

# ANNUAL REPORT

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2019

WYBIERZ WERSJĘ JĘZYKOWĄ  
CHOOSE THE LANGUAGE VERSION

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

Dear Sir/Madam,

Continuing the work of our predecessors, we are pleased to present the BFG Annual Report on behalf of the Council and the Management Board of the Bank Guarantee Fund.

Guaranteeing deposits is one of the fundamental components of our business. In 2019, the guarantee condition for Bank Spółdzielczy w Grębowie was met. The disbursement of the guaranteed funds for the depositors started on the sixth working day from the day when the bank's guarantee condition was met. In addition, during the period discussed, payments were made to the depositors of 2 cooperative banks and 11 credit unions for which the guarantee condition was met between 2014 and 2017.

As of the entry into force of the new act governing the activities of our organisation in 2016, another pillar of the Fund's activity is resolution. In 2019, the Fund reviewed and evaluated the feasibility of resolution plans for 14 commercial banks, 218 cooperative banks, 2 affiliating banks, 11 credit unions and 10 brokerage houses. The Fund also updated resolution plans for 2 cooperative banks and 2 commercial banks.

In 2019, the Fund made preparations for the resolution of Podkarpacki Bank Spółdzielczy and Bank Spółdzielczy w Przemkowie, which took place in 2020. Due to the date of initiation of resolution procedures, they will be discussed in the report for the current year.

In May 2019, the Polish Financial Supervision Authority appointed the BFG as the supervisor of Idea Bank S.A. as part of the cooperation between institutions participating in the financial safety net. The representatives designated by the Fund participated in meetings of the bank's authorities, committees and working groups.

The Fund has maintained its high efficiency in recovery amounts due to the liquidation of entities in respect of which the guarantee condition was fulfilled. In 2019, the Fund recovered on that account nearly PLN 170 million, satisfying even more than 40 per cent of its claims in many cases.

2019 was yet another year with excellent results generated by the Fund's highly effective investment activities. The total result on financial transactions at the end of 2019 was PLN 542.5 million, which is PLN 72.0 million more than expected.

We would like to encourage you to read the Annual Report of the Bank Guarantee Fund for 2019.



Mateusz Berger

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

Chairperson of the Council  
of the Bank Guarantee Fund



Piotr Tomaszewski

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

President of the Management Board  
of the Bank Guarantee Fund



# KEY ABBREVIATIONS

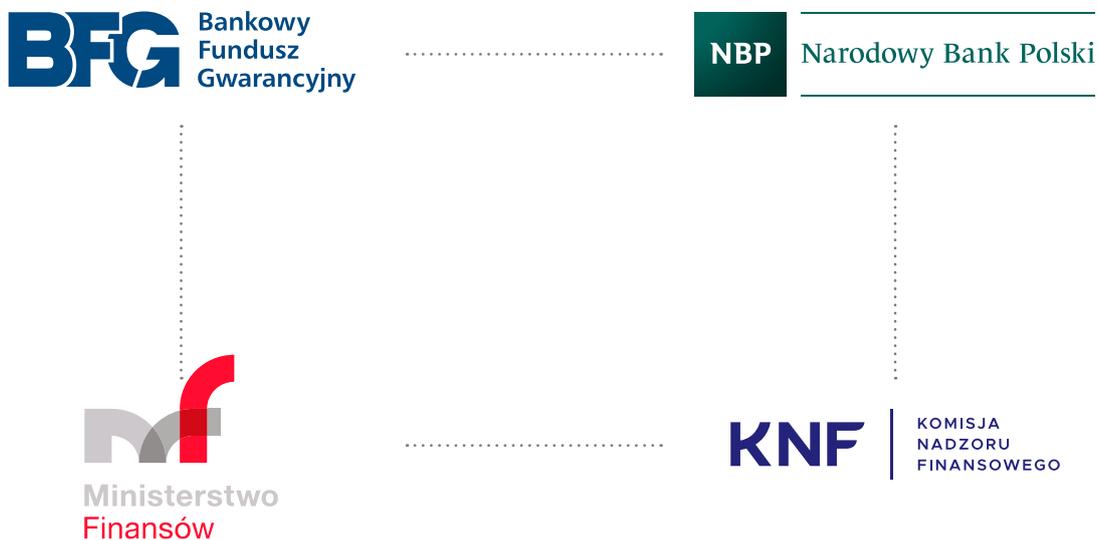






# GENERAL INFORMATION

FIGURE 1.  
SAFETY NET



## 1. LEGAL GROUNDS

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 is the Act on the Bank Guarantee Fund, the deposit guarantee scheme and resolution (hereinafter: Act on the BFG), 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 Act on the BFG has introduced into the national legal system 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. MISSION AND TASKS OF THE BANK GUARANTEE FUND

### THE FUND'S GOAL:



The Fund's goal is to take action for the stability of the national financial system, in particular by ensuring the functioning of the mandatory deposit guarantee scheme and carrying out resolution proceedings.

### THE FUND'S KEY TASKS ARE:



- | guaranteeing deposits in a bank or a credit union up to the statutory limit (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;
- | verifying the correctness of data included in the calculating systems of the entities covered by the guarantee scheme;
- | carrying out the resolution of domestic entities and other institutions if they are subject to consolidated supervision exercised by the Polish Financial Supervision Authority, by way of redemption or conversion of equity instruments;
- | preparing and updating resolution plans and assessing their feasibility;
- | carrying out resolution proceedings;
- | collecting and analysing information on banks and credit unions;
- | preparing analyses and forecasts for early identification of threats in the banking and credit union sectors;
- | taking other measures for the stability of the domestic financial system.

# 3. ORGANISATION OF THE BANK GUARANTEE FUND

In accordance with the Act on the BFG, the Fund's bodies are the Council and the Management Board. The latter manages the work of subordinate departments and other organisational units.

**TABLE 1.**  
**COMPOSITION OF THE BFG COUNCIL IN EARLY 2019**

Piotr Nowak (MF)	Chairperson of the Council (until 31 March 2019)
Patryk Łoszewski (MF)	Member of the Council
Robert Zima (MF)	Member of the Council (until 19 March 2019)
Olga Szczepańska (NBP)	Member of the Council
Martyna Wojciechowska (NBP)	Member of the Council
Marcin Mikołajczyk (KNF)	Member of the Council (until 10 February 2019)

**TABLE 2.**  
**COMPOSITION OF THE BFG COUNCIL AT THE END OF 2019**

Leszek Skiba	Chairperson of the Council (from 1 April 2019)
Patryk Łoszewski (MF)	Member of the Council
Piotr Pawliczak	Member of the Council (from 20 March 2019)
Olga Szczepańska (NBP)	Member of the Council
Martyna Wojciechowska (NBP)	Member of the Council
Jacek Jastrzębski (KNF)	Member of the Council (from 11 February 2019)

As of 1 January 2019, the Council was composed of: Chairperson of the Council: Piotr Nowak (MF); Members of the Council: Patryk Łoszewski (MF), Robert Zima (MF), Marcin Mikołajczyk (KNF), Olga Szczepańska (NBP), Martyna Wojciechowska (NBP).

On 11 February 2019, Jacek Jastrzębski, Chairperson of the Polish Financial Supervision Authority, was appointed a Member of the Fund's Council, in place of the dismissed representative of the Polish Financial Supervision Authority, Marcin Mikołajczyk. On 20 March 2019, the Ministry of Finance appointed Piotr Pawliczak to the BFG Council to replace Robert Zima. On 31 March 2019, Piotr Nowak ceased to act as the Chairperson of the BFG Council, and Leszek Skiba was appointed in his place on 1 April 2019.

**TABLE 3.**  
**COMPOSITION OF THE BFG MANAGEMENT BOARD IN EARLY 2019**

Zdzisław Sokal	President of the Management Board (until 5 April 2019)
Krzysztof Broda	Vice-President of the Management Board
Tomasz Obal	Member of the Management Board
Mirosław Panek	Member of the Management Board (from 25 January 2019)

**TABLE 4.**  
**COMPOSITION OF THE BFG MANAGEMENT BOARD AT THE END OF 2019**

Mirosław Panek	President of the Management Board (from 6 April 2019)
Krzysztof Broda	Vice-President of the Management Board
Tomasz Obal	Member of the Management Board
Sławomir Stawczyk	Member of the Management Board (from 6 April 2019)

From 1 January 2019 to 5 April 2019, the BFG's Management Board was composed of: Zdzisław Sokal – President of the Management Board; Krzysztof Broda – Vice-President of the Management Board; Members of the Management Board: Tomasz Obal, Mirosław Panek (appointed as of 25 January 2019)

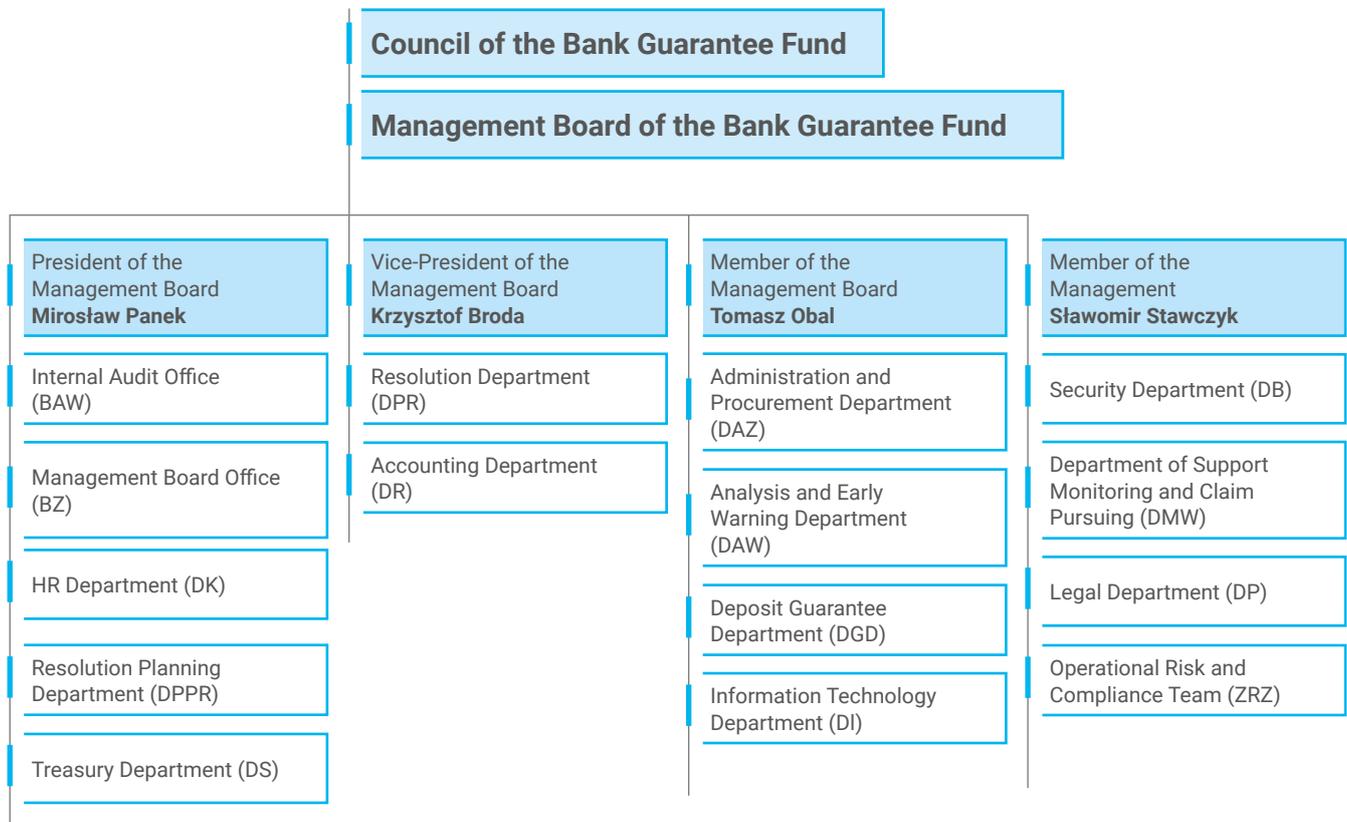
As of 6 April 2019, the BFG's Management Board was composed of: Mirosław Panek – President of the Management Board; Krzysztof Broda – Vice-President of the Management Board; Members of the Management Board: Tomasz Obal, Sławomir Stawczyk.

