

2020

# ANNUAL REPORT



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# 1. Foreword from the Chairman of the Council and the President of the Management Board of the Bank Guarantee Fund

**Dear Sir/Madam,**

On behalf of the Council and the Management Board of the Bank Guarantee Fund, we have the honour and pleasure to present the Annual Report of the BFG for 2020.

Guaranteeing deposits is one of the fundamental pillars of our business. We are always ready to reimburse covered deposits if a bank or credit union (SKOK) goes bankrupt, but there was no such event in 2020. This does not mean that the past year was an uneventful one. Quite the contrary – there were a few important events.

For several years, the Fund has been preparing for the role of a resolution authority. We have been building our own competences, creating teams of employees and preparing plans for the resolution. In 2020, it was time to act. In January we started the resolution of Podkarpacki Bank Spółdzielczy w Sanoku. In late April and early May, we initiated this procedure against Bank Spółdzielczy w Przemkowie, and on the last day of the year we started the resolution of Idea Bank S.A. Each of these processes was different, but in each case the poor situation of the banks required action. When the statutory conditions are met, the BFG must act and it did so in each of these cases.

We can state with great satisfaction that 2020 confirmed the effectiveness and credibility of the resolution as an instrument that ensures the stability of the financial sector in Poland, as well as the competence of the BFG as the resolution authority. This is all the more noteworthy as, in the case of Bank Spółdzielczy w Przemkowie and Idea Bank S.A., we acted in the circumstances of an epidemic and concomitant unprecedented socio-economic situation. When summing up 2020, we can safely say that we have become the EU leader in the delicate, complicated and demanding process of resolution, which requires great competence and commitment. The success of these processes has been due to the hard work of many people in the Fund. We would like to thank them once again for their professionalism and commitment.

When speaking about the resolution, it should be added that in 2020 the Fund reviewed resolution plans and carried out resolvability assessment for 13 commercial banks, 209 cooperative banks, 2 affiliating banks, 11 credit unions and 7 investment companies. The Fund also updated the resolution plans for 2 cooperative banks.

The Fund maintained its high efficiency in recovering amounts due to the liquidation of entities in respect of which the guarantee condition had been fulfilled. In 2020, the Fund recovered nearly PLN 131.5 million on that account. Overall, in the course of bankruptcy proceedings, the Fund recovered a total of PLN 1,004,781.2 million by the end of 2020, which is 15% of the Fund's claims pending in bankruptcy proceedings.

2020 was exceptional in many dimensions, including working arrangements: The Fund smoothly switched to remote working in order to minimise the risk of contagion in epidemic conditions. The uniqueness of the last year was also evident in the financial markets. Despite a very significant fall in interest rates, the Fund generated satisfactory results from its investment activities, achieving a total result on financial operations of PLN 287,609.1 thousand.

We would like to encourage you to read the Annual Report of the Bank Guarantee Fund for 2020.



**Mateusz Berger**

A blue ink signature of Mateusz Berger, written in a cursive style.

Chairman of the Council  
of the Bank Guarantee Fund



**Piotr Tomaszewski**

A blue ink signature of Piotr Tomaszewski, written in a cursive style.

President of the Management Board  
of the Bank Guarantee Fund



## 2. Key abbreviations

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|   |  |
|---|--|
| BFG, Fund   | Bank Guarantee Fund  |
| BN BFG  | Bank Nowy BFG S.A.   |
| BS  | Bank Spółdzielczy (Cooperative Bank)   |
| BRR Directive, BRRD   | Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU of the European Parliament and of the Council and Regulations (EU) No 1093/2010 and (EU) No 648/2012 of the European Parliament and of the Council (OJ L of 12.6.2014, as amended) |
| BRRD2   | Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC (OJ L of 7.6.2019)   |
| DGS   | Deposit Guarantee Scheme   |
| DGS Directive   | Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes of 16 April 2014 (OJ L of 12.6.2014)   |
| EFDI  | European Forum of Deposit Insurers   |
| EBA   | European Banking Authority   |
| ESPI  | Electronic Information Transfer System   |
| foóg  | Guaranteed Deposit Protection Funds  |
| GPW   | Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange]   |
| IADI  | International Association of Deposit Insurers  |
| KDPW  | Central Securities Depository of Poland  |
| KIR   | Krajowa Izba Rozliczeniowa S.A. [National Clearing House]  |
| KNF, UKNF   | Polish Financial Supervision Authority, Office of the Polish Financial Supervision Authority   |
| KSKOK, National Union   | National Cooperative Credit and Savings Union  |
| MF  | Ministry of Finance  |
| MREL  | Minimum requirement for own funds and eligible liabilities   |
| NBP   | National Bank of Poland  |
| PBS w Sanoku  | Podkarpacki Bank Spółdzielczy w Sanoku   |
| Council, BFG Council, Fund's Council                            | Council of the Bank Guarantee Fund   |
| SBRiR w Wołominie   | Spółdzielczy Bank Rzemiosła i Rolnictwa with its registered seat in Wołomin  |
| SKOK, credit and savings union                                  | Cooperative Credit and Savings Union   |
| SRB   | Single Resolution Board  |
| EWS   | Early Warning System   |
| TLAC  | Total Loss-Absorbing Capacity  |
| EU  | European Union   |
| UOKiK   | Office for Competition and Consumer Protection   |
| BFG   | The Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution (Journal of Laws of 2020, item 842, as amended).   |
| Management Board, BFG Management Board, Fund's Management Board | Management Board of the Bank Guarantee Fund  |
| ZBP   | Polish Banks Association   |



## 3. General information



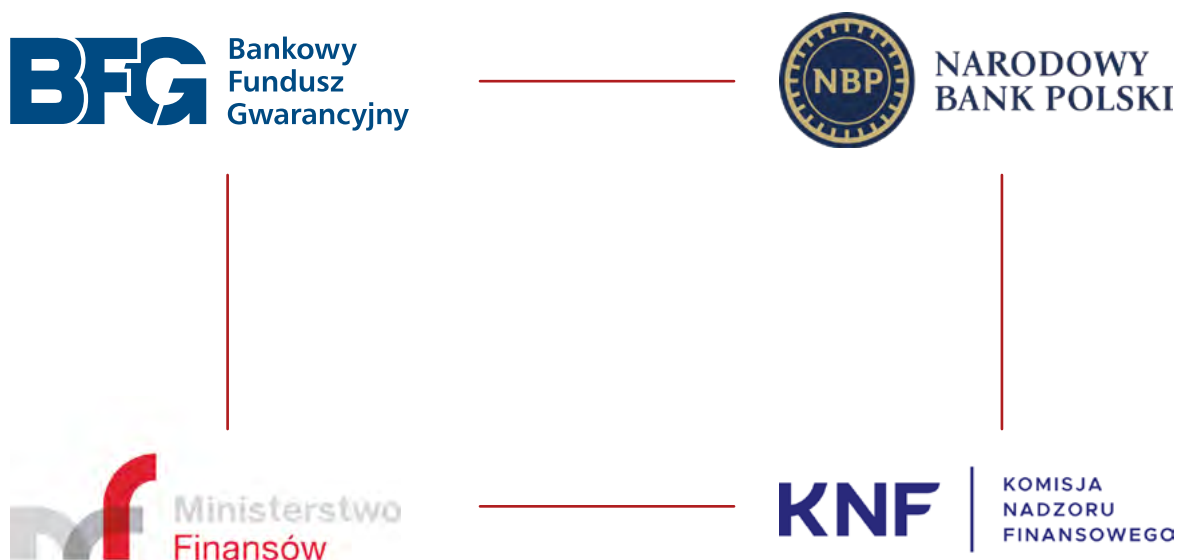


## Bank Guarantee Fund

The **Bank Guarantee Fund (BFG)** is an institution acting for the stability of the domestic financial system: in particular it guarantees deposits gathered in banks and credit unions, being responsible for the resolution of financial institutions that are failing or likely to fail.

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

Figure 1.  
**Security network**



### 3.1 Legal grounds

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

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

## 3.2 Mission and tasks of the Bank Guarantee Fund

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



### The Fund's key tasks are:

- › guaranteeing deposits in a bank or a credit union up to the statutory limit (equivalent of EUR 100,000 in PLN) and making disbursements of the guaranteed funds – within 7 working days from the date of meeting the guarantee condition; in special cases and within a limited time, the depositor is entitled to guarantee protection in the amount higher than the equivalent of EUR 100,000;
- › verifying the correctness of data included in the calculation systems of the entities covered by the guarantee scheme;
- › restructuring domestic entities and other institutions if they are subject to consolidated supervision exercised by the Polish Financial Supervision Authority, by way of write-down or conversion of capital instruments;
- › preparing, reviewing and, if necessary, updating resolution plans and carrying out resolvability assessments,
- › carrying out resolution proceedings;
- › collecting and analysing information on banks and credit unions;
- › preparing analyses and forecasts for early identification of threats in the banking and credit union sectors;
- › taking other measures for the stability of the domestic financial system.

## 3.3 Organisation of the Bank Guarantee Fund

The statutory bodies of the Bank Guarantee Fund are the Fund's Council and the Management Board. The role of the Management Board is to manage the Fund and represent it to third parties, while the Council supervises and controls the operations of the Fund's Management Board. The terms of the Fund's Council and of the Fund's Management Board last 3 years.

The Fund's Council consists of six members, all appointed by the institutions comprising the financial safety net. A representative of the competent minister in charge of financial institutions is the Chairperson of the Fund's Council.

Table 1.  
**Composition of the BFG Council  
at the start of 2020**

| Leszek Skiba (MF)              | Chairperson of the Council<br>(until 14 April 2020) |
|--------------------------------|---|
| Patryk Łoszewski (MF)          | Member of the Council                               |
| Piotr Pawliczak (MF)           | Member of the Council<br>(until 8 April 2020)       |
| Olga Szczepańska (NBP)         | Member of the Council                               |
| Martyna Wojciechowska<br>(NBP) | Member of the Council                               |
| Jacek Jastrzębski (KNF)        | Member of the Council                               |

Table 2.  
**Composition of the BFG Council  
at the end of 2020**

| Mateusz Berger                 | Chairperson of the Council<br>(from 14 April 2020) |
|--------------------------------|--|
| Patryk Łoszewski (MF)          | Member of the Council                              |
| Krzysztof Budzich              | Member of the Council<br>(from 8 April 2020)       |
| Olga Szczepańska (NBP)         | Member of the Council                              |
| Martyna Wojciechowska<br>(NBP) | Member of the Council                              |
| Jacek Jastrzębski (KNF)        | Member of the Council                              |

From 1 January 2020 to 9 March 2020, the BFG Management Board was composed of: Mirosław Panek – President of the Management Board; Krzysztof Broda – Vice-President of the Management Board; Members of the Management Board: Tomasz Obal, Sławomir Stawczyk.

W In connection with the resignation from the BFG Management Board submitted by Mr Mirosław Panek and Mr Krzysztof Broda, the BFG Council, at its meeting on 9 March 2020, dismissed Mr Mirosław Panek and Mr Krzysztof Broda from the BFG Management Board as of 10 March 2020. At the same time, the Fund's Council appointed Mr Piotr Tomaszewski as the President of the BFG Management Board. Mr Sławomir Stawczyk was appointed as Deputy President of the Fund's Management Board.

Table 3.  
**Composition of the BFG Management  
Board at the start of 2020**

| Mirosław Panek    | President of the Management<br>Board        |
|-------------------|---|
| Krzysztof Broda   | Deputy President of the<br>Management Board |
| Tomasz Obal       | Member of the Management<br>Board           |
| Sławomir Stawczyk | Member of the Management<br>Board           |

Table 4.  
**Composition of the BFG Management  
Board in late 2020**

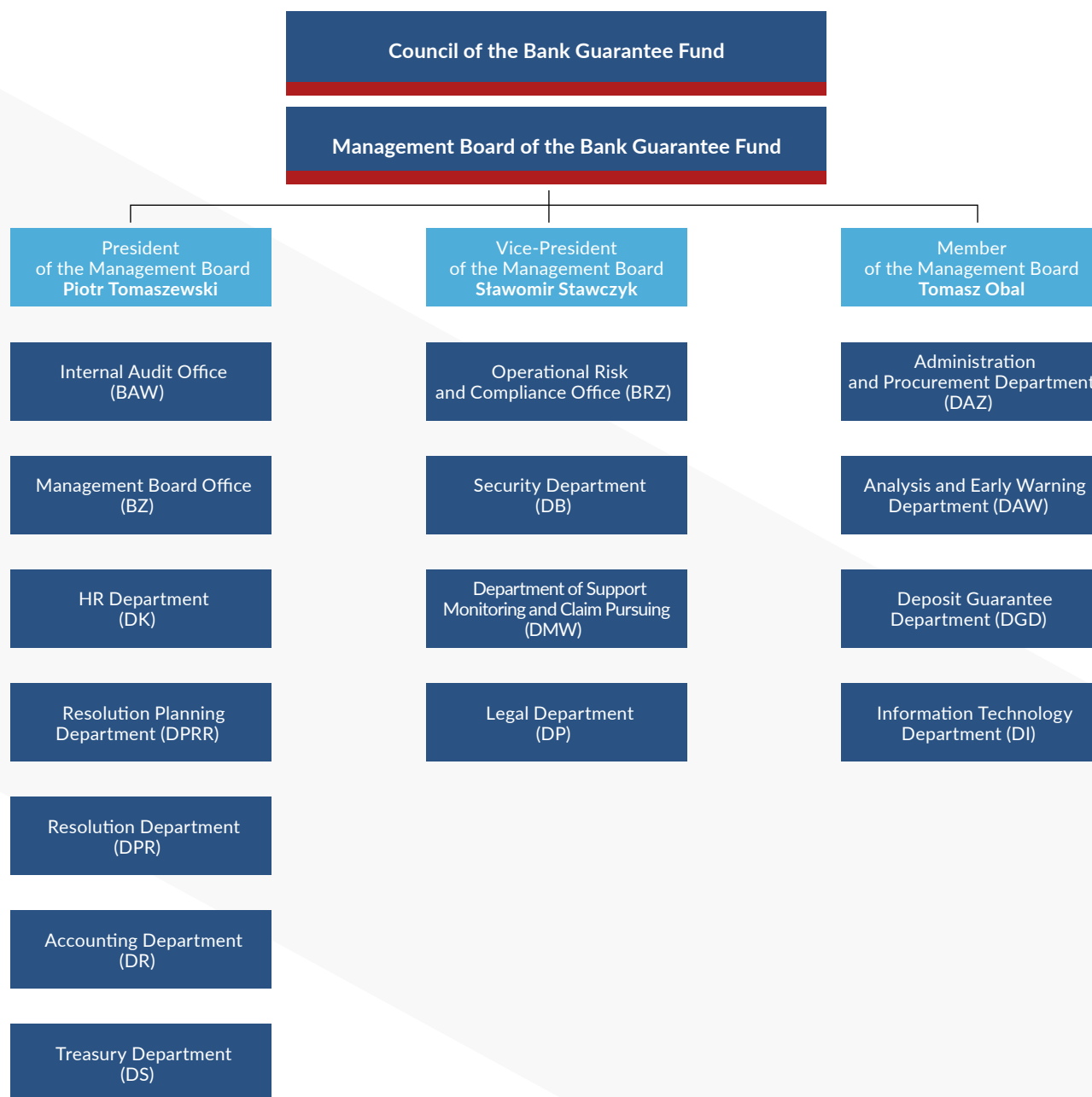
| Piotr Tomaszewski | President of the Management<br>Board (from 10 March 2020)           |
|-------------------|---|
| Sławomir Stawczyk | Deputy President of the<br>Management Board (from 10<br>March 2020) |
| Tomasz Obal       | Member of the Management<br>Board                                   |

