



2021 **ANNUAL REPORT**

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

DEAR ALL,

On behalf of the Council and the Management Board of the Bank Guarantee Fund, we have the honour and pleasure to present the Annual Report of BFG for 2021.

The statutory objective of the Fund's operation is to take measures to ensure the stability of the national financial system, in particular, by ensuring operation of the mandatory deposit guarantee scheme and conducting resolution. Last year, as regards the first measure, the fulfillment of the statutory objective primarily consisted in remaining ready to act in the scope of guaranteed deposits payments. As regards the second measure, the Fund's operations in 2021 focused on continuation of activities commenced at the end of 2020 first.

As we have informed in the previous Report, BFG commenced resolution of Idea Bank S.A. on the last day of 2020. On 3 January 2021, Idea Bank S.A. was acquired by Bank Pekao S.A., which allowed full protection of deposits of clients of the bank at risk of insolvency. The Fund's decision was the subject of complaints to a court, but on 25 August 2021, the Voivodeship Administrative Court in Warsaw dismissed complaints against BFG's decision on the resolution of Idea Bank S.A. Among the dismissed complaints, one may find, for instance, a complaint of the Supervisory Board of Idea Bank S.A. Dismissal of the complaints meant examining the substantive side of the decision, and it confirmed that the decision of the Fund was not issued in breach of the law.

The sense and necessity of Fund's activities was also confirmed by the report of the independent company PwC Advisory sp. z o.o. Sp.k. drawn up in 2021. It states that commencement of the resolution against Idea Bank S.A. did not aggravate the situation of owners and creditors of the bank in relation to the situation in which they found themselves in view of the bank's fulfilled insolvency premise. It also allowed to protect PLN 0.8 bln of creditors, including depositors, whose deposits exceeded BFG's guarantee level or were not covered with the Fund's guarantees, and over PLN 1.5 bln of cash on BFG's guarantee fund. In case of the failure of Idea Bank S.A., which was the alternative to the resolution, the creditors would have lost their funds. This conclusion is particularly important for BFG as our primary objective is to protect money of clients of banks and cooperative savings and credit unions.

In 2021, the process of resolution of Podkarpacki Bank Spółdzielczy with its registered office in Sanok, which was commenced in 2020, was completed. The final undertaking was the sale of the bridge bank used in the process: on 27 October, the Fund signed a sales agreement for the sale of 100% of shares of Bank Nowy BFG S.A., and the majority stake was acquired by Wielkopolski Bank Spółdzielczy.

It is worth reminding that last year the Fund's Council reduced the total level of BFG contributions by 30% in relation to 2020. It was a response to the situation faced by the Polish banking sector resulting from the COVID-19 pandemic.

Apart from activities related to the commenced processes of resolution, the Fund also carried out other statutory duties. Last year, the Fund reviewed resolution plans for 7 commercial banks, 165 cooperative banks, 8 cooperative savings and credit unions and 6 investment companies. The Fund additionally updated resolution plans for 61 cooperative banking

institutions, 2 affiliating banks and 6 commercial banks. It is worth reminding that, due to the implementation of the BRR Directive to the Polish legal system, the Fund adjusted its approach in the scope of calculating and maintaining the MREL requirement.

Speaking about legislative changes, on 1 January 2022 the numerous newly introduced provisions, it is worth highlighting those under which BFG became a public finance sector entity. The term of office of BFG Management Board was also extended from three to five years in 2021.

As every year, the Fund maintained a high level of efficiency in the recovery of claims from the liquidation of bankruptcy assets of entities for which the guarantee condition has been met. In 2021, the Fund recovered on this account PLN 148,588.8 thousand. Overall, as a result of conducted insolvency proceedings, the Fund recovered a total of PLN 1,153,090.1 thousand by the end of 2021, representing 17.4% of the Fund's claims asserted in insolvency proceedings. It is worth noting that, in 2021, BFG commenced the process of monitoring the performance and settlement of the loss coverage guarantee agreement concluded with Bank Pekao S.A. for an unprecedented amount, which was an element of the resolution of Idea Bank S.A.

