instruments* (consolidated text: Journal of Laws of 2022, item 396), extending the catalogue of recapitalisation instruments with an instrument in the form of 'covering capital shortages by the State Treasury'. Within the verification of the conditions for applying recapitalisation instruments, an amendment was introduced, according to which the application of these instruments will be possible if the Fund states that conditions referred to in Article 70(2) of the BFG Act do not occur in relation to the institution requesting the application of these instruments (in the original draft the Polish Financial Supervision Institution was to declare lack of these conditions).

A separate area of amendments included in the draft covers solutions aimed at the application of *Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132* (OJ EU L 22 of 22.01.2021, p. 1; hereinafter: 'Regulation No 2021/23'). It determines the framework for recovery, restructuring and resolution for CCP in the European Union. These solutions were introduced into the BFG Act. As in accordance with the draft, the Fund is to be the restructuring and resolution body for CCP in Poland. Due to the legal

character of the EU regulation, which is not subject to implementation and is applied directly, amendments to the BFG Act are of an adjustment character.

Within legislative works on this draft act, apart from comments concerning the role of the Fund as a restructuring and resolution body for CCP, the Fund also submitted comments aimed at introducing changes not resulting from this role, which take into account the Fund's previous experience, including: a proposal to add provisions on imposing financial penalties for non-performance or untimely or unreliable performance of information obligations concerning the fulfilment of the MREL requirement, other than the proportional method of the distribution of the Fund's profit and clarification of provisions concerning the rules for restoring funds for financing resolution of banks and investment companies in the case of reduction in the level of these funds after obtaining for the first time the minimum level, but before obtaining the target level.

Moreover, in the letter with comments to the above-mentioned draft act amending the act on bonds, the Fund upheld its comments to the BFG Act submitted in Q2 2022 during public consultations on the draft *act amending the act on public finance and some other acts* (UD no. 327), within which it submitted to the Minister of Finance the proposal of amendments to the BFG Act, e.g. in the scope of financial economy, concerning in particular audits and guidelines for entities receiving the aid, exclusion of the Fund from the record of agreements, spending funds not included in the financial plan for financing statutory tasks and clarification of provisions in the scope of the basis for the exceptional contribution for the guaranteed funds. The Fund also submitted for possible use – the proposals of amendments (together with the justification) to *the Act of 12 February 2010 on the recapitalisation of certain institutions and governmental financial stabilisation instruments* (Journal of Laws of 2022, item 396), which in the Fund's opinion should be implemented in order to allow the application towards CCP of the governmental financial stabilisation instruments. It should be indicated here that in accordance with the above-mentioned Act, the Fund's competencies include the application of governmental financial stabilisation instruments.

The proposals of amendments other than those resulting from entrusting the Fund with the role of the restructuring and resolution body for CCP were not included in the draft Act amending the Act on bonds (in the scope concerning the BFG Act), as a result of which they were not the object of works of the Legal Committee, which was held on 15–18 November 2022.

In December 2022, the Ministry of Finance gave consent to adding to the draft *Act amending the Act on bonds* the proposals of amendments to Article 285 of the BFG Act in the scope of making more flexible the rules of the profit distribution among individual funds (guarantee funds and resolution funds), taking into account the principle of proportionality during the distribution of this profit among funds dedicated to the sector of banks (and investment companies) and the sector of credit unions.

The above-mentioned draft act amending the act on bonds was submitted to the Sejm on 3 February 2023, as *the Government draft act amending the act on bonds, the act on investment funds and management of alternative investment funds and the act on the Bank Guarantee Fund, the deposit guarantee scheme and resolution and certain other acts* (form 2992). The Act was published in the Journal of Laws on 28 April 2023. The other above-mentioned amendments to the BFG Act and to the Act on recapitalisation, not taken into account in the draft *Act amending the Act on bonds*, were submitted by the Fund again within public consultations of the draft *Act amending certain acts in connection with ensuring the development of the financial market and the protection of investors on this market* (UD235). The Fund also indicated the necessity to introduce further changes in the scope of e.g. resignation from the task consisting in purchasing credit unions' receivables within their restructuring (deletion of point 2 in Article 5(2) of the BFG Act and

resulting changes in Article 261 of the BFG Act), procedures for removing circumstances making it difficult or impossible to carry out a resolution (Article 91(7) of the BFG Act), introduction of the obligation to verify on an ongoing basis the fulfilment of the MREL requirement (changes in Article 96a of the BFG Act), clarification in the scope of determining MREL (adding in Article 97 section 10a and section 17 of the BFG Act), clarification of the time of redeeming or converting equity instruments or eligible liabilities (change in Article 110(6) of the BFG Act), the obligation to submit documents for the purposes of estimation (change in Article 140(5) of the BFG Act), exclusion of the application of certain provisions of the Accounting Act to the bridge institution entity managing the assets and the entity in restructuring (adding to Article 141 sections 4–6 of the BFG Act), exclusion of the application of certain provisions of the Act on trading in financial instruments and the Act on investment funds and managing alternative investment funds in the case of taking over by the acquiring entity proprietary rights covering share rights (adding in Article 174 section 8 of the BFG Act) and exclusion of the application of certain provisions of the Act on investment funds and managing alternative investment funds in the case of transferring such rights to the bridge institution (change in Article 191(6) of the BFG Act), clarification concerning the allocation of profits from the resolution to an appropriate resolution fund (adding sentence 2 to Article 236 of the BFG Act), clarification of the issue of allocating funds recovered from the bankruptcy estate of the bank depending on the fact whether it was previously subject to resolution (change in Article 282(2) of the BFG Act), and extending the group of entities to which information constituting a professional secret can be submitted (change to Article 320 of the BFG Act).

OTHER LEGISLATIVE WORKS

IN THE REPORTING PERIOD, THE FUND PRESENTED TO THE MINISTRY OF FINANCE ITS POSITIONS ON, FOR EXAMPLE, THE FOLLOWING DRAFTS:

- ✓ *the act amending the act on cooperative credit and savings unions and other acts;*
- ✓ *the act on pan-European personal pension products;*
- ✓ *the act amending the act on public finance and certain other acts;*
- ✓ *the act on crowdfunding for economic undertakings and support for borrowers;*
- ✓ *the act amending the act on the handling of complaints by financial market organisations and the Financial Ombudsman;*
- ✓ *the act on pawn store activities;*
- ✓ *the act amending the act on pursuing claims in group proceedings and the act on the handling of complaints by financial market organisations and the Financial Ombudsman (a legislative initiative of the Senat of the Republic of Poland) on granting the Financial Ombudsman competencies to initiate and take part in civil group proceedings as a party within the meaning of Article 4 of the Act of 17 December 2009 on pursuing claims in group proceedings;*
- ✓ *the act amending the act – Commercial Companies Code and certain other acts;*
- ✓ *the act amending the act on tax on some financial institutions and certain other acts;*
- ✓ *the regulation of the Minister of Finance, Development Funds and Regional Policy amending the Regulation on the status of the Bank Guarantee Fund;*

- ✔ *the regulation of the Minister of Finance, Development Funds and Regional Policy on payment of contributions due to the Bank Guarantee Fund by banks, foreign bank branches, investment firms, cooperative credit and savings unions and the National Cooperative Credit and Savings Union in the form of payment commitments;*
- ✔ *the regulation of the Minister of Development and Finance on information necessary to develop, update and assess the feasibility of resolution plans and group resolution plans;*
- ✔ *the regulation of the Minister of Justice amending the Regulation on the detailed manner of maintaining registers forming part of the National Court Register;*
- ✔ *the regulation of the Minister of Finance on a template of a declaration concerning tax from some financial institutions;*
- ✔ *the regulation of the Minister of Development and Technology on the interest rates according to which the amount of contribution for the Developers Guarantee Fund will be calculated;*
- ✔ *the regulations of the Minister of Finance amending regulations on: exclusion or limitation of the application of Article 26(2e) of the Corporate Income Tax Act, and exclusion or limitation of the application of Article 41(12) of the Personal Income Tax Act, within which the mechanisms of collecting the withholding tax on account of interest on the issue of BFG bonds;*
- ✔ *the regulations of the Minister of Finance on measures and technical conditions aimed at transferring some information by supervised entities by the Financial Supervision Commission.*