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

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- › **Internal Audit Office (BAW)** - auditing the activities of the Fund in terms of compliance with the specified objectives, provisions of law and internal regulations;
- › **Management Board Office (BZ)** - providing services to the bodies of the Fund and to the President of the Management Board, providing supporting activities related to domestic and foreign cooperation, publishing, promotional and educational activities;
- › **Administration and Procurement Department (DAZ)** - support and administration aimed at ensuring effective functioning, proper conditions for operation and the provision of proper administrative and technical services for the Fund, and carrying out procedures connected with the Fund's procurement and purchases;
- › **Analysis and Early Warning Department (DAW)** - analysing the banking and credit union sectors, early warnings, analyses and assessments of the economic and financial condition of individual banks, credit unions and investment firms, developing and updating methods of calculating risk-based contributions made by entities to guarantee and resolution funds as well as drafting applications with regard to the overall amount of such contributions for a given year and proposals for their distribution among individual entities;
- › **Security Department (DB)** - protecting and securing data, people and property, providing ICT security and maintaining the business continuity plan of the Fund;
- › **Deposit Guarantee Department (DGD)** - ensuring that the Fund reimburses covered deposits to depositors and auditing the correctness of data in the calculation systems of the entities covered by the statutory guarantee scheme;
- › **Information Technology Department (DI)** - obtaining, processing and providing information necessary for the operation of the Fund's Office, developing and maintaining the ICT and communication systems and ensuring the continued operation of the Fund's ICT system;
- › **HR Department (DK)** - matters relating to staff, employment and remuneration policies, as well as training;
- › **Department of Support Monitoring and Claim Pursuing (DMW)** - managing the Fund's liabilities, pursuing claims and monitoring the performance of the agreements associated with the granted financial aid and support;
- › **Resolution Planning Department (DPPR)** - preparing resolution plans and group resolution plans, carrying out resolvability assessments, as well as providing analysis and opinions on new developments related to the financial safety net and financial stability;
- › **Legal Department (DP)** - providing legal services to the bodies of the Fund, the President of the Management Board and the Fund's Office;
- › **Resolution Department (DPR)** - carrying out resolution proceedings, providing support and administration of entities under resolution, executing the process of restructuring of credit unions;
- › **Accounting Department (DR)** - providing accounting and financial management services to the Fund;
- › **Treasury Department (DS)** - the investment activities of the Fund, managing the financial liquidity and analysing the macroeconomic situation in Poland and in the world;
- › **Operational Risk and Compliance Team (BRZ)** - coordinating and supporting the process of managing operational risk and the risk of non-compliance in the organisational units of the Fund's Office;

Figure 2.  
**BFG organisational chart at the end of 2020**



In addition, the BFG Office had the following committees:

- Asset Management Committee;
- Operational Risk and Compliance Committee;
- Early Warning System Committee;
- Resolution Committee (until 21 May 2020);
- Committee for the Assessment of Requests for Assistance (until 21 May 2020).



## 4. Guaranteeing deposits



## The Bank Guarantee Fund

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

## The Bank Guarantee Fund becomes

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

# 4.1 Rules for guaranteeing deposits

At the end of 2020, the guarantee covered deposits in all domestic banks, excluding Bank Gospodarstwa Krajowego and mortgage banks, and all credit unions, i.e.:

**25 commercial banks**  
**531 cooperative banks, and**  
**23 cooperative credit unions,**

The guarantees of the Bank Guarantee Fund cover deposits from the date of their transfer to the account, but not later than on the day prior to the date of the fulfilment of the guarantee condition, **up to the PLN equivalent of EUR 100,000** (including the interest accrued until the date of the fulfilment of the guarantee condition). In the special cases enumerated in Article 24 (3) and (4) of the BFG Act, depositors' funds are covered by guarantees in an amount exceeding the PLN equivalent of EUR 100,000 within three months of crediting the account or from the moment in which the entitlement has arisen (for entities for which the guarantee condition was fulfilled after 8 October 2016). Higher guarantees apply, for example, to funds on the account obtained from the sale of certain types of real estate property, the payment of the insurance amount, damages or compensation.



## Funds covered by the BFG's guarantee:



### In the case of a bank

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

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



### In the case of a credit union

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

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



## 4.2 Reimbursement process of covered deposits

The Fund is legally obliged to satisfy claims on account of the guarantee within 7 working days as of the fulfilment of the guarantee condition.

In the case of the fulfilment of the guarantee condition, the receivership of a bank or the receiver of a credit union determines the balance in the accounting books of the entity with respect to which the fulfilment of the guarantee condition has occurred and compiles a list of depositors, which is then submitted to the Fund no later than within 3 working days (from the day of the fulfilment of the guarantee condition).

The Fund verifies the data of the depositors with the use of the Guarantee Execution System, and then prepares a disbursement list and conveys it to the entity that will carry out the disbursements on behalf of and for the Fund.

Depositors are not obliged to report their claims to the Fund prior to receiving the covered deposits.

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

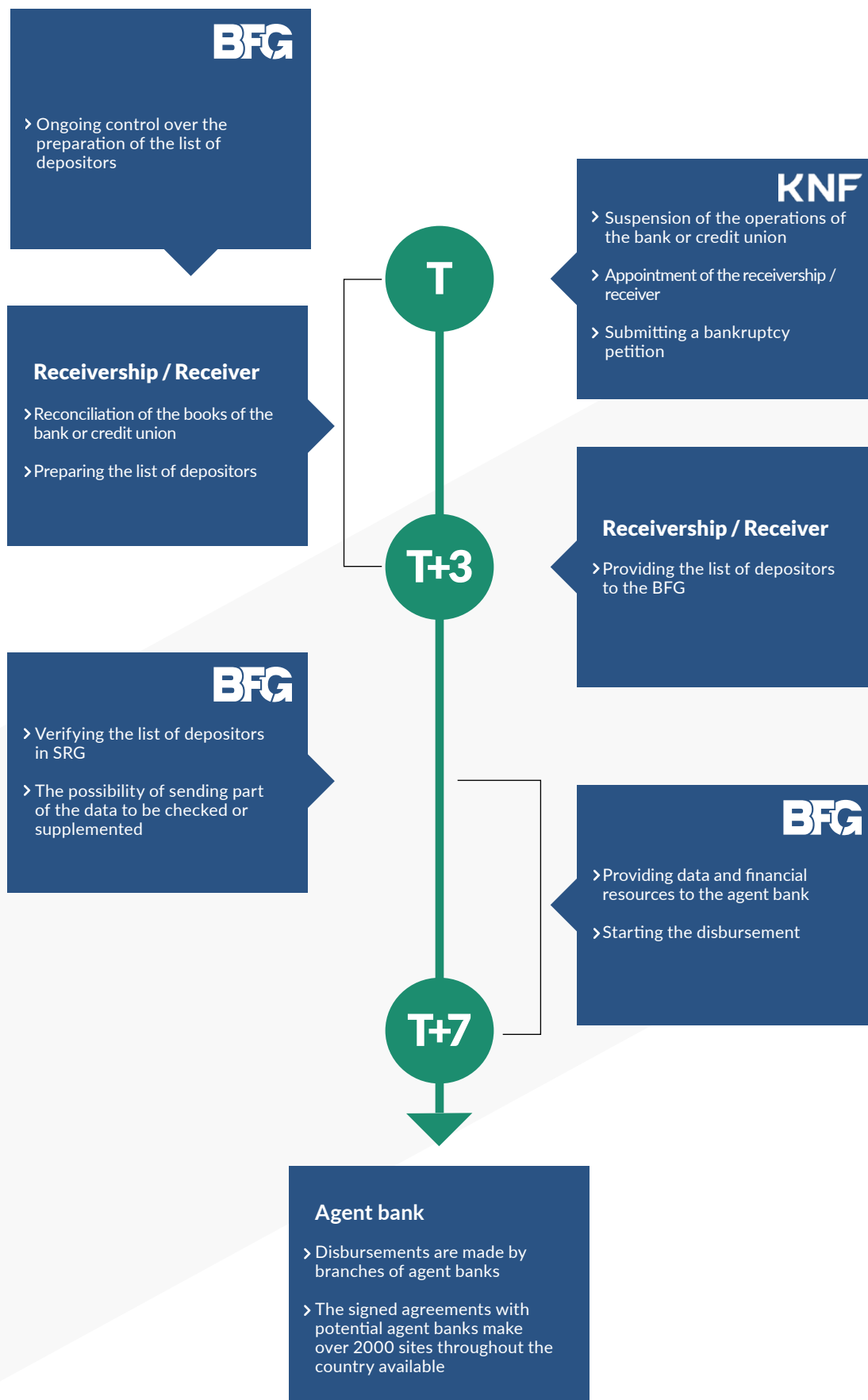
In the past, the Fund signed agreements enabling reimbursements with four banks (agent banks). These are retail banks which have a significant branch network, which allows for carrying out disbursements throughout the country, providing depositors with easy access to covered deposits.

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

**Guarantee Execution System (SRG)** – the IT system of the Bank Guarantee Fund, which makes it possible to control the depositor lists effectively, verify the disbursement amounts and prepare depositor disbursement lists.

<sup>1</sup> Three of those banks signed agreements extending the possible scope of disbursements by credit union depositors.

Figure 3.  
The process of preparing reimbursements of covered deposits



## 4.3 The fulfilment of the guarantee condition for banks in the case of which the Bank Guarantee Fund applied to the competent court for the declaration of bankruptcy

### **Podkarpacki Bank Spółdzielczy w Sanoku**

Following the Fund's application to the District Court in Rzeszów on 30 June 2020 for the declaration of bankruptcy of PBS w Sanoku, on that day the guarantee condition with respect to the Bank was fulfilled. However, in view of the Fund's earlier decision on the initiation of resolution against the Bank, write-down of the Bank's capital instruments, application of resolution tool against the Bank and appointment of the Bank's administrator, pursuant to which all of the guaranteed funds accumulated in PBS w Sanoku were transferred to a bridge institution, i.e. Bank Nowy BFG S.A., the Fund abandoned activities related to the preparation and execution of disbursements of guaranteed funds to the Bank's depositors.

### **Bank Spółdzielczy w Przemkowie (BS w Przemkowie)**

On 29 October 2020, the Fund applied to the District Court in Legnica for the declaration of bankruptcy of BS w Przemkowie. Therefore, this day became the day of fulfilment of the guarantee condition with respect to the Bank. Performing the tasks set out in the decision of the Management Board of the Fund on the initiation of resolution against the Bank, write-down of the Bank's capital instruments, application of the resolution tool against the Bank and appointment of the administrator of BS w Przemkowie, as of 2 May 2020 (i.e. before the date of fulfilment of the guarantee condition with respect to the Bank) as a result of applying the resolution tool in the form of takeover of the enterprise, all the funds of the Bank's depositors constituting funds covered by the guarantee protection were taken over by SGB-Bank S.A. with its registered office in Poznań. In view of the above, the Fund abandoned its activities related to the preparation and execution of disbursements of guaranteed funds to the depositors of BS w Przemkowie.

## 4.4 Reimbursements of covered deposits in 2020

The Fund also made reimbursements to the depositors of 3 cooperative banks and 11 credit unions for which the guarantee condition was met between 2014 and 2019. The table provides information on all reimbursements made to the depositors of banks and credit unions (including pay-outs made through agent banks).