The Fund constantly maintains disciplined approach to investment policy, which brought the financial result of PLN 223 mln in 2021.

There was no need to pay out guaranteed funds to depositors in 2021, which does not mean that with regard to one of the Fund's core activities, that is deposit guaranteeing, the scope of work was limited. As of the end of last year, depositors' claims against BFG for the payment of guaranteed funds from six entities became barred by the statute of limitations (unless the statute of limitations has been interrupted), which means that payments of guaranteed funds from five entities are still pending. Importantly, the Fund remains ready to act in this regard. The test carried out in 2021 confirmed the smooth operation of the Fund's systems enabling the payment of guaranteed funds and the correct operation of the technical conditions agreed with the agent bank for the transmission of data, as well as the ability to quickly request external funding to secure funds for the payment of guaranteed funds within the statutory deadline.

In December last year, by the decision of the Polish Financial Supervision Authority, the Fund became the trustee in Getin Noble Bank S.A. Also at the end of 2021, the Financial Stability Committee expressed a positive opinion on entrusting BFG with the mandate to create an authority for resolution of insurance companies. It relates to the EU's works on the adoption of the Directive establishing the framework for the purposes of the recovery and restructuring as well as resolution of insurance/reinsurance companies. We will be pleased to report more extensively on the works on the directive in the 2022 report, and for now please enjoy the Annual Report of the Bank Guarantee Fund for 2021.

**MATEUSZ BERGER**CHAIR OF THE COUNCIL
OF THE BANK GUARANTEE FUND

A blue ink signature of Mateusz Berger.

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

A blue ink signature of Piotr Tomaszewski.



**KEY
ABBREVIATIONS**

BFG Act	The Act of 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and resolution (Journal of Laws of 2022, item 793, as amended)
Act amending BFG Act	The Act of 8 July 2021 on the amendment of the Bank Guarantee Fund, the Deposit Guarantee Scheme and resolution and certain other acts (Journal of Laws of 2021, item 1598)
BFG, Fund	Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny)
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 (OJEU L of 12.06.2014, 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 (OJEU L of 07.06.2019)
BS	Cooperative banking institution (Bank Spółdzielczy)
Council, BFG Council, Fund's Council	Council of the Bank Guarantee Fund
DGS	Deposit Guarantee Scheme
DGS Directive	Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast) (OJEU L of 12.06.2014)
EFDI	European Forum of Deposit Insurers
EU	European Union
EUNB, EBA	European Banking Authority
EWS	Early Warning System
fośg	Guaranteed Deposit Protection Funds (fundusze ochrony środków gwarantowanych)
IADI	International Association of Deposit Insurers
KNF, UKNF	Polish Financial Supervision Authority, Office of the Polish Financial Supervision Authority

KSKOK, National Union	National Cooperative Savings and Credit Union
Management Board, BFG Management Board, Fund Management Board	Management Board of the Bank Guarantee Fund
MF	Ministry of Finance
MREL	Minimum requirement for own funds and eligible liabilities
NBP	National Bank of Poland
PBS in Sanok	Podkarpacki Bank Spółdzielczy with its registered office in Sanok (Cooperative banking institution)
SBRiR in Wołomin	Spółdzielczy Bank Rzemiosła i Rolnictwa with its registered office in Wołomin (Cooperative banking institution)
SKOK, Union	Cooperative Savings and Credit Unions
SRB	Single Resolution Board
TLAC	Total Loss-Absorbing Capacity



GENERAL INFORMATION



THE 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 at risk of failing.

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 BFG Management Board is a permanent member of the Financial Stability Committee.

Figure 1.

FINANCIAL SAFETY-NET



1. LEGAL GROUNDS

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

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

2. OBJECTIVES AND TASKS OF THE BANK GUARANTEE FUND



THE OBJECTIVE OF THE FUND:

The objective of the Fund is to take measures to ensure 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.