MOREOVER, IN THE REPORTING PERIOD, THE FUND PRESENTED TO THE MINISTRY OF FINANCE ITS POSITIONS ON, FOR EXAMPLE, THE FOLLOWING DRAFTS:

- ✔ *the effects of the judgement of the Court of Justice of 5 May 2022 (file no. C-410/20), and the possible necessity to amend the law applicable in Poland or practices of applying it (the issue of responsibility of the acquiring entity in the resolution process for the information presented in the prospectus of the acquired entity subject to restructuring);*
- ✔ *the Ombudsman's proposals concerning the introduction of amendments to the Act of 17 November 1964 – the Civil Procedure Code in the scope of suspending proceedings at the Fund's request on the basis of Article 176(2) of the Civil Procedure Code.*

PARTICIPATION IN WORKS RELATED TO EUROPEAN ACTS

At the European Commission's request within the review of *Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)*, works were undertaken in order to align on the European market on the rules for conducting recovery as well as restructuring and resolution in the insurance sector. It resulted in the preparation of a draft directive of the European Parliament and of the Council establishing the framework for the purposes of the recovery as well as restructuring and resolution in relation to insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012 COM/2021/582 (the above-mentioned IRR Directive). The entity representing the Republic of Poland in these works is the Ministry of Finance, and many entities are involved in the cooperation on the project, including the BFG being involved from the very beginning. The Fund submitted to the Ministry of Finance opinions and positions based on knowledge and experience obtained

within recovery, restructuring and resolution of banks, SKOK and entities functioning on the capital market, which then were taken into account in the position presented by the Polish party. On 20 December 2022, the EU Council (technically Coreper) adopted a 'general approach', i.e. its position on the draft IRRD and granted the EU Presidency the negotiating mandate for dialogues.

It results from the IRR Directive that after its entry into force, Member States will have 18 or 24 months for its implementation into their national law, also for the establishment in the individual Member States of a resolution body for insurance and reinsurance undertakings.

The draft IRR Directive does not indicate a specific body that should be appointed to perform the role of the resolution body. This body, depending on the Member States' decision, might be the national central bank, relevant ministry, public administration authority or another authority entrusted with rights in the scope of public administration. According to the draft directive, if the rights are granted to an existing authority, it is necessary to introduce appropriate structural solutions in order to avoid conflicts of interest between supervisory functions and functions related to restructuring and resolution on the one hand and operational independence on the other hand, in particular in relation to supervisory authorities. The participants of the meeting of the Financial Stability Committee on 10 December 2021 expressed acceptance of the proposal of the Minister of Finance, according to which the BFG was appointed as the resolution body for insurance and reinsurance undertakings. The President of the BFG Management Board accepted the request, undertaking at the same time to take appropriate actions. The President of the BFG Management Board also indicated that extending the BFG tasks in this scope would require numerous statutory amendments.

MOREOVER, IN THE REPORTING PERIOD, THE FUND PRESENTED TO THE MINISTRY OF FINANCE ITS POSITIONS ON:

- ✓ the draft position of the Republic of Poland to the legislative proposal concerning the draft regulation of the European Parliament and of the Council amending Regulation (EU) 2015/760 in relation to the scope of acceptable assets and investments, requirements regarding the composition of the portfolio and diversification, rules for taking out borrowings and loans, cash and other funds, as well as in relation to the requirements concerning permissions, investment policy and conditions for conducting activities in the scope of European long-term investment funds;
- ✓ materials on: *Commission Delegated Regulation (EU) .../... of 20.10.2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the assessment methodology competent authorities are to follow when assessing the compliance of credit institutions and investment firms with the requirements to use the Internal Ratings Based Approach;*
- ✓ materials on the EU Regulation aimed at creating the European Single Access Point (ESAP);
- ✓ materials on the *Basel 3 finalisation: Daisy chains – CRR/BRRD;*
- ✓ draft delegated acts:
 - ✓ *Commission Delegated Regulation (EU) .../... of 16.8.2022 supplementing Regulation (EU) No 575/2013 with regard to RTS specifying exotic underlyings and the instruments bearing residual risks,*
 - ✓ *Commission Delegated Regulation (EU) .../... of 11.8.2022 supplementing Regulation (EU) No 575/2013 with regard to RTS specifying the calculation methods of gross jump-to-default amounts,*

- ✓ *Commission Delegated Regulation (EU) .../... of 16.8.2022 correcting certain language versions of Delegated Regulation (EU) No 1151/2014 supplementing Directive 2013/36/EU with regard to RTS on the information to be notified when exercising the right of establishment and the freedom to provide services,*
- ✓ *Commission Delegated Regulation (EU) .../... of 20.10.2021 amending the RTS laid down in Commission Delegated Regulation (EU) No 1151/2014 as regards the information to be notified when exercising the right of establishment and the freedom to provide services,*
- ✓ *Commission Delegated Regulation (EU) .../... of 14.6.2022 supplementing Regulation (EU) No 575/2013 with regard to RTS specifying the technical details of back-testing and profit and loss attribution requirements under Articles 325bf and 325bg of CRR,*
- ✓ *Commission Delegated Regulation (EU) .../... of 10.6.2022 supplementing Directive 2013/36/EU with regard to RTS specifying the information to be provided in accordance with Article 8a of that Directive;*
- ✓ draft delegated act: CRR- RTS factors and conditions in relation to exposures secured by immovable property;
- ✓ the second draft compromise text of the CRD VI/CRR III package, developed by the Czech Presidency – Working Party 7 October - CZ Presidency second compromise texts CRD/CRR;
- ✓ the Fund's postulate concerning the area of crisis management and deposit insurance (CMDI).

2. PERFORMANCE OF TASKS OF THE GETIN NOBLE BANK S.A. TRUSTEE

On 27 December 2021, in accordance with the Polish Financial Supervision Authority's decision, the Bank Guarantee Fund was appointed as the trustee of Getin Noble Bank S.A. The tasks determined in the decision include monitoring of activities undertaken by the Bank's bodies in order to: restore the capital ratios to levels fulfilling regulatory requirements, restore sustainable profitability by the Bank, improve the quality of assets, ensure the effectiveness of the implemented recovery plan of the Bank or its update, in the case of their approval by the Polish Financial Supervision Authority.

The trustee's proxies participated in meetings of the Bank's bodies and committees functioning in the Bank, including the audit committee and the supervisory board risk committee, and materials submitted by the Bank in connection with the trustee function performed by the Fund, crucial due to possible negative impact of decisions taken by the Bank's bodies, after the proxies' opinion were analysed internally in the Fund.

During the period of performing the trustee function by the Fund, 10 monthly reports were submitted to the Polish Financial Supervision Authority. The Polish Financial Supervision Authority did not raise objections to the form and substantive content of those reports.

The trustee's proxies cooperated with the Polish Financial Supervision Authority, participating in selected meetings of the Committee, during which they presented detailed information concerning the Bank's economic and financial situation and responded to questions of the Members of the Committee. Information about significant events affecting the economic and financial situation and the risk level in the Bank was submitted on an ongoing basis by the trustee to the employees of the Office of the Polish Financial Supervision Authority indicated by the supervision authority.

In connection with the initiation on 30 September 2022 of the GNB resolution, in accordance with Article 113(1)(6)(d) of the BFG Act, the decision on the trustee appointment expired. Therefore, the Fund lost the status of the Bank's trustee granted to it on the basis of the Polish Financial Supervision Authority's decision, and the powers of attorney issued by the Fund to perform activities resulting from the Fund's appointment as the trustee on behalf of the BFG expired.

3. NATIONAL AND INTERNATIONAL COOPERATION



NATIONAL COOPERATION

Acting to promote the stability of the national financial system, the BFG actively cooperated with financial safety net institutions, i.e. the Ministry of Finance, the National Bank of Poland and the Polish Financial Supervision Authority. The President of the Fund's Management Board is a member of the Financial Stability Committee (KSF) in the financial system crisis management (KSF-K) and macroprudential (KSF-M) formula. The Fund took part in the cyclical assessment of the risk system carried out within KSF-M. The Fund's representatives regularly participated in the works of the KSF-M Standing Working Group.