Table 5.  
Disbursements of guaranteed funds in 2014–2020

| Disbursements of guaranteed funds in 2014–2020 <sup>*/**</sup> |                   |   |                      |   |   |  |  |
|--|-------------------|---|----------------------|---|---|--|--|
| Lp.  | Name of entity    | Date on which the guarantee condition was met | Number of depositors | Liabilities due to depositors (million PLN) | Total disbursements until the end of 2020 (million PLN) | Amount of liabilities at the end of 2020 after the expiry of the limitation period (million PLN) | Disbursements completed at the end of 2020 (%) |
| 1.   | BS w Grębowie     | 15.07.2019 r.                                 | 2,364                | 22.9  | 22.7  | 0.2  | 99.0%  |
| 2.   | SKOK „Wybrzeże”   | 15.09.2017 r.                                 | 7,696                | 120.8                                       | 119.8   | 1.1  | 99.1%  |
| 3.   | SKOK „Nike”       | 02.06.2017 r.                                 | 10,443               | 114.4                                       | 112.3   | 2.1  | 98.1%  |
| 4.   | Twoja SKOK        | 12.05.2017 r.                                 | 14,019               | 165.8                                       | 163.5   | 2.3  | 98.6%  |
| 5.   | SKOK Wielkopolska | 03.02.2017 r.                                 | 39,574               | 284.2                                       | 279.9   | 4.3  | 98.5%  |
| 6.   | BS w Nadarzynie   | 24.10.2016 r.                                 | 5,860                | 145.9                                       | 145.0   | 0.8  | 99.4%  |
| 7.   | SKOK Skarbiec     | 22.07.2016 r.                                 | 8,348                | 88.0  | 87.6  | 0.4  | 99.6%  |
| 8.   | SKOK Arka         | 11.05.2016 r.                                 | 13,947               | 93.1  | 92.2  | 1.0  | 99.0%  |
| 9.   | SKOK Jowisz       | 25.04.2016 r.                                 | 7,380                | 81.9  | 80.7  | 1.2  | 98.5%  |
| 10.  | SKOK Polska       | 25.02.2016 r.                                 | 8,343                | 170.2                                       | 169.0   | 1.2  | 99.3%  |
| 11.  | SKOK Kujawiak     | 08.01.2016 r.                                 | 17,200               | 183.9                                       | 183.0   | 0.9  | 99.5%  |
| 12.  | SBRiR w Wołominie | 23.11.2015 r.                                 | 33,144               | 2,036.9                                     | 2,032.0   | 5.0 <sup>***</sup>   | 99.8%  |
| 13.  | SKOK w Wołominie  | 12.12.2014 r.                                 | 45,447               | 2,246.5                                     | 2,242.1   | 0.2 <sup>***</sup>   | 99.8%  |
| 14.  | SKOK Wspólnota    | 18.07.2014 r.                                 | 74,042               | 817.5                                       | 812.2   | 0.1 <sup>***</sup>   | 99.4%  |

\* The provided figures do not take account of the liabilities of the Fund included in the list of depositors that require confirmation of data accuracy.

\*\* For some of the entities, the differences between the values disclosed under Liabilities to depositors and the sum of the values disclosed under Total disbursements until the end of 2020 and the Liabilities at the end of 2020 result from the rounding of figures in these columns.

\*\*\* Including claims that are time-barred from 31 December 2020.

## 4.5 Expiry of depositor claims

According to Article 24(8) of the BFG Act, in connection with the expiry of the 5-year period in 2020 from the day of the fulfilment of the guarantee condition, the claims of the depositors of SBRiR w Wołominie expired as of the end of 2020. Based on Article 123 § 1(2) of the Civil Code, for some of the depositors of this Bank it was considered that the correspondence exchanged with them constituted recognition of their claim by the Fund, and resulted in the limitation period being interrupted. The reimbursements of covered deposits due to these depositors will continue in accordance with the individual limitation periods for their claims.

The guarantee claims of those depositors of SKOK Wspólnota and SKOK w Wołominie for whom their individual limitation period expired on 31 December 2020 (for the majority depositors of SKOK Wspólnota and SKOK w Wołominie, the claims became time-barred at the end of 2019).

The financial consequences of the expiry of claims of depositors of SBRiR w Wołominie, SKOK Wspólnota and SKOK w Wołominie as of 31 December 2020 will be seen in 2021. The amounts of the expired claims will be reclassified to the Fund's other operating revenues.

## 4.6 Guarantee activities in 1995–2020

Since the beginning of the Fund's activity, the guarantee condition has been fulfilled with respect to 99 banks (including 5 commercial banks and 94 cooperative banks) and 11 credit unions.

Table 6.  
Fulfilment of the guarantee condition in 1995–2020

| Year         | Commercial banks | Cooperative banks | Cooperative credit and savings unions                                |
|--------------|------------------|-------------------|--|
| 1995*        | 2                | 48                |  |
| 1996         | 1                | 30                |  |
| 1997         | -                | 6                 |  |
| 1998         | -                | 4                 | Guarantees for credit unions became effective as of 29 November 2013 |
| 1999         | 1                | -                 |  |
| 2000         | 1                | -                 |  |
| 2001         | -                | 1                 |  |
| 2002 - 2013  | -                | -                 | -  |
| 2014         | -                | -                 | 2  |
| 2015         | -                | 1                 | -  |
| 2016         | -                | 1                 | 5  |
| 2017         | -                | -                 | 4  |
| 2018         | -                | -                 | -  |
| 2019         | -                | 1                 | -  |
| 2020         | -                | 2                 | -  |
| <b>Razem</b> | <b>5</b>         | <b>94</b>         | <b>11</b>  |

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

Between 1995 and 2020, PLN 360.2 million were allocated for the disbursement of guarantee funds for 3,022.0 thousand eligible bank depositors.

Table 7.  
Funds allocated to guarantee disbursements to bank depositors in 1995–2020

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

| Funds for guarantee disbursements under the BFG Act applicable as of 9 October 2016 (in PLN million) |                |                         |                |                       |
|--|----------------|-------------------------|----------------|-----------------------|
| Including:   |                |                         |                |                       |
| Year   | Total          | from the guarantee fund | Fośg***        | Number of depositors* |
| 2017   | 0.2            | 0.2                     | 0.0            | 184                   |
| 2018   | 0.002          | 0.002                   | 0.0            | 3                     |
| 2019   | 24.7**         | 24.7                    | 0.0            | 2,382                 |
| 2020   | 0.0            | 0.0                     | 0.0            | 0.0                   |
| <b>Total all years</b>   | <b>3,022.0</b> | <b>24.9</b>             | <b>2,808.6</b> | <b>360,209</b>        |

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

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

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

Between 2014 and 2020, PLN 246.5 million were allocated for the reimbursement of covered deposits for 4,366.6 thousand eligible bank depositors.

Table 8.  
Funds allocated to guarantee disbursements to credit union depositors in 2014–2020

| Funds allocated to guarantee disbursements (in PLN million) |                |  |   |                            |                       |
|---|----------------|--|---|----------------------------|-----------------------|
| including from:   |                |  |   |                            |                       |
| Year  | Total*         | from the credit unions' guarantee fund | payments from the National Credit Union | aid fund                   | Number of depositors* |
| 2014  | 3,064.0**      | 20.7                                   | 32.8                                    | 3,010.5                    | 119,509               |
| 2015  | 0.1            | 0.1                                    | 0.0                                     | 0.0                        | 0                     |
| 2016  | 617.2          | 44.5                                   | 0.007                                   | 572.7                      | 55,226                |
| <b>Total</b>  | <b>3,681.3</b> | <b>65.3</b>                            | <b>32.8</b>                             | <b>3,583.2<sup>2</sup></b> | <b>174,735</b>        |

| Funds for guarantee disbursements under the BFG Act applicable as of 9 October 2016 (in PLN million) |                |               |              |                       |
|--|----------------|---------------|--------------|-----------------------|
| including from the guarantee fund:   |                |               |              |                       |
| Year   | Total*         | credit unions | banks        | Number of depositors* |
| 2017   | 685.2          | 58.2          | 627.0        | 71,738                |
| 2018   | (-)0.02        | (-)0.02       | 0.0          | 0                     |
| 2019   | 0.09           | 0.09          | 0.0          | 2                     |
| 2020   | 0.0            | 0.0           | 0.0          | 0                     |
| <b>Total all years</b>   | <b>4,366.6</b> | <b>123.6</b>  | <b>627.0</b> | <b>246,475</b>        |

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

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

<sup>2</sup> Z uwagi na fakt, że kwota zobowiązań Funduszu z tytułu środków gwarantowanych przekroczyła środki funduszu kas do wykorzystania oraz wartość środków funduszu stabilizacyjnego przekazanych przez Kasę Krajową – zgodnie z decyzją Rady Funduszu – pozostałą kwotę pokryto ze środków przekazanych z funduszu pomocowego BFG.

## 4.7 Verification of data contained in bank and credit union calculation systems

Banks and credit unions are obliged to have calculation systems. The calculation systems, thanks to the computerised process of determining the value of guaranteed funds for each individual depositor and the possibility of providing data to the Fund, allow a quick calculation of the value of such funds. These systems organise the data based on the Single Customer View standard, allowing to display all the information on a given client.

### Calculation system

The IT system in a bank or credit union that allows the provision to the BFG of detailed data on depositors at the bank or the credit union with the amounts of guaranteed funds calculated for them (Single Customer View). The details of the calculation systems are specified in the Regulation of the Minister of Finance of 26 September 2016 on the requirements for the calculation systems maintained in the entities covered by the statutory guarantee scheme (Journal of Laws of 2016, item 1642).

The BFG carries out the audits of the data included in the calculation systems of the entities covered by the guarantee scheme, pursuant to Article 32(1) of the BFG Act. The audits are carried out both at the Fund with regard to the data provided by the data subjects from the calculation systems and at the premises of the operators on the basis of the provided documentation.

The purpose of the audit is to minimise the risk of preparing a list of depositors with incorrect or incomplete data and to enable prompt execution of potential disbursements if the guarantee condition is fulfilled with respect to an entity covered by the guarantee scheme. For this purpose, the adjustment of calculation systems to the appropriate requirements regarding the scope of data, the manner of their presentation and proper data designations associated with the definitions of the depositor and guaranteed funds included in the provisions of the BFG Act are verified. In addition, the scale of the change in the quality of the data in relation to the state identified by the previous audits of the Fund is assessed.

The table below presents information on the number of the audits of the data included in the calculation systems of the entities covered by the guarantee scheme, executed in 2020.

Table 9.  
Number of data audits conducted in 2020

| Type of audit              | Commercial banks | Cooperative banks | Credit unions | Total      |
|----------------------------|------------------|-------------------|---------------|------------|
| in the Fund *              | 10               | 132               | 4             | 146        |
| in the bank/credit union** | 0                | 2                 | 1             | 3          |
| <b>Total</b>               | <b>10</b>        | <b>134</b>        | <b>5</b>      | <b>149</b> |

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

\*\* Verification of the data included in the calculation systems against source documents.

The Fund periodically analyses the results of audits of the data included in the calculation systems of banks and credit unions. The analysis of data quality in the calculation systems of entities covered by the guarantee scheme has revealed that they take measures to improve data quality. Comparing the results of the audits carried out in 2020 to those carried out in these entities in earlier years, a reduction in errors was identified as a result of, among other things, the information provided by the Fund following the previous audits, which helped the audited entities to quickly identify and rectify the errors.



## 4.8 Investigation and satisfaction of claims on account of the disbursement of guaranteed funds

As of 31 December 2020, the BFG participated in 15 bankruptcy proceedings as a creditor on account of the disbursement of guaranteed funds, with a total commitment of PLN 5,749,988.83 thousand. Three procedures concerned banks and the rest were conducted against bankrupt credit unions. In Q3 2020, the bankruptcy proceedings against BS w Łanietach (bankruptcy declared in 1997) were completed.

In 2020, the Fund monitored the progress of bankruptcy proceedings, analysing their efficiency and further prospects, and made comments in case of objections to the actions of receivers.

Table 10.

### List of bankruptcy proceedings against banks and credit unions in which the BFG participates

| No.     | Bankrupt entity   | Bankruptcy declaration date | Guaranteed funds (PLN thousand) | Claims of the BFG (PLN thousand) |           |
|---------|---|-----------------------------|---------------------------------|----------------------------------|-----------|
|         |   |                             |                                 | capital                          | interest  |
| 2014 r. |   |                             | 817,483.30                      | 432,753.60                       | 0.0       |
| 1.      | SKOK Wspólnota  | 26.09.2014                  | 817,483.30                      | 432,753.60                       | 0.0       |
| 2015 r. |   |                             | 4,283,475.10                    | 4,264,495.00                     | 22,815.00 |
| 2.      | SKOK Wołomin  | 05.02.2015                  | 2,246,531.50                    | 2,246,531.50                     | 6,893.10  |
| 3.      | Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie (SK Bank) | 30.12.2015                  | 2,036,943.60                    | 2,017,963.50                     | 15,921.90 |
| 2016 r. |   |                             | 761,957.0                       | 487,505.33                       | 7,278.80  |
| 4.      | SKOK „Polska”   | 13.04.2016                  | 170,239.10                      | 106,650.10                       | 0.0       |
| 5.      | SKOK Kujawiak   | 31.05.2016                  | 183,877.90                      | 130,738.50                       | 5,041.60  |
| 6.      | SKOK „Jowisz”   | 02.06.2016                  | 81,930.00                       | 30,511.40                        | 0.0       |
| 7.      | SKOK „Arka”   | 12.07.2016                  | 93,145.70                       | 39,540.40                        | 1,089.70  |
| 8.      | SKOK „Skarbiec”   | 29.09.2016                  | 88,000.00                       | 58,038.03                        | 1,147.50  |
| 9.      | BS w Nadarzynie   | 19.12.2016                  | 144,764.33                      | 122,026.90                       | 0.0       |
| 2017 r. |   |                             | 685,238.7                       | 392,827.60                       | 658.50    |
| 10.     | Wielkopolska SKOK   | 28.02.2017                  | 284,199.96                      | 105,381.2                        | 0.0       |
| 11.     | Twoja SKOK  | 19.06.2017                  | 165,781.80                      | 60,773.20                        | 0.0       |
| 12.     | SKOK „Nike”   | 03.07.2017                  | 114,445.89                      | 114,445.89                       | 658.50    |
| 13.     | SKOK „Wybrzeże”   | 21.11.2017                  | 120,811.10                      | 122,340.30                       | 0.0       |
| 2019 r. |   |                             | 22,922.33                       | 22,922.33                        | 215.40    |
| 14.     | BS Grębów   | 03.09.2019                  | 22,922.33                       | 22,922.33                        | 215.40    |
| 2020 r. |   |                             | 0.0                             | 108,374.18                       | 30.10     |
| 15.     | PBS Sanok   | 06.08.2020                  | 0.0                             | 108,374.18                       | 30.10     |
| Total   |   |                             | 6,571,076.4                     | 5,749,988.83                     |           |

### Satisfaction of the Fund's claims

In 2020, the Fund satisfied its claims from bankruptcy proceedings in the amount of PLN 131,454.0 thousand, i.e. 3% of the Fund's total recognised claims in pending proceedings.