On 18 June 2019, Adrian Markiewicz was appointed Member of the Fund's Management Board.

As of 10 December 2019, the BFG Council accepted Adrian Markiewicz's resignation from the BFG Management Board.

The organisational structure of the Bank Guarantee Fund includes the following organisational units:

**FIGURE 2.**  
**BFG ORGANISATIONAL CHART AT THE END OF 2019**





# GUARANTEEING DEPOSITS

# 1. RULES FOR GUARANTEEING DEPOSITS

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At the end of 2019, the guarantee covered deposits in all domestic banks, excluding Bank Gospodarstwa Krajowego and mortgage banks, and all savings and credit unions, i.e.:

- | 29 commercial banks
- | 538 cooperative banks, and
- | 25 savings and credit unions.

The guarantees of the Bank Guarantee Fund cover funds from the date of their transfer to the account, but not later than on the day prior to the date of the fulfilment of the guarantee condition, up to the PLN equivalent of EUR 100,000 (including the interest accrued until the date of the fulfilment of the guarantee condition). In the special cases specified in Article 24 (3) and (4) of the Act on the BFG, depositors' funds are covered by guarantees in an amount exceeding the PLN equivalent of EUR 100,000 within 3 months of crediting the account or from the moment in which the entitlement arose. Higher guarantees apply, for example, to funds on the account obtained from the sale of certain types of real property, the payment of the insurance amount, damages or compensation.



**29** COMMERCIAL BANKS

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**538** COOPERATIVE BANKS

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**25** SAVINGS AND CREDIT UNIONS

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## GUARANTEED FUNDS:



### IN THE CASE OF A BANK

In the case of a bank, cash held by the depositor on bank accounts in respect of which it is a party to an agreement, both in PLN and in foreign currencies, as of the date of the fulfilment of the guarantee condition, plus the interest accrued until the date of the fulfilment of the guarantee condition based on 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 conducted by the bank;
- | receivables of the depositor resulting from the bank securities issued prior to 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 the 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

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 of the date of the fulfilment of the guarantee condition, plus the interest accrued until the date of the fulfilment of the guarantee condition based on the interest rate indicated in the agreement, and:

- | other receivables of the depositor resulting from the maintenance of accounts by the union;
- | receivables of the depositor resulting from the financial settlements conducted by the union;
- | debts towards the union on account of instruction in the case of death and on account of the costs of 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 union was fulfilled.

## 2. DISBURSEMENT PROCESS OF GUARANTEED FUNDS

- | **The Fund is legally obliged to satisfy claims on account of the guarantee within 7 working days as of the fulfilment of the guarantee condition.**
- | In the case of the fulfilment of the guarantee condition, the receivership of a bank or the receiver of a credit union determines the balance in the accounting books of an entity, with respect to which the fulfilment of the guarantee condition has occurred, and compiles a list of depositors, which is then submitted to the Fund no later than within 3 working days (from the day of the fulfilment of the guarantee condition).
- | The Fund verifies the data of the depositors with the use of the Guarantee Execution System, and then prepares a disbursement list and conveys it to the entity that will carry out the disbursements on behalf and for the Fund.
- | Depositors are not obliged to report their claims to the Bank Guarantee Fund prior to receiving the guaranteed deposits.



According to the Act on the BFG, depending on the decision of the Fund, the disbursement of the guaranteed funds may be carried out by the receivership (in the case of a bank) or the receiver (in the case of a credit union), or via a different entity, with which the Fund concludes an agreement for the disbursement of guaranteed funds.



In past years, the Fund signed agreements enabling withdrawals with four banks<sup>1</sup> (agent banks). These are retail banks which have a significant branch network, which allows for carrying out disbursements throughout the country, providing depositors with easy access to guaranteed funds.

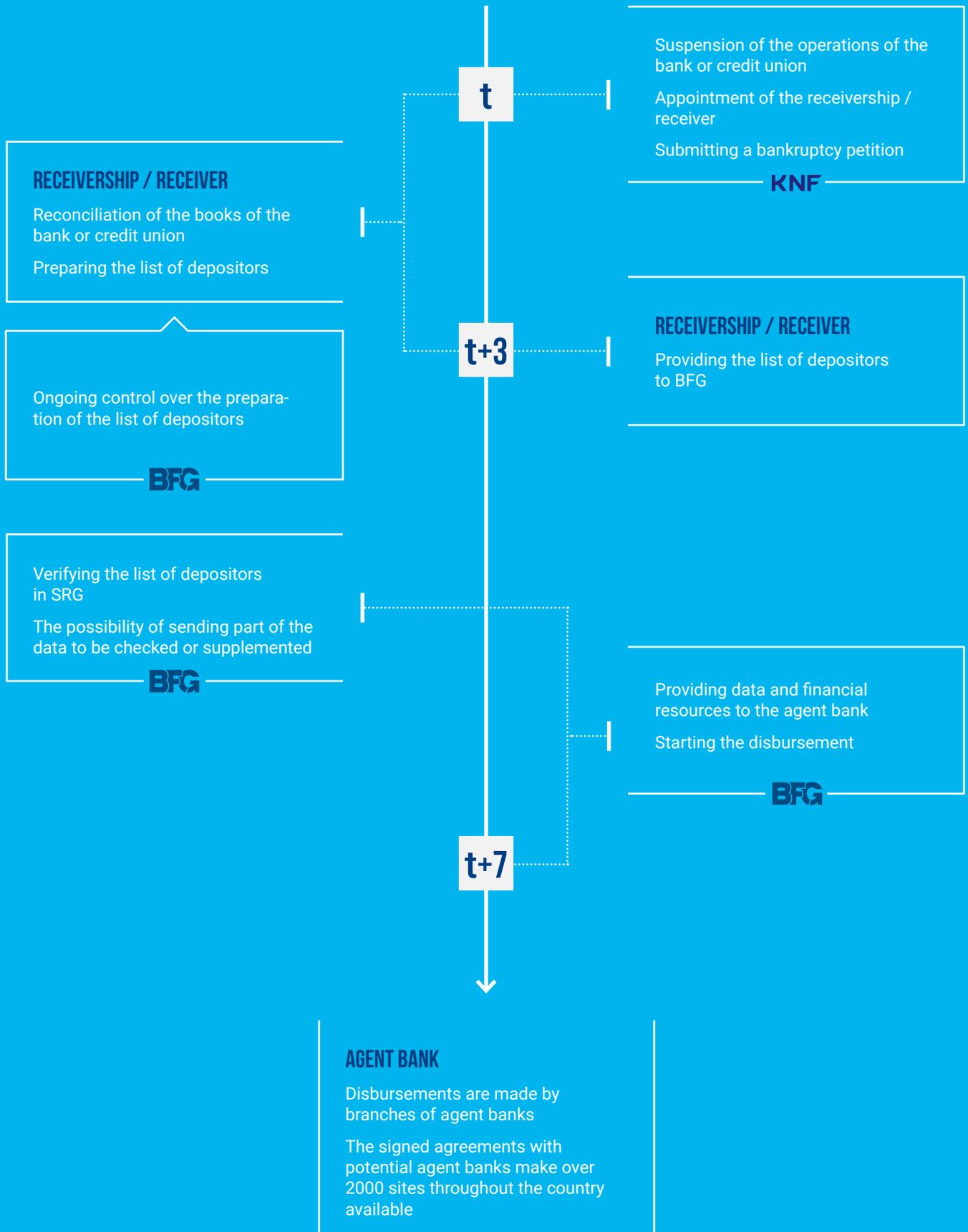


Individuals who for whatever reason do not collect their due funds in the course of a payout carried out by an entity authorised by the Fund may approach the BFG directly to collect their due disbursement within 5 years from the day of the fulfilment of the guarantee condition. After this period, the guarantee-related depositor claims expire.

1 Three of those banks signed agreements extending the possible scope of disbursements with credit union depositors.

FIGURE 3.

## THE PROCESS OF PREPARING DISBURSEMENTS OF GUARANTEED FUNDS



## 3. CHANGES IN THE RULES OF GUARANTEEING DEPOSITS

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By way of the Act of 17 January 2019 on amending the Act on the BFG, the deposit guarantee scheme and resolution, and certain other acts (Journal of Laws, item 326), the Act on the BFG was amended as of 7 March 2019. As a result of the amendment to the Act on the BFG, mortgage banks are no longer obliged to participate in the mandatory deposit guarantee scheme, and the catalogue of depositors, in the case of banks, was supplemented with parents' committees, so that funds on bank accounts for parents' committees were covered by the guarantee.

In addition, as of 28 February 2019, the new Regulation of the Minister of Finance of 22 February 2019 on the suspension of payments of guaranteed funds to depositors in the event of a blockade of funds on a customer account entered into force (Journal of Laws, item 389). The regulation took into account the introduction in 2018 to the Polish legal system of the blockade of an account of an eligible entity within the meaning of the Tax Code Act of 29 August 1997 (Journal of Laws of 2019, item 900, as amended), stipulating that such a blockade of an account maintained by an entity for which the guarantee condition has been met results in the suspension of the payment of the guaranteed funds.

# 4. DISBURSEMENTS OF GUARANTEED FUNDS IN 2019

In 2019, the statutory guarantee condition was met for one cooperative bank, i.e. Bank Spółdzielczy w Grębowie. The Fund's guarantee liabilities amounted to PLN 22.9 million in respect of 2,362 depositors.