KEY TASKS OF THE FUND:

- ✓ 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 fulfillment of the guarantee condition; in special cases and within a limited time, the depositor is entitled to guarantee protection in the amount higher than the equivalent of EUR 100,000 in PLN;
- ✓ verifying the correctness of data contained 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;
- ✓ collecting and analysing information on entities covered by the guarantee scheme, in particular, to make analyses and forecasts on the banking and credit union sectors for early identification of threats;
- ✓ taking other measures for the stability of the domestic financial system;
- ✓ acting as a trustee, as referred to in *Article 144 (1) of the Banking Law Act or Article 72c (1) of the Act on Cooperative Savings and Credit Unions*, if the Funds is appointed to be the trustee by the Polish Financial Supervision Authority.

3. ORGANISATION OF THE BANK GUARANTEE FUND

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

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

Table 1.

COMPOSITION OF BFG COUNCIL AT THE BEGINNING OF 2021

Mateusz Berger (MF)	Chair of the Council
Patryk Łoszewski (MF)	Member of the Council
Krzysztof Budzich (MF)	Member of the Council
Olga Szczepańska (NBP)	Member of the Council
Martyna Wojciechowska (NBP)	Member of the Council
Jacek Jastrzębski (KNF)	Member of the Council

Table 2.

COMPOSITION OF BFG COUNCIL AT THE END OF 2021

Mateusz Berger	Chair of the Council
Patryk Łoszewski (MF)	Member of the Council
Marcin Martyniak (MF)	Member of the Council (since 8 October 2021)
Olga Szczepańska (NBP)	Member of the Council
Witold Grostal (NBP)	Member of the Council (since 5 July 2021)
Jacek Jastrzębski (KNF)	Member of the Council

In 2021, BFG Management Board worked in the following composition: President of the Management Board – Piotr Tomaszewski, Deputy President of the Management Board – Sławomir Stawczyk, Member of the Management Board – Tomasz Obal. With the entry into force of the *Act of 11 August 2021 on the amendment of the Act on public finance and certain other acts* (Journal of Laws of 2021, item 1535), based on Article 24 of the Act, the term of office of the current BFG Management Board has been extended from 3 to 5 years.