THE BFG REPRESENTATIVES TOOK PART IN WORKS OF:

- ✓ the Public Finance Committee of the Sejm on considering amendments submitted during the second reading of the government draft act amending the act on covered bonds and mortgage banks and certain other acts;
- ✓ the Budget and Public Finance Committee of the Senat on the government draft act amending the act on covered bonds and mortgage banks and certain other acts;
- ✓ the Budget and Public Finance Committee of the Senat on considering the resolution of the Senat on the act amending the act on covered bonds and mortgage banks and certain other acts;
- ✓ the Budget and Public Finance Committee of the Senat on considering the report of the standing Subcommittee for issues related to financial institutions, the government draft act on crowdfunding for economic undertakings and support for borrowers;
- ✓ the Economic Committee of the Senat on the government draft act on coal allowance.

Within the works related to the statutory requirements, the Fund held many meetings with representatives of the Financial Supervision Committee, Getin Noble Bank S.A., commercial banks, cooperative banks, the SGB Cooperative Protection System and BPS Affiliation Protection System and affiliations of PBS and SGB, and Biuro Informacji Kredytowej S.A.

THE PRESIDENT OF THE BFG MANAGEMENT BOARD TOOK PART IN:

- ✓ the discussion panel during the 22nd Conference of the Chamber of Brokerage Houses entitled: *The Capital Market and Economic Changes in the 21st Century and Challenges of Sustainable Development*;
- ✓ meetings of the European Financial Congress;

- ✓ the meeting at the Polish Bank Association in the section of large banks devoted to reducing the target level of guaranteed funds of deposits in banks in connection with the resolution process;
- ✓ the discussion panel entitled *Investments, capital market and corporate banking in the environment of inflation and high interest rates* during the Corporate and Investment Banking Congress.



INTERNATIONAL COOPERATION – EBA

In the reporting period, the Fund was represented at five meetings of the EBA Resolution Committee (Resco). During these meetings, the participants discussed the current status of regulatory changes concerning restructuring and resolution, e.g. issues related to the operationalisation of the SPE strategy and draft EBA guidelines concerning bail-in mechanics.

IN THE REPORTING PERIOD, THE BFG REPRESENTATIVES TOOK PART IN MEETINGS OF THE EBA TASK FORCE ON THE DEPOSIT GUARANTEE SCHEMES (TFDGS), DURING WHICH:

- ✓ the participants discussed the new draft EBA guidelines on the method of calculating contributions for deposit guarantee schemes;
- ✓ the EuReCa database was presented, in which the EBA will collect data from the scope of cases of money laundering and terrorist financing.

In 2022, the Fund's representatives took part in 6 meetings of the Subgroup on Resolution Planning Preparedness (SGRPP), a subgroup of the Resolution Committee. The participants of the meetings discussed, e.g. issues concerning the transparency of the resolution strategy and issues related to the MREL requirement and the EBA guidelines regarding the feasibility assessment.

The Fund was also represented at the meetings of the EBA Subgroup on Resolution Execution (SGRE). The meetings of the SGRE continued works on the draft guidelines concerning the publication of the mechanism for the write down and conversion of equity instruments and the application of the instrument of the write down and conversion of liabilities of the entity in restructuring: *Guidelines to resolution authorities on the publication of the write down and conversion and bail-in exchange mechanic*. The Fund also cooperated in the scope of working out the interpretation of the Market Abuse Regulations in the process of preparations for the resolution.

MOREOVER, AS PART OF THE COOPERATION WITH THE EBA, THE FUND'S REPRESENTATIVES PARTICIPATED IN:

- ✓ implementation workshops concerning new EBA Guidelines on stress testing of the deposit guarantee schemes;
- ✓ meeting of EBA-41st SGAT.

The Fund also participated in the preparation and consultations concerning EBA questionnaires in the scope of the functioning of the deposit guarantee scheme in Poland, a new draft template of

the information sheet for depositors and other documents for the purposes of activities of international institutions.

FURTHERMORE, THE FUND NOTIFIED THE EUROPEAN BANKING AUTHORITY ABOUT ITS INTENTION TO APPLY THE GUIDELINES:

- ✓ on stress testing of the deposit guarantee schemes carried out in accordance with Directive 2014/49/EU (EBA/GL/10);
- ✓ on the determination and reporting of available financial resources of the deposit guarantee schemes (EBA/GL/2021/17);
- ✓ concerning the improvement of the possibility of carrying out effective restructuring and resolution for institutions and authorities devoted to restructuring and resolution (EBA/GL/2022/01);
- ✓ on the equivalence of confidentiality rules (EBA/GL/2022/04).



EIOPA

Within the cooperation with the EIOPA, the Fund shared its experience in establishing the resolution body in Poland during the EIOPA Technical Seminar on recovery and resolution in (re-) insurance, i.e. the first EIOPA seminar devoted to this topic.



IADI

In the reporting period, a number of events took place within the International Association of Deposit Insurers (IADI).

In 2022, there were three regular (72nd – 74th) meetings of the Executive Council (EXCO) and accompanying meetings of permanent committees (including the Core Principles Council Committee, CPRC), technical committees (including the Capacity Building Technical Committee, CBTC), working groups, and regional committees (including the European Regional Committee, ERC) with meetings preceding them. The BFG representatives participated in these events.

IN THE REPORTING PERIOD THERE WERE ALSO:

- ✓ three IADI Ad-hoc EXCO Meetings (organised in the remote form), whose purpose was to discuss further participation of Russia in the association. The President of the BFG Management Board submitted a formal request for the exclusion of the Russian Deposit Guarantee Agency from the membership in the association. Finally, the participants decided to suspend the representatives of the Russian Federation in the Executive Board, as well as to suspend all actions of the Deposit Guarantee Agency (DIA) of the Russian Federation in the association. The meeting adopted a resolution on the exclusion, until further notice, of the Russian Deposit Guarantee Scheme from the associations' activities.

- ✓ The online IADI Ad-hoc EXCO Meeting, in which the President of the BFG Management Board took part. The meeting was held due to the necessity to re-elect a new Secretary General as the previously elected candidate withdrew their application. At the same time, it was determined that the previous Secretary-General would perform this function until the election of the new Secretary, i.e. the beginning of 2023.

In September of the reporting year, in Basel, there was a solemn meeting devoted to the twentieth anniversary of the IADI establishment together with a conference. The conference included six sessions in which the IADI Presidents and Secretary-General as well as other distinguished guests, acted as conference speakers. The panel topics included: the issue of the future of financial stability and guaranteeing deposits, as well as the IADI itself, exchange of experience within the panel discussion in the scope of guaranteeing deposits, as well as forecasts for the nearest future in this scope.

In October 2022, in Buenos Aires, there was an annual General Meeting of the IADI Members (21st Annual General Meeting, AGM), with the 74th meeting of the IADI Executive Board. Moreover, numerous meetings of permanent committees, e.g. CPRC and ERC, were held. At the meetings, the Fund was represented by the President of the BFG Management Board and the Director of the Management Board's Office. During the events, the participants elected a new President of the IADI, i.e. Alejandro Lopez, President of the Argentinian Deposit Guarantee Fund (Seguro de Depósitos Sociedad Anónima, SEDESA), and supplemented the composition of the Executive Board in connection with the end of the term of office of 8 members of the committee, appointed the Chairperson of the Fintech Technical Committee, discussed the list of priorities and the report assessing the periodic review of the IADI guidelines as well as updated the review of the IADI Core Principles. At the end of the annual IADI meeting, there was a scientific conference entitled Storm Clouds on the Horizon: fostering resilient safety-nets for uncertain times.

MOREOVER, THE FUND WAS REPRESENTED AT:

- ✓ cyclical meetings of the ERC committee;
- ✓ cyclical meetings of the CBTC committee;
- ✓ cyclical meetings of the Financial Cooperatives Technical Committee, which prepares proposals for changes to the Core Principles on the basis of conclusions from the published document entitled Ways to Resolve a Financial Cooperative while Keeping the Cooperative Structure;
- ✓ the IADI Round Table PR discussion with the participation of PR specialists from the member institutions, during which the participants shared their experience and organisational ideas for the celebration of the 20th anniversary of the association;
- ✓ a webinar entitled Preparing for the expected and the unexpected: Stress testing of EU deposit insurers based on EBA Guidelines;
- ✓ a seminar entitled DICJ-IADI Round Table: Synergizing Multifaceted Regional and Global Perspectives;

- ✓ five cyclical meetings within the course entitled BIS-IMF bank resolution online course (BROC);
- ✓ an online meeting organised by the IADI in cooperation with the EFDI entitled Green DGS and non-financial reporting: new challenges for DGSs?;
- ✓ the so-called Debriefing Session, during which the participants discussed the Association's Strategic Objectives for 2022–2026;
- ✓ a webinar entitled Sources and uses of funds for deposit insurers;
- ✓ a conference entitled Single customer view – an essential tool for effective depositor insurance.