The Fund also made disbursements to 2 cooperative banks and 11 credit unions for which the guarantee condition was met between 2014 and 2017.

**TABLE 5.**  
**ACTIVE GUARANTEED FUND DISBURSEMENT PROCESSES IN 2019**

Name of entity	Year when the guarantee condition was fulfilled	Disbursements
BS w Grębowie	<b>2019</b>	<p>In the process of disbursing guaranteed funds, the Fund makes payments to depositors of banks and credit unions both during the operation of an agent bank and after its end.</p> <p>During the period of operation of an agent bank, the Fund disburses funds under the complaint procedure, and after the agent bank discontinues operations – based on requests for individual payments.</p> <p>Claims under the guarantee expire at the end of the calendar year in which 5 years elapse from the date of fulfilment of the guarantee condition (with the end of the reporting period, the statute of limitations covers the receivables of the depositors of SKOK Wspólnota and SKOK Wołomin)*.</p>
SKOK Wyrzeże	<b>2017</b>	
SKOK Nike		
Twoja SKOK		
SKOK Wielkopolska		
BS w Nadarzynie	<b>2016</b>	
SKOK Skarbiec		
SKOK Arka		
SKOK Jowisz		
SKOK Polska		
SKOK Kujawiak		
SBRiR w Wołominie	<b>2015</b>	
SKOK w Wołominie	<b>2014</b>	
SKOK Wspólnota		

\* Except for the claims of depositors for whom the limitation period is interrupted

# 5. DISBURSEMENT OF THE GUARANTEED FUNDS TO THE DEPOSITORS OF BANK SPÓŁDZIELCZY W GRĘBOWIE

As of 10 July 2019, the Polish Financial Supervision Authority designated a receivership in Bank Spółdzielczy w Grębowie, suspended the bank's operation as of 12 July 2019, and on 15 July 2019 it filed a bankruptcy petition for the bank with the District Court in Rzeszów. On 15 July 2019, the statutory guarantee condition for the bank was fulfilled, and the Fund initiated procedures for the disbursement of guaranteed funds.

TABLE 6.

## PROCEDURES IMPLEMENTED IN CONNECTION WITH THE FULFILMENT OF THE GUARANTEE CONDITION IN RESPECT OF BS W GRĘBOWIE

No.	Procedure	BS w Grębowie
1	Fulfilment of the guarantee condition	15 July 2019
2	Entity making disbursements to depositors on behalf and for the Fund (agent bank)	Santander Bank Polska S.A.
3	Ongoing verification of the preparation of a list of depositors by the bank's receivership	15-17 July 2019
4	Submission of the list of depositors to the Fund by the receivership, and its verification at the office of the Fund	17 July 2019 (the second working day after the fulfilment of the guarantee condition)
5	Adoption of a resolution by the Fund's Management Board on the preparation of a disbursement list, the signing of an agreement with the agent bank for the disbursement of guaranteed funds, and forwarding the disbursement list to the agent bank	18 July 2019
6	Commencement of the disbursement of guaranteed funds by the agent bank	22 July 2019 (the sixth working day after the fulfilment of the guarantee condition)
7	End of the disbursement of guaranteed funds by the agent bank	6 September 2019

The ongoing verification of the preparation of the list of depositors by the receivership exercised by the Fund was performed both at the Bank's and at the Fund's office. In particular, the verification process focused on monitoring the activities of the receivership in connection with the suspension of the Bank's operations, and the need to prepare a list of depositors, as well as eliminating errors in the data contained in the calculating system identified during the data inspections previously carried out by the Fund and during the inspection of test files with the list of depositors.

# 6. TOTAL DISBURSEMENT AT THE END OF 2019

TABLE 7.  
DISBURSEMENTS OF GUARANTEED FUNDS IN 2014-2019

Disbursements of guaranteed funds in 2014-2019* / **							
No.	Name of entity	Date on which the guarantee condition was met	Number of depositors	Liabilities due to depositors (PLN million)	Total disbursements until the end of 2019 (PLN million)	Liabilities at the end of 2019 (PLN million)	Disbursements completed at the end of 2019 (%)
1	BS w Grębowie	15 July 2019	2,363	22.9	22.6	0.4	98.4%
2	SKOK Wybrzeże	15 September 2017	7,696	120.8	119.6	1.2	99.0%
3	SKOK Nike	2 June 2017	10,443	114.4	112.2	2.2	98.1%
4	Twoja SKOK	12 May 2017	14,019	165.8	163.3	2.4	98.5%
5	SKOK Wielkopolska	3 February 2017	39,574	284.2	279.8	4.4	98.4%
6	BS w Nadarzynie	24 October 2016	5,860	145.9	144.8	1.0	99.3%
7	SKOK Skarbiec	22 July 2016	8,348	88.0	87.5	0.5	99.5%
8	SKOK Arka	11 May 2016	13,947	93.1	92.2	1.0	99.0%
9	SKOK Jowisz	25 April 2016	7,380	81.9	80.7	1.2	98.5%
10	SKOK Polska	25 February 2016	8,343	170.2	169.0	1.2	99.3%
11	SKOK Kujawiak	8 January 2016	17,200	183.9	183.0	0.9	99.5%
12	SBRiR w Wotominie	23 November 2015	33,144	2,036.9	2,031.5	5.5	99.7%
13	SKOK w Wotominie	12 December 2014	45,447	2,246.5	2,242.1	4.4	99.8%
14	SKOK Wspólnota	18 July 2014	74,042	817.5	812.0	5.4	99.3%

\* The figures do not include the liabilities towards depositors whose data needs to be confirmed.

\*\* For some of the entities, the differences between the values disclosed under Liabilities to depositors and the sum of the values disclosed under Total disbursements until the end of 2019 and the Liabilities at the end of 2019 result from the rounding of figures in these columns.

## 7. EXPIRY OF DEPOSITOR CLAIMS

According to Article 24(8) of the Act on the BFG, in connection with the expiry of the 5-year period in 2019 from the fulfilment of the guarantee condition, the claims of the depositors of SKOK Wspólnota and SKOK Wołomin expired as of the end of 2019. The financial consequences of the expiry of claims as of 31 December 2019 will be seen in 2020. The amounts of the expired claims will be reclassified to the Fund's operating revenues.

Based on Article 123 § 1(2) of the Civil Code, for some of the depositors of these credit unions, it was considered that the correspondence exchanged with them constituted recognition of their claim by the Fund, and resulted in the limitation period being interrupted. The disbursements of guaranteed funds due to these depositors will continue in accordance with the individual limitation periods for their claims.

## 8. GUARANTEE ACTIVITIES IN 1995-2019



**SINCE THE BEGINNING OF ITS OPERATION, THE BFG HAS DISBURSED GUARANTEED FUNDS TO DEPOSITORS OF 97 BANKS (INCLUDING 5 COMMERCIAL BANKS AND 92 COOPERATIVE BANKS) AND 11 CREDIT UNIONS.**

**TABLE 8.**  
**FULFILMENT OF THE GUARANTEE CONDITION IN 1995-2019**

Year	Commercial banks	Cooperative banks	Cooperative savings and credit unions
1995*		48	
1996		30	
1997	-	6	
1998	-	4	Guarantees for credit unions became effective as of 29 November 2013
1999	1	-	
2000	1	-	
2001	-	1	
2002-2013	-	-	-
2014	-	-	2
2015	-	1	-
2016	-	1	5
2017	-	-	4
2018	-	-	-
2019	-	1	-
<b>TOTAL</b>	<b>5</b>	<b>92</b>	<b>11</b>

\* From 17 February 1995, i.e. the effective date of the Act of 14 December 1994 on the Bank Guarantee Fund.



**BETWEEN 1995 AND 2019, PLN 3,022.0 MILLION WERE ALLOCATED FOR THE DISBURSEMENT OF GUARANTEE FUNDS FOR 360.2 THOUSAND ELIGIBLE BANK DEPOSITORS.**

TABLE 9.

## FUNDS ALLOCATED TO GUARANTEE DISBURSEMENTS TO BANK DEPOSITORS IN 1995-2019

Funds allocated to guarantee disbursements (in PLN million)						
Year	Total	Including:				Number of depositors
		from fośg*	from liquid assets of bankruptcy estates	from the bankruptcy estate recovery fund	from the 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**
<b>RAZEM</b>	<b>2,997.1</b>	<b>2,808.6</b>	<b>173.8</b>	<b>14.5</b>	<b>0.03</b>	<b>357,640</b>
Funds for guarantee disbursements under the Act on the BFG applicable as of 9 October 2016 (in PLN million)						
Year	Total	Including:		Number of depositors*		
		from the 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		
<b>TOTAL ALL YEARS</b>	<b>3,022.0</b>	<b>24.9</b>	<b>2,808.6</b>	<b>360,209</b>		

\* By the end of 2016, the Guaranteed Deposit Protection Fund constituted the basic source of financing the disbursement of guaranteed funds to depositors. Under the Act on the BFG, from 1 January 2017 to 31 December 2024, banks are obliged to create and hold Guaranteed Deposit Protection Funds to satisfy the claims of depositors, but these funds may be used to disburse guaranteed funds only after the funds from the guarantee fund of banks, extraordinary contributions and funds from other own funds have been exhausted (excluding resolution funds).

\*\* The figures provided take account of the liabilities included in the list of depositors that require confirmation of data accuracy.

\*\*\* Entities subject to the guarantee scheme are obliged to establish and maintain guaranteed deposit protection funds by 31 December 2024 to satisfy depositors' claims.



**BETWEEN 2014 AND 2019, PLN 4,366.6 MILLION WERE ALLOCATED FOR THE DISBURSEMENT OF GUARANTEE FUNDS FOR 246.5 THOUSAND ELIGIBLE CREDIT UNION DEPOSITORS.**

TABLE 10.

**FUNDS ALLOCATED TO GUARANTEE DISBURSEMENTS TO CREDIT UNION DEPOSITORS IN 2014–2019**

Year	Total*	Including:			Number of depositors*
		from the credit unions guarantee fund	payments from the National Credit Union	aid fund	
2014	3,064.0**	20.7		3,010.5	119,509
2015	0.1	0.1	32.8	0.0	0
2016	617.2	44.5	0.0	572.7	55,226
<b>TOTAL</b>	<b>3,681.3</b>	<b>65.3</b>	<b>0.007</b>	<b>3,583.21<sup>2</sup></b>	<b>174,735</b>

Funds for guarantee disbursements under the Act on the BFG applicable as of 9 October 2016 (in PLN million)				
Year	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
<b>TOTAL ALL YEARS</b>	<b>4,366.6</b>	<b>123.6</b>	<b>627.0</b>	<b>246,475</b>

\* The figures provided take account of the liabilities included in the list of depositors that require confirmation of data accuracy.