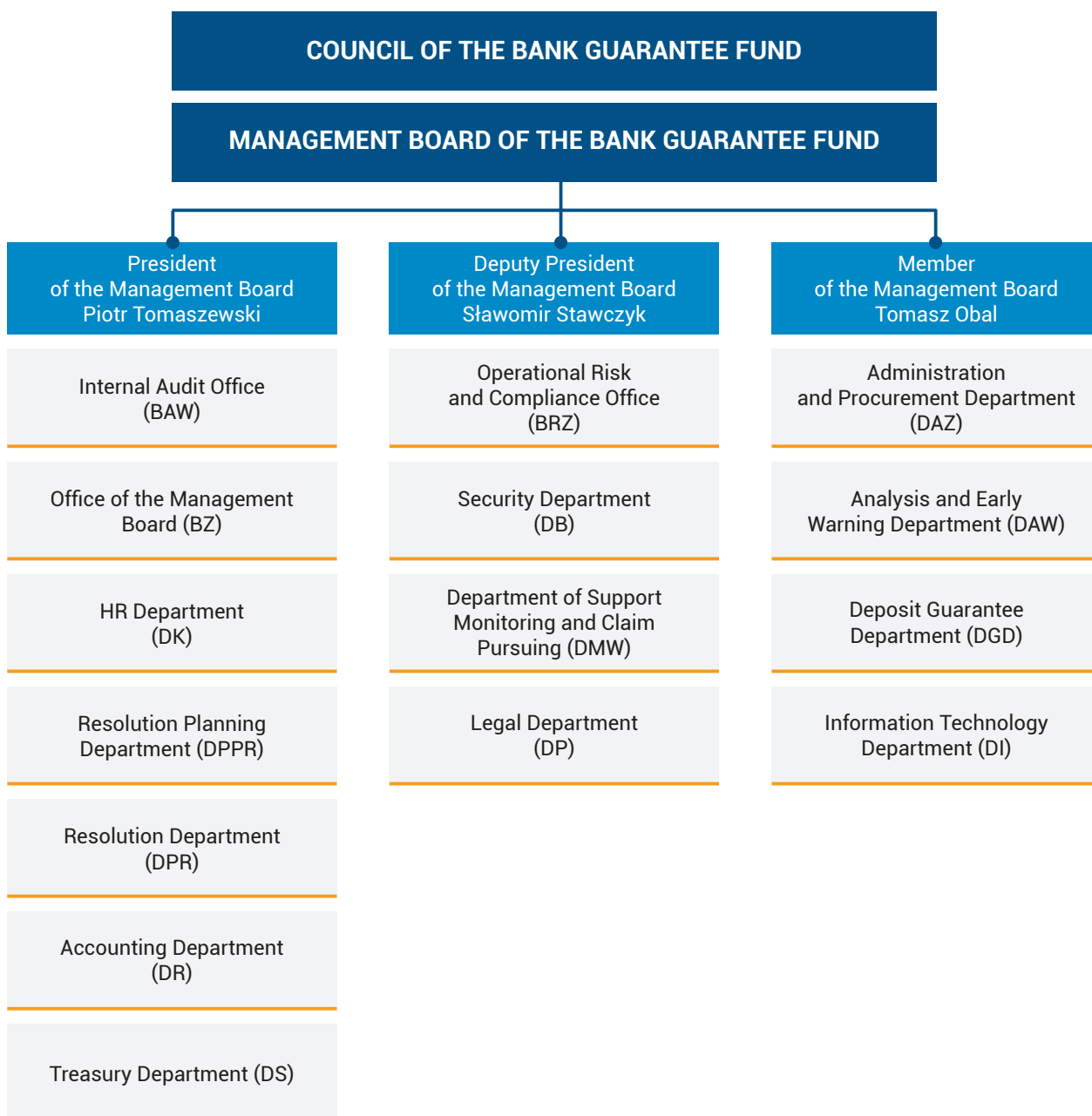
THE ORGANISATIONAL STRUCTURE OF THE BANK GUARANTEE FUND OFFICE COMPRISES OF ORGANISATIONAL UNITS, RESPONSIBLE FOR TASKS IN THE SCOPE OF:



- ✓ **Internal Audit Office (BAW)** – auditing the activities of the Fund in terms of compliance with the specified objectives, provisions of law and internal legal acts,
- ✓ **Office of the Management Board (BZ)** – providing services to the bodies of the Fund and to the President of the Management Board, domestic and foreign cooperation, publishing, promotional and educational activities,
- ✓ **Administration and Procurement Department (DAZ)** – support and administration aimed at ensuring effective functioning, proper conditions for operation and 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 unions sectors and individual banks and credit unions, developing and updating methods for calculation of contributions paid by entities to guarantee and resolution funds as well as drafting applications with regard to the overall amount of such contributions for a given year and proposals for their distribution among individual entities and for performing the function of the trustee by the Fund,
- ✓ **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 disburses guaranteed funds to depositors and auditing the correctness of data in the calculation systems of the entities covered by the mandatory guarantee scheme,
- ✓ **Information Technology Department (DI)** – obtaining, processing and providing information necessary for the operation of the Fund's Office, developing and maintaining the ICT and communication systems and ensuring the continued operation of the Fund's ICT system,
- ✓ **HR Department (DK)** – matters relating to staff, employment and remuneration policies, as well as training,
- ✓ **Department of Support Monitoring and Claim Pursuing (DMW)** – managing the Fund's liabilities, pursuing claims and monitoring the performance of the agreements on the granted financial aid and support,
- ✓ **Resolution Planning Department (DPPR)** – preparing, reviewing and updating, including the assessment of enforceability of resolution plans and group resolution plans, as well as carrying out projects on the financial 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)** – investment activities of the Fund, managing the financial liquidity and analysing the macroeconomic situation in Poland and in the world,
- ✓ **Operational Risk and Compliance Office (BRZ)** – coordinating and supporting the process of managing the operational risk and the risk of non-compliance in the organisational units of the Fund's Office.

