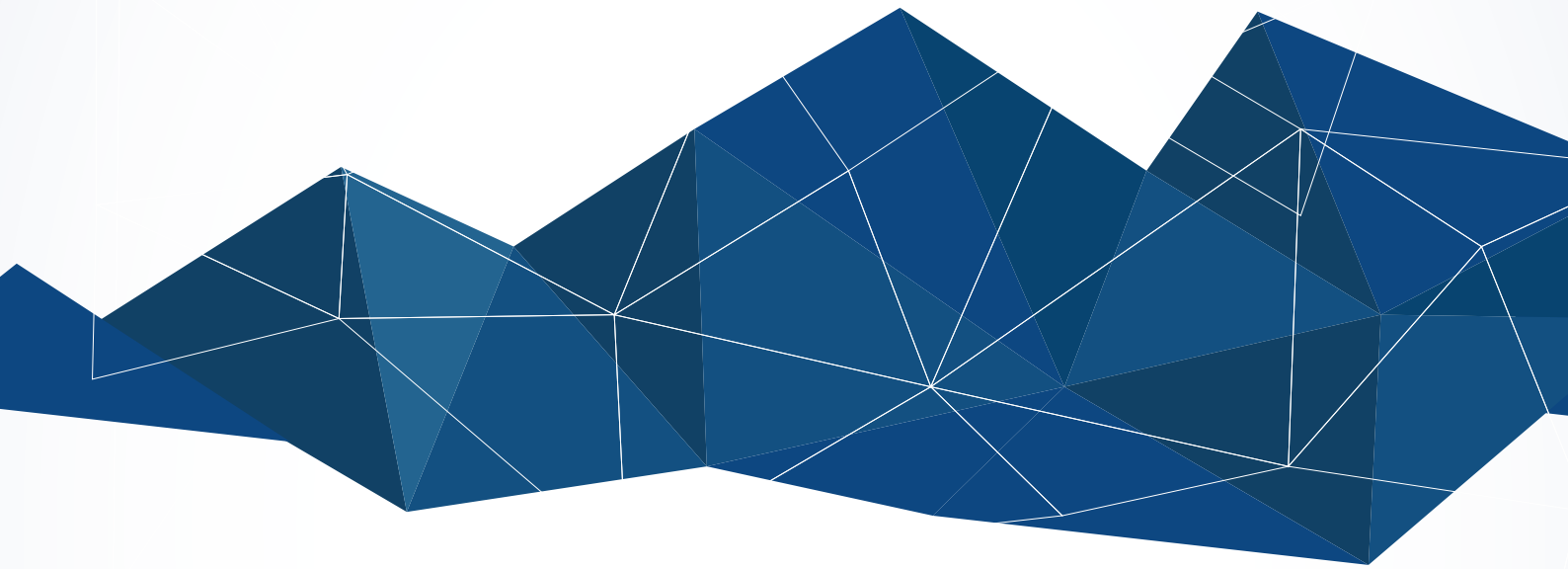
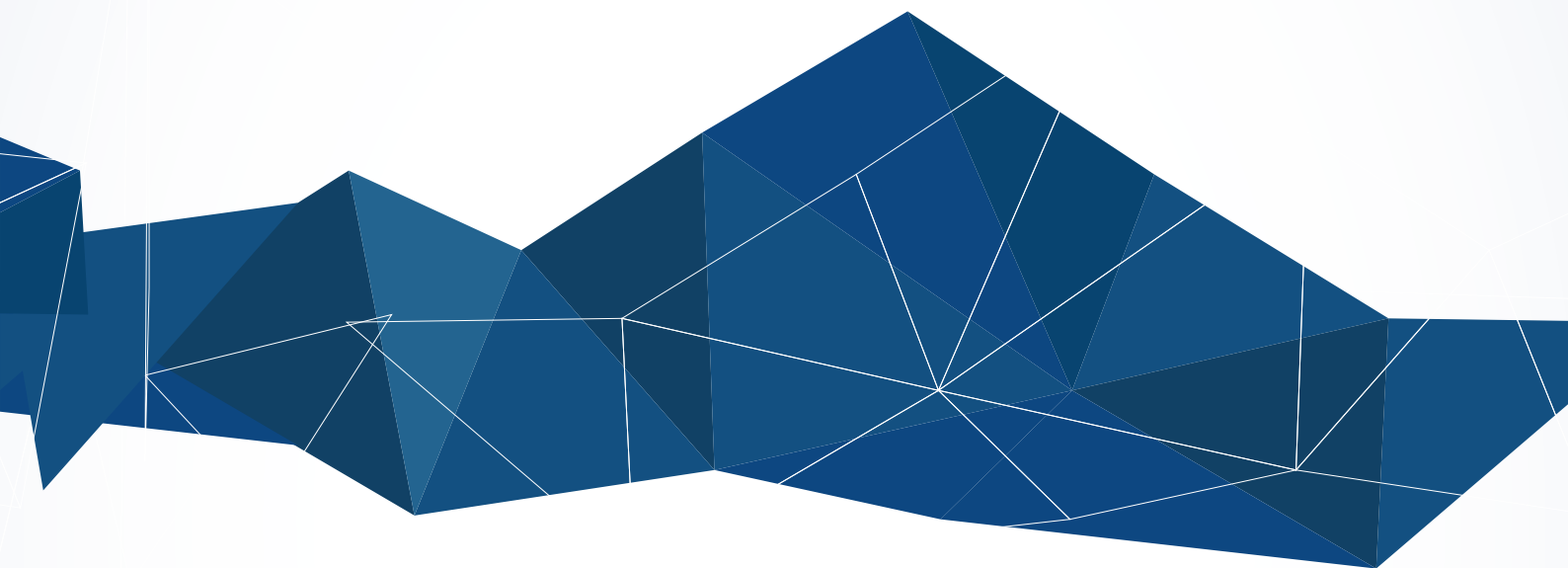


2014

ANNUAL REPORT

Bank Guarantee Fund





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Message from the Chairman of the Council of the Bank Guarantee Fund and from the President of the Management Board of the Bank Guarantee Fund

It is our pleasure to provide you with the Annual Report for 2014, which presents the activity of the Bank Guarantee Fund. It is our pleasure to note that for 20 years the Fund has effectively protected deposits and has contributed to the stability of the financial sector.

The year 2014 was unique due to the involvement of the Fund in restructuring of a portion of the cooperative savings and credit union sector. The Fund's activities in this respect consisted of disbursement of covered deposits to depositors of two credit unions and of providing support for takeovers of insolvent credit unions.

On account of fulfilment of the guarantee condition with respect to two cooperative savings and credit unions, the Fund disbursed covered deposits totaling over PLN 3 billion. These were the largest payouts in BFG's 20-year history.

Due to a lack of sufficient funds in the credit union guarantee fund, other resources held by the Fund were deployed. A reduction in financial means as a consequence of disbursement of covered deposits to credit union depositors, as well as due to the necessity of providing financial support for restructuring processes with respect to credit unions facing the threat of insolvency, resulted in an increase in the Fund's assessment rates and a consequent rise in remittances by banks and credit unions.

Good organization of the work of the Fund and good cooperation with the receivers of both credit unions and with the bank serving as intermediary in carrying out disbursement of covered deposits allowed to achieve payout periods significantly shorter than statutory imposed – on the sixth and fifth day respectively from the day of fulfilment of the guarantee condition. Execution of these disbursements to credit union depositors served as a comprehensive test of the procedures associated with the payout process and confirmed the high degree of effectiveness of BFG. A factor that contributed to the efficient disbursement process was a broad based public awareness campaign targeting credit union depositors.

In 2014 the Fund issued to two banks declarations of intent to provide support in takeovers of credit unions threatened with insolvency, while by the end of 2014, one of these banks received support in the form of a donation and a loss coverage guarantee.

In successfully supporting the process of credit union restructuring, the Fund has affirmed its significant role as part of the domestic financial safety net.

The year 2014 was also a period of exceptionally intense work owing to legislative changes in EU law. Key for the Fund was adoption of the amended EU Deposit Guarantee Scheme Directive and the Bank Recovery and Resolution Directive. The Fund was actively involved in preparing the draft Act on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution, which transpose into Polish law the provisions of both directives.

EU regulations introduce changes of fundamental significance for the operation of the Fund as a guarantor of deposits and resolution authority. The Fund has taken intensive preparatory steps for their transposition and has analyzed the impact of the new EU provisions on the bank and credit union sector.

For years, the Fund has been active in the international arena. Of particular note in the Fund's engagement in managing the International Association of Deposit Insurers (IADI) and cooperation with its members. In this context, the Fund's involvement extended to such initiatives as reviewing and updating the Core Principles for Effective Deposit Insurance Systems, which were approved by the IADI Executive Council in October 2014.

To sum up the last year, we are convinced that steps taken by the Fund in furtherance of safety and stability of the credit union sector contributed to increased confidence in the financial system in Poland.




Ludwik Kotecki
Chairman
Council of the Bank
Guarantee Fund




Jerzy Pruski
President of the Management
Board of the Bank Guarantee
Fund



BFG ROLE AND TASKS



1. BFG ROLE AND TASKS

WHO WE ARE

The **Bank Guarantee Fund (BFG, the Fund)** is an institution acting in furtherance of the stability of the domestic financial system, in particular by managing and operating the deposit guarantee system in Poland, and by providing financial assistance and support to entities covered by the system.

BFG was established by the *Act of 14 December 1994 on the Bank Guarantee Fund* (consolidated text, Journal of Laws 2014, item 1866), hereinafter referred to as the “*Act on BFG*”, which has been in force since 17 February 1995. The *Act on BFG* and the *Bank Guarantee Fund Statute* constitute the legal basis for the Fund. The Statute is annexed to a *Regulation of the Minister of Finance* issued on 13 August 2013, regarding awarding the statutes the Bank Guarantee Fund (Journal of Laws, item 967), along with other executive acts.

In 2014, in order to meet the requirements of the EU statistics, the sector classification of the Bank Guarantee Fund was changed from a financial sector institutional unit to one belonging to the general government sector.

OUR MISSION

The main goal of the activities undertaken by the **Bank Guarantee Fund** is to act for the sake of safety and stability of banks and cooperative savings and credit unions (“credit unions”). This activity contributes to an increased level of confidence in the domestic financial system. BFG is a part of the national financial safety-net. **Thanks to the Bank Guarantee Fund, savings deposited by clients in the accounts of banks and credit unions are safe.**



OUR TASKS

- guaranteeing each depositor a payout of bank or credit union deposits up to the statutory limit (the equivalent in PLN of EUR 100 thousand) within 20 working days from the day of fulfilment of the guarantee condition;
- **providing financial assistance to banks** facing the threat of insolvency or for the acquisition of stocks or shares of another bank;
- extending a guarantee to increase the own funds of a bank, to banks undergoing reorganisation, and in case of execution of said guarantee, to purchase or assume stock, bonds or bank-issued securities;
- offering loans to cooperative banks not threatened by insolvency, for the acquisition of stock of an affiliated bank, to cover expenditures associated with mergers, as well as investment expenditures;
- **providing financial assistance to cooperative savings and credit unions** in the form of subordinated loans, guarantees or sureties, should a threat of insolvency arise;
- **supporting restructuring processes in cooperative savings and credit unions**, particularly in the form of loans, guarantees, loss-coverage guarantees and subsidies;
- **collecting and analysing information** about entities covered by the guarantee system;
- **developing analyses and forecasts** that are used to create an early detection system to provide early identification of the potential threats arising within the banking and credit union sectors;
- **being involved in the work of the Financial Stability Committee (FSC);**
- **controlling the use of financial assistance and support granted** by BFG;
- **verifying data correctness** contained in bank and credit union calculation systems.





ORGANISATIONAL STRUCTURE OF THE BANK GUARANTEE FUND



2. ORGANISATIONAL STRUCTURE OF THE BANK GUARANTEE FUND

2.1. BFG AUTHORITIES

The statutory bodies of the Bank Guarantee Fund include the Council and the Management Board. The Management Board's role is to manage the Fund and represent it, while the Council supervises and controls the operations of the Fund.

The Fund is overseen by the Minister of Finance, based on the criteria of accordance with the law and consistency with the Statute. The annual reports of BFG, namely the operational and financial reports, are approved by the Council of Ministers.

The Composition of the Management Board of the Bank Guarantee Fund,
as at 1 January 2014.

President of the Management Board	Jerzy Pruski
Deputy President of the Management Board	Anna Trzecińska
Members of the Board	Andrzej Banasiak Marek Szeffler

Due to the fact that the President of the Republic of Poland, Bronisław Komorowski, called, on 3 November 2014, Anna Trzecińska to become a member of the Management Board of the National Bank of Poland and Vice-President of the National Bank of Poland, the Council of the Bank Guarantee Fund, during a meeting which took place on 30 October 2014, recalled Anna Trzecińska from the Management Board and from the position of Deputy President of the BFG Management Board. During a meeting, which took place on 26 November 2014, the Council of the Fund appointed Krzysztof Broda to be a part of the BFG Management Board, placing him in a position of the Deputy President of the Management Board.

Due to these changes, starting from 27 November 2014, until the end of the year, the Management Board functioned with the following composition:

President of the Management Board	Jerzy Pruski
Deputy President of the Management Board	Krzysztof Broda
Members of the Board	Andrzej Banasiak Marek Szeffler

The Composition of the Council of the Bank Guarantee Fund.

The Council of the Bank Guarantee Fund consists of the Council Chairman and seven Council Members appointed by the institutions comprising the financial safety net and the Polish Bank Association.

As at 1 January 2014 the Council consisted of the following persons:

Chairman of the Council	Ludwik Kotecki (Ministry of Finance)
Council Members	Sławomir Cytrycki (National Bank of Poland)
	Ewa Kawecka-Włodarczak (Polish Financial Supervision Authority)
	Szymon Milczanowski (Ministry of Finance)
	Krzysztof Pietraszkiewicz (Polish Bank Association)
	Piotr Piłat (Ministry of Finance)
	Jan Szambelańczyk (Polish Bank Association)
	Olga Szczepańska-Maciejuk (National Bank Of Poland)

On 20 June 2014, Sławomir Cytrycki was replaced by Jacek Osiński in the Council of the Bank Guarantee Fund. In the light of the above, the Council continued its operation with the composition as follows:

Chairman of the Council	Ludwik Kotecki (Ministry of Finance)
Council Members	Ewa Kawecka-Włodarczak (Polish Financial Supervision Authority)
	Szymon Milczanowski (Ministry of Finance)
	Jacek Osiński (National Bank of Poland))
	Krzysztof Pietraszkiewicz (Polish Bank Association)
	Piotr Piłat (Ministry of Finance)
	Jan Szambelańczyk (Polish Bank Association)
	Olga Szczepańska-Maciejuk (National Bank of Poland)

2.2. BFG OFFICE ORGANISATIONAL STRUCTURE

In 2014, there were 11 business units within the framework of the Bank Guarantee Fund Office, with each being assigned the following sets of tasks:

Deposit Guarantee Department:

ensuring the payout of guaranteed deposits and auditing the correctness of data necessary to carry out a payout contained in bank and credit union calculating systems;

Financial Assistance Department:

extending financial assistance to banks and credit unions (facing the risk of insolvency), acquiring and managing receivables, providing support to entities involved in the restructuring of cooperative savings and credit unions, carrying out or coordinating work related to the Fund's discharge of tasks pursuant to fulfilling the role of a trustee overseeing the implementation of a reorganisation programme, extending assistance to banks from the Cooperative Bank Restructuring Fund and administration of this assistance, control and monitoring of banks receiving financial assistance from BFG and entities receiving support in the restructuring of cooperative savings and credit unions, including inter alia, monitoring the economic and financial status of banks and of credit unions and monitoring the settlement of liabilities resulting from agreements signed with the above-mentioned institutions;

Treasury and Analysis Department:

carrying out banking sector and cooperative savings and credit union sector analyses and assessments of the economic and financial standing of banks and cooperative savings and credit unions, collecting and processing information pertaining to the prevailing macroeconomic conditions in Poland and abroad, as well as performing activities related to the investment operations of the Fund;

Strategic Projects Department:

maintaining projects related to the financial safety net and financial stability, particularly within the scope of preparing concepts and assumptions related to restructuring of the financial sector subjects, including application of the available instrument, as well as performing tasks related to preparation and carrying out purchase or acquisition of bank shares by the Fund and management of shares purchased or acquired by the Fund;

International Department:

collaboration with foreign deposit guarantee institutions and their associations, as well as international financial institutions and other foreign entities;



IT and Administration Department:

acquiring, compiling and granting access to information necessary for the functioning of the Fund, tasks related to the protection of data, persons and property, as well as the security and operability of technical and administrative systems;

Accounting and Financial Department:

managing the finance and accounting related tasks within the Fund;

Office of the President:

extending administrative support to the authorities of the Fund (Management Board and Council), overall administration and HR, internal and external communications;

Legal Department:

extending legal support to the authorities of the Fund, the President of the Fund Management Board and the Fund Office as a whole;

Operational Risk Position:


coordinating and supporting the operational risk management process;

Internal Audit Position:

monitoring the operations of the Fund for consistency with established aims, internal regulations and the law.

The Bank Guarantee Fund also hosts four permanent inter-departmental committees:

- **Asset Management Committee:** carries out tasks related to the undertaken investment-related decisions and managing the BFG's cash flow,
- **Assistance Application Assessment Committee** opines applications for financial assistance, including affirmative replies, refusals to extend financial assistance or changes to the terms and conditions of extending financial assistance and support to banks and credit unions, as well as the management of shares,
- **Operational Risk Committee:** initiates, coordinates and issues operational recommendations to the BFG Management Board, related to the presence of the operational risk within BFG,
- **Early Warning System Committee:** assesses the economic and financial situation of the banking sector and credit union sector, also within individual banks, credit unions and the National Cooperative Savings and Credit Union (NCSU) and its impact on the financial system stability.



Members of the Fund Management Board supervised the following organizational bodies of the BFG Office:

- **President of the Management Board - Jerzy Pruski** – Office of the President, Legal Department, Strategic Projects Department¹, Accounting and Financial Department², Financial Assistance Department², Deposit Guarantee Department³, International Department and the Internal Audit Position,
- **Deputy President of the Management Board - Anna Trzecińska** – Financial Assistance Department³, Deposit Guarantee Department⁴ and the International Department⁴,
- **Deputy President of the Management Board - Krzysztof Broda** – Strategic Projects Department⁴ and Accounting and Financial Department⁵,
- **Member of the Management Board - Andrzej Banasiak** – Treasury and Analysis Department,
- **Member of the Management Board - Marek Szeffler** – IT and Administration Department and Operational Risk Position.

¹ Until 26 November 2014.