In the reporting period, the Fund's employees, at the request of IADI CBTC, carried out webinars for the Pakistani deposit guarantee fund (Deposit Protection Corporation). There were three online meetings devoted to discussing the BFG's role in the financial safety network, areas of the BFG activities, the resolution process (including: the planning process, verification of the public interest criteria, critical functions, no creditors worse off principle, and a mechanism for recovery of funds), as well as financing of the Fund's tasks, in particular the rules for establishing and using guarantee funds and resolution funds.

In December 2022, during the webinar entitled Banking on Bridges: Lessons from the BFG – experience using the bridge institution tool, organised in cooperation with the IADI, the Fund's representatives shared with the association's members the BFG experience in using the bridge institution as an effective tool for the resolution. 185 representatives of the guarantee funds and resolution bodies from the whole world took part in the presentation.

Moreover, in the reporting period, the Fund regularly filled in the IADI questionnaires, as well as issued opinions on documents and responded to questions.



EFDI

In March 2022, the European Forum of Deposit Insurers, hereinafter: the 'EFDI') took the decision on immediate suspension of the membership of the Deposit Guarantee Agency (DIA) of the Russian Federation in the EFDI and of the representatives of the guarantor from Russia in the association.

Moreover, in March 2022, in Paris, there was the EU Committee Meeting, during which a Member of the BFG Management Board was a panellist in the session entitled *In-flight Transactions State of Play research paper – case presentations*, where he made a presentation: *Information on in-flight transactions in the context of payout*, presenting Polish experience in this scope. At the meeting, the participants also adopted the D3 working paper on counteracting money laundering, as well as the framework of stress tests were presented.

In May of the reporting period, there was the EFDI Annual General Meeting and International Conference, in which the President of the BFG Management Board, Member of the BFG Management Board and Director of the Management Board's Office participated. At the meeting, the participants: adopted a research document on QAFM deposit guarantee schemes, presented reports of the EFDI Management Board, the EFDI Secretary General, the Secretariat and the Treasurer, approved

the changed budget for 2022 as well as the budget and fees in 2023, and approved the candidacy of the internal auditor for the audit of the EFDI financial statements in 2022.

Within the EFDI works on the association development, a new Strategic Planning Working Group (SPWG) was established. The SPWG task is to support the EFDI Management Board in developing the organisation's strategic plan for the next three years, i.e. 2023–2025. A Member of the BFG Management Board became its member. In August 2022, there was the first meeting of the SPWG devoted to discussing the stages of creating the project of the above-mentioned strategic plan. In the first place, the analyses of the previous activities of the association were carried out, and then the project of the strategic plan was developed. The implementation of the plan is expected to take place in 2023.

In the reporting period, the BFG representatives also participated in the meetings of the Liability Calculation Group acting within the EFDI and carrying out works on the review of the methodology for determining potential liabilities of the deposit guarantee schemes, which are to be completed with the preparation of a working document devoted to this topic. Also, works within the Risk Control Working Group were continued in order to develop the draft *Questionnaire on risk control practices of the EFDI members*.

WITHIN THE COOPERATION WITH THE EUROPEAN FORUM OF DEPOSIT INSURERS, THE FUND WAS ALSO REPRESENTED AT THE FOLLOWING MEETINGS:

- ✓ two teleconferences of the EFDI D3 Working Group,
- ✓ the meeting of the EFDI Public Relations and Communications Committee,
- ✓ the EFDI Banking Union Working Group Meeting,
- ✓ the meeting of the Cross Border Working Group,
- ✓ the EFDI FinTech Working Group Meeting,
- ✓ three videoconferences of EFDI EU Coffee Club – where at the meeting in December 2022, a Member of the BFG Management Board had a presentation on the performance of the Getin Noble Bank S.A. resolution.

Moreover, in the reporting period, the Fund regularly filled in the EFDI questionnaires, as well as issued opinions on documents and responded to questions.



ESMA

In 2022, the Fund continued works in the task group at the European Securities and Markets Authority (ESMA) – CCP Recovery and Resolution Task Force (CCPRRTF). In the reporting period, there were four meetings of the CCPRRTF, during which the participants discussed implementing draft regulations and guidelines for Regulation (EU) nr 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central

counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 (OJ EU L 222 of 22.01.2021, p. 1; hereinafter the 'CCPRRR'). As a result of discussions held during the meetings and further arrangements carried out by e-mail, in 2022, the final versions of most of the above-mentioned implementing regulations and guidelines were adopted within the CCPRRTE.



ESRB

In 2022, the Fund continued works in the ESRB Expert Group on Clearing (formerly Expert Group on Margins and Haircuts), which deals with the issue of strengthening the CCP activities in the scope of limiting the pro-cyclicality effect of margin and reduction rates. At the meetings of the Group in 2022, at which the Fund was represented, the participants discussed, e.g. directions of further changes in the rules for collecting security deposits aimed at limiting the negative impact of market shocks on sudden and abrupt liquidity needs of clearing participants or issues related to the scope of data transferred to the ESRB and their further analysis. Furthermore, they discussed in detail exceptions on the energy markets in 2022 and their impact on the functioning of the liquidity management system in the given CCP.



INTERNATIONAL AGREEMENTS

In previous years, the Fund signed bilateral agreements with the Slovak deposit guarantee scheme (Fond ochrany vkladov (FOV) and the Czech deposit guarantee scheme (Garanční systém finančního trhu (GSFT) concerning cross-border disbursement of guaranteed funds to depositors of the Polish branch.

These agreements constitute a set of formal and legal regulations (including duties and obligations of both parties, tools used, organisational issues and mutual settlements), which will apply in case of the cross-border disbursement of guaranteed funds.

In 2022, the Fund, in cooperation with the Slovak deposit guarantee scheme (Fond ochrany vkladov), successfully carried out the test of cross-border disbursements. In accordance with the assumptions of the test, the Fund's ability as the home country DGS and the FOV's ability as the host country DGS to perform selected tasks in the case of the real fulfilment of the guarantee condition towards the national bank with branches in Slovakia were verified.

3. INFORMATION POLICY



Objective of information policy

The objective of the Fund's information activities is to spread knowledge in society on the rules for the functioning of the deposit guarantee scheme in Poland, the rules of the resolution and the BFG's role in the financial safety net structure.



COOPERATION WITH THE MEDIA

In 2022, the main challenge for the Fund in the information scope was to prepare and perform the process of communication about the Getin Noble Bank S.A. resolution. Moreover, the Fund submitted to the media information about the total amount of contributions for the BFG in 2022 and about the suspension of determining the contributions for the bank's guarantee fund until 31 October 2022, as well as about the reduction in the target level of funds in the deposit guarantee scheme in banks. The Fund also carried out information actions related to the process of establishing the Commercial Bank Protection System in the sector of commercial banks.

In 2022, interviews with and announcements of the President of the BFG Management Board were published, e.g. in Dziennik Gazeta Prawna, Business Insider and Forbes.



WEBSITE

The Fund published on its website – www.bfg.pl – current information about the BFG activities, including information about the GNB resolution, MREL methodology, and a reduction in the target level of funds in the deposit guarantee scheme in banks.

In 2022, works were carried out on the Fund's website in terms of its digital accessibility (WCAG) and compliance with *the Act of 4 April 2019 on the digital accessibility of websites and mobile applications of public entities*.

During the reporting period, the highest daily number of entries to the Fund's website was 13.2 thousand, while the year as a whole saw a total of approximately 266.2 thousand entries.

13,2 thou.

**DAILY NUMBER
OF ENTRIES TO WEBSITE**

266,2 thou.