Figure 2.

BFG ORGANISATIONAL STRUCTURE AT THE END OF 2021



MOREOVER, THE FOLLOWING COMMITTEES OPERATED WITHIN BFG OFFICE:

- ✓ Asset Management Committee,
- ✓ Operational Risk and Compliance Committee,
- ✓ Early Warning System Committee.



GUARANTEERING DEPOSITS



THE BANK GUARANTEE FUND

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



THE BANK GUARANTEE FUND BECOMES LIABLE

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

1. RULES FOR GUARANTEEING DEPOSITS

At the end of 2021, the guarantee protection covered deposits at all domestic banks, excluding Bank Gospodarstwa Krajowego and mortgage banks, and at all cooperative savings and credit unions, that is:

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

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



25

**COMMERCIAL
BANKS**

510

**COOPERATIVE
BANKS**

1

**BRANCH OF
AN INTERNATIONAL BANK**

21

**COOPERATIVE SAVINGS
AND CREDIT UNIONS**



FUNDS GUARANTEED

IN THE CASE OF A BANK

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

- ✓ other receivables of the depositor resulting from the maintenance of bank accounts by the bank,
- ✓ receivables of the depositor resulting from the monetary settlements made by the bank,
- ✓ receivables of the depositor resulting from the bank securities issued before 2 July 2014, if they are confirmed with registered documents issued by the issuer or with registered deposit certificates,
- ✓ debts towards the bank on account of instruction in case of death and on account of the costs of a 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, according to the state as of the date of the fulfilment of the guarantee condition, plus interest accrued at the beginning of the same day at the interest rate indicated in the agreement, and:

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

2. DISBURSEMENT PROCESS OF GUARANTEED FUNDS

The Fund is legally obliged to satisfy claims under the guarantee within 7 business days as of the fulfilment of the guarantee condition.

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

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

Depositors do not have to report their claims to the Fund prior to receiving the guaranteed funds.



GUARANTEE EXECUTION SYSTEM (SRG)