² Starting from 31 October 2014.

³ Until 30 October 2014.

⁴ Starting from 27 November 2014.

Figure. 1.

BFG Organizational Structure (as at 31 December 2014)





DEPOSIT GUARANTEE ACTIVITY



3. DEPOSIT GUARANTEE ACTIVITY

The Bank Guarantee Fund is an institution managing the deposit guarantee scheme in Poland. As at the end of 2014, the Fund's guarantee encompassed **deposits held in 38 commercial banks, 568 cooperative banks as well as 50 cooperative savings and credit unions.**

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



The Bank Guarantee Fund guarantees deposits from the date of their transfer to an account, but not later than on the day prior to the fulfilment of the guarantee condition, up to the equivalent of EUR 100 thousand in PLN, together with interest accrued up to the day of fulfilment of the guarantee condition.

Liabilities of the Bank Guarantee Fund against the depositors, due to the deposit guarantees, emerge on the **date when the guarantee condition is fulfilled**, i.e. on the day indicated in the decision issued by the Polish Financial Supervision Authority (PFSa) as the day when the bank operations or credit union's operations are suspended, and when a respective receiver is appointed, unless the receiver has been appointed earlier, as well as filing a bankruptcy petition at a relevant court.



Guaranteed deposits:

- a) in case of a bank - funds in all types of registered bank accounts, whether denominated in PLN or in foreign currencies. Other monetary claims resulting from banking operations and confirmed by registered bank-issued documents are also covered by the guarantee.
- b) in case of a credit union - funds in all types of credit union accounts, whether denominated in PLN or in foreign currencies. Other monetary claims resulting from financial settlements carried out by a credit union are also covered by guarantees.



3.1. DISBURSEMENT OF GUARANTEED DEPOSITS

The Fund satisfies guarantee-related claims within 20 working days from the day of fulfilment of the guarantee condition. In the case of fulfilment of the guarantee condition, the receivership of a bank or 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 fulfilment of the guarantee condition). The Fund verifies data of depositors, with the use of the Guarantee Execution System, and prepares a disbursement list and conveys it to the entity that will carry out the disbursement of guaranteed deposits. Depositors of a bank or credit union are not obliged to report their claims to the Bank Guarantee Fund prior to receiving guaranteed deposits.

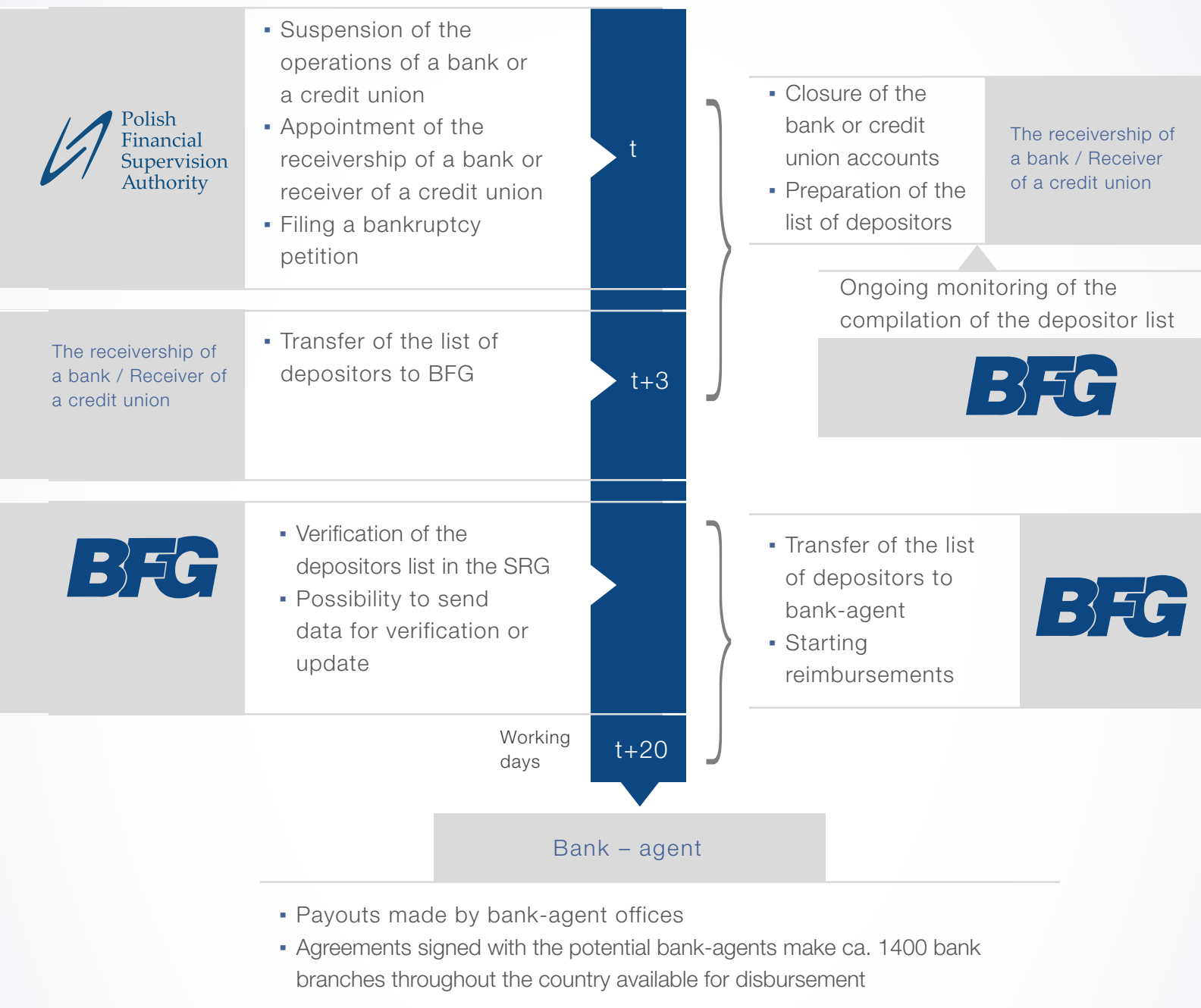
Guarantee Execution System (SRG) – IT system of the Bank Guarantee Fund which provides effective control of the depositor lists and makes it possible to determine the disbursement amounts and prepare depositor disbursement lists.



Pursuant to the Act on BFG, depending on the decision of the Fund, the disbursement of guaranteed deposits can be carried out by the receivership or entity authorized to represent the Fund (in the case of a bank) or receiver (in the case of a credit union), or via a different subject with which the BFG Management Board concludes an Agreement, the aim of which is to regulate the guaranteed deposits payment. The Fund has entered into agreements with three⁵ banks. These are retail banks holding a significant branch network, which allows for carrying out disbursements throughout the country, giving depositors easy access to guaranteed deposits. The process of receiving the guaranteed deposits is presented in figure 1.

⁵ Two of the banks mentioned here signed agreements which expand the possible scope of payment, including the depositors of credit unions.

Figure 1. The Disbursement of guaranteed deposits



The maximum amount that can be disbursed to a single depositor at a given bank or credit union on account of the BFG guarantee is **the equivalent of EUR 100 thousand in PLN**. Individuals who for whatever reason fail to collect their due funds in the course of a payout carried out by an entity authorised by the Fund may approach BFG directly to collect their due disbursement within 5 years from day of fulfilment of the guarantee condition. After this period, depositor claims pursuant to the guarantee lose their validity.

3.2. DEPOSIT GUARANTEE FUNDING

3.2.1. FUNDS ACCUMULATED IN THE GUARANTEE SCHEME

Funds accumulated in the guarantee scheme are intended to provide security for deposits held in banks and cooperative savings and credit unions.

Funding of the Fund's guarantee activity can be carried out on an *ex post* and *ex ante* basis.

Ex-post funding – funding involving premiums remitted by participants of the guarantee scheme after fulfilment of the deposit guarantee condition (e.g. the Guaranteed Deposit Protection Fund, the Stabilisation Fund of the National Cooperative Savings and Credit Union (NCSCU).

Ex-ante funding – available own BFG funds, e.g. annual premiums remitted by all participants of the deposit guarantee scheme.



The source of *ex post* funding, from which BFG can fund the disbursement of guaranteed deposits held in banks, is the Guaranteed Deposit Protection Fund (GDPF). If the guarantee condition is fulfilled, BFG asks all banks to transfer their funds proportionally to their share in the GDPF.

Guaranteed Deposit Protection Fund (GDPF), created by all member banks of the deposit guarantee scheme. The size of the GDPF in a given bank is arrived at by multiplying the total sum of all deposits at this bank, which constitutes the basis for calculating the reserve requirement, and a percentage rate determined by the BFG Council on an annual basis.

The GDPF is established by all banks at the beginning of each year and then updated on 1 July in accordance with the change of the basis for its calculation.



For the establishment of the GDPF in 2014, the BFG Council set a percentage rate of 0.55% of the total sum of all funds at a given bank constituting the basis for calculating the reserve requirement. PLN 5,247,348.8 thousand is the total value of the Guaranteed Deposit Protection Fund (GDPF) established by all banks in 2014 (updated on 01.07.2014).

The source of *ex post* funding, from which BFG can fund the disbursement of guaranteed deposits held in cooperative savings and credit unions, are funds from the Stabilisation Fund of the National Cooperative Savings and Credit Union.

In addition, BFG possesses financial means in its own funds (*ex ante* funds), such as:

- bankruptcy estate recovery fund – designed to allocate assets recovered from failed bank estates,
- assistance fund,
- statutory and contingency fund,
- stabilisation fund,
- credit union guarantee fund.

Assistance fund – accumulated from obligatory annual premiums remitted by banks and from the distribution of the balance surplus of the Fund.

Stabilisation fund – accumulated from obligatory prudential levies remitted by banks and from the distribution of the balance surplus of the Fund.

Credit Union Guarantee Fund – accumulated obligatory annual premiums remitted by cooperative savings and credit unions and from the distribution of the balance surplus of the Fund.



For 2014, the BFG Council set the following rates of the annual premiums remitted to BFG by entities covered by the mandatory deposit guarantee scheme:

- allocated to the assistance fund – 0.1% of the product of 12.5 and the sum of the capital requirements weighted for different types of risk and capital requirements due to exceeding limits and violating other norms stipulated in the Act of 29 August 1997 on the Banking Law,
- allocated to the stabilisation fund – 0.037% of the product of 12.5 and the sum of the capital requirements weighted for different types of risk and capital requirements due to exceeding limits and violating other norms stipulated in the Act on Banking Law, of 29 August 1997,
- allocated to the credit union guarantee fund – 0.085% of the value of assets and off-balance sheet liabilities.

The total *ex ante* funds accumulated by BFG at the end of 2014 (calculated as the total amount of the BFG own funds less the value of assets, which enable financing of the BFG tangible fixed assets as well as ensuring the operating activities of the Fund within a one year period) amounted to PLN 9,124.5 million. This amount was smaller by PLN 1,412.8 million, i.e. 13.4% than the amount accumulated at the end of 2013.

The ratio of deposit coverage by *ex ante* funds accumulated in the guarantee scheme at the end of 2014 was 1.58%, and – taking into account the *ex post* funds – 2.49%.

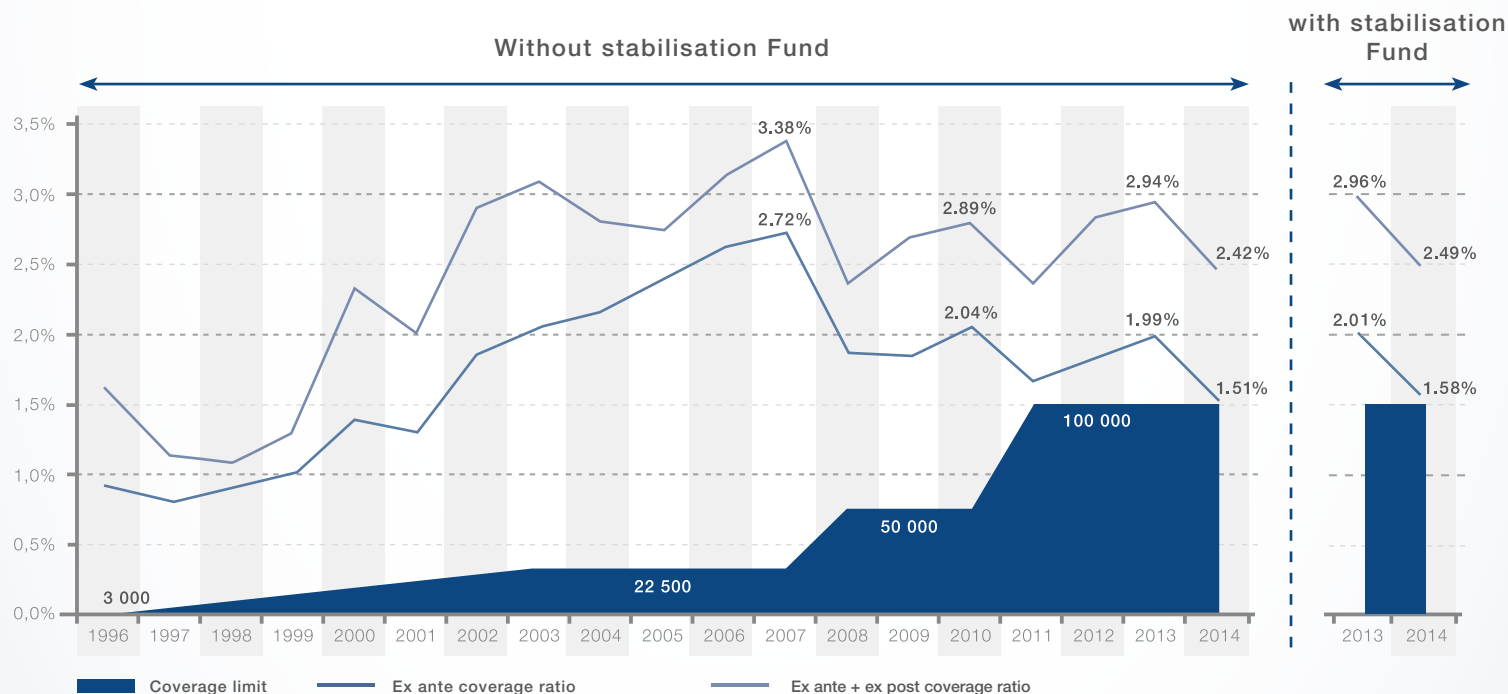
The coverage ratio – is expressed as a percentage and calculated as a fraction whose numerator consists of the available funds accumulated in the mandatory deposit guarantee scheme. The denominator is the total amount of covered deposits guaranteed by the Fund held in all entities covered by the scheme.



Coverage limit – at the very beginning of the Bank Guarantee Fund's activity, i.e. in 1995, it was the equivalent of ECU 3 thousand in PLN, and it was systematically increased in subsequent years. The greatest increase of coverage limit took place as a consequence of harmonization of deposit guarantee principles within the European Union – firstly to the equivalent of EUR 50 thousand in PLN, and then of EUR 100 thousand in PLN. At the same time, besides a twofold increase of the coverage limit, the scope of coverage was also expanded, i.e. coverage was extended to all economic entities, irrespective of the scale of their operations. The changes in EU law came about as a result of the recent crisis in the global financial market, which undermined the stability of the financial system in many Member States and resulted in the necessity to afford greater protection to depositors and strengthen their confidence in the banking system.



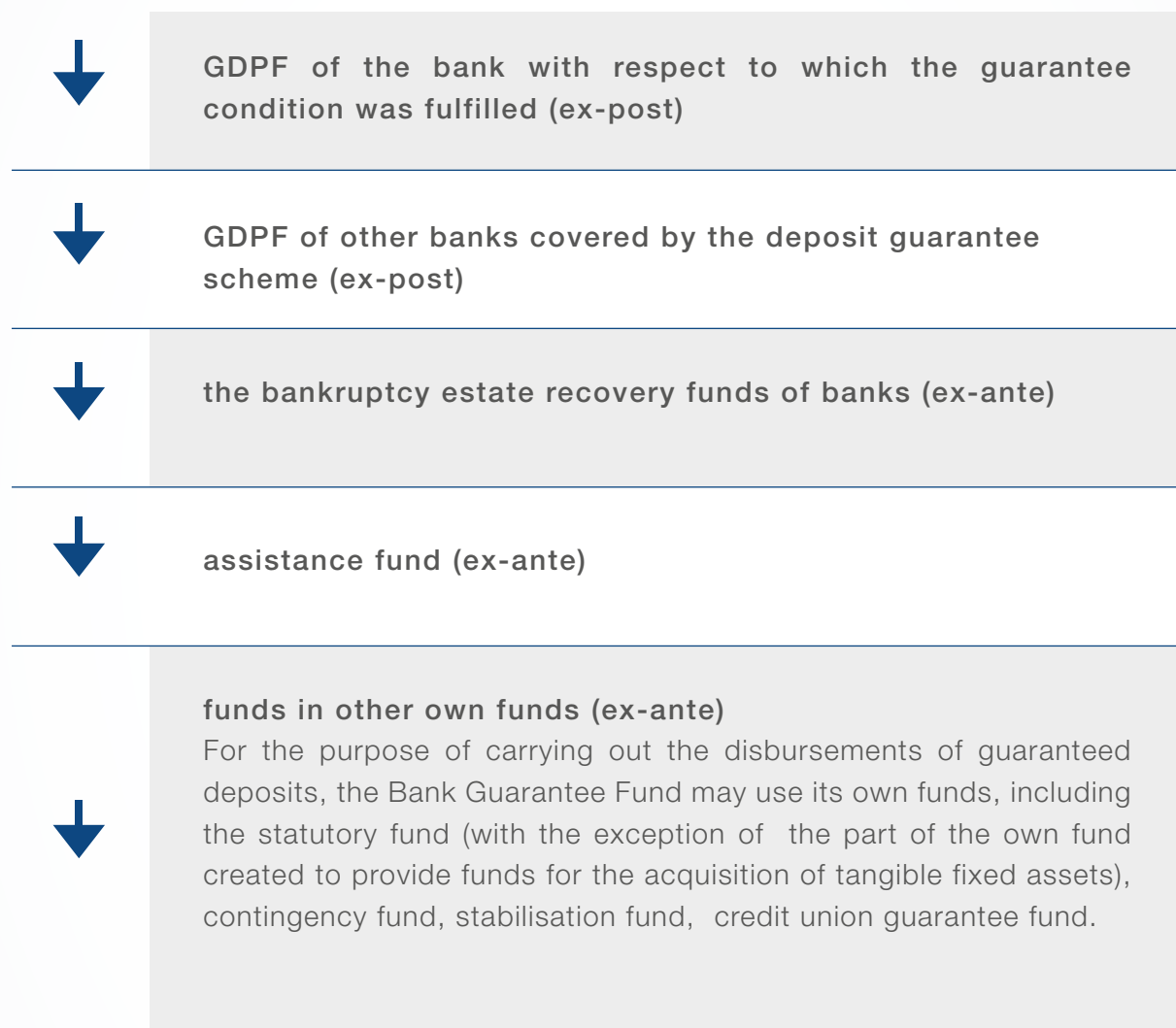
Chart 1. Coverage limits and coverage ratio for banks*



* in order to ensure comparability with data from previous years, the amount of coverage ratios regarding 2013 and 2014 are given without taking into account the amounts accumulated in the stabilisation fund (created from prudential levies remitted by banks); additionally, at the end of 2013 and 2014 ratios taking into account the stabilisation fund were presented.