**ENTRIES TO THE WEBSITE
DURING THE YEAR**



BFG HELPLINE AND WRITTEN ANSWERS TO QUESTIONS

During the reporting period, the BFG employees handling the helpline responded to approximately 6.1 thousand client questions (the highest daily number of phone calls was 126). Questions of clients related mainly to the scope of the guarantee in banks and credit unions, information sheets received by clients from banks and credit unions, and rules for the disbursement of guaranteed funds to depositors of banks and credit unions for which the guarantee condition had been met. In Q4 2022, most of the clients' questions concerned the process of the Getin Noble Banku S.A. resolution, including the possibility of lodging a complaint on the BFG decision on initiating the resolution against GNB.

In the reporting period, the Fund responded to written questions sent to the BFG, concerning, e.g. guarantees for depositors of banks and credit unions, including questions of depositors of VeloBank S.A., as well as responded to requests and questions of the GNB clients and shareholders and provided explanations within the direct services for clients at the Fund's Office.

max 126
NUMBER
OF DAILY CALLS

approx. 6,1 thou.
REPLIES WITHIN
A YEAR



FUND'S PUBLICATIONS

During 2022, 4 editions of *Bezpieczny Bank (Safe Bank)* were issued. In the whole annual set, 25 articles and studies were published. Number (1/86/2022), published in English, was devoted to the situation in Ukraine, being in a state of war. Articles of this edition of the quarterly were written mainly by Ukrainian scientists, and characterised selected areas or aspects of broadly understood finance of the state defending itself against brutal aggression, showing current reports concerning the functioning of the financial system during the war operations and some financial consequences of the war.

The topics of articles in the quarterly also covered broadly understood problems of the financial sector's legal issues, prudential supervision, systemic risk and crisis management in the banking sector, the impact of the pandemic crisis on operations of commercial banks, as well as restructuring and resolution processes. Research results and reviews of books on economics were also included.



OTHER INFORMATION AND PROMOTION ACTIVITIES

In Q1 2022, the Fund carried out a monthly nationwide information campaign on monitors of Euronet ATM machines aimed at increasing knowledge of the deposit guarantee scheme.

During the whole reporting period, the Fund participated in works on developing the national strategy for financial education, including workshops with the OECD. Moreover, the Fund's representatives participated in the works of the Financial Market Development Council and in the week of financial education: *Global Money Week*, organised by the Office of the Polish Financial Supervision Authority, carrying out a webinar on the deposit guarantee scheme.

In May 2022, the results of the BFG Competition for the best bachelor's theses, master's theses and doctoral theses from the scope of the stability of the financial system defended in 2021 were announced. The jury awarded 1 prize in the category of doctoral theses, 2 in the category of master's theses and 1 in the category of bachelor's theses. The winners received prizes at the ceremony held at the Fund's registered office on 1 July 2022. The next edition of the Competition was also announced.

During the reporting period, in response to current demand, information leaflets on the deposit guarantee scheme were distributed to banks and credit unions, and signs informing of their participation in the mandatory deposit guarantee scheme were successively distributed.

4. HR ISSUES



EMPLOYMENT

On 31 January 2021, the employment level in the Bank Guarantee Fund was 222 persons (219.36 FTE), and on 31 December 2022 – 237 persons (234.4 FTE). The Fund's average annual employment in persons is 234, in FTE 230.9.

Table 13.

EMPLOYMENT STRUCTURE AS OF 31 DECEMBER 2022

gender	management staff	employees in expert positions	employees in specialist positions	employees in administrative positions
women	24	51	47	1
men	29	54	29	2
in total	53	105	76	3

Table 14.

EMPLOYMENT STRUCTURE BY AGE

age groups	number of employees	% employment
< 30 years old	18	8
30–50 years old	145	61
> 50 years old	74	31
in total	237	100

Table 15.

EMPLOYMENT STRUCTURE BY YEARS OF WORK

years of work	number of employees	% employment
≤ 5 years	129	54
6–10 years	57	24
11–15 years	29	12
16–20 years	2	1
21–25 years	10	4
≥ 26 years	10	4
in total	237	100

In Q1 2022, in cooperation with PKO TFI S.A., within the Employee Pension Scheme run by the Fund, the provisions of the Agreement regarding the payment by the employer of the employees' basic premium and additional premium to the fund and the enterprise agreement were changed. Due to the new provisions, it is not required to submit requests for the registration of changes in the case of combining individual sub-funds.

In accordance with the understanding of the agreement of the content of the Remuneration Regulations applicable to the employees of the Bank Guarantee Fund's Office signed with the trade union organisation, in Q2 2022, the Fund carried out the review of employees' remuneration. The review of remuneration is carried out every three years based on the analyses and reports concerning remuneration on the market.

Within the digitisation process of the HR area, the functionalities of the Employee Portal were developed.



TRAINING AND OTHER ACTIVITIES

In 2022, the Fund's employees broadened their knowledge during training and seminars concerning in particular:

- ✓ International Financial Reporting Standards,
- ✓ Mandatory Disclosure Rules (MDR),
- ✓ risk and capital adequacy management,
- ✓ issues of the Code of Administrative Procedure,
- ✓ derivative instruments and their use in the banking sector,
- ✓ financial management of the public finance sector,
- ✓ restructuring and bankruptcy issues,
- ✓ cybersecurity and advanced solutions in the IT area,
- ✓ electronic management of documentation and archiving.

In 2022, the Fund continued its cooperation with the Office of the Polish Financial Supervision Authority within the programme of the Education Centre for Market Participants (CEDUR). Within the cooperation, the employees participated in numerous seminars, including those from the scope of finance of insurance undertakings covering issues concerning the balance sheet, rules for establishing technical and insurance provisions, as well as valuation of assets.

For the next year, the Fund's employees continued their active participation in the CIONET TRIBE Programme, which aimed at exchanging experience and expert knowledge in the field of IT systems, new technologies and methods of management in IT areas, allowing an efficient search for new technological and organisational solutions.

In relation to the topic of the questionnaire devoted to the status of the management control in the BFG, in December 2022, 10 training courses on the assumptions of the management control system functioning in the BFG were carried out for approx.100 BFG employees.



FINANCING OF THE FUND'S ACTIVITIES

1. FINANCIAL RESOURCES OF THE FUND

The Fund accumulates financial resources for the protection of deposits made in banks and credit unions and for the financing of a resolution.



PURSUANT TO THE BFG ACT, SOURCES OF THE FUND'S FINANCING ARE:

- ✓ contributions to the mandatory deposit guarantee scheme paid by banks, branches of foreign banks and cooperative credit and savings unions;
- ✓ contributions for the financing of a resolution made by banks, branches of foreign banks, investment firms and cooperative credit and savings unions;
- ✓ extraordinary contributions paid by banks, branches of foreign banks and cooperative credit and savings unions to the mandatory guarantee scheme in the event that the funds of the deposit guarantee scheme are insufficient to disburse the guaranteed funds;
- ✓ extraordinary contributions made by banks, branches of foreign banks, investment firms and cooperative credit and savings unions to finance the resolution in cases where there are insufficient funds to finance the resolution;
- ✓ proceeds from the Fund's financial assets, including loans and guarantees granted by the Fund;
- ✓ funds obtained through non-repayable foreign aid;
- ✓ funds from subsidies granted at the request of the Fund from the State budget according to the rules set out in public finance regulations;
- ✓ funds from a short-term loan granted by the National Bank of Poland;
- ✓ funds from loans granted from the State budget;
- ✓ funds obtained from borrowings, loans and bond issues;
- ✓ funds obtained from borrowings granted by officially recognised deposit guarantee schemes and entities managing the resolution funds from Member States other than the Republic of Poland pursuant to agreements concluded;
- ✓ benefits received from a bridge institution and asset management entity, including dividends and interest, as well as proceeds from the disposal or liquidation of a bridge institution and asset management entity;
- ✓ funds obtained as a result of the satisfaction of the Fund's claims for the payment of guaranteed funds and support provided to the acquiring entity;
- ✓ other proceeds received by the Fund.



OWN FUNDS OF THE BANK GUARANTEE FUND ARE:

- ✓ statutory fund,
- ✓ bank guarantee fund⁴,
- ✓ Credit union guarantee fund,
- ✓ bank resolution fund,
- ✓ credit union resolution fund,
- ✓ reduction in BFG own funds if the guarantee condition is met or if resolution tools are used (negative value),
- ✓ revaluation fund.