Overall, in the course of bankruptcy proceedings, the Fund recovered a total of PLN 1,004,781.2 million by the end of 2020, which is 15% of the Fund's claims pending in bankruptcy proceedings, including PLN 280 thousand recovered in bankruptcy proceedings against BS Łanietą, which were terminated in 2020.



# 5. Resolution



## Resolution

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

### 5.1 Rules for carrying out resolution

The BFG Act sets out the principles for carrying out the resolution against banks, credit unions and certain investment firms, including, inter alia, a set of instruments and powers necessary to intervene quickly and effectively with respect to an entity at risk to ensure the continuous performance of its functions that are of key importance for the customers and for the economy (critical functions), to protect financial stability and covered deposits, and to limit the use of public funds.

**The Fund carries out resolution in a situation where the following conditions have been met cumulatively:**

- an entity is failing or likely to fail,
- there is no reasonable prospect that any available supervisory measures and alternative private sector measures would prevent the failure of the institution within a reasonable timeframe,
- measures must be taken in the public interest<sup>3</sup>.

**As part of the resolution proceedings, the Fund may apply one or several tools described in detail in the BFG Act:**

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

Before applying any of the resolution tools referred to in Article 110(1) of the BFG Act, the Fund shall write down or convert the capital instruments of the entity subject to the resolution. In addition, for the purpose of applying resolution tools, the Fund ensures that the valuation referred to in Article 137(1) of the BFG Act is prepared. After the use of the instrument, the Fund additionally ensures that the valuation referred to in Article 241 of the BFG Act is prepared.

<sup>3</sup> Measures are taken in the public interest when the bankruptcy of the institution might have serious adverse effects on the safety of its customers and their funds, financial stability (including the operation of financial markets or the economy), continuity of critical functions performed by the entity or its bankruptcy would entail the need to use (or increase the use) the public funds to meet the abovementioned objectives.

<sup>4</sup> These estimates are, depending on the scope of information contained therein, referred to in the Report as Estimate 1, Estimate 2 or Estimate 3.

Shareholders of the institution under the resolution cover the losses and bear the cost of the resolution in the first instance. For the purpose of providing supplementary financing for resolution, resolution funds were also created (one for banks and investment firms and another for credit unions), to which contributions are made by all the entities covered by the subjective scope of the BFG Act. As a result, the risk of having to commit public funds, which means taxpayers incurring costs, was mitigated. The BFG may support resolution financially, provided that such support is in line with the State Aid Rules.

## 5.2 Resolution planning

Pursuant to Article 89 of the BFG Act, the Fund shall review resolution plans and group resolution plans as well as carry out resolvability assessments at least once a year.

In a resolution plan, the Fund specifies the preferred resolution tool, the application of which will make it possible to meet the resolution objectives to the greatest extent possible. In practice, one cannot rule out the need to take supplementary measures, not envisaged in the resolution plan, as market conditions or the structure of a given institution can change to such a significant degree that any scenarios adopted ex ante at the resolution planning stage plan may prove less effective in a given situation.

In 2020, after consulting the Polish Financial Supervision Authority on the amount of the designated MREL level, the Fund adopted reviews of resolution plans and resolvability assessments for 209 cooperative banks, 2 affiliating banks, 11 credit unions, 13 commercial banks and 7 investment firms.

In addition, the Fund adopted updates of resolution plans and resolvability assessments for two cooperative banks.

The Fund, acting as a group resolution authority, signed joint decisions on the adoption (update) of the group resolution plan and determination of MREL for one of the banking groups.

In 2020, the BFG adopted a resolution plan for a brokerage house which, as a result of the extension of the brokerage licence for this entity by the KNF in January 2020, gained the status of an investment firm within the meaning of Article 2(14) of the BFG Act.

Moreover, in the reporting period, the Fund issued 44 opinions on the expected impact of the implementation of recovery plans on resolution, including 11 opinions for 10 cooperative banks (in the case of one cooperative bank, an opinion on the recovery plan was issued twice), 2 opinions for an institutional protection scheme, 10 opinions for investment firms, 11 opinions for 10 commercial banks (in the case of one commercial bank, an opinion on the recovery plan was issued twice), and 10 capital groups.

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

In 2020, representatives of the Fund participated in the meetings of four resolution colleges for banking groups.

The Fund was involved in reaching joint decisions on adopting group resolution plans for five banking groups.

**The Fund prepared a package of actions to mitigate the adverse effects of the Covid-19 pandemic on the banking sector, assuming that:**

- in the 2020 planning cycle, the MREL amounts assigned to banks will be updated, taking into account the removal of the systemic risk buffer;
- the mid-term MREL targets set for domestic institutions identified as resolution entities at the end of 2020 will not be treated as mandatory;
- in the 2020 planning cycle, the extended MREL target date of 1 January 2024 will be applied and 1 January 2022 will be set as the first binding intermediate target date.

The Fund, based on the proposed implementation of the BRRD2 to the BFG Act, also developed a proposed methodology for determining the MREL to be applied from 2021. The assumptions of the methodology were presented, inter alia, at the meeting of the Financial Stability Committee on macroprudential supervision on 21 September 2020.

## 5.3 Resolutions initiated

In 2020, the BFG carried out three resolution processes: two against cooperative banks and one against a commercial bank. In two cases, the sale of business tool was applied. In one case, the bridge institution tool was used.

## 5.4 Resolution of Podkarpacki Bank Spółdzielczy w Sanoku

### **Proceedings for issuing a decision on the initiation of resolution of Podkarpacki Bank Spółdzielczy w Sanoku.**

In the course of the proceedings concerning the decision on the initiation of the resolution of Podkarpacki Bank Spółdzielczy w Sanoku (PBS w Sanoku), the Fund, pursuant to Article 137 of the BFG Act, had ensured the preparation of the valuation of the Bank's assets and liabilities conducted by PwC Advisory Spółka z ograniczoną odpowiedzialnością sp. k. (PwC Advisory). The estimate included an assessment of the financial situation of PBS w Sanoku, indicating that the prerequisites for initiating resolution were met, and of the instruments of resolution that could be possibly applied.

In connection with the results of the estimate prepared by PwC Advisory on behalf of the BFG, confirming the negative equity of PBS w Sanoku and confirming the fulfilment of the prerequisites referred to in Article 101(7)(1-3) of the BFG Act, on 15 January 2020, the Management Board of the BFG issued a decision on the initiation of resolution against PBS w Sanoku, the appointment of an administrator, the write-down of capital instruments and the application of the bridge institution instrument, as well as a decision on the suspension of the activities of PBS.

## Resolution of Podkarpacki Bank Spółdzielczy w Sanoku

On 17 January 2020, resolution was initiated against PBS w Sanoku and the bridge institution tool was applied. The bridge institution was established in Q4 2019 under the name Bank Nowy BFG S.A. The Fund equipped Bank Nowy BFG S.A. with an initial capital of PLN 100 million from the resolution fund. The Fund also applied to the WSE to suspend trading in bonds issued by PBS w Sanoku.

On 20 January 2020, the business of the entity under resolution, including all the property rights and all the liabilities relating to the activities of the entity under resolution, except for the exemptions indicated in the decision, were transferred to the bridge institution.

As the value of the transferred liabilities as determined in the valuation exceeded the value of the transferred property rights, the gap was covered by the subsidy from the resolution fund. The payment of the consideration for the purchased property rights of the entity under resolution was made by Bank Nowy BFG S.A. in the form of assumption of the liabilities of the entity under resolution. To cover the losses of the entity under resolution as determined by the estimate, resulting in a decrease of the equities of the entity under resolution, the capital instruments of the entity under resolution, such as members' shares recorded in the register of cooperative members and subordinated bonds, were written down as of the date of the initiation of the resolution.

### Pursuant to Article 113(1) and (3) of the BFG Act, upon the commencement of resolution:

- the right to adopt resolutions on matters reserved by the law and the articles of association to the competence of the bodies of the entity under resolution was devolved to the Fund;
- the powers of the supervisory board were suspended, subject to Article 103 (5) and Article 216(7) of the BFG Act;
- the management board of the entity under resolution was dissolved and the mandates of its members expired;
- the proxies and powers of attorney granted previously expired, except for the powers of attorney granted by the entity under resolution following its participation in a payment or settlement system;
- the competences of other bodies of the entity under resolution were suspended, subject to Article 216(6) of the BFG Act;

### On 17 January 2020, under the decision of the BFG of 15 January 2020, the activities of PBS w Sanoku were suspended. During the period of suspension, the entity under resolution:

- did not settle its liabilities, except for those related to incurring justified costs of its current operations;
- did not conduct banking activities, except for debt collection and execution of transfer orders to the accounts of tax authorities for the receivables referred to in Article 55(1) of the Payment Services Act of 19 August 2011;
- did not pay out funds coming from balance surplus or interest on deposits.

As of the date of delivery of the decision, the enforcement procedure against the bank accounts held by the entity under resolution was suspended.

When the resolution was initiated, an administrator was appointed in the entity under resolution. The administrator submitted reports to the Fund on the conducted activities. They described, inter alia, meetings held, letters received and addressed to financial institutions concerning fees/applications for waiving fees/reporting obligations, court cases with former employees, agreements signed with law firms for legal services and legal opinions received, agreements signed and expenses incurred, significant events in subsidiaries, including general meetings and meetings of shareholders of affiliated entities.

The administrator carried out the actions planned in relation to PBS related entities aimed at initiating the process of sale or liquidation of these entities.

On 30 June 2020, the Fund, after the administrator had prepared the reports required by law, sent a bankruptcy petition for PBS w Sanoku to the Regional Court in Rzeszów. The court declared bankruptcy on 6 August 2020. The decision was published in Monitor Sądowy i Gospodarczy on 17 September 2020 (item 47445). With the declaration of bankruptcy of PBS w Sanoku, the administrator appointed by the Fund ceased to perform the function.

The Fund, in accordance with Article 241 of the BFG Act, took steps to prepare Estimate 3. According to its results, the creditors and owners had been satisfied as a result of the resolution to an extent not lower than they would have been satisfied in the bankruptcy proceedings conducted in the event that, on the date of the decision to initiate the resolution, the court had declared PBS w Sanoku bankrupt.

The decision of the BFG on the resolution of PBS w Sanoku was appealed to the Voivodship Administrative Court in Warsaw, which, on 4 December 2020, dismissed all complaints.

## **Bank Nowy BFG S.A.**



Immediately after the takeover of the enterprise of PBS w Sanoku by Bank Nowy BFG S.A., steps were taken to sell the bridge institution in accordance with the requirements of the BFG Act.

The Fund sought and cooperated with entities interested in acquiring shares of Bank Nowy BFG S.A. or its enterprise in its entirety or selected assets.

## 5.5 Resolution of Bank Spółdzielczy w Przemkowie

### Proceedings for issuing a decision on the initiation of resolution of Bank Spółdzielczy w Przemkowie

In the course of the proceedings concerning the decision to initiate the resolution of Bank Spółdzielczy w Przemkowie (BS w Przemkowie), the Fund conducted operational activities.

Before the decision on the resolution of BS w Przemkowie was made, in accordance with Article 137 of the BFG Act, the Fund had ensured the preparation of the valuation of the Bank's assets and liabilities. For this purpose, the Fund cooperated with Deloitte Advisory spółka z ograniczoną odpowiedzialnością sp. k. (Deloitte Advisory), the entity preparing Valuation 1 and Valuation 2. The results of the valuation showed negative equity of BS w Przemkowie and confirmed the fulfilment of the conditions referred to in Article 101(7)(1)-(3) of the BFG Act.

### The process of resolution of Bank Spółdzielczy w Przemkowie

On 30 April 2020, under the decision of the BFG of 28 April 2020, resolution was initiated against BS w Przemkowie and the sale of business tool was applied. The acquiring bank was SGB-Bank S.A. The acquiring bank was chosen in accordance with the principles set out in Article 178(1) of the BFG Act.

SGB-Bank S.A. took over, with the effect specified in Article 176(1) of the BFG Act, the business of the entity under resolution, including all the property rights and the liabilities, including all liabilities relating to the activities of the entity under resolution, except for the exemptions indicated in the decision.

**To cover the losses set out in the valuation, the following capital instruments and liabilities referred to in Article 72(1) of the Act on the BFG were written down, together with accrued interest:**

- › shares of members of BS w Przemkowie recorded in the register of cooperative members;
- › subordinated debt.

On 11 May 2020, in connection with the resolution of BS w Przemkowie, the Fund paid a subsidy to SGB-Bank S.A. in the amount of PLN 81,660.0 thousand.

On 13 May 2020, the Fund's Management Board adopted a resolution on the justification of the decision of the BFG of 28 April 2020 on the initiation of resolution against BS w Przemkowie, write-down of capital instruments, application of the resolution tool and appointment of an administrator.

After the decision on the resolution of BS w Przemkowie was made, in accordance with Article 241 of the BFG Act, the Fund had valuation 3 prepared. The purpose of the valuation is to determine whether shareholders and creditors had been satisfied as a result of the resolution to a lesser extent than they would have been satisfied in the bankruptcy proceedings conducted if, at the date of the decision to initiate the resolution, the court had declared BS w Przemkowie bankrupt.

On 29 October 2020, the Fund's Management Board, after the administrator had prepared the reports required by law, adopted a resolution on applying for the declaration of bankruptcy of BS w Przemkowie. On the same day, the application to declare BS w Przemkowie bankrupt was submitted to the District Court in Legnica. By the end of 2020, the Court had not referred to the content of the application.