3.2.2. FUNDING FOR THE DISBURSEMENT OF GUARANTEED DEPOSITS HELD IN BANKS

The following diagram shows the sequence of using funds for the disbursements of guaranteed deposits held in banks.

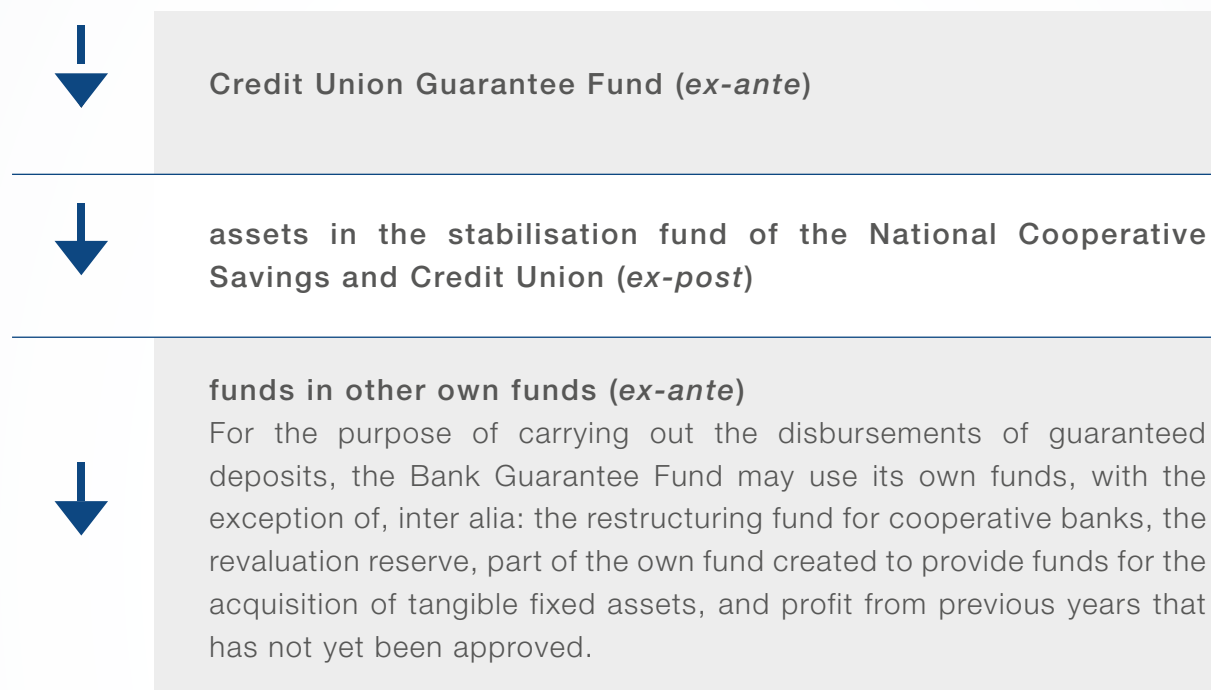


In addition to the above sources of funding, the following options of funding guaranteed deposit payouts are also available:

- after the funds gathered within the GDPF have been exhausted, GDPF rates and/or annual premiums may be raised (pursuant to the Regulation of the Minister of Finance)
- if the amount of guarantee-related liabilities is higher than the collective amount of funds in the GDPF, the bankruptcy estate recovery fund and the assistance fund, BFG can obtain grants and loans from the state budget,
- if the funds in its own funds (and resources already deployed) have been exhausted, in the case of threat to financial stability and to cover the most urgent needs, BFG can obtain a short-term loan from the NBP.

3.2.3. FUNDING FOR THE DISBURSEMENT OF GUARANTEED DEPOSITS HELD IN CREDIT UNIONS

The following diagram shows the sequence of using funds for the disbursements of guaranteed deposits held in credit unions.



Additionally, the following options of funding guaranteed deposits payouts are also available for the credit unions depositors:

- after assets from the Credit Union Guarantee Fund have been exhausted, it is possible (pursuant to the Regulation of the Minister of Finance) to raise the rate used in setting up this fund,
- if the amount of guarantee liabilities is higher than the assets from the Credit Union Guarantee Fund and assets from the stabilisation fund of the National Cooperative Savings and Credit Union, BFG can obtain grants and loans from the state budget or from the National Cooperative Savings and Credit Union,
- if the assets from its own funds (and funds already deployed) have been exhausted, in case of a threat to financial stability and to cover the most urgent needs, BFG can obtain a short-term loan from the NBP.

3.3. DEPOSIT GUARANTEE PAYOUT IN 2014

Back in 2014, no fulfilment of the guarantee condition occurred with respect to any banks; the guarantee condition was met in case of two credit unions:

- SKOK Wspólnota ("Wspólnota" Cooperative Savings and Credit Union) - on 18 July 2014.⁶
- SKOK Wołomin ("Wołomin" Cooperative Savings and Credit Union) - on 12 December 2014.⁷

Due to the fact that in 2014 the guarantee condition was fulfilled for two credit unions, the guarantee related payouts amounted to PLN 3,064.0 million.

When the guarantee conditions for SKOK Wspólnota and SKOK Wołomin were fulfilled, the Fund Management Board, adopted resolutions on 18 July 2014 and on 12 December 2014, respectively, which started the processes of payouts for depositors of the above-mentioned unions, including those related to:

- selection of the guaranteed deposits payout mode, i.e. selection of the entity executing the payout of guaranteed deposits on behalf of the Fund and on its account,
- securing the funds in order to realize payout of guaranteed deposits to depositors,
- issuing a request to the National Cooperative Savings and Credit Union (NCSU), regarding the transfer of unappropriated assets held within the stabilisation fund,
- the request submitted to the BFG Council, regarding the payout of the guaranteed deposits from the available-for-use Credit Union Guarantee Fund, along with funds from the assistance fund.

Resolutions regarding utilization of the guaranteed deposits from the Credit Union Guarantee Fund and the assistance fund for payouts to SKOK Wspólnota and SKOK Wołomin depositors were undertaken by the BFG Council on 24 July 2014 and on 17 December 2014, respectively. The resolutions enabled use of the BFG own funds, in order to reimburse the guaranteed deposits to the depositors of the above-mentioned credit unions.

In both cases of disbursement of the guaranteed deposits the BFG Management Board made a decision to select Powszechna Kasa Oszczędności Bank Polski SA (PKO BP SA) as an agent entity executing the payout of guaranteed deposits.

⁶ With a decision of 17 July 2014, the Polish Financial Supervision Authority (PFSA) suspended on 18 July 2014, the activity of SKOK Wspólnota and on 18 July 2014 it submitted a request to the District Court of Gdansk to declare bankruptcy of SKOK Wspólnota. The above decisions, along with the earlier decision of the PFSA (of 1 August 2013), on the appointment on 2 August 2013 of a receiver with respect to SKOK Wspólnota resulted in fulfillment on 18 July 2014 of the guarantee condition for this credit union.

⁷ With a decision of 10 December 2014, the PFSA suspended on December 11th 2014 the activity of SKOK Wołomin and on 12 December 2014 it submitted a request to the Praga-Północ Warsaw District Court to declare bankruptcy of SKOK Wołomin. The above decisions, along with the earlier decisions issued by the PFSA (of 4 November 2014) on the appointment on 5 November 2014 of a receiver with respect to SKOK Wołomin resulted in fulfillment on 12 December 2014 of the guarantee condition for this credit union.

The strategy of sequential audit of the most highly threatened credit unions adopted by the Fund, including SKOK Wspólnota and SKOK Wołomin⁸, enabled early detection of the errors and indication of areas requiring urgent intervention of receivers of both credit unions in order to minimize the risk of preparation of an incorrect depositor list, should circumstances arise in which the guarantee condition is fulfilled.

Pursuant to Art. 38v section 1 of the Act on BFG, BFG carried out the ongoing audits of preparation of the depositor lists by the receivers. The audits mentioned above were realized both at the credit union premises, as well as at the BFG registered office.

The depositor lists of SKOK Wspólnota and SKOK Wołomin were provided by the receivers on 23 July 2014 and 17 December 2014, respectively,⁹ via the Deposit Guarantee Execution System, in line with the legal provisions in force. The audits of the depositor lists was completed on 24 July 2014 and on 17 December 2014 for SKOK Wspólnota and, SKOK Wołomin, respectively. After completion of the above-mentioned audits and on the basis of the SKOK Wspólnota and SKOK Wołomin depositor lists the Fund created payout lists with data required to conduct payouts for depositors of both credit unions.

On 24 July 2014 (SKOK Wspólnota) and on 17 December 2014 (SKOK Wołomin) the respective resolutions were adopted, within the following scope:

- creation of a payout list,
- concluding an agreement with PKO BP SA to disburse the guaranteed deposits,
- conducting the payout of guaranteed deposits to depositors.

According to the statutory requirements, the last adopted resolution was published in a newspaper with a countrywide distribution on 28 July 2014 (in respect of SKOK Wspólnota) and on 19 December 2014 (in respect of SKOK Wołomin).

The SKOK Wspólnota disbursement list included 74,035 depositors who had a right to receive guaranteed deposits in an amount of PLN 815,660.8 thousand.¹⁰ The SKOK Wołomin disbursement list included 45,446 depositors who had a right to receive guaranteed deposits in an amount of PLN 2,246,415.3 thousand.¹¹

Table 1 presents the sources of financing regarding the guarantee liabilities of the Fund (the way in which the liabilities are covered) against SKOK Wspólnota and SKOK Wołomin depositors, along with the reserve made to cover potential future disbursements.

⁸ 5 and 4 audits were carried out at SKOK Wspólnota and SKOK Wołomin, until the moment when their operation was suspended.

⁹ I.e. in both cases on the third working day from the date when the guarantee condition was fulfilled.

¹⁰ With exclusion of the depositors, whose personal details required the confirmation of correctness by the receiver.

¹¹ With the exclusion of those depositors whose personal details required confirmation of correctness by the receiver, ones whose data supplemented the reimbursement list after the list was completed by the receiver (BFG Management Board resolution adopted 9 February 2015).

Table 1. Means of covering liabilities with respect to SKOK Wspólnota and SKOK Wołomin depositors.

in PLN thousand		SKOK Wspólnota	SKOK Wołomin
Guarantee liabilities of the Fund with respect to depositors		817,484.7	2,246,491.8 *
Coverage of liabilities from the following funds:			
1	Assets from the credit union guarantee fund	20,289.9	402.3
2	Unrestricted assets in the stabilisation fund of the National Cooperative Savings and Credit Union	32,552.8	194.2
3	Financial means from the Assistance Fund	764,641.9	2,245,895.3

* including the PLN 73 thousand liability resulting from the BFG Management Board resolution, adopted on 9 February 2015, on the disbursement of the guaranteed deposits to SKOK Wołomin depositors after completion of the depositor list

Disbursement to SKOK Wspólnota depositors

Disbursement of the guaranteed deposits to SKOK Wspólnota depositors was executed by PKO BP SA branches from 28 July to 19 September 2014.

The BFG Act entitles the Fund to control, in an ongoing manner, the guaranteed deposit disbursement process.¹² On that basis, BFG employees carried out audit at the PKO BP SA branches which encompassed visits to the branches, verification of the way in which the SKOK Wspólnota depositors received information and of the conduct of customer service. What is more, the Fund also monitored, on a daily basis, payouts conducted by the bank.

Starting from 20 September 2014 depositors who did not collect their funds at PKO BP SA bank, may in person or via correspondence, submit payout requests for their due guaranteed deposits to be disbursed directly by the Fund.

Until the end of 2014, disbursement of guaranteed deposits to 22,579 depositors were realized, to the amount of PLN 793,512.6 thousand (which constituted 97.1% of the total amount), including 994 depositors receiving the amount of PLN 27,832.3 thousand directly through the Fund's office. As at 31 December 2014, the liabilities of the Fund against 51,463¹³ SKOK Wspólnota depositors amounted to PLN 23,741.9 thousand (without taking into account the amount of guaranteed deposits being the subject of clarification, as at 31 December 2014).

¹² Article 38x, section 3 of the BFG Act.

¹³ Persons who did not receive the funds include mainly the depositors in respect of whom the amounts of guaranteed deposit amounts were low. The average amount of unclaimed guaranteed deposits: PLN 461.24.

Disbursement for SKOK Wołomin depositors

Guaranteed funds disbursement to SKOK Wołomin depositors was conducted between 19 December 2014 until 28 February 2015. Similarly as in case of SKOK Wspólnota, the Fund monitored the guaranteed deposits payout process on a daily basis.

Until the end of 2014, guaranteed deposits in an amount of PLN 1,879,173.6 thousand were disbursed (which constituted 83.7% of the total amount) to 16,037 depositors. Fund's liabilities against the depositors of the SKOK Wołomin amounted to PLN 367,314.7 thousand, which represents 16.3% of the total amount (excluding the amount of guaranteed funds which are the subject of clarification, as at 31 December 2014).

The launch of the guaranteed deposits disbursement procedure required some public awareness activities to be undertaken. The aim of the above-mentioned activities was to provide efficiency within the scope of the payout process, by provision of exhaustive information to depositors. In the light of the above, the main communication channels used by the Fund were appropriately tailored, namely the toll-free helpline and the website.

Website

The number of visits on the BFG website proves that it is a relevant source of information on the process of preparing and conducting the disbursement of the guaranteed deposits for the depositors.

During the most intensive periods i.e. for both credit unions respectively, during the day of fulfillment of the guarantee condition and later, the daily number of visits on the Fund's website reached, in the case of SKOK Wspólnota, more than 3600, while in case of the SKOK Wołomin, the number of visits exceeded 5 thousand.

The BFG website was used to publish the Fund's releases presenting the current status of disbursement of the guaranteed deposits. What is more, the content of the BFG Management Board's resolutions regarding the disbursement process were also published, along with the list of the PKO BP SA branches that executed the payout process related to the guaranteed deposits.

BFG Helpline

The BFG helpline was another important channel through which depositors of both credit unions could obtain relevant information. Starting from the date when SKOK Wspólnota and SKOK in Wołomin operations were suspended, increased phone traffic was notable.

During peak hours, the helpline was manned by more than 20 operators. Outside the helpline's regular daily working hours, a pre-recorded message was provided, which was updated according to the given stage of the payout process in respect of SKOK Wspólnota and SKOK Wołomin depositors.

In total, starting from the moment when operations of SKOK Wspólnota were suspended,

the helpline operators replied to more than 8 600 queries.

Remaining BFG information channels

The Fund also received numerous requests for information in written form (mainly via e-mail) on suspension of operations of SKOK Wspólnota and SKOK Wołomin. What is more, a customer service point was established at the BFG premises to provide information to the persons interested in contacting the Fund's employees directly.

3.4. DEPOSIT GUARANTEE PAYOUT HISTORY

Starting from the very beginning of BFG operations, the disbursement of guaranteed deposits was carried out with respect to 5 commercial banks and 89 cooperative banks. The disbursements of guaranteed deposits made by the Bank Guarantee Fund in the years 1995-2014 amounted to PLN 814.4 million and were provided to 318.8 thousand eligible depositors.

As at 31 December 2014, the Fund had no liabilities due to uncollected guaranteed deposits.

Table 2. Guarantee Conditions Fulfillment – 1995-2014

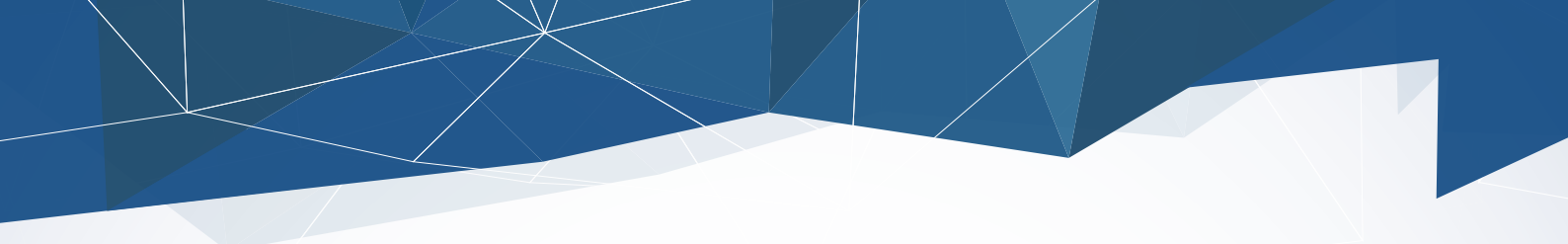
Year	Commercial Banks	Cooperative Banks
1995*	2	48
1996	1	30
1997	-	6
1998	-	4
1999	1	-
2000	1	-
2001	-	1
2002 – 2013	-	-
2014	-	-
TOTAL	5	89

* Since 17 February 1995, i.e. from the effective date of the Bank Guarantee Fund Act.

The sums transferred for the disbursement of guaranteed deposits to depositors who held their deposits in entities with respect to which the guarantee condition was fulfilled, are subject to recovery from their bankruptcy estates. The recovered sums are, pursuant to adequate provisions, accumulated in the bankruptcy estate recovery fund and may be used only for funding of other disbursements of guaranteed deposits. The total amount of the funds recovered from the bankruptcy estates was, as at 31 December 2014, PLN 54,014.0 thousand.