\*\* Including a liability in the amount of PLN 73 thousand resulting from the BFG Management Board's resolution, adopted on 9 February 2015, concerning the disbursement of the guaranteed funds to SKOK Wotomin's depositors after supplementation of the depositor list.

## 9. VERIFICATION OF DATA CONTAINED IN BANK AND CREDIT UNION CALCULATING SYSTEMS

Banks and credit unions are obliged to have calculating systems. The calculating systems, thanks to the computerised process of determining the value of guaranteed funds for each individual depositor and the possibility of

providing data to the Fund, allow a quick calculation of the value of such funds. These systems organise the data based on the Single Customer View standard, allowing to display all the information on a given client.

2 Because the amount of the Fund's liabilities due to guaranteed funds exceeded the funds of credit unions to be used and the value of the stabilisation fund assets provided by the National Credit Union, in accordance with the decision of the Fund Council, the remaining amount was covered from the funds transferred from the BGF aid fund.

The BFG has statutory powers to perform validity audits of the data compiled in the calculating systems.

The purpose of the audit is to minimise the risk of preparing a list of depositors with incorrect or incomplete data and to enable prompt execution of potential disbursements if the guarantee condition is fulfilled with respect to an entity covered by the guarantee scheme. For this purpose, the adjustment of calculating systems to the appropriate requirements regarding the scope of data, the manner of its presentation and proper data designations associated with the definitions of the depositor and guaranteed funds included in the provisions of the Act on the BFG is verified.

Data correctness is audited based on the provisions of Article 32 (1) of the Act on the BFG both at the Fund, on the basis of

data provided to the BFG by entities covered by the guarantee scheme, and at the head offices of such entities on the basis of the documentation made available. In the course of an audit at the Fund, the correctness and completeness of the data provided at the request of the BFG are assessed, which is necessary to identify the depositors and the guaranteed funds. In the entities covered by the guarantee scheme, an audit includes verification of the correctness of the data included in the calculating systems on the basis of source documents, and of the correctness of application of the definition of depositor and guaranteed funds, as provided for in the Act on the BFG.

Presented in the table below are the validity inspections of the data included in the calculating systems of the entities covered by the guarantee scheme, conducted in 2019.

**TABLE 11.**  
**NUMBER OF DATA AUDITS CONDUCTED IN 2019**

Type of audit	Commercial banks	Cooperative banks	Credit unions	Total
in the Fund	15	149	7	171
in the bank/credit union**	1	10	-	11
<b>Total</b>	<b>16</b>	<b>159</b>	<b>7</b>	<b>182</b>

\* audit performed based on automatic audit algorithms and expert analysis of data sets.

\*\* verification of the data included in the calculating systems against source documents.



#### The scope of verification of the accuracy of data:

- | verification of the correctness of the data in the calculating systems of the banks and credit unions, including assessment of the scale of change in the quality of the data in comparison to the result from the previous audits performed at the Fund;
- | For this purpose, the adjustment of calculating systems to the appropriate requirements regarding the scope of data, the manner of its presentation and proper data designations associated with the definitions of the depositor and guaranteed funds included in the provisions of the Act on the BFG is verified.

The Fund periodically analyses the results of audits of the data included in the calculating systems of banks and credit unions. The analysis of data quality in the calculating systems as part of the monitoring of entities covered by the guarantee scheme has revealed that they take measures to improve data quality. In 2019, a further reduction

in errors was identified as a result of, among other things, the information provided by the Fund following previous audits, which helped the audited entities quickly identify and rectify the errors. In the case of entities with the highest risk to their going concern status, the data audits were sequential.

# 10. INVESTIGATION AND SATISFACTION OF CLAIMS ON ACCOUNT OF THE DISBURSEMENT OF GUARANTEED FUNDS

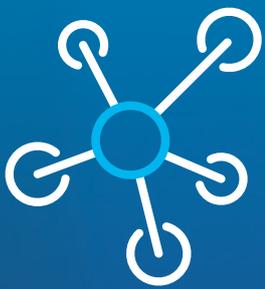
As of 31 December 2019, the BFG participated in 15 bankruptcy proceedings as a creditor on account of the disbursement of guaranteed funds, with a total commitment of PLN 5,727,829.2 thousand. Four procedures concerned banks and the rest were conducted against bankrupt credit unions.

In 2019, the Fund recovered a total of PLN 169.8 million in connection with the implementation of partial plans for the division of bankruptcy estate funds in bankruptcy proceedings of the following entities:

**TABLE 12.**  
**LIST OF BANKRUPTCY PROCEEDINGS IN WHICH THE BFG PARTICIPATES**

No.	Entity declared bankrupt	Bankruptcy declaration date
<b>Before 2003</b>		
1	Bank Spółdzielczy w Łaniętach	08/11/1995
<b>2014</b>		
2	SKOK Wspólnota	26/09/2014
<b>2015</b>		
3	SKOK Wołomin	05/02/2015
4	SBRiR w Wołominie (SK Bank)	30/12/2015
<b>2016</b>		
5	SKOK Polska	13/04/2016
6	SKOK Kujawiak	31/05/2016
7	SKOK Jowisz	02/06/2016
8	SKOK Arka	12/07/2016
9	SKOK Skarbiec	29/09/2016
10	Bank Spółdzielczy w Nadarzynie	19/12/2016
<b>2017</b>		
11	Wielkopolska SKOK	28/02/2017
12	Twoja SKOK	19/06/2017
13	SKOK Nike	03/07/2017
14	SKOK Wybrzeże	21/11/2017
<b>2019</b>		
15	Bank Spółdzielczy w Grębowie	03/09/2019

Overall, in the course of bankruptcy proceedings, the Fund recovered a total of PLN 873.3 million by the end of 2019, which is 13.2% of the Fund's claims pending in bankruptcy proceedings. In addition, as of 31 December 2019, partial division plans for a total of PLN 115.3 million submitted by receivers were not yet been implemented.



# RESOLUTION



# 1. RULES FOR CARRYING OUT RESOLUTION

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**Resolution** consists in the restructuring of a failing financial institution where its bankruptcy could have a serious negative impact on its customers, the functioning of financial markets or the economy.

The rules of resolution with respect to banks, credit unions and certain investment firms are specified in the Act on the BFG. The Act has introduced the provisions of the BRR Directive into the Polish legal system.

Among other things, the Act specifies a resolution toolkit and the powers necessary to intervene quickly and effectively with respect to an institution that is failing or likely to fail to ensure the continuous performance of functions of key importance for customers of that entity and for the economy (the so-called critical functions), to protect financial stability, protect guaranteed funds and limit the utilisation of public funds.

Shareholders of the failed institution shall cover its losses and bear the cost of resolution in the first instance. For the purpose of providing supplementary financing for resolution, resolution funds were also created (of which one was created for banks and investment firms and another for credit unions), to which contributions are made by all

the entities covered by the scope of the Act. As a result, the risk of having to commit public funds, which means taxpayers incurring costs, was mitigated. The BFG may support resolution financially, provided that such support is in line with the principles of granting state aid by the EU Member States.

## 2. RESOLUTION PLANNING

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Pursuant to Article 89 of the Act on the BFG, the Fund shall review resolution plans and group resolution plans as well as carry out resolvability assessments at least once a year. The Fund adopted a list of entities for which the resolution plans were subject to review and feasibility assessment in 2019 in the form of a resolution. At the same time, the legislator empowered the BFG Council to reduce the frequency of reviews and feasibility assessments of plans in the case of entities whose potential bankruptcy, in the opinion of the Fund, will not imply a systemic risk. This is intended to reduce the burden placed on entities by the notification obligation with respect to the BFG.



**IN 2019, AFTER CONSULTING THE POLISH FINANCIAL SUPERVISION AUTHORITY, THE FUND REVIEWED PLANS AND CARRIED OUT RESOLVABILITY ASSESSMENTS FOR:**



## **IN ADDITION, AFTER CONSULTING THE POLISH FINANCIAL SUPERVISION AUTHORITY, THE FUND ADOPTED RESOLUTIONS ON UPDATING THE RESOLUTION PLANS FOR:**

In the reporting period, the Fund issued 44 opinions on the expected impact of the implementation of recovery plans for entities on resolution, including 22 opinions for 19 co-operative banks (in the case of three cooperative banks, an opinion on recovery plans was issued twice), 2 opinions for affiliating banks, 9 opinions for commercial banks and 11 opinions for 9 capital groups (for two groups, recovery plans were assessed twice).

The BFG is involved in the activities of resolution colleges established for EU cross-border groups carrying out activities in the territory of the Republic of Poland through subsidiaries being banks or investment firms.

In 2019, the Fund was a member of 8 colleges established by the SRB and a college established by the Norwegian Finanstilsynet. The BFG presided over one college for a cross-border group carrying out banking activities in Poland and in Romania, the parent company of which is a domestic holding company.

In 2019, the Fund continued to support the Ministry of Finance in working on the draft amendments to Directives 2014/49/EU (BRRD) and 2013/36/EU (CRD IV), and Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR) and No 806/2014 (SRMR), which took effect on 27 June 2019. The Fund was involved in the work initiated by the Ministry of Finance in connection with the required implementation of the BRRD2 and CRDV Directives into the Polish legal system.

In addition, the Fund's representatives engaged in a dialogue with the banking sector both during meetings organised by the Polish Bank Association and as part of bilateral talks with the banks (including mortgage banks) on the possibility of meeting the MREL, assessing the feasibility of resolution plans and the upcoming regulatory changes in connection with the publication of the Banking Package.

## **3. PREPARING FOR RESOLUTION PROCESSES**

In 2019, the Bank Guarantee Fund made preparations for the resolution of Podkarpacki Bank Spółdzielczy w Sanoku and Bank Spółdzielczy w Przemkowie, which took place in 2020. Considering the date of initiation of the proceedings, they will be discussed in the BFG's Annual Report for 2020.

## 4. RESTRICTION OF THE SCOPE OF DATA TRANSFERRED TO THE FUND

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By way of Resolution No. 51/2019 of 17 July 2019, the Fund Council defined a list of entities towards which the Fund will not exercise the powers referred to in Article 330(1) of the Act on the BFG. This resolution obligates banks and credit unions to develop an IT system used to provide the Fund with data, in particular concerning loans granted. The list of entities exempted from this obligation includes 501 cooperative banks, 25 cooperative savings and credit unions, 17 investment firms and 32 branches of lending institutions.

In 2019, the Fund also replied to questions from the National Association of Cooperative Banks, the ZBP or directly by entities from the banking and credit union sectors concerning the Regulation under Article 330(6) of the Act on the BFG.

## 5. AMENDMENT TO THE ACT ON THE BFG

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The Fund launched legislative initiatives aimed at improving the operating efficiency and improving the legal security of the resolution processes.

## 6. OTHER ACTIVITIES

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The Fund analysed operational issues, in particular those associated with the transfer of property rights and liabilities. In this regard, the Fund consulted the institutions of the safety net, financial market infrastructure and service providers. The Fund's representatives performed tests of separating the liabilities of an entity undergoing resolution.