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



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



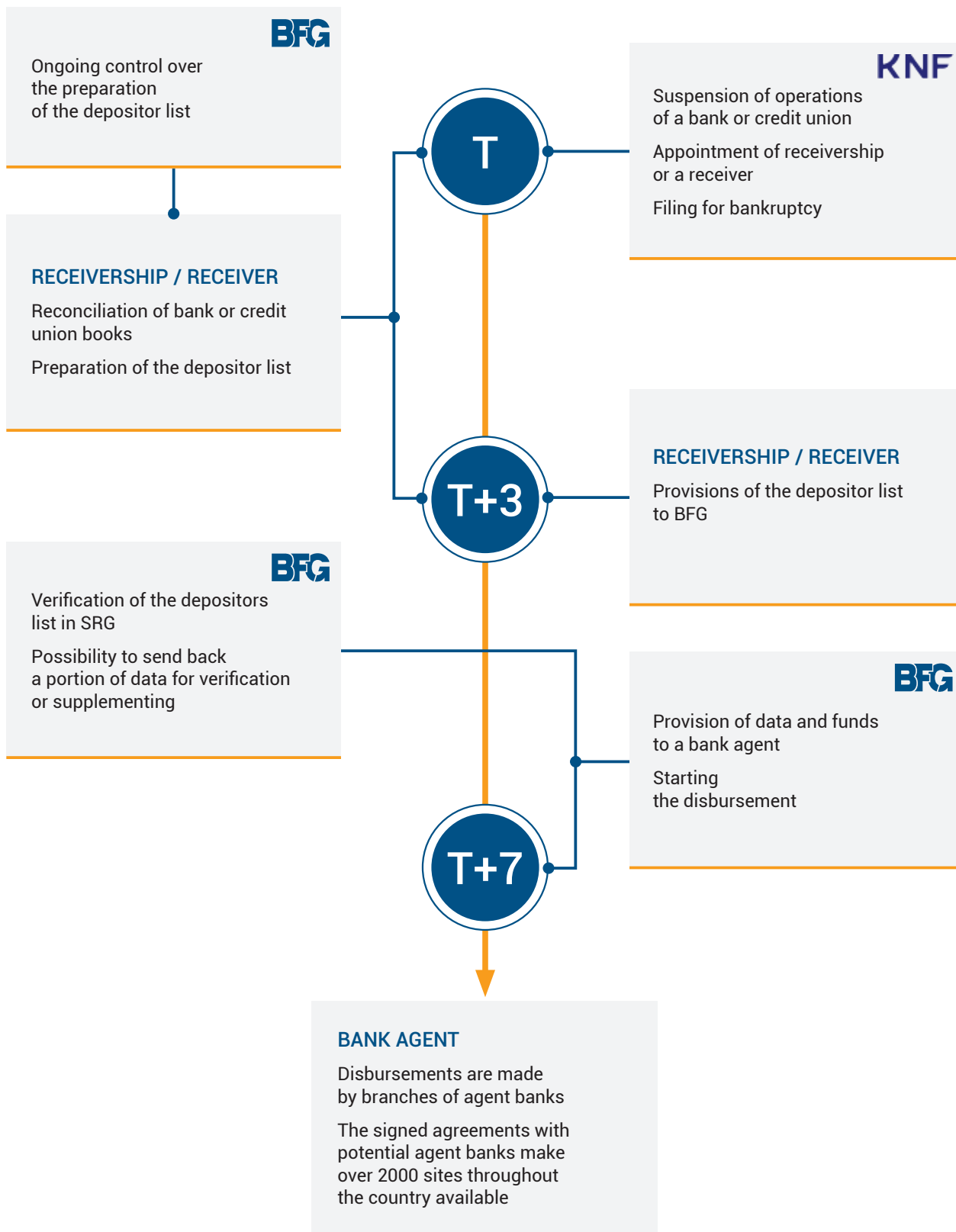
In recent years, the Fund has signed agreements for disbursement with four banks (agent banks). These are retail banks managing a large net of branches, which makes it possible to make disbursements throughout the country, allowing depositors easy access to guaranteed funds. Three of these banks signed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



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

Figure 3.

PROCESS FOR PREPARING THE DISBURSEMENT OF GUARANTEED FUNDS



3. DISBURSEMENT OF GUARANTEED FUNDS



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

Table 3.

FULFILMENT OF THE GUARANTEE CONDITION BETWEEN 1995 AND 2021

Year	Commercial banks	Cooperative banks	Cooperative savings and credit unions
1995*	2	48	Guarantees for credit unions became effective on 29 November 2013
1996	1	30	
1997	-	6	
1998	-	4	
1999	1	-	
2000	1	-	
2001	-	1	
2002–2013	-	-	-
2014	-	-	2
2015	-	1	-
2016	-	1	5
2017	-	-	4
2018	-	-	-
2019	-	1	-
2020	-	2	-
2021	-	-	-
TOTAL	5	94	11

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



Between 1995 and 2021, PLN 3,022.0 million was allocated for the payment of guaranteed funds to 360.2 thousand eligible bank depositors.

Table 4.