Table 3. Funds used to execute the guarantee disbursements for banks – 1995-2014

Year	Funds allocated to guarantee disbursements (in PLN million)				% draw-down of the GDPF (%)	Number of depositors
	Total	Including:				
		from the GDPF	From the liquid assets of the bankruptcy estates	From the bankruptcy estate recovery fund		
1995	105.0	85.9	19.1	0	38.1	89 939
1996	50.8	47.3	3.1	0.4	14.9	59 420
1997	6.4	4.7	0.6	1.1	2.3	10 418
1998	8.2	4.1	1.8	2.3	3.2	6 775
1999	4.7	0	2.0	2.7	0	1 572
2000	626.0	484.1	141.9	0	48.4	147 739
2001	12.5	0	4.5	8.0	0	2 658
2002	0.1	0	0.1	0	0	46
2003	0.1	0	0.1	0	0	27
2004	0.4	0	0.4	0	0	124
2005	0.1	0	0.1	0	0	99
2006	0.1	0	0.1	0	0	5
2007	0	0	0	0	0	0
2008	0	0	0	0	0	0
2009	0.004	0	0	0.004	0	1
2010-2014	0	0	0	0	0	0
TOTAL	814.4	626.1	173.8	14.5	-	318 823



In 2014, the Bank Guarantee Fund recovered an amount of PLN 90.6 thousand on account of claims against the bankruptcy estate of one cooperative bank. This means that the related claims were settled in 100% in that case. At the end of 2014, the insolvency proceedings as regards one of the banks with respect to which the guarantee condition was fulfilled was not completed and the BFG's claims amounted to PLN 69.7 thousand.

3.5. VERIFICATION OF DATA CONTAINED IN BANK AND CREDIT UNION CALCULATION SYSTEMS

Banks and cooperative savings and credit-unions are obliged to deploy calculating systems enabling the disbursement of guaranteed deposits to be executed within the statutory deadline. Calculating systems allow quick calculation of the value of covered deposits for each individual depositor through the computerised process of determining the value of such deposits and transferring them to BFG. The data is prepared in accordance with the Single Customer View standard, which attributes to each client all his or her claims against a given deposit taking institution.

Calculating system – an IT system in a bank or credit union allowing for the preparation of data, for BFG, relating to depositors together with the value of covered deposits for each depositor. The details of calculating systems utilised in banks are specified in the Regulation of the Minister of Finance of 27 January 2011 on the Requirements for Calculating Systems Maintained by Entities Covered by the Mandatory Guarantee System – and in case of calculating systems utilised in credit unions – in the Regulation of the Minister of Finance of 26 September 2013 on the Requirements for Calculating Systems Maintained by the Cooperative Savings and Credit Unions.



The Bank Guarantee Fund is equipped with the power to audit the data contained in calculating systems for accuracy. The purpose of these audits is to identify errors and, consequently, to improve the quality of data obtained from the calculating systems, as well as to ensure efficient disbursement of covered deposits.

The audits carried out by the Fund are held in accordance with the prepared audit schedule. One of the tools used in planning future audits is the Early Warning System. The quality of data obtained in previous audits carried out by the Fund is also considered.

Early Warning System (EWS) – a system of combined assessments, utilised in BFG, generated on the basis of a set of economic and financial indicators, allowing for the identification of risks in banks and in relevant areas of the banking sector.



Data accuracy audits can take place in house at the Fund or on location at bank or credit union headquarters.

Audits carried out at the Fund use, among other things, automatic control algorithms included in the Deposit Guarantee Execution System, whose functionality is being systematically expanded.

Audits carried out at banks or credit unions (preceded by audits at the Fund) are aimed, in particular, at comparing data with source documents.

Table 4. Number of audits carried out in 2014

Type of audit	Commercial Banks	Cooperative Banks	Credit Unions	Total
at the Fund	1	75	59	135
At bank/credit union	-	-	9	9
Total	1	75	68	144

The tough economic situation of the credit unions made the audit tasks become a priority for the Fund. The audit was conducted several times in case of credit unions with respect to which the threat to their operation was the highest. It enabled identification of errors and to successively limit their scope, and thus reduced the risk of carrying out an erroneous disbursement of guaranteed deposits.

3.6. BFG SYSTEMS STRESS TESTS

Year 2014 was exceptional due to the fact that guarantee conditions were fulfilled in case of SKOK Wspólnota and SKOK Wołomin credit unions, which meant disbursement of guaranteed funds to the depositors of these entities. Disbursement of guaranteed deposits to the depositors was a complex test of the procedures related to the payout process and provided positive results of the effectiveness tests of BFG systems.

System effectiveness test – the statutory obligation of the Bank Guarantee Fund to perform annual tests controlling the effectiveness of systems responsible for the disbursement of guaranteed deposits.

The obligation to perform system effectiveness tests also arises from the Directive of the European Parliament and the Council on Deposit Guarantee Schemes.



Pursuant to Article 38k of the Act on BFG, the President of the BFG Management Board sent to the Minister of Finance, on 3 December 2014, a document reporting on the results of the 2014 effectiveness tests, particularly within the scope of the capacity to disburse guaranteed deposits within the statutory deadline.

The results of the tests showed that the Fund systems allow for the timely fulfilment of the statutory mandate of the Bank Guarantee Fund within the scope of disbursement of guaranteed funds.



ASSISTANCE AND SUPPORT



4. ASSISTANCE AND SUPPORT

4.1. BANK ASSISTANCE FUND

Aims

The fundamental aim of extending financial assistance is to assist in restructuring processes in banks facing the threat of insolvency, and indirectly to protect depositors against the loss of deposits entrusted to these banks. Pursuant to the Act on the Bank Guarantee Fund, assistance may take the form of loans, guarantees and sureties, as well as asset purchase. The financial assistance is covered by the Assistance Fund.

Should the funds contained within the Guaranteed Deposit Protection Fund or the Credit Union Guarantee Fund be insufficient, the Assistance Fund may be also used in order to assume liabilities due to the guaranteed funds. Moreover, these means may also be transferred to the Credit Unions Guarantee Fund, should the assets of the Credit Union Fund, the purpose of which is to restructure cooperative savings and credit unions, be insufficient to realize the BFG operations.

As a result of execution of the statutory tasks, and after accounting the payments related to the annual premiums as well as division of BFG profit are carried out, the Assistance Fund was reduced in 2014 by an amount of PLN 1,750,168.4 thousand.

Pre-conditions for extending financial assistance

A pre-condition for the Fund's extension of financial assistance is the confirmed presence of insolvency threat in a given bank.

Financial assistance may be granted by BFG only after certain pre-conditions are met, in particular the following:

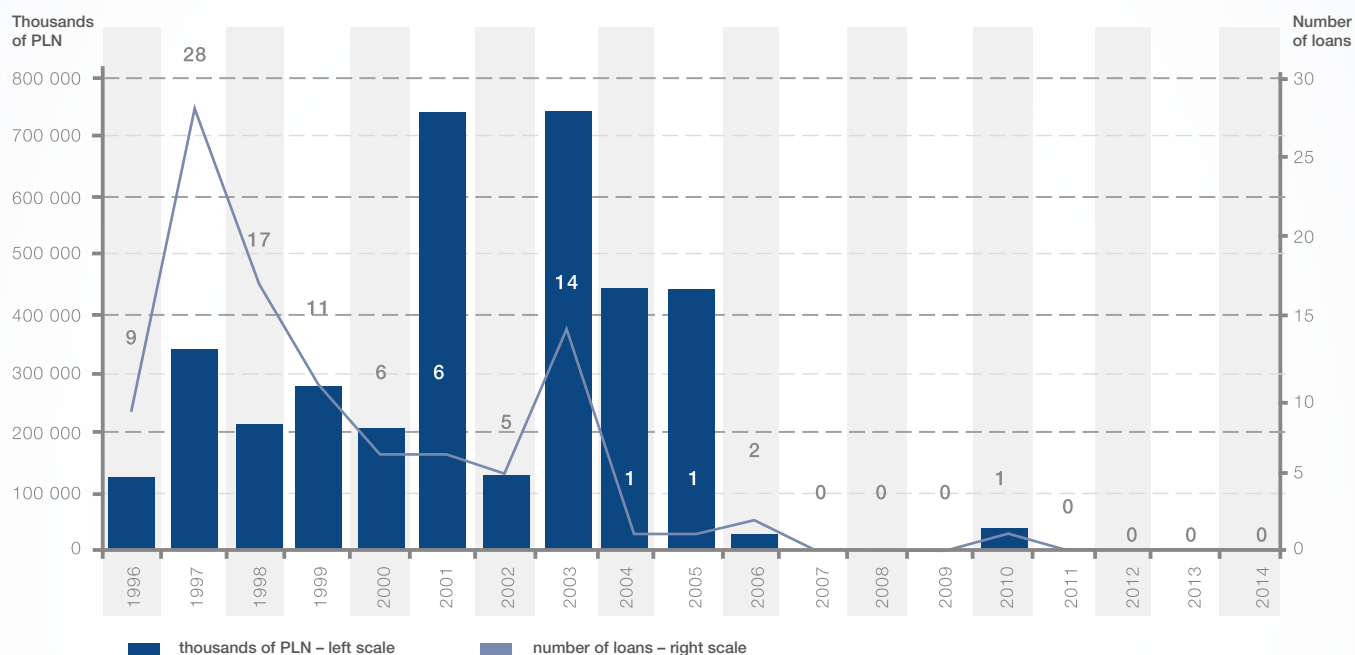
- acceptance by the BFG Management Board of the results of an assessment of a financial report of a bank applying for financial assistance, and in the event that assistance for a takeover of another bank is being applied for – also of a bank being taken over;
- submission of a positive opinion by the Polish Financial Supervision Authority about a reorganisation programme or about the purposefulness of a takeover, merger or purchase of stock (shares) of another bank;
- limitation of the financial assistance to the amount of guaranteed deposits in the bank;
- covering losses of the bank with its own funds.

Financial assistance history

In 2014, no loans were extended from the Assistance Fund. BFG continued to administer one loan extended in 2010 from the Assistance Fund in the amount of PLN 43,500.0 thousand to support a merger with a bank facing the threat of insolvency. The loan was provided for a period of 4 years and – in 2014 – the bank managed to pay back the whole loan amount in line with the schedule. The aim of the loan to support the merger process, involving the bank which faced the threat of insolvency and to avoid the bankruptcy for that specific bank was achieved.

From 1996 to the end of 2014, BFG extended a total of 101 loans from the Assistance Fund, of which 44 were directed at commercial banks and 57 at cooperative banks, for a total of PLN 3,790,342.4 thousand.

Chart 2. Loans disbursed from the Assistance Fund in - 1996* - 2014



* A loan extended in December 1995 was disbursed in January 1996.

Table 5. Purpose of the BFG financial assistance in the period between 1996 and 2014.

In the years 1996-2014 financial assistance extended by BFG was used for:		PLN 3,790,342.4 thousand
1.	Independent bank reorganisation programme proceedings	PLN 2,249,050.0 thousand
2.	Bank takeovers	PLN 1,306,292.4 thousand
3.	Purchase, by new shareholders, of shares of banks facing the threat of insolvency	PLN 235,000.0 thousand

The financial assistance extended thus far by the Fund has yielded measurable financial results, has raised confidence in the banking sector, has assured broad access to banking services and has contributed to increasing banking sector stability and to maintaining uninterrupted access to banking services.

4.2. CREDIT UNION GUARANTEE FUND

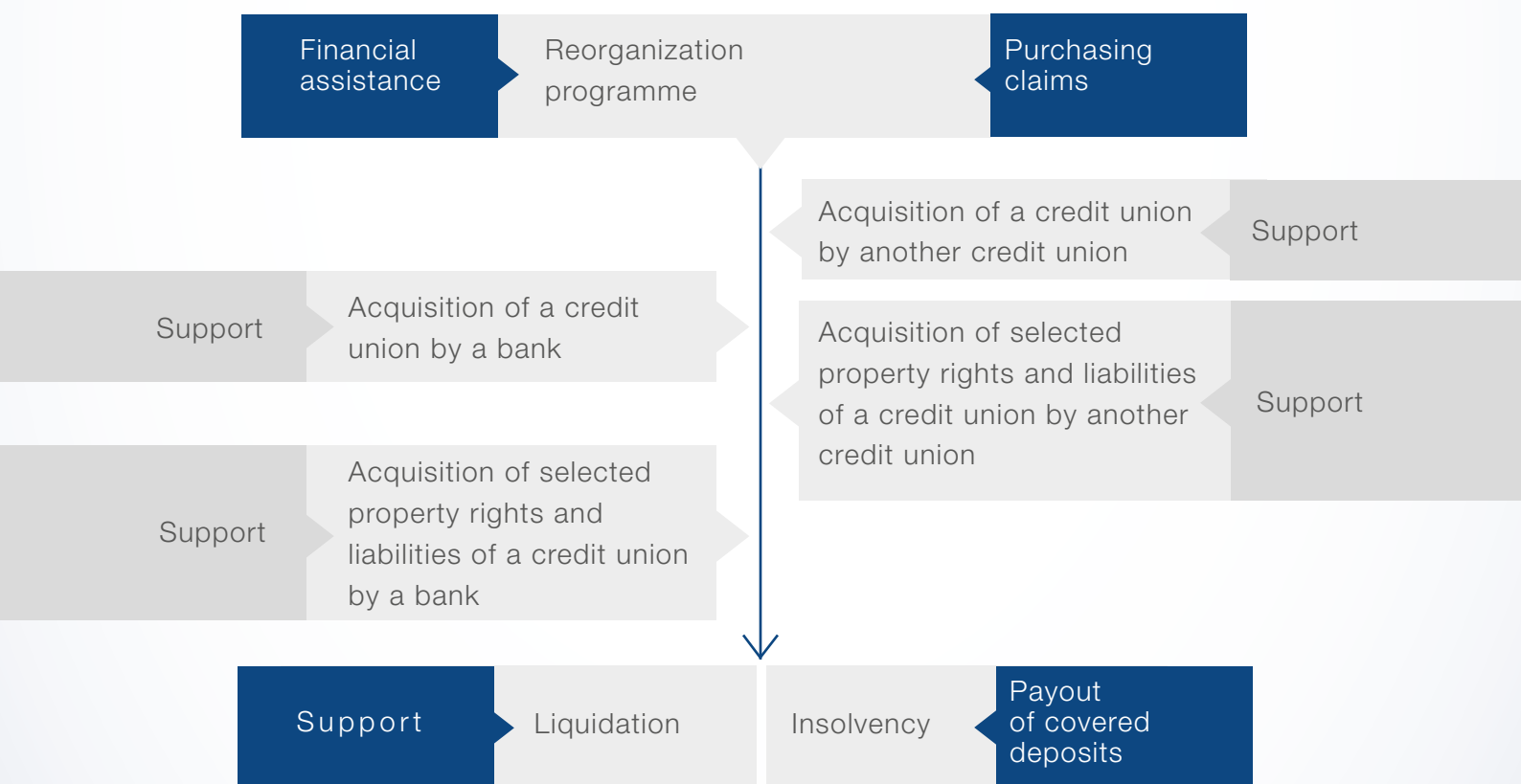
Aims

The fundamental aim of credit union restructuring processes, which are supported by BFG, is to ensure, to the extent possible, the continuation of services provided by a credit union facing the threat of insolvency and to reduce the negative effects of a possible suspension of its activities.


In restructuring processes in credit unions, the Fund may extend repayable financial assistance to credit unions facing the threat of insolvency, purchase claims of these credit unions as well as provide support to entities taking over or purchasing a credit union or part thereof.

Financial assistance extended by the Fund may take the form of subordinated loans, guarantees and sureties, while the support may, in particular, take the form of a loan, guarantee, loss-coverage guarantee or subsidy.

Figure 2. The instruments of assistance and support of restructuring processes in credit unions facing the threat of insolvency.



In addition, the amendment to *the Act on the Bank Guarantee Fund* introduced the possibility for the Fund to purchase the stock of a bank in order to take over or acquire all or part of the enterprise of a credit union facing the threat of insolvency, its restructuring or sale to a third party. This solution is similar to a bridge bank instrument used in the



process of bank resolution. Assistance and support for the unions are both financed with the use of the Credit Union Guarantee Fund. Assets from this fund are also used in order to cover the liabilities arising due to the guaranteed funds. In 2014, the assets held within that fund increased due to the annual contributions, and division of profit of the BFG as well as by assets transferred from the Assistance Fund, have all been used to finance the statutory tasks, particularly those related to fulfillment of the guarantee conditions with respect to SKOK Wspólnota and SKOK Wołomin.

Pre-conditions for extending financial assistance

A pre-condition for the Fund's extension of financial assistance and support is the confirmed presence of insolvency threat in a given credit union.

Financial assistance and support may be granted by BFG only after certain pre-conditions are met, in particular the following:


- acceptance by the BFG Management Board of the results of an assessment of a financial report of a credit union applying for financial assistance, and in the event that support is being applied for – of a credit union being taken over or liquidated;
- submission of a positive opinion by the Polish Financial Supervision Authority (PFSA) about a reorganisation programme or a positive opinion by PFSA about the purposefulness of a credit union's takeover or that there is no risk to the safety of deposits held both in the credit union being taken over and the entity taking over or acquiring that credit union;
- limitation of the financial assistance to the amount of guaranteed deposits in the credit union;
- covering losses of the credit union with its own funds;
- provision of collateral in respect of the financial assistance or support granted in the form of a loan or guarantee.

In 2014 the Fund's activities within the scope of involvement in restructuring of the cooperative savings and credit unions were focused on cooperation with the subjects interested in takeover of credit unions facing the threat of insolvency. Back in 2014, the following entities were interested in takeover:

- Alior Bank SA and Cooperative Bank expressed their interest in taking over SKOK im. św. Jana z Kęt,
- PKO BP SA and Bank Polska Kasa Opieki SA expressed their interest in taking over the SKOK im. Mikołaja Kopernika

inquiring with the Fund about the conditions of providing support related to the restructuring process of the above-mentioned credit unions.

As a result of the assessments carried out by the Fund and of the negotiations carried out with these entities, a declaration of intent of BFG support was issued for Alior Bank SA in May 2014 and for Bank Polska Kasa Opieki SA in November 2014, within the scope of the planned takeover processes related to the above-mentioned credit unions.



The PFSA, bearing in mind the approvals for takeover expressed by the banks and declarations of intent to grant support issued by BFG, approved the following takeovers:

- SKOK im. św. Jana z Kęt by Alior Bank SA on 1 September 2014,
- SKOK im. Mikołaja Kopernika by Bank Polska Kasa Opieki SA on 22 December 2014.

In December 2014, Alior Bank SA submitted a request for support in the process of restructuring SKOK im. św. Jana z Kęt, in the form of a subsidy and guarantee of coverage of losses resulting from risk associated with acquired property rights. After reviewing the Bank's request, performing a financial analysis and receiving a positive BFG Council opinion, the BFG Management Board adopted a resolution to provide support to the Bank. The Fund also signed a loss coverage guarantee agreement with the Bank, along with a subsidy agreement, on the basis of which funds related to the granted subsidy were paid in an amount of PLN 15,895.8 thousand. The loss coverage guarantee-related settlements will be realized in line with the schedule stipulated in the agreement.