They also continued their involvement with the European Banking Authority's working group on the subject of measurement. The work concerned management information systems and a data standardisation project.



# FINANCIAL SUPPORT AND RESOLUTION ACTIVITIES

# 1. RULES FOR THE FUND'S SUPPORT AND RESOLUTION ACTIVITIES

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**Pursuant to the Act on the BFG, in the scope of the resolution of credit unions at risk of insolvency, the Fund is responsible for:**

- | granting repayable financial assistance,
- | 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 buyers of the enterprise of a credit union in liquidation, the organised part thereof or certain property rights

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Financial assistance in the form of borrowings, guarantees and sureties may be granted to a credit union that implements a recovery program on which a positive opinion has been issued by the KNF. Financial assistance may be earmarked only for eradicating the threat of insolvency.



**The Fund grants 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 assistance 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 assistance requested by the credit union would be not higher than the total amount on account of guarantees in that credit union, calculated as the sum of guaranteed funds on the accounts of the credit union's depositors,
  - | the credit union requesting assistance uses its current funds to cover losses,
  - | in the case of repayable financial assistance, securing claims on account of the assistance granted to guarantee the repayment of the full assistance amount with interest thereon.
-

The Fund must consult measures taken in the scope of resolution as well as obligations imposed on a credit union with the KNF.

Financial assistance may be granted provided that it is consistent with the aid scheme in force or provided that the applicant, i.e. the credit union, obtains a positive decision from the European Commission on granting assistance within the individual aid notification process.

The Fund may also grant assistance in the form of purchasing monetary debts of credit unions at risk of insolvency. However, pursuant to the Regulation of the Minister of Development and Finance of 1 December 2016 on trading by the Bank Guarantee Fund in debts purchased from cooperative savings and credit unions at risk of insolvency (Journal of Laws of 2016, item 1969), these may include only unmatured debts on account of borrowings and loans granted, classified by credit unions under the “performing” category, with respect to which there is no delay in repayment, and the debtor’s economic and financial situation does not pose any risk to the further timely repayment of debt.



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

- | acquiring shares of the acquiring bank,
- | granting a borrowing or a guarantee,
- | granting a guarantee of total or partial coverage of losses,
- | providing a grant.



**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 buyer regarding their activities,
- | the acquirer or the buyer presents the Fund’s Management Board with 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 Polish Financial Supervision Authority has issued the decision on acquisition or liquidation, and at the assuming or acquiring bank or credit union,
- | the acquirer or the buyer demonstrates that the amount of funds committed by the Fund to supporting the acquirer or the buyer would not be higher than the total amount on account of the guarantees at the credit union with respect to which the KNF 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,
- | debts have been secured, guaranteeing repayment of the full amount of the support with interest thereon in the case of support in the form of borrowing or a guarantee.

Similarly, as in the case of granting financial assistance, 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 European Commission on consistency with the rules of granting state aid.

## 2. RESTRUCTURING OF COOPERATIVE SAVINGS AND CREDIT 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 processes of acquiring cooperative savings and credit unions characterised with a worse financial situation.

 **IN 2014-2019, THE TOTAL AMOUNT OF SUPPORT PROVIDED BY THE BFG IN CONNECTION WITH THE RESTRUCTURING OF COOPERATIVE SAVINGS AND CREDIT UNIONS AS OF 31 DECEMBER 2019 WAS PLN 681.5 MILLION.**

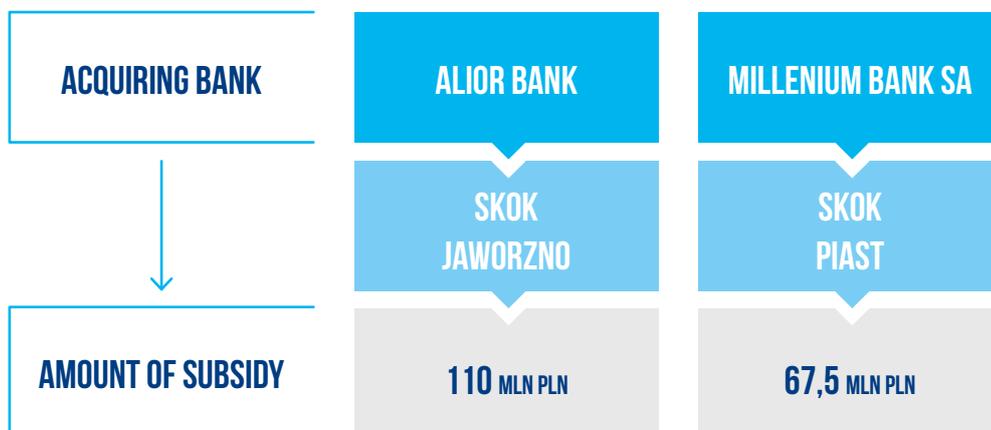
TABLE 13.

### SUPPORT PROVIDED IN THE FORM OF GRANTS AND LOSS COVERAGE GUARANTEES IN 2014-2019 (PLN '000)

No.	Bank	Acquired credit union	Year of granting	Net value of the acquired property rights as of the acquisition date in the Credit Union's books	Initial value of support (grant)
1	Alior Bank SA	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 SA	SKOK im. Mikołaja Kopernika	2015	221,696.40	101,926.31
3	PKO BP SA	SKOK Wesola	2015	219,465.09	278,858.41
4	Śląski Bank Spółdzielczy „SILESIA”	SKOK „Profit”	2017	1,909.15	115.84
5	ING Bank Śląski SA	SKOK Bieszczadzka	2018	27,810.24	11,824.76
6	BS we Wschowie	SKOK Lubuska	2018	6,527.00	1,877.63
7	BGŻ BNP Paribas SA	Rafineria SKOK	2018	34,405.80	41,082.26
8	Bank Millennium SA	SKOK PIAST	2019	127,251.62	67,492.28
TOTAL				<b>943,142.49</b>	<b>690,917.10</b>
Total amount of support granted by the BFG in 2014-2019					<b>681,534.71</b>
Total net amount of guaranteed property rights as of 31 December 2019					<b>412,412.01</b>

\* Agreement ended

FIGURE 4.

**SUPPORT PROVIDED IN THE FORM OF GRANTS / ACQUISITION PROCESS IN 2019**

By way of the resolution of 17 June 2019, the Fund Council amended the rules and forms of granting aid and support, and seeking reimbursement of funds due to aid or support in connection with the restructuring of cooperative savings and credit unions. The amendment to the rules previously in force was aimed at clarifying and adjusting the provisions of the current content of the resolution to the changes resulting from the amended Act on the BFG, in particular the changes introduced in Section IV – Restructuring of credit unions.

## 3. ASSISTANCE FROM THE COOPERATIVE BANKS RESTRUCTURING FUND

## 4. MONITORING OF ASSISTANCE AND SUPPORT GRANTED



### SUPPORT FROM THE COOPERATIVE SAVINGS AND CREDIT UNION GUARANTEE FUND

At the end of 2019, the monitoring process covered 6 commercial banks (receiving the support in connection with the acquisition of eight credit unions) and 2 cooperative banks (receiving the support in connection with the acquisition of two credit unions), to which the BFG provided support in 2014–2019 in connection with the resolution of credit unions.



### SETTLEMENT OF LOSS COVERAGE GUARANTEE AGREEMENTS (GPS)

In 2019, as a result of the settlement of loss coverage guarantee agreements, the Fund's receivables from the Beneficiaries amounted to PLN 11,968.72 thousand, and the Fund's liabilities to the Beneficiaries were PLN 181.98 thousand.

In 2019, the Fund performed three planned inspections, the subject of which was to verify the correctness of the terms of support agreements. The inspections did not reveal any material irregularities in any of the banks affecting the performance of agreements and settlements with the Fund.



## MONITORING OF ASSISTANCE FROM THE COOPERATIVE BANKS RESTRUCTURING FUND

As of 31 December 2019, 23 banks used 26 borrowings from frbs, including 12 borrowings granted to finance expenses related to joining the protection system.

At the end of 2019, total debt (principal amount) of the banks using the borrowings from frbs was PLN 4,742.00 thousand. The principal and interest instalments were repaid on time.

In 2019, 11 banks fully repaid 12 borrowings from frbs, and one bank repaid its borrowing before the date specified in the repayment schedule.



## MONITORING OF SECURITIES

Punctuality and amounts of the established securities were monitored on a regular basis. In the case of the maturity of deposits which were the object of securities, addenda were concluded to the security agreements.

As part of monitoring borrowings from frbs, the securities were reviewed, and the review results were submitted every six months to the Fund Management Board. The review covers:

- | value of a security,
- | completeness and validity of documents related to the established security,
- | assessment of the adequacy of a security to the amount of the claim.

At the end of 2019, all borrowings were secured with a financial pledge on the rights to cash on time deposit accounts in affiliating banks.

According to the monitoring results, the documents related to the established securities were valid and complete, and the amount and quality of the securities throughout the period were in all cases consistent with the provisions of the concluded agreements and higher than the required minimum amount of security.



## AMENDMENTS TO BORROWING AGREEMENTS

In 2019, one application for an amendment to the terms of a borrowing from frbs was processed. The bank using the borrowing to pay the costs of joining a protection system requested the Fund to extend the term for the use and settlement of the borrowings granted for the planned expenditures by six months. The request was accepted.



## MONITORING

The process of monitoring banks which received support from frbs includes, in particular, an assessment of the fulfilment of obligations under borrowing agreements and an analysis of the risk of borrowing repayment, and is carried out using the tools and methodologies available in the Fund, in particular, the EWS and solvency assessment.

The economic and financial situation of banks using support from frbs:

- | to pay for the costs of joining a protection system – was monitored on a semi-annual basis, and in the case of banks classified as a significant risk – on a quarterly basis, and in the high-risk group – on a monthly basis. As of 31 December 2019, the total amount of debt of the banks on account of 12 borrowings for the protection system (principal amount) was PLN 2,454 thousand;
- | for other purposes – is monitored on a quarterly basis, while banks classified as a high and significant risk are monitored on a monthly basis. As of 31 December 2019, 11 banks used 14 borrowings for other purposes (the total debt of the banks on account of the principal amount of the borrowings was PLN 2,288 thousand).

Every six months, the Management Board and the Council of the Fund receive information on the results of monitoring and inspections in banks receiving support from frbs and entities receiving support from the credit union fund, and support for banks.

The results of all analyses performed in 2019 showed that there was no risk to the repayment of the borrowings and interest.



## CLASSIFICATION OF RECEIVABLES

The review and classification of receivables on account of financial aid granted to banks was performed at the end of each quarter. The results of the reviews show that, in the case of any receivable, there were no delays in repayment of the principal amount and interest, which could be a basis for a change of classification.