## 5.6 Resolution of Idea Bank S.A.

### **Proceedings for issuing a decision on the initiation of resolution of Idea Bank S.A.**

Before the decision on the resolution of Idea Bank S.A. was made, in accordance with Article 137 of the BFG Act, the valuation of the Bank's assets and liabilities had been carried out. For this purpose, the Fund cooperated with PwC Advisory spółka z ograniczoną odpowiedzialnością sp. k. (PwC Advisory), the entity preparing Valuation 1 and Valuation 2. The Fund, based on Valuation 1 prepared by an independent valuer, ascertained that the amount of equity of Idea Bank as of 31 August 2020 was negative and amounted to PLN - 482,794 thousand, which confirms the conditions mentioned in Article 101(3)(2) of the BFG Act, stating that the assets of Idea Bank S.A. were not sufficient to cover its liabilities.

Considering the above, and after confirming that the conditions referred to in Article 101(7)(1)-(3) of the BFG Act had been met, as well as after the Fund's receiving a binding offer to take over the property rights and selected liabilities of Idea Bank S.A., on 30 December 2020 the Fund's Management Board adopted a resolution on initiating the resolution process against Idea Bank S.A., write-down of the capital instruments of Idea Bank S.A., applying the resolution tool against Idea Bank S.A., and appointing the administrator of Idea Bank S.A.

### **The process of resolution of Idea Bank S.A.**

On 31 December 2020, the Fund's decision was delivered to Idea Bank. Thus, on 31 December 2020, the resolution process against Idea Bank was initiated. Also on that date, Idea Bank's capital instruments were written down and an administrator was appointed in Idea Bank.

In addition, according to the decision, on 3 January 2021, the property rights of the entity under resolution and selected liabilities were transferred to Bank Pekao S.A.

## 5.7 Other actions in the area of resolution

### Fulfilment of the trustee function in respect of Idea Bank S.A.

The Fund in 2020 continued to carry out the trustee function in Idea Bank S.A. based on the decision of the KNF of 15 May 2019 on the appointment of a trustee in Idea Bank pursuant to Article 144(1) of the Banking Law. The purpose of the appointment of the trustee was to improve the Bank's situation by, inter alia, undertaking activities related to the participation in and supervision of the process of preparation and implementation of the updated recovery plan, which should aim to restore the Bank's viability.

As part of fulfilling the trustee's obligations, the Fund analysed the decisions made by the bodies of Idea Bank. As a result of those works and on the basis of the results of analyses carried out by audit companies commissioned by the BFG, showing that some planned transactions would have a negative impact on the financial results of Idea Bank, the Fund lodged objections to selected resolutions of the Management Board and Supervisory Board of Idea Bank S.A.

The Fund submitted monthly reports to the KNF on its activities as the supervisor of Idea Bank.

On 31 December 2020, the resolution procedure was initiated against Idea Bank. As a result, on the same date, the decision appointing the Fund as the trustee of Idea Bank expired. At the same time, the powers of attorney granted to the supervisor's attorneys also expired.



### Bridge institutions

In 2020, the Fund remained the sole shareholder of three bridge institutions operating under the name:

- Pierwszy Bank BFG S.A.
- Drugi Bank BFG S.A.
- Bank Nowy BFG S.A.

Among the above entities, only Bank Nowy BFG S.A. started its operations with the Fund's decision to apply the resolution tool in the bridge institution tool with respect to PBS w Sanoku.

In Q4 of 2020, the Fund began analytical work related to the liquidation of bridge institutions that had not yet started operations.

### Notifications

The Fund held discussions with the European Commission on the 4th prolongation and modification (5th prolongation) of the State aid SA.46575 (2016/N) - Poland - resolution scheme for cooperative banks and small commercial banks, notified by the EC on 20 December 2016 with subsequent extensions. The 4th prolongation of the scheme was implemented on the basis of the EC decision of 29 April 2020.

On 23 December 2020, the European Commission sent a confirmation of the change in the conditions of the aid scheme for cooperative banks and small commercial banks.



## 6. Financial support and restructuring activities



## 6.1 Rules for the Fund's support and restructuring activities

Pursuant to the BFG Act, in the field of the restructuring credit unions at risk of insolvency, the Fund is responsible for::

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

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

**The Fund grants aid provided that, in particular:**

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

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

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

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

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

- acquiring shares of the acquiring bank,
- granting a loan or a guarantee,
- loss sharing arrangements,
- providing a subsidy.

**The Fund grants support provided that, in particular:**

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

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

## 6.2 Restructuring of credit unions

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

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

In 2020, the Fund did not provide any support following the resolution of credit unions.

Table 11.

### Support provided in the form of grants and loss coverage guarantees in 2014–2020 (in thousands of PLN)

| No.   | Bank                               | Acquired credit union                   | Year of granting | Net value of the acquired property rights as of the acquisition date in the Credit Union's books | Initial value of support (grant) |
|-------|------------------------------------|---|------------------|--|----------------------------------|
| 1.    | Alior Bank S.A.                    | SKOK im. św. Jana z Kęt*                | 2014             | 25 873,95  | 15 895,75                        |
|       |                                    | SKOK im. Stefana Kardynała Wyszyńskiego | 2016             | 110 002,86   | 52 533,74                        |
|       |                                    | Powszechna SKOK                         | 2016             | 24 982,44  | 9 310,12                         |
|       |                                    | SKOK Jaworzno                           | 2019             | 143 217,94   | 110 000,00                       |
| 2.    | Bank Pekao S.A.                    | SKOK im. Mikołaja Kopernika             | 2015             | 221 696,40   | 101 926,31                       |
| 3.    | PKO BP S.A.                        | SKOK „Wesoła”                           | 2015             | 219 465,09   | 278 858,41                       |
| 4.    | Śląski Bank Spółdzielczy „SILESIA” | SKOK „Profit”                           | 2017             | 1 909,15   | 115,84                           |
| 5.    | ING Bank Śląski S.A.               | SKOK Bieszczadzka                       | 2018             | 27 810,24  | 11 824,76                        |
| 6.    | BS we Wschowie                     | SKOK Lubuska                            | 2018             | 6 527,00   | 1 877,63                         |
| 7.    | BGŻ BNP Paribas S.A.               | Rafineria SKOK                          | 2018             | 34 405,80  | 41 082,26                        |
| 8.    | Bank Millennium S.A.               | SKOK PIAST                              | 2019             | 127 251,62   | 67 492,28                        |
| Total |                                    |   |                  | 943 142,49   | 690 917,10                       |

\* Agreement ended

## 6.3 Assistance from the cooperative banks' restructuring fund



### Applications for financial aid

Pursuant to the Act of 7 December 2000 on the Operation of Cooperative Banks, their Affiliation, and Affiliating Banks (Journal of Laws of 2018, item 613 as amended), in 2020 the BFG provided financial aid to cooperative banks from the cooperative banks' restructuring fund established in 2001.

Aid may be granted only to banks which are not at risk of insolvency and their situation allows, in the opinion of the Fund, the loan to be repaid.

**The Management Board of the Fund, within the financial resources available in 2020, accepted 65 applications from cooperative banks for loans from the cooperative banks' restructuring fund, including:**

- 58 applications for financing of expenses related to joining the BPS Association Protection System in the total amount of PLN 12,271.0 thousand,
- 7 applications for financing investments related to merger processes in the total amount of PLN 4,428.0 thousand.

At the same time, in 2020 the Management Board of the BFG refused to provide financial aid to one cooperative bank to finance merger processes due to the exhaustion of funds accumulated under the cooperative banks' restructuring fund.

### Applications for waiving debts resulting from financial aid



According to the Act on the Operation of Cooperative Banks, their Affiliation, and Affiliating Banks, receivables and amounts due to the Fund on account of the granted financial assistance may be waived in whole or in part in cases justified by the public interest or having an impact on increasing financial stability.

**The BFG Council, at the request of the Management Board, accepted applications submitted by 93 cooperative banks. The total amount of the remitted loans was PLN 21,879.1 thousand, of which:**

- 83 applications for financing expenditures related to the participation in the protection schemes – in the amount of PLN 17,045.0 thousand,
- 10 applications for financing expenditures related to the merger process in the amount of PLN 4,834.1 thousand.

Since 2016, the Fund has only provided loans for expenses related to the participation in the protection schemes or for expenses related to the implementation of the merger processes initiated by the protection scheme management body or by the KNF. Due to the remission of all loans granted between 2016 and 2020, only PLN 626.3 remained in the cooperative banks' restructuring fund as of 31 December 2020. This form of aid provided by the BFG was thus exhausted and ended.

## 6.4 Monitoring of the implementation of agreements on the basis of which aid or support was provided

### Support from the credit unions' guarantee fund

At the end of 2020, the monitoring process covered six commercial banks (receiving the support in connection with the acquisition of eight credit unions) and two cooperative banks (receiving the support in connection with the acquisition of two credit unions), to which the BFG provided support in 2014–2020 in connection with the resolution of credit unions.

Table 12.  
Banks benefiting from the credit unions' guarantee fund

| Name of the bank                   | Acquired credit union  | Period of support (coverage of losses, reversal of income) | Period of support (share in revenues, reversal of losses) | Total value of guaranteed funds as of the date of acquisition (maximum value of support) (PLN thousand) | Value of support granted as of 31.12.2020 (PLN thousand) |
|------------------------------------|--|--|---|---|--|
| Alior Bank S.A.                    | SKOK im. Stefana Kardynała Wyszyńskiego with its registered office in Września /Wyszyński/ | 31.12.2020   | 31.12.2020 (revenues)<br>31.12.2022 (loss reversals)      | 164,385.34  | 51,279.15  |
|                                    | Powszechna SKOK with its registered office in Knurów /Powszechna/                          | 31.12.2020   | 31.12.2022  | 35,506.83   | 9,485.44   |
|                                    | SKOK Jaworzno with its registered office in Jaworzno                                       | 31.03.2027   | 31.03.2027  | 319,796.18  | 110,000.00   |
| Bank Pekao S.A.                    | SKOK im. Mikołaja Kopernika with its registered office in Ornontowice /Kopernik/           | 21.12.2019   | 31.12.2019 (revenues)<br>31.12.2021 (loss reversals)      | 397,002.46  | 65,899.98  |
| PKO BP S.A.                        | SKOK Wesola with its registered office in Mysłowice /Wesola/                               | 30.06.2020   | 30.06.2020  | 591,745.55  | 291,206.91   |
| Śląski Bank Spółdzielczy „SILESIA” | SKOK Profit with its registered office in Rybnik /Profit/                                  | 30.11.2019   | 30.11.2021  | 2,629.05  | 113.62   |
| ING Bank Śląski S.A.               | Bieszczadzka SKOK with its registered office in Sanok                                      | 31.07.2025   | 31.07.2025  | 40,835.22   | 13,172.60  |
| Bank BNP Paribas S.A.              | SKOK Rafineria with its registered office in Gdańsk  | 30.04.2026   | 30.04.2026  | 77,666.40   | 41,082.26  |
| Bank Spółdzielczy we Wschowie      | Lubuska SKOK with its registered office in Zielona Góra                                    | 31.10.2021   | 31.10.2021  | 9,455.03  | 1 877.63   |
| Bank Millennium S.A.               | SKOK PIAST with its registered office in Tychy   | 30.09.2026   | 30.09.2026  | 198,816.79  | 67,492.28  |
| <b>Total</b>                       |  |  |   | <b>1,837,838.85</b>   | <b>651,609.87</b>  |



On the basis of the financial statements and the data contained in the EWS, the Fund monitored the economic and financial situation of these banks and the fulfilment of the obligations under the support agreements concluded, in particular with regard to the settlement of loss coverage guarantee agreements.



### Settlement of loss coverage guarantee agreements (GPS)

In 2020, as a result of the settlements of loss coverage guarantee agreements:

- the Fund's receivables from Beneficiaries amounted to PLN 22,272.89 thousand;
- the Fund's liabilities towards Beneficiaries amounted to PLN 2,222.14 thousand.

The Fund's accumulated receivables and liabilities from the beginning of the existing loss coverage guarantee agreements until the end of 2020 amounted respectively to:

- PLN 37,283.13 thousand;
- PLN 13,844.66 thousand

The maximum liability of the Fund as of 31 December 2020, calculated on the basis of the value of assets covered by guarantees of loss coverage resulting from the settled statements of banks, amounted to PLN 316,451.63 thousand. This is the potential liability that would arise if there was a need to cover the loss in respect of all the property rights taken over. On the basis of current analyses, it can be stated that such a risk does not exist.

Table 13.

### Maximum value of liabilities under loss coverage guarantee agreements

| Bank                             | Savings and credit union (SKOK) | Maximum liabilities of the Fund (PLN thousand) |
|----------------------------------|---------------------------------|--|
| Alior Bank S.A.                  | SKOK Wyszyńskiego               | 27,652.27                                      |
| Alior Bank S.A.                  | Powszechna SKOK                 | 4,380.25                                       |
| Alior Bank S.A.                  | SKOK Jaworzno                   | 143,217.94                                     |
| Pekao S.A.                       | SKOK im. Mikołaja Kopernika     | 9,228.91                                       |
| PKO BP S.A.                      | SKOK Wesola                     | 58,841.91                                      |
| Śląski Bank Spółdzielczy SILESIA | SKOK Profit                     | 92.69  |
| ING Bank Śląski S.A.             | Bieszczadzka SKOK               | 7,924.50                                       |
| Bank Spółdzielczy we Wschowie    | Lubuska SKOK                    | 1,037.77                                       |
| BNP Paribas Bank Polska S.A.     | SKOK Rafineria                  | 14,723.25                                      |
| Bank Millennium S.A.             | SKOK PIAST                      | 49,352.14                                      |
| <b>Total</b>                     |                                 | <b>PLN 316,451.63</b>                          |

In 2020 the Fund conducted scheduled audits in three banks, the subject of which was the correct implementation of the terms and conditions of support agreements, the quality of managing the acquired property rights as well as of the information provided in settlement reports compared to the banks' books.



### Monitoring of aid from the cooperative banks' restructuring fund

As of 31 December 2020, there were no active loans from the cooperative banks' restructuring fund.