4.3. STABILISATION FUND

Aims

Pursuant to the Act on BFG amended on 26 July 2013 the Fund is required to carry out new tasks within the scope of the assistance activities. These activities include provision of guarantees related to increase of own funds of a domestic bank – the so called recapitalization guarantee - and should that guarantee be executed – for the acquisition of shares, bonds or other securities, issued by a domestic bank. The above assistance is funded by assets collected by BFG within the scope of the Stabilisation Fund.

In 2014, the Stabilisation Fund was increased due to the annual contribution of prudential levies for 2014 and distribution of BFG profit for 2013. As at 31 December 2014 the Stabilisation Fund amounted to PLN 408,075.4 thousand.

Conditions of granting assistance

On request of the minister competent for financial institutions, to whom a domestic bank may submit a request for a recapitalization guarantee, the Fund may provide said guarantee. This form of assistance may be provided to domestic banks which execute reorganization programs approved and accepted by the Polish Financial Supervision Authority.

In 2014, the Fund did not receive any requests to issue a recapitalization guarantee.

4.4. COOPERATIVE BANK RESTRUCTURING FUND

Aims

Pursuant to the Act of 7 December 2000 on the Operation of Cooperative Banks, their Affiliation and Affiliating Banks, the Bank Guarantee Fund extends financial assistance to those cooperative banks in which the threat of insolvency is absent. Funds for this assistance activity come from the Cooperative Bank Restructuring Fund (CBRF), which was established from funds originating from the liquidated cooperative bank development fund, managed by Bank Gospodarki Żywnościowej SA, and from the equivalent of amounts disbursed from the budget for servicing series D restructuring bonds, some of which were redeemed.

CBRF financial assistance may be extended to cooperative banks for the following purposes:

1. acquisition of an affiliating bank's shares;
2. planned or incurred expenses associated with the merger of cooperative banks, with the aim of increasing the safety of deposits held in these banks or improving or standardising the provision of customer service, in particular:
 - acquisition or upgrade of computer software or hardware;
 - the development or standardisation of banking technology;
 - the modification of financial and accounting procedures;
 - the development or consolidation of banking products and services;
3. planned expenses classified as investment.

Applications submitted by banks are evaluated in two application rounds, commencing on 15 March and 15 September each year.

The amounts collected within the Cooperative Banks Restructuring Fund amounted to PLN 123,409.7 thousand (as at 31 December 2014).

CBRF financial assistance in 2014

In 2014, the Fund analyzed requests submitted by 11 banks, the aim of which was to obtain 12 CBRF loans, in a total amount of PLN 22,106.7 thousand. The decision was taken to extend financial assistance in the amount of PLN 21,863.0 thousand to banks that submitted their application, whereas the total disbursed amount (together with loan tranches extended in 2013) amounted to PLN 23,881.5 thousand.

Chart 3.
Breakdown of loans extended from CBRF, as at 31.12.2014

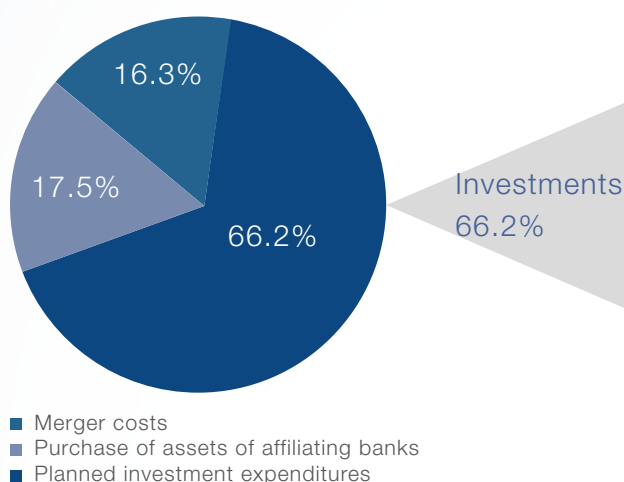
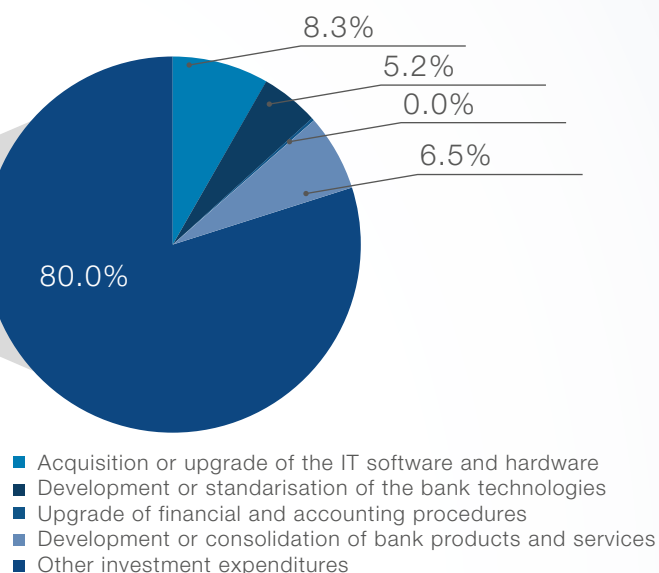


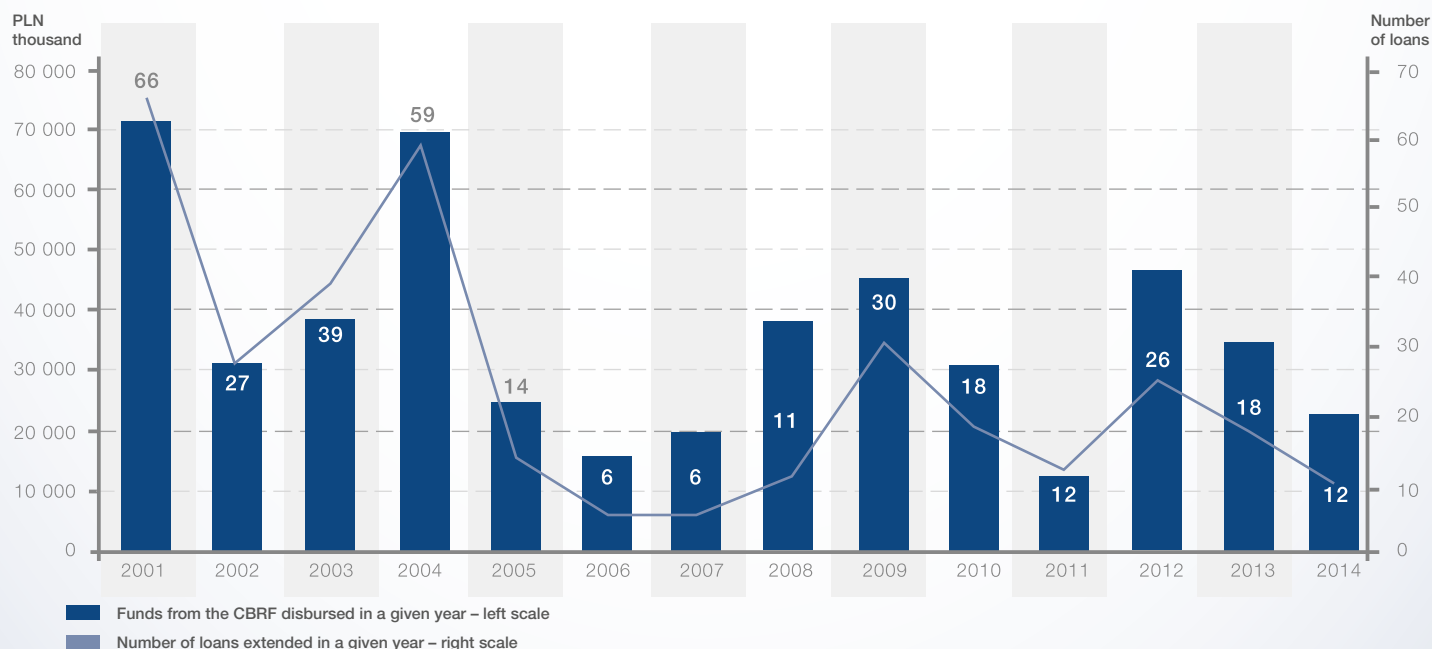
Chart 4.
Investment allocation breakdown of CBRF loans in 2014, as at 31.12.2014



The vast majority of funds of the CBRF loan portfolio in 2014 was comprised by loans whose aim was to finance the costs unrelated to merger processes (66.2%). The loans, the aim of which was to facilitate the acquisition of shares, constituted 17.5%, whereas the loans financing mergers costs constituted 16.3% of the total sum.

In 2014 most of the funds obtained by the banks from CBRF loans were used to finance other investments and expenses regarding building construction, refurbishment and renovation.

Figure 5. Disbursement of CBRF funds in the years 2001-2014 (including annexes regarding the increase the loans)



4.5. MONITORING AND AUDIT OF ENTITIES RECEIVING BFG ASSISTANCE AND SUPPORT

In 2014 (as at 31 December 2014), the economic and financial situation of 63 banks receiving the BFG financial assistance was being monitored, including:

- one commercial bank which – due to the fact that it took over a credit union – received assistance from the Credit Union Fund in the form of a loss coverage guarantee and subsidy (agreements concluded on 18 December 2014);
- 62 cooperative banks making use of 84 CBRF loans.

Table 6. Entities receiving BFG financial assistance and support in 2014

Entities using the financial assistance and support	Number of entities					
	1 January 2014			31 December 2014		
	Assistance Fund and CBRF funds	CRBF funds	Credit Union Fund	Assistance Fund	CRBF funds	Credit Union Fund
Commercial Banks	-	x	-	-	x	1
Cooperative Banks	1	70	-	-	62	-
Credit Unions	-	x	-	-	x	-
TOTAL	1	70	-	-	62	1
	71			63		

In terms of monitoring and auditing banks receiving BFG financial assistance, the following tasks were carried out:

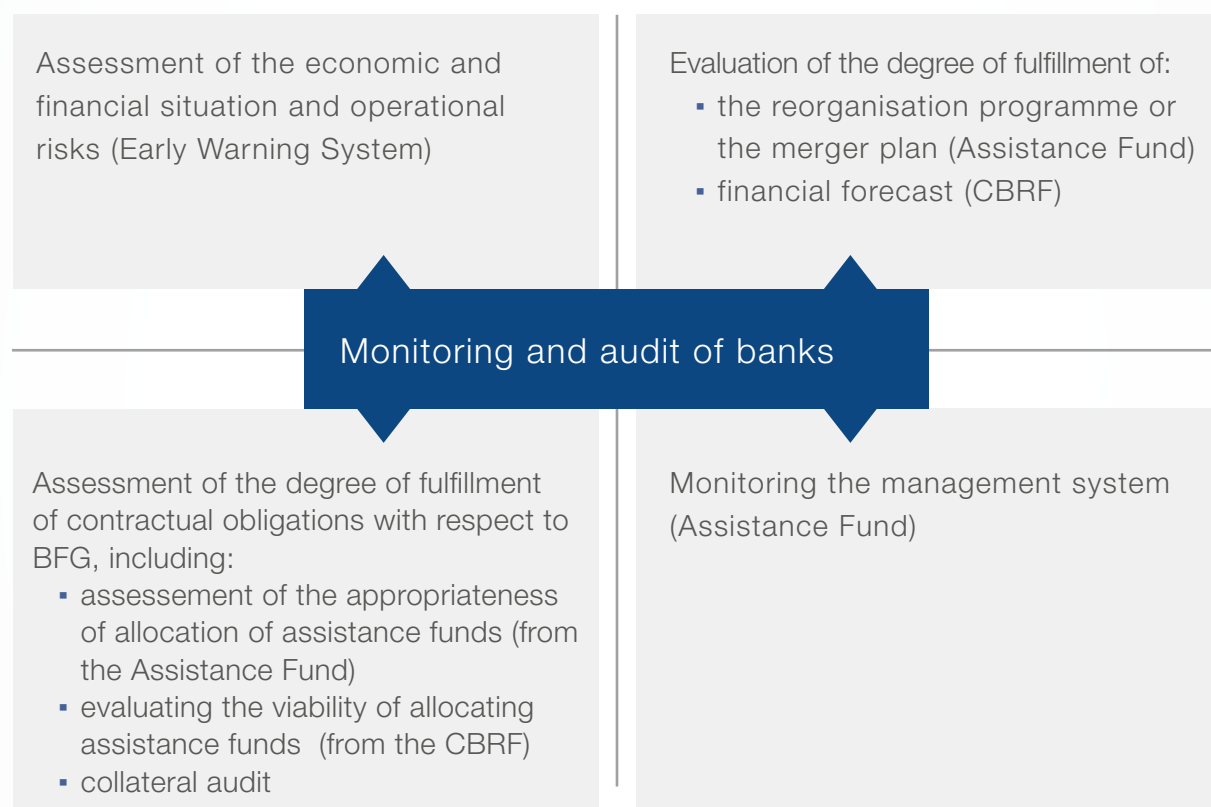
- the economic and financial situation of banks was analysed, drawing on bank operational risk assessments carried out in accordance with the BFG Early Warning System;
- it was checked whether the audited subjects acted in line with their contractual commitments;

and additionally for:

- the banks which were using financial assistance from the cooperative banks restructuring fund:
 - assessment of the financial forecast accuracy was carried out;
 - purpose of using the assistance funds used to finance the planned investment was examined.

Within the scope of loan management, the Fund, in particular:

- controlled the on-time payment of the capital installments, interests and collateralization deadlines and collateral value;
- after repayment of loan principal instalments, it carried out appropriate reductions in collateral value;
- carried out periodic audits for appropriateness of allocation of assistance funds earmarked for financing planned investments, which constitute one of the conditions for disbursement of subsequent loan tranches.



In 2014, monitoring and audit results showed that as regards banks receiving financial assistance from the Fund, the repayment of their financial obligations with respect to BFG was not prone to disruption. The fulfilment of the merger plan by the bank that had been awarded a loan from the Assistance Fund did not diverge significantly from its objectives. **Banks used the funds from the CBRF in accordance with statutory aims.**

ANALITICAL ACTIVITY



5. ANALITICAL ACTIVITY

5.1. SITUATION ANALYSIS FOR THE BANKING SECTOR, CREDIT UNION SECTOR AND IN THE MACROECONOMIC ENVIRONMENT

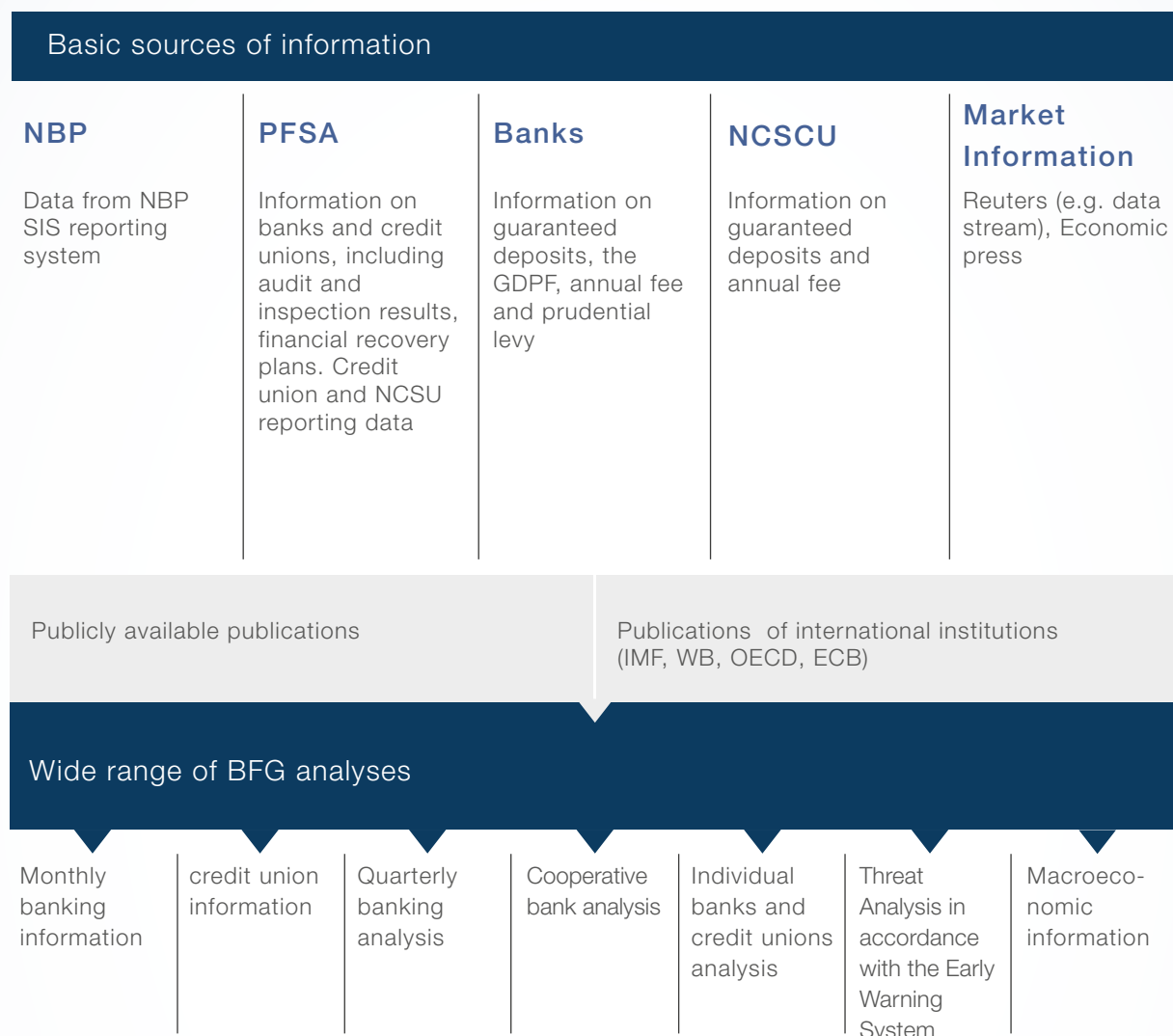
The statutory mandate of the Bank Guarantee Fund involves collecting and analysing information about banks and cooperative savings and credit unions (the credit union sector was added to the scope of analytical work in 2013). The Fund's analytical work is of a wide range and allows for the preparation of restructuring activities related to the banking sector and the credit union sector, as well as for the disbursement of guaranteed funds to depositors. Using data obtained from NBP, FSC, banks and the NCSCU, the Fund carried out analyses of the financial situation in the banking sector and individual banks, as well as in the credit union sector and individual credit unions.

These analyses were prepared as follows:

- quarterly:
 - banking sector threat analysis, taking into account the respective specificity of commercial and cooperative banks,
 - bank threat analysis in accordance with the EWS (Early Warning System) model
- monthly – a synthesis of information presented in tabular-graphical format:
 - on the situation in the banking sector,
 - on the situation in the cooperative savings and credit union sector,
- semi-annually – cooperative bank sector threat analysis.