The analysis and assessment of the economic and financial situation of the banks receiving financial support from the BFG did not indicate a basis for a change (downgrading) of the classification of the Fund's receivables. Similarly, no circumstances were identified which indicated that recovering the receivables is not possible. In consideration of the above, all receivables were classified as 'regular'.

# 5. FULFILMENT OF THE SUPERVISOR FUNCTION IN RESPECT OF IDEA BANK S.A.

Following the publication of the financial statements of Idea Bank for 2018, the KNF, during its meeting on 15 May 2019, decided to designate a supervisor for Idea Bank based on Article 144(1) of the Banking Law Act. The Bank Guarantee Fund was designated to fulfil this function. The decision was aimed at supporting the authorities of Idea Bank in taking measures to improve the bank's economic and financial situation.

The representatives designated by the Fund participated in meetings of the Bank's authorities, committees and work-

ing groups. In addition, the Fund Management Board, together with the representatives of the supervisor, met the Management Board of Idea Bank S.A. to discuss its current situation, update the recovery plan and substantiate the measures presented in the Recovery Plan Update (RPU).

As part of fulfilling the supervisor's obligations, the Fund analysed the decisions made by the authorities of Idea Bank S.A. As a result of the analyses, the Fund prepared and filed with a court a petition challenging certain resolutions of the Ordinary General Shareholders' Meeting of 28 June 2019 on

acknowledging the fulfilment of duties by certain members of the Management Board and of the Supervisory Board.

In 2019, the Fund submitted eight monthly reports on the fulfilment of tasks as supervisor of Idea Bank S.A. to the KNF.

The Fund replied to complaints and grievances received from customers of Idea Bank S.A., which concerned mainly the establishment of a provision in the Bank for potential customer claims due to Idea Bank S.A. being involved in offering the bonds of GetBack S.A.

## 6. NOTIFICATION OF ASSISTANCE PROGRAMMES

The Fund actively supported the MF in working on the third extension of the Resolution scheme for cooperative banks and small commercial banks. In Q4 2019, the European Commission notified an extension of the scheme for small commercial banks and cooperative banks. The scheme was extended by 6 months.

In addition, in 2019 the Fund provided additional clarification through the MF to the European Commission to justify the extension of the Guarantee scheme for Polish banks. The Fund was also actively involved in another extension of the programme 'Credit Unions Orderly Liquidation Scheme'

(SA. 54734 (2019/N)). In Q3 2019, the European Commission notified an extension of the assistance scheme for savings and credit unions. The scheme was extended until 15 July 2020.

In 2019, the Fund work with the European Commission, the MF and the KNF on the pre-notification of an assistance scheme for small banks to which the resolution procedure 'Cooperative Banks and Small Commercial Banks – Case number SA. 52961 (2019/PN)' does not apply (non-resolution assistance scheme).



# ANALYTICAL ACTIVITY



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 union 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 payout of guaranteed funds to depositors. The Fund conducts a broad range of analytical works with the use of the information and data from the

National Bank of Poland, the Polish Financial Supervision Authority, banks and the National Cooperative Savings and Credit Union.

On the basis of the available information on banks and credit unions, the Fund prepared, on a quarterly and monthly basis, analyses concerning the economic and financial situation of the banking sector and individual banks, as well as of the credit unions sector and individual credit unions, indicating the sources of risk in their activities.



**Among other things, the following topics were discussed at the meetings of the Early Warning System Committee, which were held at least once a month:**

- | economic and financial situation in the banking sector,
- | results of the assessment of commercial and cooperative banks, with special attention paid to banks in a bad and deteriorating economic and financial situation,
- | economic and financial situation of banks and credit unions considered to be a high risk and included in watchlists,
- | results of the review of significant exposures of cooperative banks and the quality of receivables in cooperative banks, in consideration of high-value exposures,
- | information on selected entities, including: problematic inspections carried out by the UKNF in selected banks, BION assessment, and other information submitted by the UKNF, reports and publicly available reports,
- | current situation in the credit unions sector.

During the meetings, the Committee examined requests for the initiation of proceedings concerning the Fund Management Board's decision on commencing resolution with respect to several banks on the watchlist. The requests concerning these banks were submitted at the meetings of the Fund Management Board.



**Other analytical work included:**

- | defining and verifying the MREL for commercial banks, cooperative banks and investment firms,
- | calculating the MREL for the purpose of updating resolution plans for commercial and cooperative banks in separate and consolidated terms,
- | determining the scale of MREL deficiency in the banking sector with specific assumptions,
- | defining requirements for paths of reaching the MREL target for commercial banks with a strategy other than a standard liquidation procedure,
- | monthly calculation and monitoring of the ratio of coverage funds guaranteed in banks and credit unions with the available financial resources, and the degree of achievement of the minimum and target levels of funds for financing the deposit guarantee scheme and resolution.



210.95

149.16

23.26

1.41%

# FINANCING FUND ACTIVITIES

# 1. FUND'S FINANCIAL RESOURCES

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The Fund collects financial resources earmarked for protecting deposits made at banks and cooperative savings and credit unions as well as for financing resolution.

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## **Pursuant to the Act on the BFG, the sources of financing the Fund's activities include:**

- | contributions to the statutory deposit guarantee scheme made by banks, branches of foreign banks and cooperative savings and credit unions,
  - | contributions to finance resolution made by banks, branches of foreign banks, investment firms and cooperative savings and credit unions,
  - | extraordinary contributions made by banks, branches of foreign banks and cooperative savings and credit unions to the statutory guarantee scheme in the event where funds from the deposit guarantee scheme are insufficient to disburse guaranteed funds,
  - | extraordinary contributions made by banks, branches of foreign banks, investment firms and cooperative savings and credit unions to finance resolution in the event where funds to finance resolution are insufficient to finance such proceedings,
  - | proceeds from the Fund's financial assets, including borrowings and guarantees granted by the Fund,
  - | funds obtained as part of non-repayable foreign aid,
  - | funds from grants awarded at the request of the Fund from the state budget on the rules specified in the provisions on public finances,
  - | funds from the short-term loan granted by the National Bank of Poland,
  - | funds from borrowings granted from the state budget,
  - | funds obtained from borrowings, loans and bond issues,
  - | funds obtained from borrowings granted by the officially recognised deposit guarantee schemes and entities managing resolution funds from the Member States other than the Republic of Poland on the basis of the concluded agreements,
  - | benefits obtained from the bridge institution and the asset management company, including dividends and interest, and also revenues from the disposal or liquidation of the bridge institution and the asset management company,
  - | funds obtained as a result of satisfying the Fund's claims on account of the disbursement of guaranteed funds and support provided to the acquiring entity,
  - | other proceeds obtained by the Fund.
- 

Contributions to the statutory guarantee scheme and those used for financing resolution were collected for the Fund for the first time for 2017. At that time, the banks' guarantee fund was established from the funds of the liquidated aid fund and the liquidated bankruptcy estate recovery fund. In addition, the banks' resolution fund was established from funds of the liquidated stability fund and the liquidated supplementary fund.



#### The Bank Guarantee Fund's own funds constitute:

- | the statutory fund,
- | the cooperative banks restructuring fund,
- | the banks' guarantee fund,
- | the credit unions' guarantee fund,
- | the banks' resolution fund,
- | the credit unions' resolution fund,
- | own funds reduction in the case of fulfilment of the guarantee condition or in the case of using the resolution mechanisms (negative value),
- | the revaluation fund.

## 2. DETERMINATION OF CONTRIBUTIONS



### IN Q1 2019, THE FUND COUNCIL DETERMINED THE TOTAL AMOUNTS OF CONTRIBUTIONS TO THE GUARANTEE FUNDS OF BANKS AND CREDIT UNIONS AS WELL AS THE COMPULSORY RESTRUCTURING FUNDS OF BANKS AND CREDIT UNIONS FOR 2019 IN THE FOLLOWING AMOUNTS:

The decision of the Fund Council on the amount of total contributions to the individual funds was mainly based on the need to speed up the build-up of the banks' resolution fund.

Based on the total amounts of contributions to the individual funds determined by the Fund Council, the following contributions were established during the reporting period:

- | due from banks and credit unions for individual quarters of 2019 to guarantee funds,
- | due from banks, investment firms and credit unions for 2019 to resolution funds.

The breakdown of the total amounts for individual entities was made in accordance with:

- | methods approved by the Polish Financial Supervision Authority – in the case of guarantee funds of banks and credit unions,

- | the respective regulations of the European Commission, the Minister of Development and Finance, and resolutions of the Council – in the case of resolution funds of banks and credit unions.

Having analysed the current method of determining contributions to the banks' guarantee fund, the need for the following changes was identified:

- | definition of one of the additional risk indicators due to the amendment to the BION Methodology,
- | modification of the provisions determining the procedure for adjusting the contributions,
- | a more flexible provision regarding the amount of relief for banks belonging to institutional protection systems.

On 12 December 2019, the Fund requested the KNF to approve the above modifications in the method of determining contributions to the banks' guarantee fund due from banks.

In addition, on 21 November 2019 the Fund requested the MF to amend Regulation of 27 December 2016 on the Method for Determining the Risk Profile of Banks and Branches of Foreign Banks, and on Accounting for the Risk Profile when Determining the amount of Contributions to the Banks' Guarantee Fund, in such a way that would make it possible to change the amount of the reduction in the contribution to the banks' guarantee fund for banks participating in institutional protection systems from the current 50% up to 80%. The proposed change was aimed at strengthening the support function of protection systems without significantly changing the total burdens on entities belonging to the IPS on account of the costs of ensuring the safety of deposits.

Due to the Fund's statutory obligation to provide information about the amount of contributions, letters were sent to all entities obliged to pay a contribution to the relevant funds, stating the amount of contributions due, the date of their payment and the maximum share of contributions in the form of liabilities to be paid.

During the year, the Fund reviewed and analysed the reporting data provided by entities in connection with the calculation of contributions to the resolution funds and the guarantee funds of banks and credit unions by the Fund in terms of correctness. The Fund clarified with the banks any identified doubts and reporting errors on an ongoing basis.

## 3. INVESTING ACTIVITIES

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The Fund traded in securities in 2019 taking into account the need to maintain high liquidity related to the requirement to provide financial resources for possible interventions, to secure the Fund's securities portfolio against the risk of adverse changes in profitability on the financial market, while ensuring profitability of investments.

At the end of 2019, the profitability of the Fund's treasury bonds portfolio was 2.61%, despite the purchase of new securities with yields lower than the profitability of the entire portfolio and the sale of a material volume of high-yield bonds. Achieving high profitability of the portfolio in excess of the currently observed yield level on 10-year bonds was

a result of adequate investment policy in previous years. The policy included an extension of duration until 2015 and a reduction in the following years. As a result of increasing the amount of security in the form of NBP money bills, the duration of the entire securities portfolio decreased from 1.00 years at the end of 2018 to 0.61 years at the end of 2019.