Throughout 2020, 102 banks benefited from financial aid in the form of loans from the cooperative banks' restructuring fund (105 loans), where:

- 12 loans were fully repaid in June and July 2020; these were loans granted in 2015 for planned investments unrelated to the merger process and for the purchase of shares in an affiliating bank;
- the remaining loans were remitted; in this group, two banks repaid the remaining principal of the loans from the cooperative banks' resolution fund, which due to the de minimis limit was not subject to remission. The last loans were written off on 21 December 2020.

### Monitoring of repayments and collaterals

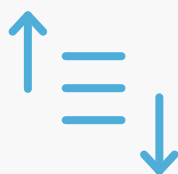


In 2020, the timeliness of repayments of capital and interest instalments on the loan granted from the banks' restructuring fund was systematically monitored, and the timeliness and value of the collateral provided was controlled. The loan was secured by a financial pledge on credit receivables, assignment of credit receivables, financial pledge on the rights to cash accumulated on bank accounts, and joint mortgage on real estate.

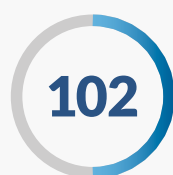
The documents related to the established collaterals and the form of collaterals complied with the provisions of the concluded agreements, and their value was higher than the required minimum level of collateral.

At the end of each quarter, receivables due to the financial aid provided to the bank were reviewed and classified.

### Classification of receivables



As of 31 December 2020, there were no delays in the repayment of principal and interest, and the economic and financial situation of the beneficiary bank did not indicate any threat to the repayment of the loan and interest payments. Due to the timeliness of repayments as well as the assessment of the economic and financial situation of the bank, the receivable was classified in the "normal" category.



**Bank's**



**Loans**



## 7. Analytical activity



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

On the basis of the available information on banks and credit unions, the Fund prepared, on a quarterly and monthly basis, analyses concerning the economic and financial situation of the banking sector and individual banks, as well as of the credit unions' sector and individual credit unions, indicating the areas of potential risks.

**The following issues, inter alia, were discussed at monthly meetings of the Early Warning System Committee:**

- results of the assessment of commercial and cooperative banks, with special attention paid to banks in a bad and deteriorating economic and financial situation;
- economic and financial situation of banks and credit unions considered to be a high risk and included in watchlists;
- information on selected entities, including but not limited to problematic inspections carried out by the UKNF in selected banks, BION assessment, and other information submitted by the UKNF, reports and publicly available reports, with particular attention to the impact of the effects of the Covid-19 pandemic on their financial situation;
- current economic and financial situation in the banking sector;
- current situation in the credit unions' (SKOK) sector, with a special focus on the situation of the largest of SKOKs.

**The EWS Committee meetings also presented:**

- reasons for placing individual banks on the watch list and the changes in the situation of these entities since their inclusion on the watch list;
- revision of the watch list and the list of high-risk banks based on updated data;
- impact of the Covid-19 pandemic on the commercial banking sector and the cooperative banking sector, including on the area of efficiency, on the basis of data from the Reporting Information System as of 30 June 2020 and on the basis of an analysis of the financial statements published by commercial banks for the first half of 2020;
- information on banks operating outside the institutional protection schemes;
- general principles of operation of institutional protection schemes: BPS Association Protection System and SGB Cooperative Protection System;
- functions of affiliating banks and their economic and financial situation;
- financial situation of cooperative banks with special attention to two groups of these banks: those with the largest balance sheet total and those showing the fastest asset growth over the last five years;
- summary of the results of the review of the auditors' opinions on the banks' financial statements for 2019;
- review of information on cooperative banks obliged to implement merger processes.

Other analytical work included, inter alia, monthly calculation and monitoring of the ratio of coverage of guaranteed funds in banks and credit unions with the available financial resources of the BFG funds and the degree of achievement of the minimum and target levels of funds for financing the deposit guarantee scheme and resolution.



## 8. **Financing Fund activities**



## 8.1 Fund's financial resources

The Fund collects financial resources earmarked for protecting deposits collected in banks and credit unions as well as for financing resolution.

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

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

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

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

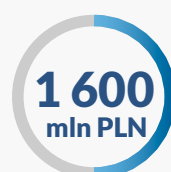
For the disbursement of guaranteed resources to bank depositors, the source of ex post financing, after the own resources referred to in Article 56 of the BFG Act have been exhausted, is formed by the resources collected by banks in the form of funds for the protection of guaranteed resources. The value of the fośg updated as of 1 July 2020 by banks for 2020 (based on the basis for calculating the amount of obligatory reserves for April 2020) amounted to PLN 5 857.0 million. The value of the fośg created by banks as of 31 December 2020 has not changed with respect to the value of the fośg updated by banks as aof 1 July 2020.

## 8.2 Determination of contributions

In Q1 2020, the total amounts of contributions to the guarantee funds of banks and credit unions as well as the resolution funds of banks and credit unions for 2020 were determined in the following amounts:



**For the banks'  
guarantee fund**



**For the banks'  
resolution fund**



**For the credit unions'  
guarantee fund**



**For the credit unions'  
resolution fund**

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

- due from banks and credit unions for individual quarters of 2020 to guarantee funds,
- due from banks, investment firms and credit unions for 2020 to resolution funds.

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

- methods approved by the Polish Financial Supervision Authority – in the case of guarantee funds of banks and credit unions,
- the respective regulations of the European Commission, the Minister of Development and Finance, and resolutions of the Council – in the case of resolution funds of banks and credit unions.

The calculation of the contributions to the banks' guarantee fund took into account adjustments to the contributions made by banks due to corrections made by some of these entities to the data on the amount of guaranteed funds. As regards the calculation of the contributions to the banks' resolution fund for 2020, it took into account adjustments to the contributions made by banks and investment firms for 2019, which was due to some entities making adjustments to the data underlying the determination of the contribution to the banks' resolution fund for 2019.

The Fund sent a letter to all entities obliged to make a contribution to the guarantee funds and resolution funds with details of the amount of contributions due, the payment date thereof and the maximum share of contributions in the form of commitments to pay. In the case of contributions to the banks' guarantee fund due from banks participating in the institutional protection scheme and taking advantage of the relief on account of the participation, the Fund also provided the calculated amount which those banks should contribute to the protection scheme.

In Q4, after the BFG Council adopted a relevant resolution, banks were also informed about the rate of establishment of funds for protection of guaranteed sums for the year 2021, defined as 0.35% of the sum of cash accumulated in the bank on all accounts, constituting the basis for calculating the mandatory reserve for October 2020.

In 2020, changes were made to the methods of calculating contributions to the banks' guarantee fund due from banks and for the credit unions' guarantee fund. The new consolidated text of the method of calculating contributions to the banks' guarantee fund due from banks was approved by the KNF in a resolution of 18 February 2020.

**The changes to the method of calculating contributions to the banks' guarantee fund concerned:**

- definition of one of the additional risk indicators due to the amendment to the BION methodology,
- modification of the provisions setting out the procedure for the adjustment of contributions – extension of the time limit from 7 to 10 days for the Fund to make an adjustment to contributions after banks have submitted their adjustment to the data on guaranteed sums,
- making the provision on the amount of relief available to banks participating in institutional protection schemes (IPS) more flexible by introducing a reference to the Regulation of the Minister of Development and Finance of 27 December 2016 on the manner of determining the risk profile of banks and branches of foreign banks and taking this profile into account in determining contributions to the banks' guarantee fund.



The Regulation of the Minister of Finance of 23 March 2020 amending the Regulation on the manner of determining the risk profile of banks and branches of foreign banks and taking this profile into account in determining contributions to the banks' guarantee fund entered into force on 1 April 2020. The change consisted in increasing the reduction of the contribution paid to the banks' guarantee fund by banks participating in the IPS by increasing the obligatory discount for the total risk weight from 50% to 80%. Such a change was proposed by the Fund and its purpose was to strengthen the supporting function of the protection schemes.

As a result of the aforementioned regulation, the increased IPS relief applied to contributions to the banks' guarantee fund starting from Q2 2020.

As for the method of calculating contributions to the credit unions' guarantee fund, the changes resulted only from changes in their reporting and consisted in modifying the definitions of selected risk indicators accordingly. The changes in the method of calculating contributions to the credit unions' guarantee fund were adopted by way of a resolution of the Fund's Management Board. Changes in the definitions of risk indicators resulting from changes in reporting do not require the Commission's approval; however, the Fund is obliged to inform the KNF about them within one month from the day they were made.

In connection with the negative impact of the Covid-19 pandemic on the situation of the banking sector, the Fund analysed possibilities of reducing the burden of banks' contributions to the BFG. Implementing the recommendation of the Fund's Council, information material was prepared on the amount of future contributions to the banks' guarantee fund and the banks' resolution fund, assuming different scenarios for constructing the financial resources of the BFG, including changes in the amount of the target levels of individual funds and the dates of their achievement.

In October, the Fund submitted a letter to the President of the NBP, in his capacity as Chairman of the Financial Stability Committee on macroprudential supervision (KSF-M), to place the issue of the level of contributions to the guarantee and resolution funds on the agenda of the December meeting of the KSF-M. After discussing the proposals presented by the BFG at that meeting, the KSF-M recommended that the working group develop a recommendation on extending the period for achieving the target level of the deposit guarantee scheme funds in banks, which would allow for a reduction in 2021 – as compared to 2020 – of contributions to the banks' guarantee fund<sup>5</sup>.

## 8.3 Investing activities

In 2020, the Fund carried out investment activities in accordance with the 2020 Investment Policy, the main objective of which was to provide financial resources for possible interventions and to safeguard the Fund's portfolio of securities against the risk of adverse changes in market yields, while achieving optimum profitability. These activities were conducted pursuant to the BFG Act, under which the Fund may acquire securities issued, guaranteed or underwritten by the State Treasury, the NBP and the governments or central banks of EU Member States or the Organisation for Economic Co-operation and Development (OECD). Furthermore, the Fund may acquire participation units in money market funds and open deposits at the NBP and the Minister of Finance.

<sup>5</sup> On 18 January 2021, the Financial Stability Committee adopted a resolution on recommendations to reduce the burden of financing the banks' guarantee fund. The recommendations are addressed to the Bank Guarantee Fund and the Minister of Finance.

At the end of 2020, the yield on the Fund's total securities portfolio was 0.97%, while the duration was 0.95 years (compared to a yield of 2.05% and duration of 0.61 years at the end of 2019). The decrease in the profitability of the Fund's portfolio was mainly due to a significant reduction in the profitability of NBP money bills and the decrease Warsaw Interbank Offered Rate (WIBOR) as a result of the Monetary Policy Council's decision to make successive reductions in the reference rate. Thanks to the investment policy pursued in previous years and the purchases of floating rate bonds in periods of increasing spreads between the profitability of the bonds and derivatives in question, which made it possible to obtain an additional margin, the profitability of the bonds in the BFG portfolio remained at a relatively high level (1.38%), significantly exceeding the profitability of Treasury bonds with a 10-year maturity.

Table 14.  
**BFG's securities portfolio as of 31.12.2019 and 31.12.2020**

| Type            | Share in the portfolio |               |
|-----------------|------------------------|---------------|
|                 | 31.12.2019             | 31.12.2020    |
| NBP money bills | 49.9%                  | 29.8%         |
| Treasury bills  | [-/]                   | 4.3%          |
| Bonds           | 50.1%                  | 65.9%         |
| <b>Total</b>    | <b>100.0%</b>          | <b>100.0%</b> |

The total result on financial transactions at the end of 2020 was PLN 287,609.1 thousand, which is PLN 49,003.8 thousand more than expected.

In Q4 2020, the Investment Policy of the Bank Guarantee Fund in the area of investing financial resources in securities in the period from 1 January to 31 December 2021 was also prepared. As part of it, the process of adjusting the maintained security to the financial condition of entities from the banking and cash sector was optimised and a multivariant approach to the Fund's investment activities was presented, with particular attention to fluctuations in the market prices of securities. As a result, the aim of the Investment Policy in 2021 will be to maintain high liquidity in the securities portfolio held and to make investments in such a way as to limit interest rate risk while achieving the best possible financial results.



## 9. Other activities of the Fund



## 9.1 National and international cooperation



### National cooperation

Acting to support and maintain the stability of the domestic financial system, the Fund actively cooperated with the institutions of the financial security network, i.e. the MF, NBP and KNF, including participation in the meetings of the Financial Stability Committee, which is the competent authority for macro-prudential supervision in Poland.

The President of the Fund's Management Board is a member of the Financial Stability Committee in the scope of crisis management of the financial system (KSF-K) and macroprudential supervision (KSF-M).

Representatives of the Fund participated in the meetings of the Committee for Public Finance, including in the works of the Parliamentary Committee for Public Finance concerning the presentation by the MF, the KNF, the NBP and the BFG of information on the possibility of the sale of SKOK w Wołominie at a loss to the State Treasury, in particular concerning the adoption by the Council of Creditors of SKOK w Wołominie by the votes of the BFG and the NBP of a resolution to refrain from selling the enterprise as a whole.

Furthermore, the representatives of the BFG participated in the works of the Parliamentary Committee on PBS w Sanoku under resolution and the Parliamentary Committee on Local Government and Regional Policy.

As part of the work related to the statutory requirements, the Fund participated in many meetings, among others with representatives of commercial banks, cooperative banks, credit unions, the SGB Cooperative Protection System and the BPS Association Protection System, as well as with the ZBP, PBS and SGB associations, and the Insurance Guarantee Fund.



### Cooperation within the European Banking Authority

The representative of the BFG represented the Fund at five meetings of the European Banking Authority's Standing Resolution Committee (ResCo).

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

- Subgroup on Resolution Execution (SGRE);
- Subgroup on Resolution Planning and Preparedness (SGRPP); In 2020, the GSCPP meetings primarily discussed issues related to the draft delegated acts whose delegations were included in BRRD2;
- Task force on Deposit Guarantee Schemes (TFDGS).