The analytical system of the Bank Guarantee Fund is subject to constant development and modification. Its design and the most important sources of information on banks and credit unions are shown in the Figure below.


BFG Analysis System



Selected in-house BFG compiled analyses and information are available on the Fund's website: <https://www.bfg.pl/sytuacja-w-sektorze-bankowym>
<https://www.bfg.pl/wydarzenia-gospodarcze>

Credit Union and Bank Analyses

In 2014, banking sector analyses focused on the areas and issues which posed the most significant risks to the condition of the sector and of the individual banks. In addition, the Fund performed detailed assessment of selected groups of banks, such as the cooperative bank sector. During analysis of the cooperative banking sector, effectiveness problems, related to the affiliated cooperative banks and the affiliating banks, were indicated. Effectiveness of operation of the cooperative banking sector, including the business model of affiliating banks, as well as the need for the sector to adapt to regulatory changes were also the topic for presentations prepared for the Annual Forum For Leaders of Cooperative Banks and within the Assembly of Presidents of Cooperative Banks under the auspices of Spółdzielcza Grupa Bankowa.



The financial and economic situation within the cooperative credit and savings unions was also monitored and analyzed in an ongoing manner. The studies put an emphasis on problems and risks related to the credit union sector and on the issues related to individual credit unions. The financial situation was monitored with respect to those credit unions with a capital adequacy ratio lower than 1%, as well as those in which the PFSA appointed a receiver or initiated the procedure of appointing a receiver. A more incisive analysis was carried out in respect of those credit unions that exhibited the highest of threat levels.

The situation in the banking and in the cooperative savings and credit unions sectors was the main topic of the meetings of the Early Warning System Committee. During the meetings of the Committee the topic of risks, amongst others related to the critical situation in the cooperative savings and credit unions sector was discussed. This particularly referred to credit unions with a poorly performing loan portfolio, a high level of losses and low level of own funds. The analysis also covered the worsening quality of loans in the cooperative banking sector, along with negative trends in banking sector interest income.

Macroeconomic Information


Part of the Fund's analytical activity entailed compiling monthly macroeconomic reports on domestic and international economic events. Macroeconomic and market-related events that could have had an impact on banking sector stability were singled out in these reports. The situation in financial markets was also analysed (bond markets in particular), which enabled market assessments to be carried out for investment purposes in the area of the Fund's asset management operations, necessary for efficient securities portfolio management.

Work on the target fund level in BFG

In 2014, analyses related to the changes the deposit guaranteeing systems financing were carried out, resulting from the EU directives: the Bank Recovery and Resolution Directive (BRRD) and the Deposit Guarantee Schemes Directive (DGSD)¹⁴. A study entitled *Target BFG Capitalization Level (Discussion material regarding setting assessment rates in 2015)* was prepared and presented to the BFG Council. This study presents the BFG financing assumptions, along with the assessment rate proposals for 2015.

Both within the scope of collecting funds for deposit guarantees, as well as in case of financing resolution operations, two independent systems for accumulation of funds are going to be used (separately for banks and for credit unions). The aforementioned material describes requirements within the scope of achieving the target fund levels

¹⁴ On 12 June 2014, the Official Journal of the European Union contained the 2014/59/EU directive issued by the European Parliament and the Council, on May 15 2014, which set the framework regarding the needs of executing the reorganization operations and restructuring, along with liquidation carried out in an orderly manner regarding the loan and investment bodies, and which changed the 82/891/EEC directive of the Council and 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 directives of the European Parliament and the Council and 1093/2010 and (EU) No. 648/2012 directives of the European Parliament and the Council (EU), and 2014/49/EU directive of the European Parliament and the Council issued on 16 April 2014, regarding the Deposit Guaranteeing System (transformed version) ("DGSD Directive").



of the particular BFG own funds, the process of their replenishment should BFG be involved in intervention activities in the banking or the credit union sectors, and the impact on the banking and credit union sectors from mandatory annual contributions remitted to BFG.

5.2. EARLY WARNING SYSTEM

The banking sector threat assessment is carried out based on the additive-multiplicative model of the Early Warning System (EWS). The model was developed in 2011 and has been employed in carrying out risk assessments in selected banks since Q3 2011. The following three areas are evaluated in context of this model:

- performance,
- credit risk,
- capital adequacy.

The final evaluation also takes into account the non-financial reporting information pertaining to ongoing reorganisation proceedings. The mechanisms used in the model allow for rapid and effective identification of banks facing the threat of insolvency.

In 2014, the Bank Guarantee Fund was carrying out assessments of all banks on a regular basis using its EWS model; the results were presented and discussed at meetings of the Early Warning System Committee, which is charged with carrying out assessments of the economic and financial situation of banks and credit unions, as well as its impact on financial system stability.

In order to make the analysis of the financial and economic situation more effective, in relation to the individual subjects covered by the guarantee system, and in order to quickly identify the bank-related risks, an IT system supporting the bank rating attribution was implemented within the framework of the Early Warning System. The implemented tool makes it possible to carry out complex assessment of all the banks and to display in a standardized manner the results of attributed rating as well as to present the financial and economic status of the scrutinized institutions.

5.3. BFG INFORMATION SYSTEM ENHANCEMENT

In order for BFG to fulfil its statutory mandate, it is imperative that access to information on the entities covered by the mandatory guarantee scheme is ensured. This task is carried out by the Bank Guarantee Fund Information System, which gathers, processes and grants access to data and information on these entities and the operations of the Fund, statutory and otherwise, to authorized users. The most important component of the BFG Information System is financial reporting data and non-financial reporting data of banks and credit unions.

In 2014, the Fund's databases went through a rapid expansion, due to the fact that new prudential reporting packages of the banks, in line with the EU regulations, were acquired. Access to the above data was provided thanks to an amendment of the MOU between the fund and the National Bank of Poland. The new *Memorandum of understanding concerning the object, scope, means and timing of conveying information to the Bank Guarantee Fund by the National Bank of Poland* was signed on 8 September 2014.

On 20 February 2014 *Regulation No 7/2011 of the President of NBP pertaining to the scope, means and timing of conveying information to the Bank Guarantee Fund on banks covered by the obligatory deposit guarantee system* entered into force, which expanded the database with information on prudential levies.

Changes of the scope of information received by the Fund required modifications in the information system maintained by BFG. Within the scope of implementation of the new reporting packages for banks, the existing ones were modified, and new aggregates and standard reports were created for individual and for consolidated reporting. This work will be continued in 2015, also due to the planned implementation of the prospective reporting bundles.



FUND INVESTMENT OPERATIONS



6. FUND INVESTMENT OPERATIONS

Investment opportunities

Pursuant to the Act on Bank Guarantee Fund, the Fund may purchase securities issued or guaranteed by the State Treasury, the National Bank of Poland and the governments or central banks located in Member States of the European Union, countries being parties to the Agreement on the European Economic Area or members of the Organisation for Economic Cooperation and Development. Furthermore, the Fund may purchase participation units in money market funds and establish term deposits with the NBP.

Inflows of funds from banks due to the mandatory annual contribution and prudential levy, as well as from coupon payments and redemption of bonds deposited.

Terms and conditions of BFG investment policy

The purchase of securities is conducted in accordance with “The Bank Guarantee Fund Investment Policy on Investing Funds in Securities” which is updated every year. It determines investment directions and approaches to portfolio management to ensure advantageous financial results. Additionally, the document includes terms and conditions of investing inflows of funds received by the Fund, based on monitoring the duration and profitability of the entire portfolio, which enables the creation of a sufficiently diversified securities portfolio providing security and liquidity in the event that it is necessary to liquidate securities for the purpose of a disbursement of guaranteed deposits.

In 2014 BFG managed the securities portfolio with a view to securing assets for potential interventions in the light of the difficult financial situation in the cooperative savings and credit union sector.

Participation in the BondSpot Platform and Bank Agreements

In the second quarter of 2014, BFG was approved for taking part in operations carried out on the Treasury BondSpot Poland platform, as an institutional investor. Thanks to the above, BFG obtained access to the cash market, repo market and to the institutional cash market. Participation in the operations carried out within the BondSpot platform expanded the Fund’s capacity within the scope of trading the treasury securities, inter alia, with a reference to the conditional repo and buy-sell back types of transactions. Additionally, BFG also expanded its cooperation in the scope of managing debt securities, with subsequent banks - belonging to the group of the largest domestic entities which are active on the treasury bonds market. This expanded BFG’s capabilities of acquiring the funds needed to realize potential disbursements, especially in tough market conditions.

Structure of the BFG portfolio

In 2014, pursuant to its investment plan, the Fund purchased treasury bonds. In addition, in order to ensure a proper level of short-term liquidity and effective allocation of available funds kept in a current account at the NBP, funds were invested in NBP money bills and *buy-sell* back transactions were concluded. At the end of 2014, profitability of the whole securities portfolio, maintained by the BFG, reached the level of 4.75%, with a duration of 3.39 years (in comparison with profitability at the level of 4.57% and 3.66 years duration, at the end of 2013).

In comparison to 2013, there was an increase in the share of treasury bonds in the BFG portfolio from 85.92% to 98.54% (as per nominal value) and a decrease from 14.08% to 1.46% in the share of money bills, due to the need of carrying out interventions in the credit union sector (the funds required to disburse guaranteed deposits were acquired mainly from maturing National Bank of Poland money bills).

Type	Share in portfolio as per nominal value	
	31.12.2013	31.12.2014
NBP money market bills	14.08%	1.46%
Treasury Bonds	85.92%	98.54%
TOTAL	100.00%	100.00%





FINANCIAL RESULT IN 2014



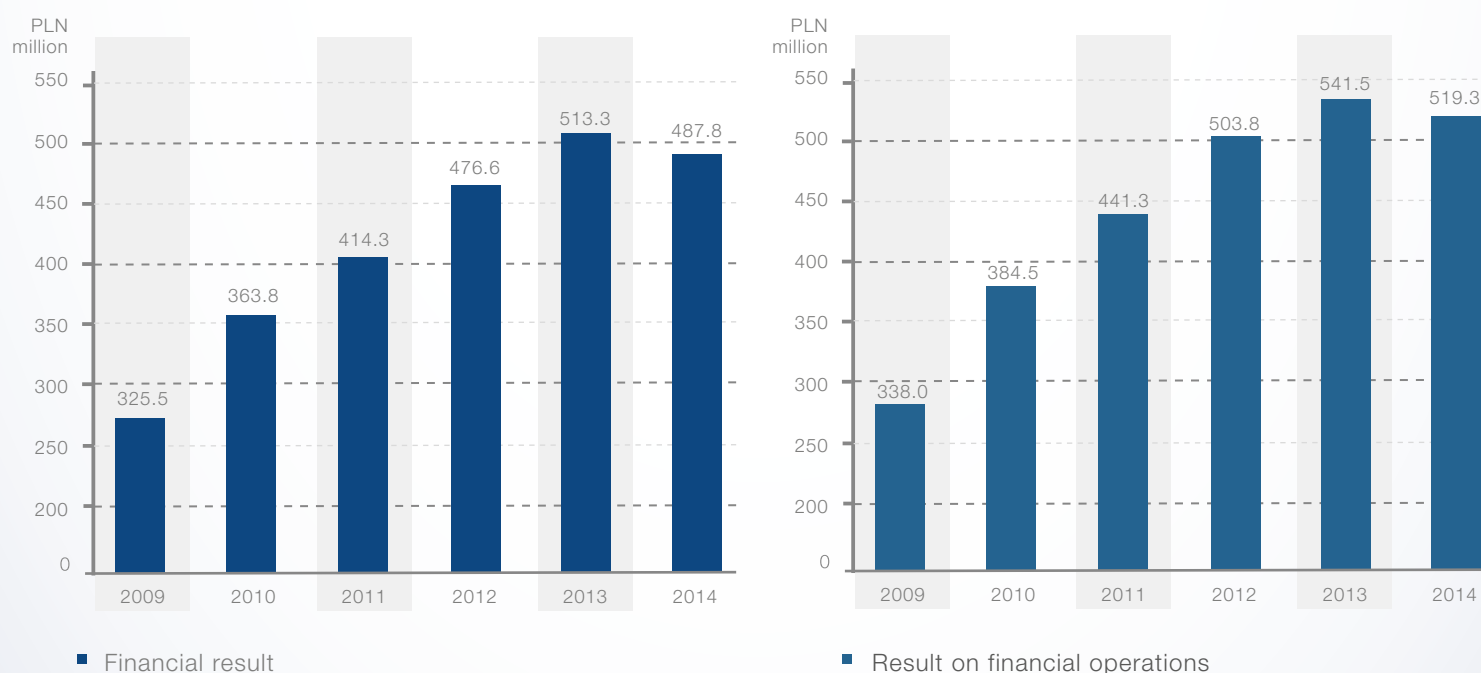
7. FINANCIAL RESULT IN 2014

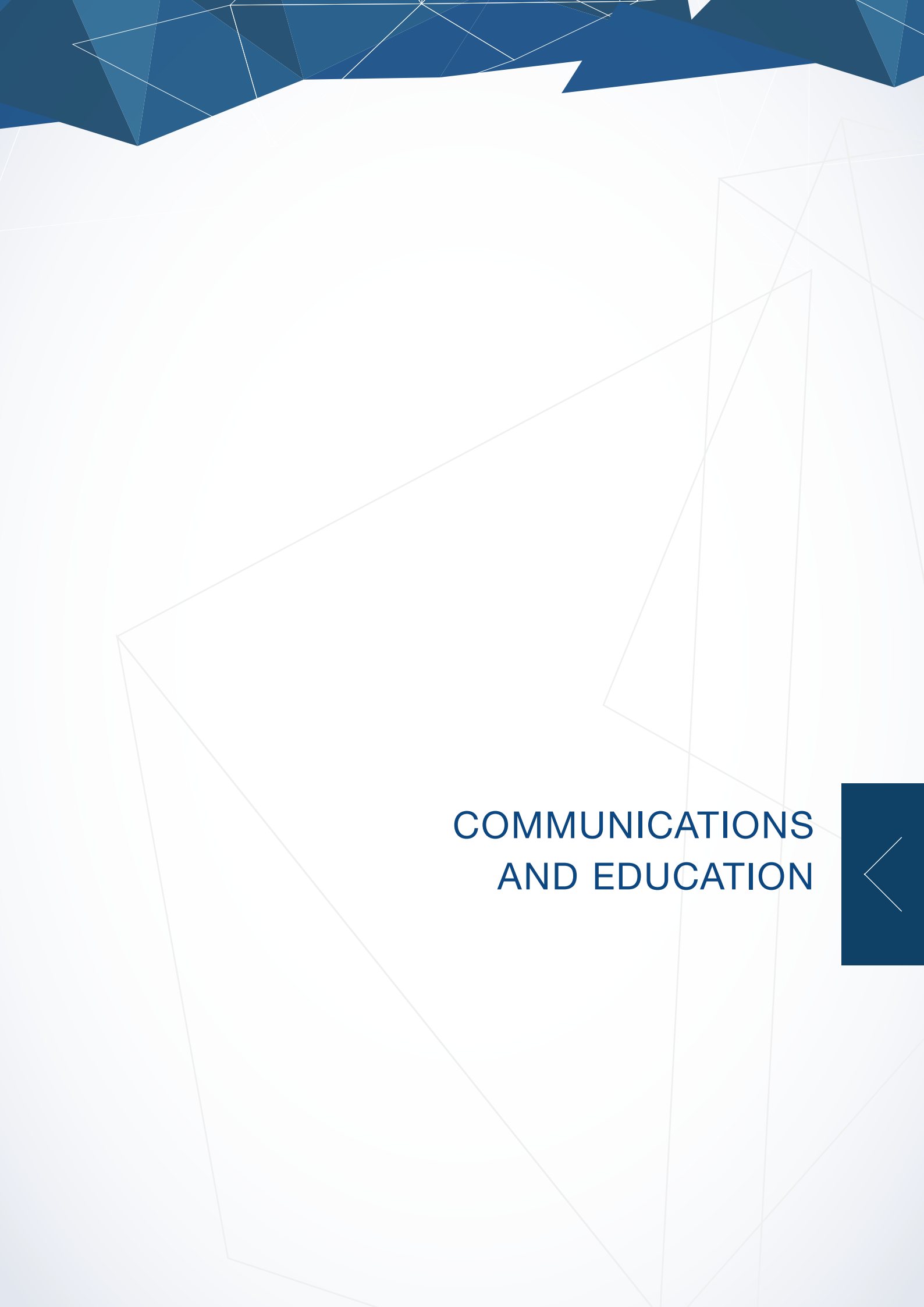
In 2014 the financial result reached the level of PLN 487,767.4 thousand, it was realized at the level of 99.4%, in comparison with the planned level. In comparison to 2013, the financial result was lower by PLN 25,518.4 thousand, i.e. by 5.0%.

The main item in the profit and loss account in 2014 was the result on financial operations in the amount of PLN 519,322.0 thousand, including the result on securities, in the amount of PLN 518,893.2 thousand. The result on securities operations is composed of: the result on treasury bonds—PLN 469,866.5 thousand; result on National Bank of Poland money bills—PLN 47,832.0 thousand; and the result on buy-sell-back operations in the amount of PLN 1,194.8 thousand. Moreover, the result on financial operations due to the term deposits and current account interest reached the level of PLN 428.7 thousand. The Fund generated also interest income from loans in the amount of PLN 258.8 thousand and other operating income in the amount of PLN 267.8 thousand.

In 2014 operational costs of the Fund reached the level of PLN 28,450.9 thousand. The most significant position among these costs were remuneration costs (PLN 17,594.7 thousand). Depreciation and amortization costs related to property, plant and equipment and intangible assets, reached the value of PLN 3,281.5 thousand, while other operating costs amounted to PLN 350.1 thousand.

Figure 6. BFG financial results in the years 2009-2014





COMMUNICATIONS AND EDUCATION



8. COMMUNICATIONS AND EDUCATION

In 2014, the communications and education initiatives were executed in line with “The BFG Promotion, Information and Education Policy” adopted by the Fund. The aim of the public awareness campaigns carried out by the Fund is to inform the public about the functioning of the deposit guarantee scheme in Poland and BFG’s role in the composition of the financial safety net.

8.1. PUBLIC AWARENESS INITIATIVES



Materials available at banks and credit unions.

BFG leaflets, made available to clients in bank and credit union branches, are among the principal awareness-building materials on the functioning of the deposit guarantee system in Poland.