In the case of disbursements of guaranteed funds to depositors of banks, the source of financing of the ex-post contributions, after exhaustion of BFG own funds, referred to in Article 56 of the BFG Act, are the funds gathered by banks in the form of fośg.

The funds of guaranteed fund protection established by all banks as of 1 July 2022 (i.e. after their update) amounted to PLN 5,148,242.5 thousand.

The value of the funds of guaranteed fund protection established by banks as of 31 December 2022 amounted to PLN 5,143,777.9 thousand. The reduction in the value of fośg after 1 July 2022 in relation to the value of fośg updated by banks as of this date occurred as a result of the initiation of the resolution against GNB (in the case of which the obligation to maintain fośg in the part proportional to the basis of the fund establishment, transferred to the bridge institution, expired) and the establishment of fośg at the end of October 2022 by VeloBank S.A., the above-mentioned bridge institution.

⁴ In accordance with Article 32 of the BFG statute, as of 1 January 2022, the unused resources of the cooperative bank restructuring fund increased the bank guarantee fund.

2. DETERMINATION OF CONTRIBUTIONS



In Q1 2022, the total amounts of contributions for guarantee funds of banks and credit unions and resolution funds of banks and credit unions were determined for 2022. On the basis of these amounts, contributions paid-in by individual entities were determined for:

- ✓ bank guarantee fund for Q1 2022,
- ✓ credit union guarantee fund for individual quarters of 2022,
- ✓ resolution funds of banks and credit unions for 2022.

Decisions on determining the amounts of contributions due from individual entities were taken by the BFG Council in the form of resolutions. The Fund sent letters to all entities obliged to pay contributions, informing them of the amount of contributions due, the deadline for their payment and the maximum share of contributions in the form of payment commitments.

CONTRIBUTIONS TO THE BANK GUARANTEE FUND

On the basis of Article 34(1) of the Act amending the Act on covered bonds, by 31 October 2022, the obligation to pay contributions due for 2022 for the mandatory deposit guarantee scheme paid by banks and branches of foreign banks, which were not paid before the entry into force of this provision, i.e. by 7 May 2022, was suspended.

Therefore, in Q2 and Q3 2022, the Fund did not determine the amount of contributions for the mandatory deposit guarantee scheme paid by banks and branches of foreign banks.

In connection with the extension of the scope of the BFG Council's tasks under the provisions of the Act amending the Act on covered bonds, on 4 May 2022, the Fund's Council adopted a resolution on the adoption of rules for determining the target level of funds of the deposit guarantee scheme in banks. The content of the resolution, together with the rules, is published on the Fund's website.

In Q4 2022, the Fund's Council, on the basis of Article 8(1)(8a) and Article 287(2) and (2a) of the BFG Act and taking into account the Financial Stability Committee's opinion, adopted a resolution on reducing the target level of funds of the deposit guarantee scheme in banks to 1.6% of the amount of covered deposits in banks and branches of foreign banks covered with the mandatory deposit guarantee scheme. Moreover, in accordance with Article 34(2)(1) of the Act amending the Act on covered bonds, the Fund's Council determined a new total amount of contributions to the bank guarantee fund for 2022 in the amount of PLN 502 million. This amount corresponds to the sum of contributions paid by banks and branches of foreign banks to the bank guarantee fund in Q1 2022.

On the basis of Article 34(2)(1) of the Act amending the Act on covered bonds, in Q4 2022, the contributions for the bank guarantee fund due for all quarters of 2022 were determined (including the suspended contributions for Q2 and Q3) taking into account the new total amount of the contributions.

In the case of the difference between the sum of contributions due for Q1, Q2, Q3 and Q4 of 2022, and the contribution for Q1 2022 paid by a bank or a branch of a foreign bank:

- ✔ the deadline for paying amounts corresponding to the underpayment was determined on 15 December 2022,
- ✔ In the case of surpluses, they were credited towards future contributions of individual banks and branches of foreign banks for the bank guarantee fund on the basis of Article 34(3) of the Act amending the Act on covered bonds.

A letter informing about the manner of settling contributions due for all quarters of 2022 was sent to all banks and branches of foreign banks, and banks which made acquisitions received information about settling contributions of the acquired banks.

Moreover, in connection with the adoption by the BFG of a relevant resolution, the above letters included information for banks about the rate for the creation of guaranteed deposit protection funds for 2023 set as 0.25% of the sum of money held at the bank in all accounts, which is the basis for calculating the mandatory provision for October 2022.

In the case of banks participating in the institutional protection scheme and benefiting from the discount on account of their membership in the IPS, together with the information about the amount of contributions for the bank's guarantee fund, they also received the information about the amount of the difference calculated by the Fund, referred to in Article 22g(3) of *the Act of 7 December 2000 on the operations of cooperative banks, their affiliation, and affiliating banks*.

In Q4 2022, the Fund's Management Board adopted a resolution on the adoption of changes in the method of determining contributions for the bank guarantee fund due from banks, in the scope of the implementation of the net stable funding ratio (NSFR) and the target definition of the leverage ratio as well as the replacement of the ratio of the relation of foreign currency housing loans for households to the Tier I capital with the ratio of participation in the protection schemes, the following documents were submitted to the Polish Financial Supervision Authority: a request for the approval of changes in the method and a letter informing about changes not requiring approval together with the attached consolidated text of the method, adopted by the above-mentioned resolution of the BFG Management Board.

CONTRIBUTIONS TO THE BANK RESOLUTION FUND

The calculation of contributions for the bank's resolution fund for 2022 took into account adjustments of contributions made by banks and investment companies for 2020 and 2021, which was related to corrections of data made by some entities, forming the base for determining the contribution for the bank resolution fund for 2020 and 2021.

The Fund sent letters to all entities obliged to contribute to the resolution funds (banks, investment companies and credit unions), informing them about the amount of contributions due, the deadline for their payment and the maximum share of contributions in the form of payment commitments.

Moreover, in response to requests submitted by the banking sector, the Fund provided additional information on the calculation of contributions to the bank resolution fund:

- ✓ on the BFG website, there is information about data used to determine contributions for 2022 and information necessary to determine the bank's combined risk profile assessment – in 2022, the scope of information made available was extended by ranges for the risk indicators;
- ✓ letters containing additional individual information were sent to 20 commercial banks and 2 investment companies whose contributions were calculated on a risk basis.

As required by the banks, the Fund also provided individual explanations on how the contributions were calculated.

In Q4 2022, the Fund's Council, on the basis of Article 298(4) and (5) of the BFG Act, adopted a resolution on establishing detailed rules for determining contributions for the bank's resolution fund. This resolution replaced the resolution applicable to contributions for 2017–2022 and introduced changes in relation to previously applicable rules in the scope of:

- ✓ an update of the applied definitions and references to the EU legal acts;
- ✓ introduction of the net stable funding ratio (the 'NSFR') into the list of risk ratios applied in order to determine contributions to the bank resolution fund;
- ✓ change in the definition of the ratio of *the Relation of exposure on account of derivative instruments to assets* in total.

3. INVESTMENT ACTIVITIES

The BFG investment activities in 2022 were carried out in accordance with the Investment Policy for 2022, whose main objective was to ensure funds for the purposes of possible interventions and to secure the portfolio of the Fund's securities against the risk of adverse changes in profitability on the market, while obtaining the optimum profit levels. Pursuant to the BFG Act, the Fund may purchase securities issued, backed or guaranteed by the State Treasury, the National Bank of Poland and the governments or central banks of Member States of the EU or OECD. In addition, the Fund may purchase monetary market fund units and make deposits with the NBP and the Minister of Finance.

In 2022, the Fund took measures aimed at optimising the volume and structure of the portfolio of the Fund's securities depending on the expected deadlines and scales of changes in interest rates in Poland and the situation of entities in the sector of banks and credit unions.

At the end of 2022, the profitability of the portfolio of the Fund's securities was 6.83%, while the duration – 1.02 years (in comparison with the profitability of 1.66% and duration at the level of 0.90 years at the end of 2021), with a nominal decrease in the value of the BFG portfolio due to, e.g. the necessity of significant expenses in connection with performing the process of the GNB resolution.

Table 16.