As a result of transactions on securities, compared to the end of 2018, the share of Treasury bonds in the Fund's securities portfolio decreased from 76.1% up to 50.1% in favour of NBP money bills (a share increase from 23.9% to 49.9%).



## **THE TOTAL RESULT ON FINANCIAL TRANSACTIONS AT THE END OF 2019 WAS PLN 542.1 MILLION, WHICH IS PLN 71.8 MORE THAN PLANNED (PLN 470.3 MILLION).**

In addition, the Fund adopted the 'BFG investment policy in the area of investing in securities in the period from 1 January 2020 to 31 December 2020', whose implementation will be subordinated to the continued maintenance of

high liquidity of the securities portfolio held, and the implementation of investments in such a way so as to limit the interest rate risk, while achieving the best financial results possible.



# OTHER ACTIVITIES OF THE FUND

# 1. NATIONAL AND INTERNATIONAL COOPERATION



## NATIONAL COOPERATION

The BFG participated in the meetings of the Financial Stability Committee (KSF). The Fund participated in the systemic risk assessment carried out as part of the KSF-M and actively cooperated with institutions of the financial safety net, i.e. the Ministry of Finance, NBP and the Polish Financial Supervision Authority (KNF). The Fund's representatives also participated in the meetings of the Public Finance Committee.

As part of the work related to the statutory requirements, the Fund participated in many meetings with representatives of commercial banks, cooperative banks, credit unions, the Cooperative Security System SGB and the Security System of the BPS Association, as well as with the Polish Bank Association, PBS and SGB associations.

The Fund took the honorary patronage of the 14th BIK Risk Congress and the second edition of the Build Up Your Future conference, which was organised by the Student Council of the Faculty of Economic Sciences of the University of Warsaw.



## COOPERATION AS PART OF THE EUROPEAN BANKING AUTHORITY

A representative of the BFG represented the Fund at five meetings of the standing committee of the European Banking Authority (EBA,) for resolution (Resolution College, ResCo).

As part of the cooperation with the EBA, BFG representatives participated in the following meetings organised by the EBA:

- | Subgroup on Resolution Execution (SGRE);
- | Subgroup on Resolution Planning and Preparedness (SGRPP);
- | TFDGS Workstream 1 Payout;
- | Task force on Deposit Guarantee Schemes (TFDGS);
- | WS Valuation;

In addition, representatives of the Fund took part in several teleconferences of the Task Force on Deposit Guarantee Schemes (TFDGS).



## INVOLVEMENT IN THE DRAFTING OF BILATERAL AGREEMENTS

Under the signed multilateral cooperation agreement on cross-border payments to depositors of branches set up by credit institutions in another Member State, in order to clarify the provisions of this agreement, a bilateral agreement was signed in 2019 on cross-border payments<sup>3</sup> with Garanční Systém Finančního Thru (an institution guaranteeing deposits in the Czech Republic).

<sup>3</sup> As part of implementing the notification requirements with regard to international institutions, according to Article 14(5) of Directive 2014/49/EU on deposit guarantee schemes, the Fund notified the EBA on the signing of the bilateral agreement.

An operational test of cross-border withdrawals was performed in which the deposit guarantee scheme in the Czech Republic plays the role of the system making withdrawals on behalf of the BFG in the Czech Republic. In the reporting period, work was also performed to sign a bilateral agreement on cross-border withdrawals with the institution guaranteeing deposits in Slovakia.

The BFG has also signed a cooperation agreement with the Belarusian Agency of Deposit Compensation. The purpose of the agreement is to ensure effective communication and cooperation between the Fund and the Agency in order to maintain the stability of the financial systems of the Republic of Poland and the Republic of Belarus.



## IADI AND EFDI

In 2019, there were four meetings of the Executive Council (EXCO) of the International Association of Deposit Insurers and accompanying meetings of standing committees (including the Core Principles and Research Council Committee, CPRC), technical committees, working groups and regional committees (including the Europe Regional Committee, ERC). These meetings were accompanied by scientific conferences. During the international conference entitled *What has changed since the Crisis: Deposit Insurers' Role in Early warning and Intervention Systems?*, the President of the BFG Management Board gave a presentation entitled *What has changed since the crisis: the BFG role in the new crisis management framework in Poland*.

In October 2019, the 18th Annual General Meeting (AGM) of the IADI took place. During the IADI General Meeting, the new members of the EXCO were appointed. The President of the BFG Management Board was appointed to the Executive Council for a 3-year term of office. A decision was also made to extend the timelines for the IADI's strategic document, *IADI Strategic Goals: the Way Forward*, until the end of 2021. A differentiation of the association's membership contributions was adopted. At the same time, changes were made to the IADI Statute, reflecting the changes in the current method of calculating the contributions. The new contributions will be in effect as of 1 April 2020<sup>4</sup>.

In 2019, the Europe Regional Committee (ERC) held two meetings. Issues such as changing the calculation method for the IADI membership contributions were discussed at the meetings.

In addition, in April 2019, a Member of the BFG Management Board participated in the conference *Policy Implementation Meeting on cross-border challenges in bank supervision, failure resolution and deposit insurance*, which was jointly organised by the Financial Stability Institute (FSI) and the International Association of Deposit Insurers (IADI) in Basel, where he gave a presentation under the title *Cross-border issues in deposit insurance* as part of a session with the same title.

As part of cooperation with the European Forum of Deposit Insurers (EFDI), the Fund was represented at:

- | EFDI Working Group Risk Based Contributions;
- | EFDI EU Committee meeting.

In September 2019, the President of the BFG Management Board participated in the annual meeting of the EFDI in Sarajevo. The meeting was accompanied by a conference entitled *Deposit Insurance in Europe – redrawing the map*. At the general meeting, a new management board of the EFDI was appointed, and the organisation's operating procedures were approved (*Reserve Policy* and *Travel Policy*). The EFDI registered office address was also changed<sup>5</sup>. During the EFDI meetings, an informal meeting of the European Regional Committee IADI took place.

4 Until now, the annual contribution was CHF 17,650 for all IADI members. Currently, the contributions are differentiated based on GDP and GDP per capita. BFG was classified in the middle category of organisations from a developing country with an average GDP and average GDP per capita. The BFG's contribution will be CHF 30,000.

5 The EFDI's official address was changed from 56, Avenue des Art, 1000, Brussels, Belgium to 4 Rue De La Presse, 1000, Brussels, Belgium.



## OTHER

In February, the Vice-President of the Management Board took part in a conference entitled Banking supervision and resolution from a small host country perspective under the European Union framework, which is organized each year by the Financial Sector Advisory Centre (FinSac) of the World Bank. The Vice-President of the BFG Management Board gave a presentation as part of the panel Cross border bank resolution: Cooperation and management of diverging interests between home and host countries within and outside to EU.

In March 2019, the President of the BFG Management Board participated in the 20th Anniversary Conference organised by the Financial Stability Institute (FSI) entitled A cross-sectoral reflection on the past, and looking ahead to the future.

The Fund was also represented at the following conferences, meetings and workshops:

- | 3<sup>rd</sup> SRB Policy Workshop with the Non-participating Members States,
- | Resolution Readiness Seminar,
- | meeting of the Commission Expert Group on Banking, Payments and Insurance (EGBPI) and an MF representative.

In addition, as part of the Bruegel Event on Cross-Border Resolution Planning, the Vice-President of the BFG Management Board participated in the conference entitled Recovery and Resolution Planning for Europe's cross-border banks, at which he presented the BFG's approach to a resolution strategy.

## 2. INFORMATION POLICY

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### MATERIALS AVAILABLE AT BANK AND CREDIT UNION BRANCHES

The BFG's leaflets, which are available for customers in bank and credit union branches, are basic information materials on the rules for guaranteeing deposits in Poland. In order to meet the current demand, in 2019, banks and credit unions received information leaflets on the deposit guarantee system and information boards on the membership in the mandatory deposit guarantee scheme.



## WEBSITE

Information about the Polish deposit guarantee scheme and about the activities of the Fund is available on the website [www.bfg.pl](http://www.bfg.pl), which is the basic source of information about its activities, and which raises public awareness of the deposit guarantee rules. Immediate provision of information to the public, particularly in situations when the guarantee conditions are fulfilled, helps prevent any concerns that the customers of banks and credit unions may have. The website provides permanent access to up-to-date information, current and archived BFG materials and documents as well as the BFG Public Information Bulletin

The BFG website is available in Polish, English and Ukrainian. In 2019, the Fund launched a new website version compliant with WCAG 2.1. AA<sup>6</sup>, and the adopted visual identity. The highest daily number of visits to the Fund's website was 1.8 thousand, and for the entire year there were a total of approx. 237.1 thousand visits.



## BFG HELPLINE

BFG's free helpline at **800 569 341** is an important tool making it possible for anyone interested in the deposit guarantee scheme in Poland to communicate directly with the Fund's staff. In 2019, the BFG helpline staff replied to 4.9 thousand customer queries (the highest daily number of queries was 52)<sup>7</sup>. Information was provided mainly on the implemented processes of disbursement of guaranteed funds as well as the rules of functioning of the deposit guarantee scheme, and the participation of individual financial entities in the guarantee scheme.

In 2019, replies and explanations were also provided to written queries concerning issues such as guarantees for depositors of banks as part of direct customer service at the Fund's Office.



## COOPERATION WITH THE MEDIA

In 2019, questions from representatives of the media concerned issues such as salaries of the BFG staff, justification of the total amount of contributions, and explanations concerning the amendment to the Act on the BFG, the treatment of securities in meeting the MREL requirement and non-preferred bonds. The questions concerned the guarantee limit in the event of a merger between two banks and the fulfilment of the guarantee condition in respect of the cooperative bank in Grębów. Another group of questions concerned the level of contributions to the BFG in 2020, the determination of the MREL levels and communicating them to the market, and tools of a bridge institution.



## SURVEY OF PUBLIC AWARENESS OF THE ROLE OF THE BFG

A survey of the image of the banking sector in Poland was conducted in collaboration with the ZBP. This project involved, among other things, surveying public awareness of the deposit guarantee scheme and the role of the BFG.

44% of those surveyed (-6 p.p. YOY) believe that there are institutions that guarantee the recovery of retail customers' money in the event of a bank bankruptcy, and 24% (+3 p.p. YOY) confirm that there are institutions guaranteeing recovery in the event of bankruptcy of a credit and savings union.

6 The Act of 4 April 2019 on digital accessibility of websites and mobile applications of public organisations (Journal of Laws of 2019, item 848).

7 The helpline had its highest workload in July 2019, in connection with the launch of the payment process for depositors of Bank Spółdzielczy w Grębowie.