During the whole year, responding to the ongoing demand, banks and the credit unions received 80,000 copies of information leaflets on the deposit guarantee system and placards used to identify membership of the entity in which they are displayed in the mandatory deposit guarantee system. These placards are prominently displayed in nearly every bank and credit union branch in Poland.



Website

Information on the Polish deposit guarantee system and operations of the Fund is available at **www.bfg.pl/en**. The website provides constant and easy access to current information, as well as current and archival materials and documents.

BFG Helpline

A toll-free helpline (**800 569 341**) is an important tool that gives members of the public interested in obtaining information about the deposit guarantee system in Poland direct access to employees of the Fund. All interested persons could obtain information related to the principles of functioning of the deposit guarantee scheme and the participation of individual financial entities in the guarantee system. Within the first couple of days after suspension of SKOK Wspólnota and SKOK Wołomin operations, increased helpline traffic could be observed. At that time, 20 employees managed the helpline calls.

Presence in social media

The Bank Guarantee Fund continued its communications and educational activities by utilizing the social media sites, such as: Facebook, YouTube and Pinterest. A Google AdWords campaign was carried out twice. The aim of the campaign was to promote the analyses of the banking sector developed by the Fund as well as the competition, organized by BFG, for the top bachelor's, master's and doctoral dissertation. As a result of the campaigns, the traffic on the BFG website was significantly increased.

8.2. BFG PUBLICATIONS

In 2014, three subsequent issues of the *Safe Bank* journal were published. The fourth issue was ready to be printed. In 2014, *Safe Bank* presented more than 20 articles and papers in total. The thematic scope of the articles included, inter alia, the area of collaboration between the public and the private sectors in responding to the consequences of the 2007+ crisis, along with the broader theme of bank safety. The special issue, published in English, contained studies related to the international conference organized by the Cracow University of Economics, covering the topic of *Ethics in Banking*.



The market position of the **Safe Bank** journal was reinforced, thanks to the decision of the Minister of Science and Higher Education to place it on the list of the scored journals, with a 5 pts. parameter.



Both the current as well as the archived issues of the *Safe Bank* journal are all available on the BFG website (www.bfg.pl/czasopismo-bezpieczny-bank). Back in 2014 *Annual Report of the Bank Guarantee Fund for 2013* was developed and published on the website in Polish and English language versions (<http://www.bfg.pl/raporty-roczne>).

8.3. EDUCATIONAL INITIATIVES



Propagating knowledge about the deposit guarantee system among university students and graduates

April 2014 saw the conclusion of a subsequent round of a competition for the top bachelor's, master's and doctoral dissertation on the topic of deposit guarantee systems, the operation of the Bank Guarantee Fund and financial safety of banks. The competition involved 14 theses, out of which the Jury selected the winners and awarded the theses with I and II prize in all of the categories: PhD thesis, MA thesis and BA thesis. The awards ceremony took place on 15 April 2014, at the BFG headquarters.



Accessible Finances Academy

For the past several years, the Bank Guarantee Fund has been involved in an initiative led by the National Bank of Poland, called the Accessible Finance Academy. The main goal of the project is to reduce financial exclusion and to propagate cashless transactions in Poland. Within the framework of the initiative, a representative of the Fund was involved in meetings with the local opinion-makers organized by the District Branches of the National Bank of Poland, in Cracow, Olsztyn and Rzeszów. The participants came from the NGOs, Universities and from the social activism circles.

Propagation of knowledge on the principles of deposit guarantee scheme within the Academy is aimed at eliminating barriers related to the use of services provided by banks and credit unions resulting from concerns about the safety of funds entrusted to these entities.

Other activities

For the second time in a row, BFG – coorganized with the Polish Financial Supervision Authority, Ministry of Justice, the National Bank of Poland and the Office for Competition and Consumer Protection – the *“Nie daj się nabrać. Sprawdź zanim podpiszesz!”* [Don't get hustled! Check before you sign!] initiative, the aim of which is to raise awareness of issues around taking loans.



DOMESTIC COLLABORATION



9. DOMESTIC COLLABORATION

9.1. COLLABORATION WITH FINANCIAL SAFETY NET INSTITUTIONS

The President of the Fund Management Board, as the member of the Financial Stability Committee, regularly attended meetings of this body.

Moreover, the President of the BFG Management Board and his Deputy took part in the meeting of the Systemic Risk Committee, operating within the structures of the National Bank of Poland.

The **Financial Stability Committee is composed of:** the Minister of Finance, the President of the National Bank of Poland, the Head of the Polish National Financial Supervision Authority, the President of the BFG Management Board

The aim of the Committee's operations is to carry out effective collaboration in the scope of supporting and maintenance of the stability of the domestic financial system through information, opinion and situational assessment exchange, regarding the domestic and foreign financial systems and coordinating operations within the above scope.



Within the scope of the activities undertaken by the Financial Market Development Council, a representative of the Fund was involved in the work undertaken by the Ministry of Finance, on the development of a capital market strategy aiming to unify coverage across a variety of sectors, and secondly, to reach a settlement as regards the entity that would manage the capital market protection system.

9.2. COLLABORATION WITH BANKING INSTITUTIONS IN POLAND

The President of the BFG Board took part in a debate which covered the opportunities for the Polish Cooperative Banking Sector, which was organized by the Polish Bank Association and by *Dziennik Gazeta Prawna* newspaper. A Member of the BFG Management Board took part in the annual Forum of Leaders of Cooperative Banks organized by the Polish Bank Association and by the affiliating banks. The Forum of Leaders of Cooperative Banks is the largest annual meeting of the representatives of the cooperative banking sector. On the plenary session which covered the business model and the operational effectiveness of the cooperative banks, the BFG Management Board President made a presentation on the *Operational Effectiveness of Cooperative Banking*.

Within the scope of its collaboration with the Polish Bank Association, BFG once again took part in an opinion poll measuring the public's perception of the banking sector, called "Survey on the Reputation of the Banking Sector". It entailed, inter alia, a discernment of the level of knowledge among members of the general public about the deposit guarantee system and the role of the Bank Guarantee Fund.

The level of public awareness is close to the data recorded in the preceding years. However, among bank employees, the Fund is in a leading position when it comes to the institutional confidence.



9.3. CONFERENCES AND HONORARY SPONSORSHIPS

In 2014, BFG representatives took part in the 6th European Economic Congress and 9th Banking Risk Congress (organized by the Credit Information Bureau). Moreover, during some other conferences and seminars, representatives of the Fund presented their talks, took part in debates or led panel discussions.

The Fund acted as honorary sponsor for the international conference organized by the Warsaw School of Economics: *Risk Management Conference – The Safety of the Financial System: From Idiosyncratic to Systemic Risk*. This conference, which constitutes a platform for presenting the latest risk management-related research, involved scientists and practitioners from numerous countries. A Member of the BFG Board participated in one of the working-sessions of the above-mentioned conference. The Bank Guarantee Fund also collaborated with the Allerhand Institute in the organisation of the 2nd Polish Financial Regulations Summit 2014. The Fund acted as honorary sponsor for the VII Banking Forum Congress, organized in Warsaw, between 22-23 October 2014, which addressed various current problems of the financial market in Poland and Europe.



INTERNATIONAL COOPERATION




10. INTERNATIONAL COOPERATION

10.1. MANAGEMENT OF AND COOPERATION WITH THE INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS

Since 2012, the President of the BFG Management Board has been acting as the President and Chairman of the Executive Council of the International Association of Deposit Insurers (IADI) and has been providing direction to the work undertaken by the Association. In 2014, the IADI President chaired three meetings of the Executive Council as well as the Annual General Meeting (AGM) of IADI Members. The IADI President delivered also opening speeches during international conferences accompanying IADI meetings. BFG representatives took an active part in the work of five IADI standing committees (Governance, Research and Guidance, Training and Conference, Membership and Communications, and Data and Survey Committees), Steering Committee and the IADI – Joint Working Group (JWG), along with four subcommittees: Subcommittee on Systemic Crisis, Subcommittee on Financial Inclusion and Innovation, Subcommittee on Resolution of Banks Failures, Subcommittee on Developing Guidance for Funding Deposit Insurance, and the European Regional Committee. Moreover, a representative of BFG chaired the work undertaken by the Subcommittee on Bail-in implications for deposit insurance and funding (hereinafter referred to as Bail-in Subcommittee).

The Fund took part in the work undertaken by the Steering Committee and by the JWG, which was created in February 2013 by the IADI Executive Council in order to update the Core Principles for Effective Deposit Insurance System (*Core Principles*). The JWG also included, in addition to IADI representatives, representatives of the Financial Stability Board (FSB), the International Monetary Fund (IMF), the World Bank (WB), the European Commission (EC), the Basel Committee on Banking Supervision (BCBS) and the European Forum of Deposit Insurers (EFDI). In October 2014, the updated version of the *Core Principles* was submitted for approval, during the 43rd IADI Executive Council (EXCO) meeting. This version was also presented during the 13th IADI Annual General Meeting. The updated *Core Principles* document was officially submitted to the Financial Stability Board (FSB) in November 2014 for inclusion in the FSB's Compendium of Key Standards for Sound Financial Systems.



Core Principles is a set of the best international practices, the purpose of which is to improve the effectiveness of deposit guarantee systems, developed in 2009 by IADI and the Basel Committee on Banking Supervision, and approved by the Financial Stability Board. The *Core Principles* are utilized during reviews of the financial sector in various jurisdictions (Financial Sector Assessment Program, FSAP), realized by the International Monetary Fund and by the World Bank.



The updated standards better reflect the current conditions of operation of deposit-guarantee institutions and more fully refer to the issues covered by the Financial Stability Board. The best practices take into account e.g. the target 7-working-day disbursement period of guaranteed deposits, along with provisions pertaining to ex-ante funding for the deposit guarantee systems (which is more effective due to its anti-cyclical nature). The revised Core Principles stress the importance of deposit guarantee institutions in crisis management and in resolution.

In June 2014 the 42nd Executive Council Meeting of IADI as well as 8 Standing Committee and Subcommittee meetings were held in Warsaw. The event was accompanied by a *Bail-in and Deposit Insurance System Interactions seminar*.

The seminar was jointly organized by IADI, BFG and the National Bank of Poland (NBP), as part of a research project on bail-in implications for deposit insurers and funding run by IADI under the leadership of BFG. The meeting covered issues related to the bail-in instrument and the process of converting liabilities, with a particular emphasis on the role of the deposit insurers within the process of resolution, with the use of the above-mentioned instrument. The speaker line-up included representatives of the Financial Stability Board, the International Monetary Fund, the World Bank, the European Commission, the European Banking Authority and numerous deposit insurance agencies.



Within the scope of realization of the bail-in research project in addition to preparation of a seminar organized in October 2014, members of the Bail-in Subcommittee received a draft of the *Research Paper*. A BFG representative, head of the Bail-in Subcommittee, during the conference which complemented the IADI AGM, presented the topic of *Resolution Tools – Constraints and Opportunities for the Use of Bail-in*, referring to the results of the work undertaken so far by the Bail-in Subcommittee.

BFG also conducted work aiming at development of the IADI Annual Survey and at expanding the iFOST (*IADI's First On-Line Survey Tool*) platform, which enables execution of surveys and validation of the survey-collected data by IADI experts online. The tool has been utilized to carry out the 2014 survey, making the procedure considerably more effective. The Annual Survey was completed by 100 institutions from all around the world.

10.2. BFG INVOLVEMENT IN THE INTERNATIONAL ARENA

In 2014, representatives of BFG took part in international meetings focusing on the financial stability and operation of the deposit guarantee systems.

The Fund was involved in the work of the European Forum of the Deposit Insurers (EFDI) and was actively engaged in its operation.

In 2014, the BFG Management Board President, for the first time as a representative of BFG as a future resolution authority, took part in a meeting of the Board of Supervisors (BoS) at the European office of the European Banking Authority (EBA). He also took part in the BoS meeting, during which the process of creating and rules of operation of the EBA Resolution Committee (ResCo) were discussed, along with several drafts of technical standards and EBA guidelines.

What is more, the Fund's representatives also participated in the following meetings:

- EFDI EU Committee meeting during which the BRRD and DGSD directives were discussed;
- Meeting of the Ad Hoc Working Party on SRM within the Council of the European Union;
- Meetings of the Financial Stability Board's working group;
- EFDI meeting covering the new EU legislative solutions, including the solutions covering the risk-based contributions.

The President of the BFG Management Board was also involved in, *inter alia*:

- Spring session of the IMF and WB, organized by the Institute of International Finance (IIF), and was involved in a series of bilateral meetings with representatives of the above-mentioned institutions;
- conference organized by the WB, IMF and by the Federal Reserve Board, covering the following topic: *Global Financial Sector Reform: Five Years on – Are we treating the symptoms or curing the disease?*

10.3. BFG COOPERATION WITH FOREIGN DEPOSIT GUARANTEE INSTITUTIONS

In 2014, BFG maintained regular bilateral contacts with foreign deposit insurance agencies. Within the scope of that cooperation, BFG signed a Memorandum of Understanding with the Nigeria Deposit Insurance Corporation (NDIC). The memorandum covers cooperation between BFG and NDIC within the scope of economy and finances and provides a forum for exchange of views and information on financial services, deposit insurance, promotion of sound banking practices and other financial stability issues.

INTERNAL
AFFAIRS



11. INTERNAL AFFAIRS

11.1. LEGISLATIVE WORK

11.1.1. WORK ON DRAFT LEGISLATION ON RESOLUTION

On 12 June 2014, the **BRRD and DGSD directives were published in the Official Journal of the European Union**. Both of the above-described directives entered into force, in their principal aspects, on 20th day since publishing. Since that date, the EU member states have been obliged to transpose the provisions of both directives into their domestic legislation.

The BRRD directive regulations shall be implemented until 31 December 2014, and shall enter into force on 1 January 2015, with the exception of regulations that are implementing section 5, referring to the debt write-down or conversion, coming from chapter IV title IV, which should be in force at the latest on 1 January 2016. On the other hand, regulations implemented by the DGSD directive (provisions that are new in comparison with the regulations implemented so far by the 94/19/EC directive) shall enter into force by 3 July 2015 (excluding the regulations of article 8, section 4, covering advance payment, which shall enter into force by 31 May 2016 and article 13, pertaining to the risk-based contributions, which shall enter into force on the same date, should relevant bodies determine that implementation of regulations related to calculation of the risk-based contributions is impossible by the given deadline).



In 2014 the Fund worked on the *Act on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution*¹⁵ within the scope of the legislative process carried out by the Ministry of Finance.

In 2014 the work carried out by the Fund were mostly related to:

- analysis of issues with respect to which discrepancies were reported in previous inter-ministerial consultations and within the scope of developing proposals for changes;
- compliance of the bill with the BRRD and DGSD directives, and the guidelines issued by the European Banking Authority;
- correctness and completeness of regulations in context of expansion of coverage to investment firms and cooperative savings and credit unions;

¹⁵ In order to unify the terminology, name of the bill was adopted, in line with the bill which was used for public consultations, on 13 March 2015.

- changes in regulations related to the financial management of the Fund, including the level of the annual contributions, their assessment base, differentiation of premiums depending on the risk level and on the target level to be reached by the individual funds;
 - regulations that amend other acts, resulting from the BRRD directive regulations that amend other EU directives.
-

Additionally, the Fund also issued an opinion regarding the legal solutions that implemented the BRRD directive in the areas which were developed by other organs, according to the earlier arrangements made between the Fund, the Ministry of Finance and the PFSA.

In the light of the above, the Fund submitted to the Ministry of Finance comments regarding the proposal of changes of the following:

- *Banking Law* act, within the scope of transposing the BRRD directive regulations, regarding the recovery plans, intra-group financial support and early intervention,
- *Act on recapitalization of certain financial institutions*, within the scope of transposing the BRRD directive regulations, related to the extraordinary public financial support and governmental financial stabilisation tools.

The Fund also supported the Ministry of Finance within the scope of the pan-European work on other bills, related to the resolution proceedings related to the Single Resolution Mechanism and the Single Resolution Fund.

Representatives of the Fund took part in meetings of the European Commission Expert Group on Banking, Payments and Insurance. They were also involved in the BRRD directive implementation workshops realized by the European Commission.

Figure 3. The evolution of crisis management and financial safety net

Financial safety net	Basic Model (Without Resolution)	Expanded Model (With Resolution)
Prevention ineffectiveness	Market Disruption No institutional arrangements in the field of crisis intervention	Limited Market Disruption Institutional arrangements in the field of crisis intervention
Threat of insolvency	<ul style="list-style-type: none"> Disorderly liquidation Disbursement of the guaranteed deposits or <ul style="list-style-type: none"> Support from public funds (<i>bail-out</i>) 	<ul style="list-style-type: none"> Resolution Disorderly liquidation <i>Bail-out</i> Disbursement of guaranteed deposits as a last resort

Source: compiled by BFG

11.1.2. OTHER LEGISLATIVE WORK

Legislative work on bills related to the Bank Guarantee Fund operations were also carried out. In case of these, opinions and statements were presented, representatives of the Fund took part in consultation conferences pertaining to the following draft bills:

- *bill amending the Act on the functioning of cooperative banks, their affiliations and affiliated banks and some other acts*
- *bill amending the Banking Law act and some other acts*
- *draft of the Restructuring Law act*
- *draft of Regulation of the Minister of Finance , regarding transacting assets acquired from entities covered by the mandatory guarantee scheme or from cooperative savings and credit unions in which a risk of insolvency has materialized,*
- *draft of the Regulation of the Minister of Finance on the bylaws of the Council of the Bank Guarantee Fund*

- *draft of Regulation of the Minister of Finance regarding the suspension of the income tax obligation regarding some income of the entities covered by the CIT.*

In 2014, new legal regulations directly related to the BFG operations were implemented:

- *Regulation of the Minister of Finance of 24 December 2013 on Specific Accounting Policies of the Bank Guarantee Fund;*
- *Regulation of the Minister of Finance of 14 February 2014, regarding transacting assets acquired from the entities covered by the mandatory guarantee scheme or from cooperative savings and credit unions in which a risk of insolvency has materialized;*
- *Regulation of the Minister of Finance of 26 March 2014, regarding the suspension of the income tax obligation regarding some income of the entities covered with the CIT;*
- *Regulation of the Minister of Finance of 24 July 2014 on the bylaws of the Council of the Bank Guarantee Fund organization of work.*

BFG continued cooperation with the Ministry of Finance in relation to the request submitted to the European Commission regarding the notification of the assistance program for cooperative savings and credit unions. On 18 February 2014, the European Commission issued a decision regarding the above-mentioned program: (*State aid SA.37425 (2013/N) – Poland Credit Union Orderly Liquidation Scheme*).