PORTFOLIO OF THE FUND'S DEBT SECURITIES AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2022

Type	2021.12.31				2022.12.31			
	Nominal value (thousand PLN)	Duration	YTM*	Share	Nominal value (thousand PLN)	Duration	YTM*	Share
NBP money bills	6,804,000	0.02	1.77%	26.3%	1,809,000	0.01	6.84%	8.4%
Bonds	19,037,974	1.22	1.61%	73.7%	19,635,124	1.12	6.83%	91.6%
TOTAL	25,841,974	0.90	1.66%	100.0%	21,444,124	1.02	6.83%	100.0%

* YTM – yield to maturity based on the actual number of days in a year.

As a result of the operations performed, at the end of 2022, the total result of securities reached a record level of PLN 1,141,135.7 thousand. This result significantly exceeded, e.g. the results obtained in this period by investment funds of public debt securities were higher than the result that had been planned (PLN 564,784.7 thousand) by PLN 576,351.0 thousand, mainly due to the change in the structure of the Fund's portfolio in previous years towards the increase in the share of floating-rate bonds and the NBP money bills in the conditions of increasing interest rates, despite, which should be emphasised, and the engagement of significant resources in the process of financing the resolution carried out in 2022.



SUMMARY FINANCIAL STATEMENTS

1. BALANCE SHEET OF THE FUND

Table 17.

BALANCE SHEET AS OF 31 DECEMBER 2022 AND AS OF 31 DECEMBER 2021 (IN PLN)

ASSETS	31.12.2022	31.12.2021
Cash	3,638,360.34	4,874,634.97
Cash at hand	15,079.70	22,504.42
Cash in the current accounts	70,328.17	75,066.70
Deposits	3,130,000.00	4,435,000.00
Cash of the Company Social Security Fund	422,952.47	342,063.85
Receivables from financial institutions	3,238,356,949.21	2,854,923,901.33
Receivables from banks on account of:	3,238,356,949.21	2,853,153,126.33
- obligations for payment	3,238,356,949.21	2,853,153,126.33
Receivables from cooperative credit and savings unions on account of:	0.00	1,770,775.00
- obligations for payment	0.00	1,770,775.00
Other receivables and claims	230,248.27	79,378.47
Securities and other financial assets	21,897,781,750.59	25,765,051,155.68
Debt securities:	21,460,653,790.49	25,765,051,155.68
- of banks	3,496,334,276.83	8,490,918,311.07
- of the State Treasury	17,964,319,513.66	17,274,132,844.61
Shares	357,100,000.00	0.00
- in financial institutions	357,100,000.00	0.00
Other securities and financial assets	80,027,960.10	0.00
Property, plant and equipment	51,544,161.70	49,053,409.65
Intangible assets	4,123,592.68	1,688,842.99
Accruals	2,033,239.71	1,222,982.96
ASSETS IN TOTAL	25,197,708,302.50	28,676,894,306.05

Table 17 cont.

BALANCE SHEET AS OF 31 DECEMBER 2022 AND AS OF 31 DECEMBER 2021 (IN PLN)

LIABILITIES	31.12.2022	31.12.2021
Liabilities	21,527,387.65	19,464,537.26
Liabilities due to depositors	9,898,164.44	16,591,914.51
Other liabilities	11,629,223.21	2,872,622.75
Special-purpose funds	422,952.47	342,063.85
Accruals	4,430,994.29	4,020,087.31
Provisions	122,685,244.78	74,218,862.71
Statutory fund	1,637,025,547.68	1,637,025,547.68
Bank guarantee fund	17,286,845,072.84	17,120,357,146.46
Bank guarantee fund available for use	17,286,845,072.84	17,120,357,146.46
Bank resolution fund	5,030,023,891.62	9,558,428,506.33
Bank resolution fund available for use	4,672,923,891.62	9,558,428,506.33
Bank resolution fund used	357,100,000.00	0.00
Credit union guarantee fund	33,570,232.58	34,335,548.87
Credit union guarantee fund available for use	33,570,232.58	34,335,548.87
Credit union resolution fund	7,272,867.24	5,546,542.40
Credit union resolution fund available for use	7,272,867.24	5,546,542.40
Cooperative bank restructuring fund	0.00	626.30
Cooperative bank restructuring fund available for use	0.00	626.30
Reduction in own funds if the guarantee condition is met or if resolution tools are used	0.00	(22.88)
Financial result	1 053 904 111.35	223,154,859.76
LIABILITIES IN TOTAL	25,197,708,302.50	28,676,894,306.05

2. PROFIT AND LOSS ACCOUNT

Table 18.

PROFIT AND LOSS ACCOUNT FOR YEARS ENDING RESPECTIVELY ON 31 DECEMBER 2022 AND 31 DECEMBER 2021 (IN PLN)

	2022	2021
Revenues from statutory activities	30.26	4,441.45
Interest revenues	30.26	4,441.45
Result of statutory activities	30.26	4,441.45
Result of financial transactions	1,142,986,161.47	267,635,185.64
Securities	1,141,135,651.89	256,526,347.70
Other	1,850,509.58	11,108,837.94
Result of foreign exchange gains/losses	6,229.49	0.00
Business costs	(91,400,095.61)	(55,768,941.18)
Outsourced services	(33,866,807.55)	(7,545,071.38)
Remuneration	(42,339,376.08)	(35,823,857.72)
Social security and other benefits	(6,508,661.54)	(5,427,986.79)
Other	(8,685,250.44)	(6,972,025.29)
Depreciation/amortisation of fixed assets and intangible assets	(3,412,402.81)	(3,415,859.98)
Other operating revenues	5,730,291.00	14,974,098.47
Other operating costs	(6,102.45)	(274,064.64)
FINANCIAL RESULT	1 053 904 111.35	223,154,859.76

3. RULES OF PREPARING THE SUMMARY FINANCIAL STATEMENTS

The summary financial statement, which comprises the balance sheet as of 31 December 2022 and the profit and loss account for 2022, have been prepared on the basis of the audited *Annual financial statement of the Bank Guarantee Fund* drawn up for the financial year from 1 January to 31 December 2022. In addition, it includes comparative figures for the previous financial year ended 31 December 2021.

The Annual financial statements of the Bank Guarantee Fund for the financial year from 1 January to 31 December 2022 has been drawn up in accordance with the requirements of the Regulation of the Minister of Development and Finance of 9 December 2016 on the specific accounting principles of the Bank Guarantee Fund (Journal of Laws of 2021, item 924), the Accounting Act of 29 September 1994 (Journal of Laws of 2021, item 217, as amended), the executive regulations issued thereunder and other applicable provisions of law.

The summary financial statements have been prepared on the basis of the criteria developed by way of following the current practice applied by the Fund in the preparation of the summary financial statements. These criteria include, in particular:

- ✓ consistency of data between the Fund's annual financial statements and the summary financial statements,
- ✓ an assessment of whether the summary financial statements contain the necessary information and whether they are at an appropriate level of aggregation which does not mislead the recipient of the summary financial statements.

4. ACCOUNTING PRINCIPLES

Pursuant to the accounting principles applicable to the Bank Guarantee Fund, the following methods of measuring assets and liabilities, and calculating revenues and costs have been applied:

- ✓ Debt securities, i.e. treasury bonds, debt securities guaranteed by the State Treasury, treasury bills and National Bank of Poland (NBP) money bills, as well as financial assets and liabilities arising from buy-sell back and sell-buy back transactions, are measured at the adjusted acquisition price taking into account the effective interest rate, and the effects of this measurement are recognised in revenue or costs from financial operations, respectively. Debt securities are recognised and excluded from the books of account as of the transaction settlement day. Outflows of securities are measured at the prices of assets acquired at the earliest.
- ✓ Non-listed shares are valued at the acquisition price, taking into account permanent impairment.
- ✓ Receivables on account of the payment commitments, as referred to in Article 303 of the BFG Act, are part of contributions made by entities. These receivables are collateralised by securities. The maturity of these receivables is governed by the provisions of Articles 304 and 305 of the BFG Act. Receivables on account of payment commitments are recognised in the amount receivable, subject to the prudence principle. Equivalents of receivables from payment commitments increase the value of the Fund's own funds.