## Cooperation within the European Commission

As regards cooperation with the EC, representatives of the BFG took part in the following meetings and teleconferences organised within the framework of the expert group called Commission Expert Group on Banking, Payments and Insurance (EGBPI):

- a meeting in Brussels on 27 January 2020, which discussed possible amendments to the DGS Directive resulting from the current stage of its review and from the conclusions identified by the EBA in three of its opinions (Opinion on eligibility of deposits, coverage level and cooperation between deposit guarantee schemes, Opinion on deposit guarantee scheme payouts, Opinion on deposit guarantee schemes' funding and uses of DGS funds);
- a teleconference on 23-24 June 2020, which continued the discussion on proposals to amend and update selected provisions of the DGS Directive,
- a teleconference on 16 July 2020, which included a presentation and discussion of the EBA Opinion on the eligibility of deposits, coverage level cooperation between DGSs and issues concerning the assessment of public interest in planning the resolution process;
- a teleconference on 28 September 2020 on issues related to triggers for initiating the bankruptcy process of a credit institution and the revision of Article 32b of the BRRD. The group also continued its discussion on the harmonisation of ranking rules in bankruptcy proceedings and on issues concerning the cost assessment of the use of DGS funds for purposes other than the disbursement of guaranteed funds in the light of Articles 11(3) and (6) of the DGS Directive;
- a teleconference on 15 October 2020 to present and discuss, inter alia, issues concerning the assessment of public interest in resolution planning, sources of financing as part of crisis management of banks, further harmonisation of ranking rules in bankruptcy proceedings and possible guarantee protection for depositors' funds held by payment service providers and e-money institutions;
- a teleconference on 12 November 2020, which presented, inter alia, the results of a survey among Member States on the use of DGS funds for purposes other than for the disbursement of guaranteed sums in the light of Articles 11(3) and (6) of the DGS Directive and least cost tests. The issues discussed included also the use of DGS funds in the resolution process and the draft EBA Report on the monitoring of the TLAC/MREL eligible liabilities instruments of EU institutions.

A representative of the Fund also participated in the workshops on the implementation of the BRR2 Directive and the SRM2 Regulation, which took place on 13 February (stationary meeting in Brussels) and 1 July (remote meeting).



## Collaboration with the IADI

In 2020, there were four meetings of the Executive Council (EXCO) of the International Association of Deposit Insurers (including one of the EXCO-BIS) and accompanying meetings of standing committees (including the Core Principles and Research Council Committee, CPRC), technical committees, working groups and regional committees (including the Europe Regional Committee, ERC). The meetings were attended by representatives of the BFG. The EXCO meetings elected, among others, the chairs of the Standing and Regional Committees, approved the new composition of the Standing Committees, ratified the appointment by acclamation of the new EXCO Vice Chair, and welcomed new IADI members.

In October 2020, the 19th Annual General Meeting (AGM) of the IADI took place. The President of the BFG Board of Directors was elected as a member of the IADI Executive Council. He was elected for a 3-year term of office, starting as of 8 December, at the AGM, by postal ballot, on 9 November 2020. Moreover, the President of the Russian Depository was elected IADI President and Chairman of the Executive Council for a 2-year term. The meetings were also accompanied by committee meetings.

Due to the dissatisfaction of IADI members with the reforms carried out in the association so far, including the differentiation and increase of the membership fees, the SPWG (Strategic Planning Working Group) was established together with the Fee Options Subgroup by decision of the EXCO. The President of the Management Board of the BFG was elected as a member of the SPWG, while the Director of the Management Office became a member of the Fee Options Subgroup. The group and the subgroup are responsible for developing solutions to implement reforms in the association. The role of the SPWG is to analyse and make recommendations in the main areas of the organisation's activities by, among other things, developing new strategic objectives for the IADI for the period 2022-2026 and analysing the existing functioning of the organisation and the principles of financing the association. The role of the Sub-Group is to focus on analysing the current manner of calculating the association's annual fees. During the reporting period, a questionnaire was sent out to all IADI members, asking them about their expectations and directions for further reforms. Further, a work schedule was set and the next steps were determined. Among other things, several potential scenarios of proposed ways of calculating membership fees were developed, a SWOT analysis of the association was conducted, and a matrix of the association's strategic goals for the next years and how to achieve them was prepared; numerous comments and remarks were also collected. Further meetings of the SPWG and Fee Subgroup are scheduled for early 2021, as well as the official submission of the report on works to the EXCO. During the reporting period, there was one meeting initiating the work of both groups, and 3 virtual meetings each of the SPWG and Fee Subgroup; there were also virtual meetings of the SPWG with willing EXCO members, where the progress of work was reported on an ongoing basis.

In 2020, the Europe Regional Committee (ERC) held three meetings. These meetings discussed, among other things, the change in the way of calculating the IADI membership fees, the common position on the implementation of the review of the changes made in the association so far and the manner of carrying out reforms in the IADI. The Fund was also involved in IADI's work within the Research and Guidance Technical Committee.

In the reporting period, the BFG staff participated in a webinar entitled Core Principle 15: payout time, process, and information requirements organised by the LARC (Latin America Regional Committee IADI), discussing the basic principles of effective deposit guarantee schemes in the context of the payout process.

An IADI survey on the Covid-19 pandemic was conducted in the spring of 2020. The chairs of the regional committees reported on the situation in their respective regions. Forty-two participants took part in the survey. The survey revealed that the financial sector had taken numerous measures to mitigate the adverse economic impact of the pandemic. Most institutions also decided not to increase the amount of guaranteed funds. In addition, the disbursement of guaranteed funds and the readiness to carry out the resolution process became a priority for DGSs.

<sup>6</sup> This time it was called EGM - the Extraordinary General Meeting - due to the fact that it was the first time in the history of the IADI that it was held remotely.

In view of the Covid-19 pandemic, the BFG also conducted its own survey among IADI and EFDI members on the possible suspension of mandatory contributions from credit institutions and on the measures taken by countries for the banking sector. Only a few countries decided at that time to suspend the collection of contributions.

Fund representatives participated in a teleconference on 22 and 24 September 2020 on the current and expected impact of the Covid-19 pandemic crisis on the activities of deposit guarantee schemes and resolution authorities.



## Collaboration with the EFDI

In September 2020, the Annual General Meeting of the Members of the European Forum of Deposit Insurers (EFDI AGM) was held. It was attended by the President and a Member of the Management Board of the BFG, as well as the Fund's staff. At the meeting, new members of the Board of Directors and members of the EU Management Executive (EUME) were elected. An Associate Members Observer (AMO), representing EFDI's affiliated institutions, was also elected. The meeting also adopted the official EFDI Sustainability Charter, a document outlining the association's framework and priorities.

**As part of its cooperation with the European Forum of Deposit Insurers, the Fund was also represented at the meetings:**

- H2C EFDI Group;
- EFDI EU Committee;
- EFDI EU Monthly Coffee Club.



## International agreements

In implementing the EBA guidelines, the European deposit guarantee institutions (including the BFG) signed a multilateral cooperation agreement regarding cross-border payments to depositors of branches established by credit institutions in another Member State. This agreement provides for the possibility of clarifying provisions in the form of bilateral agreements (bilateral specifications including complementary or alternative provisions not incompatible with the multilateral agreement). During the reporting period, a consultation process was initiated on a draft bilateral agreement on cross-border disbursements between the BFG and the German DGS.



## Other

**During the reporting period, BFG staff participated in the following international meetings:**

- Resolution Board 2020 SRB Induction Training;
- meeting with representatives of the European Commission (DG COMP); the meeting was attended by representatives of the MF, BFG, KNF, NBP, and UOKiK.

## 9.2 Information policy

The aim of the Fund's information activity is to disseminate knowledge in the society about the functioning of the deposit guarantee scheme in Poland, resolution and the role of the BFG in the structure of the financial security network.



### Crisis communication strategy

The year 2020 was characterised by very intensive activities related to the processes of resolution of PBS w Sanoku, BS w Przemkowie and Idea Bank S.A.

While preparing for the resolution processes, the Fund each time developed an individual crisis communication strategy, including all key elements, e.g.: messages, Q&A materials, crisis communication strategy, as well as messages for the hotline of the BFG and the entity under resolution, as well as materials to be used in internal communication in the entity under resolution.

In each case, on the day the resolution was initiated, the actions were carried out in accordance with a pre-defined plan, so that the media covered the Fund's position explaining the reasons for the resolution. The main purpose of the communication activities was each time to reassure the clients of the bank under resolution and to explain the Fund's actions to the public.

During the resolution of PBS w Sanoku, the BFG Communication Department was in regular contact with the national and regional media. As regards the resolution of BS w Przemkowie, the focus was primarily on the regional media. In the case of Idea Bank S.A., activities were conducted with the national media. The Fund's Communications Department monitored the situation and reacted on an ongoing basis to information requiring correction or clarification.

In the case of the resolution of Idea Bank S.A., one of the elements of communication was organising an online briefing for the media.



### Cooperation with the media

In 2020, questions from the media mainly concerned the resolution of PBS w Sanoku, BS w Przemkowie and Idea Bank S.A., the actions of the BFG as the supervisor of Idea Bank S.A. and the bankruptcy of BS w Grębowie in 2019, which was investigated by the popular programme on the Polish public channel, "Sprawa dla Reportera".

Questions were also answered that concerned the level of contributions to the BFG and the manner of determining the MREL levels.

In 2020, interviews and statements by the President of the BFG were published in Dziennik Gazeta Prawna, the Polish Press Agency, and Magazyn Bank, among others.





## Website

Information about the Polish deposit guarantee scheme and about the activities of the Fund is available at [www.bfg.pl](http://www.bfg.pl), which is the basic source of information about its activities, and which raises public awareness of the deposit guarantee rules. Immediate provision of information to the public, especially in situations where the guarantee condition is met or where resolution has been initiated, serves primarily to prevent confusion for bank and credit union customers.

In 2020, the Fund published current information on the activities of the BFG, including, inter alia, the initiated processes of resolution, the level of contributions set for 2020, as well as information related to the performed function of the supervisor of Idea Bank S.A. The Fund's website also provides access to archival materials and documents as well as to the BFG's Public Information Bulletin. It is available in three languages: Polish, English and Ukrainian.

**The highest daily number of visits to the Fund's website in 2020 was 7 thousand. In the entire year, there were a total of approx. 358.9 thousand visits.**



**Daytime  
visits  
website**



**Year-round  
visits website**



## BFG Helpline

The BFG's free helpline at **800 569 341** allows persons interested in the deposit guarantee scheme in Poland to contact directly the Fund's staff. In 2020, the BFG's staff operating the helpline answered 3.7 thousand customer enquiries (the highest number of daily telephone calls was 48). Enquires from customers mainly concerned the scope of guarantees in banks and credit unions, information sheets received by customers from banks and credit unions and the principles of disbursement of guaranteed funds to depositors of banks and credit unions. The customers' interest in the principles of deposit guaranteeing was connected, among others, with the epidemic state introduced in Poland, as a result of which certain restrictions and prohibitions were imposed.

Apart from questions concerning deposit guaranteeing, the helpline and the BFG Communication Department answered telephone enquiries concerning resolution. A particularly large number of calls was received on the day the resolution of PBS w Sanoku was initiated.

In 2020, replies and explanations were also provided to written enquiries submitted to the BFG concerning issues such as guarantees for depositors of banks or credit unions as part of direct customer service at the Fund's Office.



## Survey of public awareness of the role of the BFG

In 2020, a survey of the image of the banking sector in Poland was conducted once again in collaboration with the ZBP. This project involved, among other things, surveying the public awareness of the deposit guarantee scheme and the role of the BFG.

The results of the opinion poll indicate that the public awareness of the existence of the BFG is low in each group by age, education and place of residence. Only 31% of respondents declare that they know the institutions that guarantee the recovery of individual customers' money in the event of bankruptcy of a bank or savings and credit union (SKOK) in Poland. Considering the results of the public opinion poll, the Fund launched broader educational activities.

In November 2020, the BFG launched a several-month educational campaign aimed at increasing the awareness of various social groups about the national deposit guarantee scheme for banks and SKOKs. The Fund was also involved in work coordinated by the MF on the concept of preparing a national financial education strategy.



## Fund's publications

In 2020, four issues of the Bezpieczny Bank magazine (Safe Bank) were published. About 30 articles and studies in total were published in the magazine. They dealt with broadly defined issues of the impact of the market structure and bank size on the stability of the banking sectors in the EU countries, the systemic risk and the macroprudential policy, regulatory infrastructure as well as issues related to the risk of the activities of banks and the impact of the Covid-19 pandemic on the economy. Study results and reviews of books on economy were also published.

Issue 3 (80) of the magazine was an anniversary issue, dedicated to the 25th anniversary of the BFG. It contains review articles by Prof. Jan Szambelańczyk entitled "25 years of operation of the Bank Guarantee Fund in Poland" and by Tomasz Obal, Member of the Management Board of the BFG, entitled "Guaranteeing deposits in Poland in 1995-2020. Axiology, selected regulations, practice."

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

The Fund, as every year, prepared the Annual Report of the BFG for 2019 in Polish and English.



## Other information and promotion activities

2020 saw the 18th edition of the competition organised by the Fund for the best bachelor's, master's and doctoral thesis on deposit guarantee schemes, resolution or orderly liquidation of financial institutions, regulatory infrastructure of the financial system, issues of financial security of banks and financial stability.

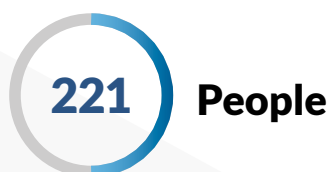
6 doctoral theses, 12 master's theses and 8 bachelor's theses were submitted for the competition. The competition jury selected two winners in each category.

## 9.3 HR matters



### Employment

The Bank Guarantee Fund employed 209 people (204.3 FTEs) as of 1 January 2020 and 221 people (214.76 FTEs) as of 31 December 2020.