On 23 December 2014, the notice issued, on 1 December 2014, by the Speaker of Sejm of the Republic of Poland was published in the Journal of Laws, regarding the publication of the consolidated text of the *Bank Guarantee Fund Act (Journal of Laws, item 1866)*.

11.2. BFG IT SYSTEM

The Fund works on IT systems that would support bank assessment process with involvement of the Early Warning System. In 2014 BFG focused on creating an IT tool to support the analytical system component of the Early Warning System. It was completed in November 2014 and the system was initiated. One of the key advantages offered by the new tool stems from its high level of flexibility, which allows for unlimited parametrization of the model by editing or adding new areas of risk or indicators within the given area, and assignment of proper level of importance within the total rating. Moreover, the implemented solution also makes it possible to provide a higher level of safety data processing, through employment of an extensive archiving module.

The IT system used by the Fund was also modified to enable functioning in the new EU reporting environment.

The changes also included the data processing mechanisms related to the National Cooperative Savings and Credit Union and other cooperative savings and credit unions, and were related to amended reporting packages for the above institutions.

Implementation of a new version of regulation of the President of NBP , which constitutes a legal basis for acquisition of additional reporting capabilities for the Bank Guarantee Fund, created a need of developing a new software bundle which would deal with data processing and presentation procedures.

Moreover, one of the largest initiatives in 2014 related to the IT infrastructure of the Bank Guarantee Fund included: relocation of the **Secondary Data Processing Center** to a remote server room, and replacement of the old firewall with a new generation technology.

11.3. DATA SECURITY AND OPERATIONAL RISK MANAGEMENT

Personal Data Protection

Ongoing operations within this area, covering the field of protecting personal data and property entrusted with the fund, were executed by managing the safety systems. When it comes to the IT tools utilized in order to process personal data, data protection was realized via a variety of access levels regarding IT systems, management of internal network user accounts and via management of personal data security in line with statutory requirements.

In 2014 a plan of operations was created for the IT sector, resulting from the IT security audit carried out in the preceding year. The aim of the above operations was to increase the data protection level regarding the data processed by the Fund's IT system. The audit results were also used in the analysis of the organizational aspects related to functioning of the data security measures, related to the data entrusted with the Fund. Results of the above-mentioned analysis led to creation of a Team which deals with security in the IT and Administration departments.


The annual *Operational Continuity Plan* was reviewed. The emergency backup location's operational readiness was confirmed.

Operational Risk Management

Operational risk in the Bank Guarantee Fund is defined as the probability of material and non-material harm caused by improper or erroneous internal processes, human actions, functioning of systems or external events affecting BFG activity. Risk management consists in minimising the risk affecting the Fund's activity through the use of organisational, procedural and technical solutions.

Risk management with respect to systemic solution is implemented by the BFG Management Board, Operational Risk Committee – and on an ongoing basis – by all Departments of the Fund.

The fundamental tools used to identify threats to the operations of the Fund are: a database in which information concerning incidents that disrupt the operations of BFG is collected, as well as key risk indicators, which record periodic variations in the levels of risks within selected areas of the Fund's activity. Additionally, a risk self-assessment survey is completed on an annual basis, where the staff assesses the level of operational risk they face in their respective posts.



The Fund's Risk Management Programme divides risk into technological, safety, legal and human resource risks. Tools used to manage risk include a business continuity plan, principles for allocation of rights and access to critical resources, a process approach to risk assessment in the tasks carried out by the Fund, a list of key risk indicators with defined thresholds, internal regulations, as well as functional control.

The Fund collects data on risk events that occurred in the past and on their causes in order to reduce the possibility of its reoccurrence in the future and to introduce adequate control and preventive mechanisms.

In 2014, the Fund executed a payout of guaranteed deposits to the depositors of SKOK Wspólnota and SKOK Wołomin. Thanks to prior preparation to conduct disbursement-related tasks and thanks to the fact that an operational risk analysis was carried out, the operational risk was minimized at every stage of the process and made it possible to reimburse funds in an efficient manner.

11.4. ADMINISTRATION

In 2014, the telecommunications system was enhanced, inter alia, through expansion of the call center. Thanks to the above implementation, the voice messages of the helpline were automated, thus contributing to enhancement of the user experience within the helpline.

Work has been carried out to maintain the offices of the Fund in good technical condition. Moreover, mandatory review of the technical infrastructure of the building was carried out, particularly when it comes to the security and safety monitoring systems.





SELECTED FINANCIAL DATA



12. SELECTED FINANCIAL DATA

12.1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The accompanying financial data, which comprise a balance sheet as of 31 December 2014 and profit and loss for 2014 (hereinafter called the Financial Information) has been derived from the audited annual financial statements of the Bank Guarantee Fund prepared for 2014 in accordance with the Decree of the Minister of Finance dated 23 December 2013 on specific accounting policies of the Bank Guarantee Fund (Journal of Laws of 2013, item 1721) and the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330 with further amendments).

12.2. ADDITIONAL INFORMATION

The Financial Information is not a statutory report and does not contain sufficient information to allow a full understanding of the financial situation of the Bank Guarantee Fund, therefore it should be read together with the Financial Statements of the Bank Guarantee Fund for the year ended 31 December 2014.

12.3. ACCOUNTING STANDARDS

In accordance with the BFG accounting standards the following methods of asset and liability measurement and determination of income and costs were used:

- Debt securities, i.e. treasury bonds, treasury bills and NBP bills and financial assets on buy-sell back operations are measured at amortised cost using effective interest rate. Debt securities are recognised on the date when the transaction is settled. Sale of securities is realised according to the first-in first-out (FIFO) principle.
- Loans granted are measured at amortised cost using effective interest rate less impairment. Receivables due to loans granted were not subject to impairment allowance due to lack of impairment triggers identified on these items. In assessing whether any impairment allowance is required, the probability of repayment as well as collaterals accepted were taken into account. Loan interest accrued was classified as interest income.
- Receivables from entities with respect to which the guarantee condition due to the disbursement of the guaranteed funds by the Bank Guarantee Fund, covered by Article 2 section 4 of the *Act on BFG* and by Article 38l section 3 of the *Act on BFG*, was fulfilled, were fully covered with impairment allowances.

- Impairment allowances cover non-performing receivables, i.e. the receivables, in case of which the payment delinquency exceeds 6 months. As at 31 December 2014, there were no such receivables.
- Tangible fixed assets and intangible assets are measured at their purchase price or the cost of their construction less depreciation. There was no evidence of impairment of these assets.
- The depreciation of tangible fixed assets and amortisation of intangible assets is calculated according to a straight line method over the lifetime of the asset. In determining the depreciation rate, the economic lifetime is taken into account.
- Other receivables and claims are measured according to the amount of payment due less impairment. As at 31 December 2013, as well as at 31 December 2014, no impairment triggers existed, thus no impairment allowances were recognised on those receivables.
- Advances and prepaid expenses are measured at an amount of costs to be recognised in future reporting periods.
- Provisions, in case of which the amounts or the due date are uncertain, result from the support provided to an entity taking over a cooperative savings and credit union or from the employee benefits. As at 31 December 2014 the employee-benefits provision i.e. the provision for jubilee awards, retirement provision, disability benefits and death benefits was determined on the basis of the actuary calculations.
- Accruals and deferred income presented within the liabilities include equivalent costs related to unused holidays, bonuses and annual awards, as well as the remaining cost accruals. Costs of accruals of annual awards are included in the bonus and annual awards costs for the given fiscal year. The remaining accruals and deferred income presented within the liabilities were determined as an amount of costs related to the given reporting period, which do not constitute an outstanding liability on the balance date.
- Other liabilities are measured at amounts due.
- The result on financial operations includes income from: treasury bonds, treasury bills, NBP bills, result on buy-sell back operations, as well as any remaining income from interest on cash in bank accounts and overnight deposits. The result on financial operations from securities is determined in accordance with amortised cost method using effective interest rate.

12.4. BFG BALANCE SHEET

As at 31 December 2014 and as at 31 December 2013 (in PLN)

ASSETS	Dec.31.2014	Dec.31.2013
Cash	118,348.76	25,742.93
Cash in hand	6,560.19	3,341.84
Cash in current accounts	102,056.59	17,266.28
Cash in special guarantee settlement account	1,798.65	1,798.65
Cash in Company Social Benefit Fund	7,933.33	3,336.16
Receivables from financial institutions	443,403,719.51	184,162,344.33
Receivables from banks due to:	443,403,719.51	184,162,344.33
▪ prudential levies	-	78,849,763.59
▪ loans granted from the Assistance Fund	-	8,703,422.88
▪ loans granted from the Cooperative Bank Restructuring Fund	86,943,101.18	96,609,157.86
▪ Other operations	356,460,618.33	-
Other receivables and claims	4,334.06	25,154.34
Securities and other financial assets	9,837,297,648.01	11,044,620,344.46
Debt securities:	9,824,347,147.72	11,043,684,115.28
▪ of banks	141,192,163.62	1,535,086,776.05
▪ of the State Treasury	9,683,154,984.10	9,508,597,339.23
Other securities and other financial assets	12,950,500.29	936,229.18
Intangible assets	1,918,143.26	1,440,042.78
Tangible fixed assets	56,483,863.66	58,308,750.25
Advances and prepaid expenses	196,405.03	214,120.42
TOTAL ASSETS	10,339,422,462.29	11,288,796,499.51

LIABILITIES & FUNDS	Dec.31.2014	Dec.31.2013
Liabilities	392,355,841.75	1,158,345.82
Amounts due to depositors	391,290,225.77	-
Other liabilities	1,065,615.98	1,158,345.82
Special funds	7,933.33	3,336.16
Accruals and deferred income	3,918,438.16	3,768,006.18
Provisions	112,333,268.08	2,872,336.82
Statutory Fund	1,637,025,547.68	1,637,025,547.68
Supplementary Fund	666,604,353.56	666,604,353.56
Assistance Fund	6,453,910,523.49	8,204,078,950.84
Assistance Fund available for use	6,453,910,523.49	8,195,378,950.84
Assistance Fund used	-	8,700,000.00
Cooperative Bank Restructuring Fund	123,409,688.87	123,409,688.87
Cooperative Bank Restructuring Fund available for use	36,433,701.81	26,763,772.80
Cooperative Bank Restructuring Fund used	86,975,987.06	96,645,916.07
Bankruptcy Estate Recovery Fund	54,014,027.98	53,923,353.62
Credit Union Guarantee Fund	0.00	3,816,981.43
Credit Union Guarantee Fund available for use	0.00	3,816,981.43
Stabilisation Fund	408,075,419.68	78,849,763.59
Stabilisation Fund available for use	408,075,419.68	78,849,763.59
Financial result	487,767,419.71	513,285,834.94
TOTAL LIABILITIES & FUNDS	10,339,422,462.29	11,288,796,499.51

12.5. BFG PROFIT AND LOSS ACCOUNT

For the years ending 31 December 2014 and 31 December 2013 (in PLN)

	2014	2013
Income from statutory activity	260,234.26	406,484.56
Interest income	258,807.74	397,324.45
Interest income due to late payment of mandatory annual contributions and prudential levies by banks	1,181.47	8,892.00
Interest income on delayed repayments of loans and interest by banks	245.05	184.40
Interest income due to late payment of mandatory annual contributions by cooperative savings and credit unions	-	83.71
Result on statutory activity	260,234.26	406,484.56
Result on financial operations	519,321,973.15	541,539,414.50
on securities	518,893,249.09	541,534,053.54
other	428,724.06	5,360.96
The Fund's operating costs	(28,450,929.31)	(25,801,200.68)
External services	(4,164,862.51)	(3,731,973.32)
Salaries	(17,594,711.03)	(15,932,425.65)
Social security and employee benefits	(2,286,453.31)	(2,064,995.79)
Other	(4,404,902.46)	(4,071,805.92)
Depreciation of fixed assets and amortisation of intangible assets	(3,281,524.07)	(3,451,223.31)
Other operating income	267,790.28	592,360.78
Other operating expenses	(350,124.60)	(0.91)
Result on operating activities	487,767,419.71	513,285,834.94
Financial result	487,767,419.71	513,285,834.94



INDEPENDENT REGISTERED AUDITOR'S OPINION



13. INDEPENDENT REGISTERED AUDITOR'S OPINION



Independent registered auditor's opinion on the financial information

To the Council of Ministers, the Minister of Finance, the Council and the Management Board of the Bank Guarantee Fund

The accompanying financial information of the Bank Guarantee Fund (hereinafter called "the Fund"), with its registered office at Ks. Ignacego Skorupki 4 Street in Warsaw, which comprises:

- (a) the balance sheet of the Fund as at 31 December 2014,
- (b) the income statement of the Fund for the period from 1 January to 31 December 2014,
- (c) the description of the basis of preparation of the financial information and accounting policies of the Fund,

hereinafter called "the financial information", was prepared by the Management Board of the Fund based on the audited annual Financial Statements of the Fund for the financial year from 1 January to 31 December 2014 ("the Financial Statements"). The Financial Statements of the Fund were prepared in accordance with the Decree of the Minister of Finance dated 24 December 2013 on specific accounting policies of the Bank Guarantee Fund (Journal of Laws of 2013, item 1721, hereinafter called "the Regulation") and the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330 with further amendments, hereinafter called "the Accounting Act").

We have audited the Financial Statements of the Fund, from which the financial information was derived, in accordance with the provisions of Chapter 7 of the Accounting Act and the National Standards on Accounting issued by the National Chamber of Registered Auditors in Poland. On 5 March 2015 we issued an unqualified audit opinion on these Financial Statements. The Financial Statements of the Fund and the financial information do not reflect the effects of events that occurred subsequent to the date of issue of that opinion.

The financial information does not contain all the disclosures required by the Regulation. For a full understanding of the Fund's financial position as at 31 December 2014, the results of its operations for the period from 1 January to 31 December 2014 and the scope of our audit, the financial information should be read in conjunction with the Financial Statements of the Fund and our opinion and audit report thereon.

The Management Board's responsibility for the financial information of the Fund

The Management Board is responsible for the preparation of the financial information of the Fund on the basis described in Note 12.1 'Basis of preparation of the financial information'.



Independent registered auditor's opinion on the financial information

To the Council of Ministers, the Minister of Finance, the Council and the Management Board of the Bank Guarantee Fund (cont.)

Registered auditor's responsibility

Our responsibility was to express an opinion on the financial information of the Fund based on procedures which were conducted in accordance with International Standard on Auditing 810 'Engagements to report on summary financial statements'.

Opinion

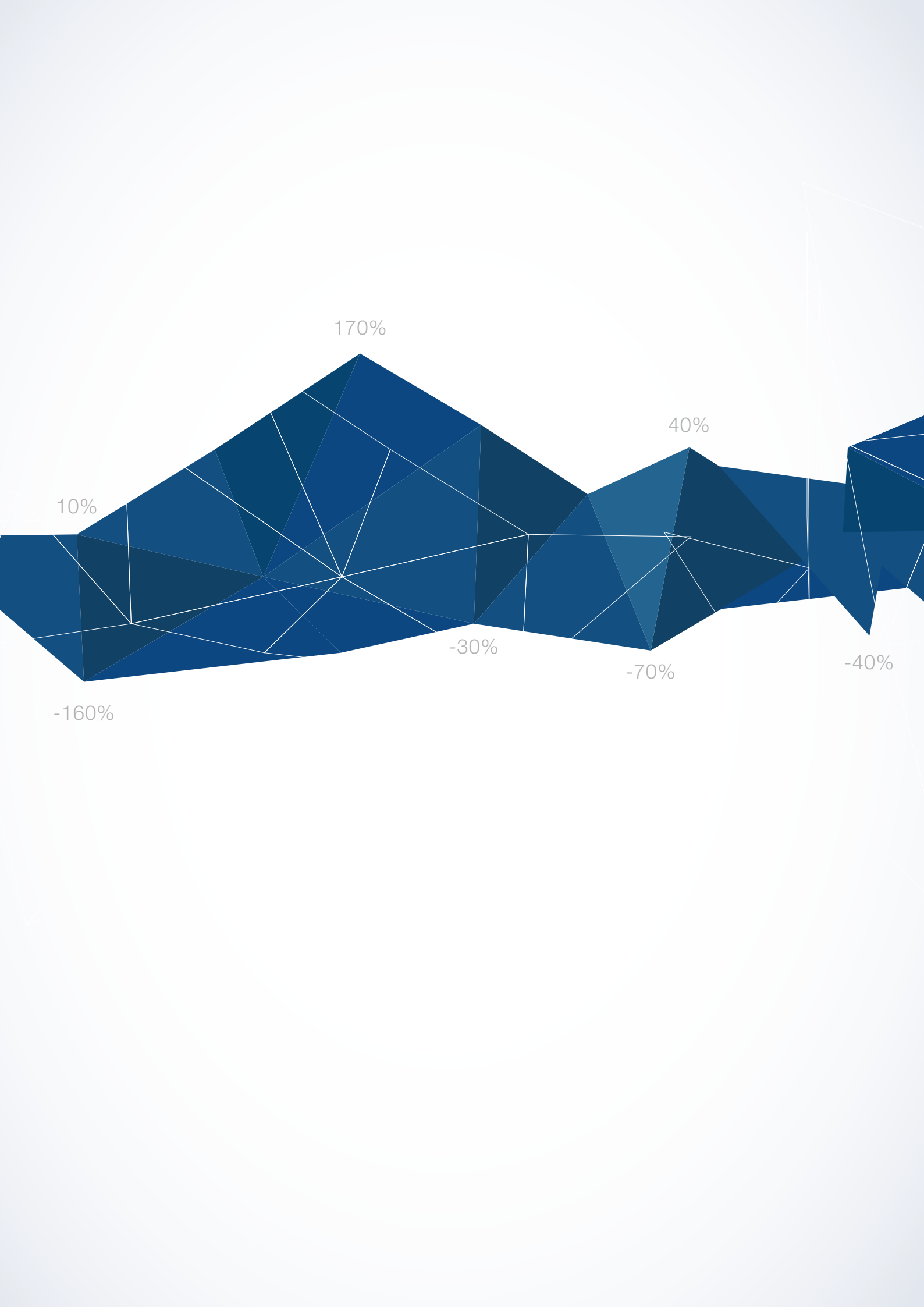
In our opinion, the accompanying financial information prepared on the basis of the audited Financial Statements of the Fund for the period from 1 January to 31 December 2014, is consistent, in all material respects, with the Financial Statements of the Fund, on the basis described in Note 12.1 'Basis of preparation of the financial information'.

Preparing the opinion and conducting the audit of the Financial Statements of the Fund on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Adam Celiński
Member of the Management Board
PricewaterhouseCoopers Sp. z o.o.

Principal Registered Auditor
No. 90033

Warsaw, 11 September 2015



10%

170%

-160%

-30%

40%

-70%

-40%