- ✔ Receivables on account of the disbursement by the Bank Guarantee Fund for guaranteed funds from entities with respect to which the guarantee condition has been fulfilled, as referred to in Article 2(57) of the BFG Act, are subject to a write-down of 100%.
- ✔ Receivables on account of resolution costs are recognised at the amount receivable, taking into account write-downs.
- ✔ Other receivables are disclosed in the amount receivable, taking into account any write-downs thereon.
- ✔ Fixed assets and intangible assets are disclosed at the acquisition price or the cost of manufacturing, less depreciation and impairment losses, if any.
- ✔ Fixed assets and intangible assets are depreciated using the straight-line method for the purpose of spreading over time their initial value throughout their useful life. Depreciation rates are determined taking into account the economic useful life.
- ✔ Prepayments/accruals are disclosed in the amount of costs allocated to future reporting periods.
- ✔ Provisions are created for liabilities resulting from support granted to entities acquiring cooperative savings and credit unions or banks, employee benefits and disputes. Provisions for employee benefits, i.e. for jubilee awards, retirement and disability severance pay, as well as death benefits, are calculated on the basis of actuarial measurement. Provisions for support of entities acquiring cooperative credit and savings unions are determined with the use of financial data of entities that are acquired, available as of the balance sheet date.
- ✔ Accruals include accruals for unused leave, bonuses and annual awards, as well as other accruals of costs. Accruals for bonuses and annual awards are recognised in the amount of the bonuses and annual awards due in the financial year. Other accruals are determined in the amount of costs due for a given reporting period, not being a matured liability as of the balance sheet date.
- ✔ Other liabilities are measured in the amount payable.
- ✔ The result of financial transactions includes the result of: treasury bonds, treasury bills, NBP money bills, debt securities guaranteed by the State Treasury, and the result of buy-sell back, sell-buy back transactions, shares disposal result, as well as other revenues on account of interest on funds collected in the bank account and on time deposits.
- ✔ Time-barred claims on liabilities for guaranteed funds are recognised in the profit and loss account as other operating revenues.

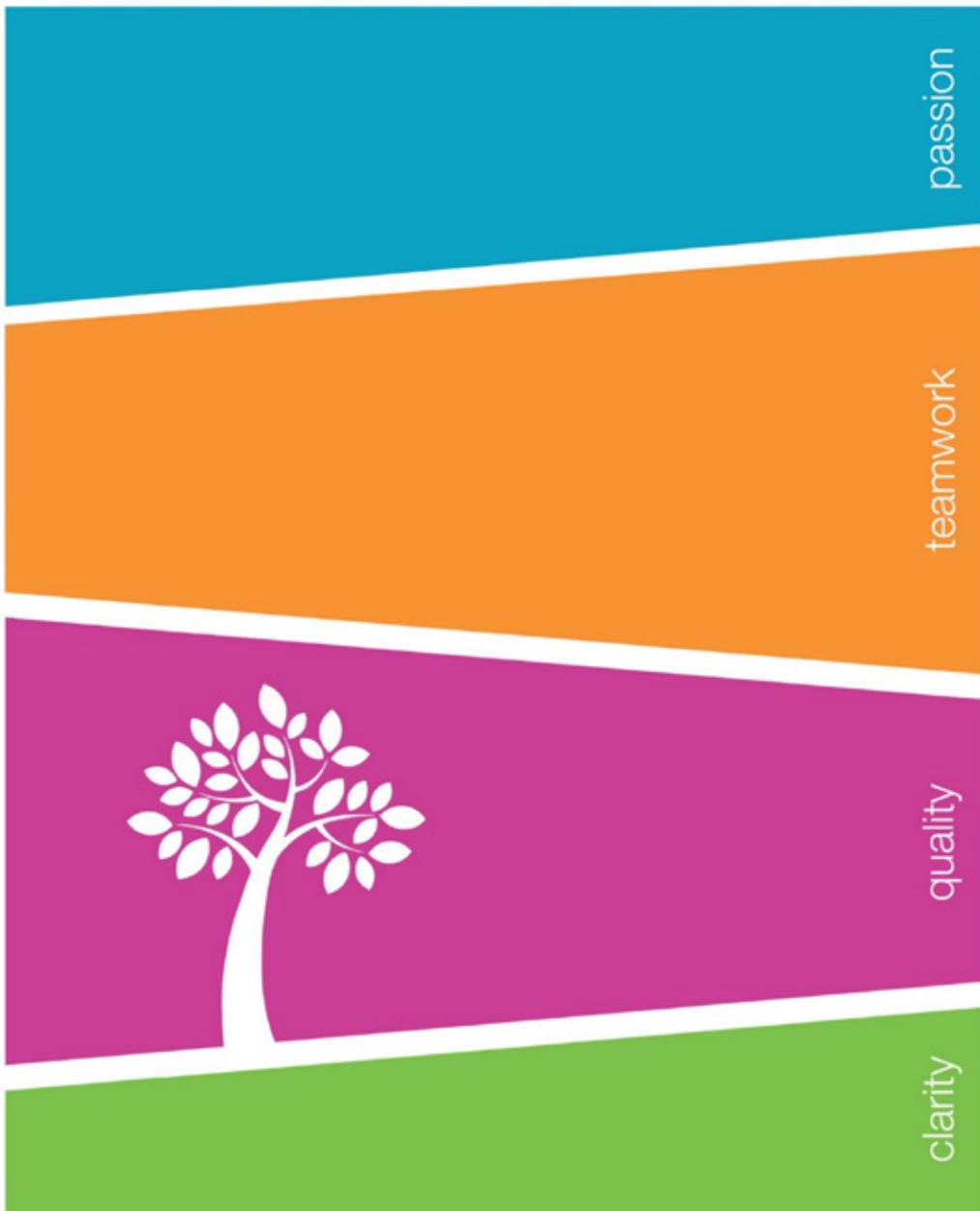
In 2022, there were no changes to the accounting policies of the Bank Guarantee Fund or to the manner of preparing the annual financial statement, affecting *the Annual Financial Statement of the Bank Guarantee Fund for the financial year from 1 January to 31 December 2022*.



INDEPENDENT STATUTORY AUDITOR'S OPINION



Auditor's report





Independent auditor's report on the summary financial statement

Bankowy Fundusz Gwarancyjny

Based in Warsaw

For the financial year from January 1st 2022 to December 31st 2022



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INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENT

FOR THE COUNCIL OF MINISTERS, THE MINISTER COMPETENT FOR FINANCIAL INSTITUTIONS AND THE BOARD OF THE BANK GUARANTEE FUND

Opinion

The attached summary financial statement of the Bank Guarantee Fund in Warsaw at ul. Fr. Ignacego Skorupki 4, hereinafter referred to as the "Fund", which consists of the balance sheet prepared as at 31st December 2022, the profit and loss account for the financial year ending on that date and the information on the basis for the preparation of the summary financial statements was prepared on the basis of the audited annual financial statement of the Fund for the financial year which ended December 31st, 2022.

In our opinion, the accompanying summarized financial statements of the Bank Guarantee Fund are consistent, in all material respects, with its audited annual financial statements for 2020, in line with the principles set out in "Principles for the preparation of summarized financial statements".

The summary financial statement

The summary financial statement does not contain all the disclosures required by the Accounting Act of September 29, 1994 (consolidated text: Journal of Laws of 2021, item 217, as amended), and the implementing regulations issued on its basis, in particular the Ministerial Ordinance Of Development and Finance of December 9, 2016 on the specific accounting principles of the Bank Guarantee Fund (Journal of Laws of 2021, item 924).

Reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited annual financial statement and the auditor's report thereon. The summary financial statement and the audited financial statement do not reflect the effects of events that occurred after the date of our report on the audited financial statements.

Audited annual financial statement and our report on it

We expressed an unmodified opinion on the Fund's audited annual financial statement for 2020 in our audit report dated March 14, 2023.

The Fund's Management Board responsibility for the summary financial statement

The Management Board of the Fund is responsible for the preparation of the summary financial statements in accordance with the basis for preparation described in the section "Principles of compiling the summary financial statements".





Statutory auditor's responsibility

Our responsibility is to express an opinion on whether the Fund's summary financial statement is consistent, in all material respects, with the Fund's audited annual financial statements, based on our procedures performed in accordance with Singapore Standard on Auditing (ISA) 810 (Revised) "Engagements to report on summary financial statements."

Mariusz Kuciński
Statutory Auditor no 9802

key statutory auditor conducting the audit
on behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.
audit firm No. 477

Orzycka 6 Street apt. 1B
02-695 Warszawa

Warsaw, 4th of August, 2023



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