### Training and other activities

In 2020, after training activities had been reorganised and went online, the staff expanded their knowledge by participating in training courses and seminars on such topics as:

- MDR tax scheme reporting;
- court and administrative proceedings,
- supervisory requirements regarding the capital adequacy of banks;
- changes in labour law in connection with crisis regulations;
- changes in the Public Procurement Law;
- the use of electronic services, including handling the electronic document flow on the ePUAP platform;
- liquidation and resolution proceedings,
- development of the ICT security systems,

In Q2 2020, the BFG completed the process of changing the manager of the Employee Pension Scheme. Actions were to ensure more favourable conditions for running the Scheme.



# 10. Summarised financial statements



|       |       |      |       |       |      |
|-------|-------|------|-------|-------|------|
| 6995  | 2780  | 2826 | 7541  | 6094  | 4357 |
| 31324 | 4477  | 1438 | 4085  | 4514  | 286  |
| 8639  | 2514  | 2642 | 1033  | 5920  | 537  |
| 2460  | 34342 | 8323 | 6678  | 6946  | 2290 |
| 187   |       | 7320 | 6469  | 1454  | 42   |
| 31324 |       | 2357 | 34307 | 9669  | 7    |
| 8639  |       | 824  | 5133  | 39433 | 20   |
| 2460  |       | 1877 | 4803  |       |      |
| 187   |       | 978  | 8674  |       |      |
| 4976  |       | 1390 | 1230  |       |      |
| 8761  |       |      | 6671  |       |      |
| 3457  |       |      | 789   |       |      |
| 9725  |       |      | 4314  |       |      |
| 51005 |       |      | 31614 |       |      |
| 3075  |       |      | 5803  |       |      |
| 2454  |       |      | 5772  |       |      |
| 4751  |       |      | 4827  |       |      |
| 1204  |       |      | 111   |       |      |
| 110   |       |      |       |       |      |
| 8111  |       |      |       |       |      |
| 8111  |       |      |       |       |      |

## 10.1 Balance sheet of the Fund

Table 15.  
Balance sheet as of 31 December 2020 and as of 31 December 2019 (PLN)

| ASSETS  | 31.12.2020               | 31.12.2019               |
|---|--------------------------|--------------------------|
| Cash  | 229,752,525.22           | 9,977,820.16             |
| Cash in hand  | 32,450.57                | 15,537.98                |
| Cash on current accounts  | 97,202.31                | 50,300.79                |
| Deposits  | 229,389,000.00           | 9,829,000.00             |
| Cash of the Company Social Security Fund                              | 233,872.34               | 82,981.39                |
| <b>Receivables from financial institutions</b>                        | <b>2,427,184,729.54</b>  | <b>1,641,019,682.01</b>  |
| Receivables from banks on account of:                                 | 2,425,413,954.54         | 1,639,248,907.01         |
| - commitments to pay  | 2,425,413,954.54         | 1,637,091,163.35         |
| - loans granted   | 0.00                     | 2,157,743.66             |
| Receivables from cooperative savings and credit unions on account of: | 1,770,775.00             | 1,770,775.00             |
| - commitments to pay  | 1,770,775.00             | 1,770,775.00             |
| <b>Other receivables and claims</b>                                   | <b>80,779.61</b>         | <b>2,264,634.13</b>      |
| <b>Securities and other financial assets</b>                          | <b>23,582,735,028.06</b> | <b>21,129,980,902.67</b> |
| Debt securities:  | 20,682,735,028.06        | 19,929,980,902.67        |
| - of banks  | 7,499,446,950.72         | 9,952,669,462.85         |
| - of the State Treasury   | 13,183,288,077.34        | 9,977,311,439.82         |
| Shares  | 2,900,000,000.00         | 1,200,000,000.00         |
| - in financial institutions   | 2,900,000,000.00         | 1,200,000,000.00         |
| <b>Property, plant and equipment</b>                                  | <b>49,868,950.57</b>     | <b>50,589,458.83</b>     |
| <b>Intangible assets</b>  | <b>863,942.96</b>        | <b>1,108,367.19</b>      |
| <b>Accruals</b>   | <b>1,101,315.37</b>      | <b>626,723.76</b>        |
| <b>TOTAL ASSETS</b>   | <b>26,291,587,271.33</b> | <b>22,835,567,588.75</b> |

| LIABILITIES  | 31.12.2020               | 31.12.2019               |
|--|--------------------------|--------------------------|
| Liabilities  | 25,577,062.24            | 38,499,817.24            |
| Liabilities due to depositors  | 22,596,385.11            | 33,687,482.81            |
| Other liabilities  | 2,980,677.13             | 4,812,334.43             |
| Special-purpose funds  | 233,872.34               | 53,069.59                |
| Accruals   | 9,478,336.29             | 4,383,614.55             |
| Provisions   | 24,615,763.09            | 22,340,286.62            |
| Statutory fund   | 1,637,025,547.68         | 1,637,025,547.68         |
| Banks' guarantee fund  | 15,805,691,374.67        | 13,825,112,923.49        |
| Banks' guarantee fund available for utilisation  | 15,805,691,374.67        | 13,825,112,923.49        |
| Banks' resolution fund   | 8,538,964,452.85         | 6,784,658,503.89         |
| Banks' resolution fund available for utilisation   | 5,638,964,452.85         | 5,584,658,503.89         |
| Banks' resolution fund used  | 2,900,000,000.00         | 1,200,000,000.00         |
| Credit unions' guarantee fund  | 27,527,717.94            | 12,694,688.77            |
| Credit unions' guarantee fund available for utilisation  | 27,527,717.94            | 12,694,688.77            |
| Credit unions' resolution fund   | 4,506,233.04             | 3,513,101.33             |
| Credit unions' resolution fund available for utilisation   | 4,506,233.04             | 3,513,101.33             |
| Cooperative banks' resolution fund   | 626.30                   | 19,295,688.87            |
| Cooperative banks' resolution fund available for utilisation   | 626.30                   | 17,137,688.87            |
| Cooperative banks' resolution fund used  | 0.00                     | 2,158,000.00             |
| Own funds reduction in the case of fulfilment of the guarantee condition or in the case of using the resolution mechanisms | (89,194.28)              | (89,194.28)              |
| Financial result   | 218,055,479.17           | 488,079,541.00           |
| <b>TOTAL LIABILITIES</b>   | <b>26,291,587,271.33</b> | <b>22,835,567,588.75</b> |

## 10.2 Profit and loss account

Table 16.

### Profit and loss account for the years ended respectively 31 December 2020 and 31 December 2019 (PLN)

|  | 2020 r.               | 2019 r.               |
|--|-----------------------|-----------------------|
| Revenues from statutory activities                                 | 63,422.39             | 61,590.45             |
| Interest revenues  | 63,422.39             | 61,590.45             |
| Result on statutory activities                                     | 63,422.39             | 61,590.45             |
| Result on financial transactions                                   | 287,609,110.35        | 542,476,638.22        |
| Securities   | 287,472,912.70        | 542,136,824.24        |
| Other  | <b>136,197.65</b>     | <b>339,813.98</b>     |
| Result on foreign exchange gains/losses                            | (13.95)               | (100.50)              |
| Business costs   | (76,287,508.47)       | (51,241,519.61)       |
| Outsourced services  | (28,633,142.92)       | (7,040,180.73)        |
| Payroll  | (35,251,291.01)       | (31,825,967.28)       |
| Social security and other payments                                 | (5,364,861.45)        | (4,264,063.69)        |
| Other  | <b>(7,038,213.09)</b> | <b>(8,111,307.91)</b> |
| Depreciation/amortisation of tangible assets and intangible assets | (2,962,701.17)        | (3,295,664.40)        |
| Other operating revenues   | 9,640,735.65          | 88,174.96             |
| Other operating expenses   | (7,565.63)            | (9,578.12)            |
| <b>Financial result</b>  | <b>218,055,479.17</b> | <b>488,079,541.00</b> |

## 10.3 Rules of preparing the summarised financial statements

The summarised financial statements, which comprise the balance sheet as of 31 December 2020 and the profit and loss account for 2020, have been prepared on the basis of the audited annual financial statements of the Bank Guarantee Fund drawn up for the financial year ended 31 December 2020. In addition, they include comparative figures for the previous financial year ended 31 December 2019.

The annual financial statements of the Bank Guarantee Fund for the financial year from 1 January to 31 December 2020 have been prepared in accordance with the requirements of the Regulation of the Minister of Finance of 9 December 2016 on the specific accounting principles of the Bank Guarantee Fund (Journal of Laws 2016, item 2115, as amended), the Accounting Act of 29 September 1994 (Journal of Laws 2019, item 351, as amended), the executive regulations issued thereunder and other applicable laws.

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

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

## 10.4 Accounting principles

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

- Debt securities, i.e. treasury bonds, treasury bills and money bills of the National Bank of Poland (NBP), as well as financial assets and liabilities arising from buy-sell-back and sell-buy-back transactions are measured at the adjusted acquisition price, taking into account the effective interest rate, and the effects of such measurements are charged to, as appropriate, revenues or costs of financial transactions. Debt securities are recognised and excluded from the books of account as of the transaction settlement day. Outflows of securities are measured at prices of assets acquired at the earliest.
- Non-listed shares are valued at the acquisition price, taking into account permanent impairment.
- Loans granted are measured at the adjusted acquisition price, taking into account the effective interest rate and write-downs. In order to determine write-downs on receivables other than arising from loans granted from the cooperative banks' resolution fund, the Fund applies, as appropriate, the provisions of the Regulation of the Minister of Finance of 16 December 2008 on the rules of establishing provisions for risk related to the activity of banks (Journal of Laws of 2019, item 520, as amended). Receivables of the Fund arising from loans granted from the cooperative banks' resolution fund are classified under: regular or lost. Write-downs on lost receivables are calculated as of the balance sheet date, in the amount of 100% of the value of such receivables. With regard to the rules of classifying receivables



on account of loans granted from the cooperative banks' resolution fund under the category of lost receivables, determining the value of the security thereof and the basis for recognising write-downs on such receivables, the Fund applies, as appropriate, the provisions of the indicated Regulation of the Minister of Finance on the rules of establishing provisions for risk related to the activity of banks. When determining write-downs on loans, the Fund takes into account the probability of them being written off by the Bank Guarantee Fund. Interest accrued on loans is classified under interest revenues.

- Receivables on account of the commitments to pay, as referred to in Article 303 of the BFG Act, are part of contributions made by entities. These receivables are secured with securities. The maturity of these receivables is governed by the provisions of the BFG Act in Articles 304 and 305. Receivables on account of commitments to pay are recognised in the amount receivable, subject to the prudence principle. Receivables on account of commitments to pay increase the value of the Fund's own funds.
- Receivables on account of the disbursement by the Bank Guarantee Fund of guaranteed funds from entities with respect to which the guarantee condition has been fulfilled, as referred to in Article 2 (57) of the BFG Act, are subject to a write-down of 100%.
- Other receivables are disclosed in the amount receivable, taking into account any write-downs thereon.
- Tangible assets and intangible assets are disclosed at the acquisition price or the cost of manufacturing, less accumulated depreciation/amortisation and impairment losses, if any.
- Tangible assets and intangible assets are depreciated/amortised using the straight-line method for the purpose of spreading over time their initial value throughout the useful life of the assets. Depreciation/amortisation rates are determined taking into account the economic useful life.
- Prepayments/accruals are disclosed in the amount of costs allocated to future reporting periods.
- Provisions are created for liabilities resulting from support granted to entities acquiring cooperative savings and credit unions or banks and for employee benefits. Provisions for employee benefits, i.e. for jubilee awards, retirement and disability pay as well as death benefits, are calculated on the basis of actuarial measurement. Provisions for support of entities acquiring cooperative savings and credit unions are calculated with the use of financial data of entities that are acquired, available as of the balance sheet date.
- Accruals include accruals for unused leaves, for bonuses and annual prizes as well as other accruals of costs. Accruals for bonuses and annual prizes are recognised in the amount of the bonuses and annual prizes due in the financial year. Other accruals are determined in the amount of costs due for a given reporting period, not being a matured liability as of the balance sheet date.
- Other liabilities are measured in the amount payable.
- The result on financial transactions includes the result on: treasury bonds, treasury bills, NBP money bills, debt securities guaranteed by the State Treasury, and the result on buy-sell back, sell-buy back transactions as well as other revenues on account of interest on funds collected in the bank account and on time deposits.
- Time-barred claims on liabilities for guaranteed funds are recognised in the profit and loss account as other operating revenues.

In 2020, there were no changes to the accounting policies of the Bank Guarantee Fund or to the manner of preparing the annual financial statements, affecting the Annual Financial Statements of the Bank Guarantee Fund for the financial year from 1 January to 31 December 2020.



# 11. Independent statutory auditor's opinion



**PKF**

## **Auditor's report**

passion

teamwork

quality

clarity





# Independent auditor's report on the summary financial statement

Bankowy Fundusz Gwarancyjny

Based in Warsaw

For the financial year from January 1st 2020 to December 31st 2020



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## INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENT

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

### Opinion

The attached summary financial statement of the Bank Guarantee Fund in Warsaw at ul. Fr. Ignacego Skorupki 4, hereinafter referred to as the "Fund", which consists of the balance sheet prepared as at 31<sup>st</sup> December 2010, the profit and loss account for the financial year ending on that date and the information on the basis for the preparation of the summary financial statements was prepared on the basis of the audited annual financial statement of the Fund for the financial year which ended December 31s, 2020.

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

### The summary financial statement

The summary financial statement does not contain all the disclosures required by the Accounting Act of September 29, 1994 (consolidated text: Journal of Laws of 2019, item 351, as amended), and the implementing regulations issued on its basis, in particular the Ministerial Ordinance Of Development and Finance of December 9, 2016 on the specific accounting principles of the Bank Guarantee Fund (Journal of Laws of 2016, item 2115, as amended).

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

### Audited annual financial statement and our report on it

We expressed an unmodified opinion on the Fund's audited annual financial statement for 2020 in our audit report dated March 20, 2021

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

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





#### Statutory auditor's responsibility

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

Mariusz Kuciński  
Statutory Auditor no 9802

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

Orzycka 6 Street apt. 1B  
02-695 Warszawa

Warsaw, 17<sup>th</sup> of August, 2021



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