## OTHER INFORMATION AND PROMOTION ACTIVITIES

In 2019, the Fund carried out another (17th) edition of the competition for the best BA, MA and PhD dissertation in the area of the deposit guarantee scheme, issues related to the BFG's activities as well as the financial safety of banks. 13 dissertations were submitted, out of which the jury selected winners and awarded the 1st and 2nd prize in all categories. The prizes were officially presented on 12 June 2019 at the BFG's head office.



## FUND PUBLICATIONS

In 2019, four issues of the Bezpieczny Bank magazine (Safe Bank) were published. In total, nearly 30 articles and studies were published in Bezpieczny Bank, on topics such as broadly understood issues concerning the impact of the market structure and the size of banks on the stability of banking sectors in EU countries, systemic risk and macroprudential policy, regulatory infrastructure, and issues related to the risk of banking operations. Study results and reviews of books on economy were also published.

In 2019, the composition of the Scientific and Programme Committee of the Bezpieczny Bank magazine changed. The BFG Council appointed Marek Dietl, PhD, as Chairperson of the Committee, and the involvement of professors from foreign universities was increased.

Bezpieczny Bank, keeping 20 points in the scoring of scientific magazines awarded by the Minister of Science and Higher Education, was one of the best-rated publications on the financial market and the stability of the banking system in Poland. The magazine also obtained funding as part of the Ministry of Science and Higher Education's funding programme for science magazines.



## CRISIS COMMUNICATION STRATEGY

As part of preparations for resolution, the crisis communication strategy was revised. The end of the year saw intensive preparations for communication in the resolution process.



## OTHER OPERATIONS

Moreover, the Fund conducted training on resolution for representatives of the media. A dozen or so journalists and representatives from the NBP's communication division took part. The Fund also carried out educational measures for the media on the bankruptcy process of banks and credit unions, and the rules for guaranteeing deposits.

A survey on internal communication was conducted among BFG employees. In the fourth quarter, the conclusions were analysed, and some of the recommendations were implemented.

# 3. HR MATTERS

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# SUMMARISED FINANCIAL STATEMENTS

# 1. BALANCE SHEET

TABLE 14.

## ASSETS AS AT 31 DECEMBER 2019 AND AS AT 31 DECEMBER 2018

ASSETS	31 December 2019	31 December 2018
<b>Cash</b>	<b>9,977,820.16</b>	<b>8,831,570.15</b>
Cash in hand	15,537.98	27,213.48
Cash on current accounts	50,300.79	54,524.09
Investments	9,829,000.00	8,668,000.00
Cash of the Company Social Security Fund	82,981.39	81,832.58
<b>Receivables from financial institutions</b>	<b>1,641,019,682.01</b>	<b>996,752,143.60</b>
Receivables from banks on account of:	1,639,248,907.01	994,952,868.60
- commitments to pay	1,637,091,163.35	986,826,634.80
- borrowings granted	2,157,743.66	8,126,233.80
Receivables from cooperative savings and credit unions on account of:	1,770,775.00	1,799,275.00
- commitments to pay	1,770,775.00	1,799,275.00
<b>Other receivables and claims</b>	<b>2,264,634.13</b>	<b>687.94</b>
<b>Securities and other financial assets</b>	<b>21,129,980,902.67</b>	<b>18,499,574,255.60</b>
Debt securities:	19,929,980,902.67	18,499,574,255.60
- of banks	9,952,669,462.85	4,425,446,050.02
- of the State Treasury	9,977,311,439.82	14,074,128,205.58
Shares	1,200,000,000.00	0.00
- in financial institutions	1,200,000,000.00	0.00
<b>Property, plant and equipment</b>	<b>50,589,458.83</b>	<b>50,636,495.30</b>
<b>Intangible assets</b>	<b>1,108,367.19</b>	<b>1,340,836.23</b>
<b>Accruals</b>	<b>626,723.76</b>	<b>487,512.52</b>
<b>TOTAL ASSETS</b>	<b>22,835,567,588.75</b>	<b>19,557,623,501.34</b>

TABLE 15.

**LIABILITIES AS AT 31 DECEMBER 2019 AND AS AT 31 DECEMBER 2018**

<b>EQUITY AND LIABILITIES</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Liabilities</b>	<b>38,499,817.24</b>	<b>37,660,936.71</b>
Liabilities due to depositors	33,687,482.81	35,272,294.44
Other liabilities	4,812,334.43	2,388,642.27
<b>Special-purpose funds</b>	<b>53,069.59</b>	<b>81,832.58</b>
<b>Accruals</b>	<b>4,383,614.55</b>	<b>5,812,422.09</b>
<b>Provisions</b>	<b>22,340,286.62</b>	<b>81,357,583.68</b>
<b>Statutory fund</b>	<b>1,637,025,547.68</b>	<b>1,637,025,547.68</b>
<b>Banks' guarantee fund</b>	<b>13,825,112,923.49</b>	<b>12,582,372,067.07</b>
Banks' guarantee fund available for utilisation	13,825,112,923.49	12,582,372,067.07
<b>Banks' resolution fund</b>	<b>6,784,658,503.89</b>	<b>4,641,801,358.74</b>
Banks' resolution fund available for utilisation	5,584,658,503.89	4,641,801,358.74
Banks' resolution fund used	1,200,000,000.00	0.00
<b>Credit unions' guarantee fund</b>	<b>12,694,688.77</b>	<b>8,921,503.60</b>
Credit unions' guarantee fund available for utilisation	12,694,688.77	8,921,503.60
<b>Credit unions' resolution fund</b>	<b>3,513,101.33</b>	<b>2,467,168.89</b>
Credit unions' resolution fund available for utilisation	3,513,101.33	2,467,168.89
<b>Cooperative banks' restructuring fund</b>	<b>19,295,688.87</b>	<b>29,750,688.87</b>
Cooperative banks' restructuring fund available for utilisation	17,137,688.87	21,624,688.87
Cooperative banks' restructuring fund used	2,158,000.00	8,126,000.00
<b>Own funds reduction in the case of fulfilment of the guarantee condition or in the case of using the resolution mechanisms</b>	<b>(89,194.28)</b>	<b>(89,194.28)</b>
<b>Financial result</b>	<b>488,079,541.00</b>	<b>530,461,585.71</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,835,567,588.75</b>	<b>19,557,623,501.34</b>

## 2. INCOME STATEMENT

TABLE 16.

### INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

	2019	2018
<b>Revenues from statutory activities</b>	<b>61,590.45</b>	<b>174,128.24</b>
Interest revenues	61,590.45	174,128.24
<b>Result on statutory activities</b>	<b>61,590.45</b>	<b>174,128.24</b>
<b>Result on financial transactions</b>	<b>542,476,638.22</b>	<b>524,681,303.47</b>
Securities	542,136,824.24	523,794,121.50
Other	339,813.98	887,181.97
<b>Result on foreign exchange gains/losses</b>	<b>(100.50)</b>	<b>(237.51)</b>
<b>Business costs</b>	<b>(51,241,519.61)</b>	<b>(40,955,052.80)</b>
Outsourced services	(7,040,180.73)	(4,294,970.50)
Payroll	(31,825,967.28)	(26,804,993.04)
Social security and other payments	(4,264,063.69)	(3,984,600.58)
Other	(8,111,307.91)	(5,870,488.68)
<b>Depreciation/amortisation of tangible assets and intangible assets</b>	<b>(3,295,664.40)</b>	<b>(3,450,951.28)</b>
<b>Other operating revenues</b>	<b>88,174.96</b>	<b>50,057,033.82</b>
<b>Other operating expenses</b>	<b>(9,578.12)</b>	<b>(44,638.23)</b>
<b>FINANCIAL RESULT</b>	<b>488,079,541.00</b>	<b>530,461,585.71</b>

## 3. RULES OF PREPARING THE SUMMARISED FINANCIAL STATEMENTS

The attached summarised financial statements, comprising the balance sheet as of 31 December 2019 and the income statement for 2019, were drawn up on the basis of the audited annual financial statements of the Bank Guarantee Fund drawn up for 2019 in accordance with the requirements of the Regulation of the Minister of Finance of 9 December 2016 on the specific accounting rules of the Bank Guarantee Fund (Journal of Laws, item 2115, as amended) and the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351, as amended.)

The summarised 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 summarised financial statements. These criteria include, in particular:

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

# 4. ACCOUNTING PRINCIPLES

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Pursuant to the accounting principles applicable to the Bank Guarantee Fund, the following methods of measuring assets as well as equity and liabilities, and calculating revenues and expenses were applied:





# INDEPENDENT STATUTORY AUDITOR'S OPINION



# Independent Auditor's Report on the Summary Financial Statements

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To the Council of Ministers, the Minister competent for financial institutions and the Board of the Bank Guarantee Fund

## *Opinion*

The summary financial statements, which comprise the balance sheet as of December 31, 2019, the profit and loss account for the year then ended, the principles of preparing the summary financial statements and accounting principles, are derived from the audited financial statements of the Bank Guarantee Fund (the "Fund") with its registered office in Warsaw, Ks. Ignacego Jana Skorupki 4 Street for the year ended December 31, 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the basis of preparation described in the section "Principles of preparing the summary financial statements".

## *Summary Financial Statements*

The summary financial statements do not contain all the disclosures required by the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2019, item 351, as amended), regulations issued on the basis thereof, in particular, the Minister of Development and Finance Regulation of December 9, 2016 on the specific accounting principles of the Bank Guarantee Fund (Journal of Laws of 2016, item 2115, as amended) and other legal regulations applied in the preparation of the audited financial statements of the Fund. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

## *The Audited Financial Statements and Our Report Thereon*

We expressed an unmodified audit opinion on the audited financial statements in our auditor's report dated March 12, 2020.

**Audit – Tax – Accounting – Advisory**  
Member of Grant Thornton International Ltd

Grant Thornton Frąckowiak Spółka z ograniczoną odpowiedzialnością sp. k. Audit Firm No. 3654.  
General partner: Grant Thornton Frąckowiak Sp. z o.o. General Partner's Management Board: Tomasz Wróblewski – President of the Board,  
Dariusz Bednarski – Vice-President of the Board, Jan Letkiewicz – Vice-President of the Board. Registered office address: ul. Abpa Antoniego Baraniaka 88 E, 61-131 Poznań,  
Poland. Tax identification number NIP: 778-14-76-013. REGON: 301591100. Bank account: 05 1090 1359 0000 0001 1915 7406.  
District Court Poznań – Nowe Miasto i Wilda in Poznań, 8th Commercial Division of the National Court Register, KRS No. 0000369868.



### *Responsibilities of Management Board for the Summary Financial Statements*

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

### *Auditor's Responsibilities*

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with National Standard on Auditing 810 (Z) *Engagements to Report on Summary Financial Statements*.

Elżbieta Grześkowiak

Statutory Auditor No 5014  
Key Audit Partner performing the audit on behalf of  
Grant Thornton Frąckowiak Spółka z ograniczoną odpowiedzialnością sp. k.,  
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 3654

Poznań, July 17, 2020

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.