FUNDS ALLOCATED TO GUARANTEE DISBURSEMENTS FOR BANK DEPOSITORS BETWEEN 1995 AND 2021

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

Year	Funds for the guarantee disbursements under BFG Act in force since 9 October 2016 (in PLN million)				Number of depositors**
	In total	Including from:			
		guarantee fund	fośg***		
2017	0.2	0.2	0.0	184	
2018	0.002	0.002	0.0	3	
2019	24.7**	24.7	0.0	2,382	
2020	0.0	0.0	0.0	0.0	
2021	0.0	0.0	0.0	0.0	
all years IN TOTAL	3,022.0	24.9	2,808.6	360,209	

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

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

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



Between 2014 and 2021, PLN 4,366.6 million was allocated for the payment of guaranteed funds to 246.5 thousand eligible credit union depositors.

Table 5.

FUNDS ALLOCATED FOR GUARANTEE DISBURSEMENTS FOR CREDIT UNION DEPOSITORS BETWEEN 2014 AND 2021

Year	Funds for guarantee disbursements (in PLN million)				Number of depositors*
	In total*	Including from:			
		credit union guarantee fund	national union contributions	assistance fund	
2014	3,064.0**	20.7	32.8	3,010.5	119,509
2015	0.1	0.1	0.0	0.0	0
2016	617.2	44.5	0.007	572.7	55,226
TOTAL	3,681.3	65.3	32.8	3,583.2 ¹	174,735
Funds for the guarantee disbursements under BFG Act in force since 9 October 2016 (in PLN million)					
Year	In total*	Including from the guarantee fund:		Number of depositors*	
		credit unions	banks		
2017	685.2	58.2	627.0	71,738	
2018	(-)0.02	(-)0.02	0.0	0	
2019	0.09	0.09	0.0	2	
2020	0.0	0.0	0.0	0	
2021	0.0	0.0	0.0	0	
all years IN TOTAL	4,366.6	123.6	627.0	246,475	

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

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

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



In 2021, the Fund's Office made disbursements of guaranteed funds in the amount of PLN 996.6 thousand for 46 depositors, who did not collect amounts due to them during the time of disbursements made by agent banks or for whom investigations were ongoing.

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

Table 6.

DISBURSEMENT OF GUARANTEED FUNDS BETWEEN 2014 AND 2021

Disbursement of guaranteed funds between 2014 and 2021*/**							
No.	Entity name	Date of meeting the guarantee condition	Number of depositors	Liabilities towards depositors (in PLN million)	Total disbursements by the end of 2021 (in PLN million)	Amount of liabilities at the end of 2021 after statute of limitations	Disbursement rate at the end of 2021 (%)
1.	BS Grębów	15.07.2019	2,365	23.0	22.7	0.2	99.0%
2.	SKOK "Wybrzeże"	15.09.2017	7,696	120.8	119.9	0.9	99.2%
3.	SKOK "Nike"	02.06.2017	10,443	114.4	112.3	2.1	98.2%
4.	Twoja SKOK	12.05.2017	14,019	165.8	163.6	2.2	98.7%
5.	Wielkopolska SKOK	03.02.2017	39,574	284.2	280.3	3.9	98.6%
6.	BS Nadarzyn	24.10.2016	5,860	145.9	145.0	0.8***	99.4%
7.	SKOK "Skarbiec"	22.07.2016	8,348	88.0	87.7	0.3***	99.6%
8.	SKOK "Arka"	11.05.2016	13,947	93.1	92.2	0.9***	99.0%
9.	SKOK "Jowisz"	25.04.2016	7,380	81.9	80.7	1.2***	98.5%
10.	SKOK "Polska"	25.02.2016	8,343	170.2	169.1	1.2***	99.3%
11.	SKOK Kujawiak	08.01.2016	17,200	183.9	183.1	0.8***	99.6%
12.	SBRiR in Wołomin	23.11.2015	33,144	2,036.9	2,032.0	0.2***	99.8%
13.	SKOK Wołomin	12.12.2014	45,447	2,246.5	2,242.1	0.03***	99.8%
14.	SKOK Wspólnota	18.07.2014	74,042	817.5	812.2	0.03***	99.4%

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

** The inconsistency between the values reported in the Liabilities towards depositors column and the sum of the values reported in the total disbursements until the end of 2021 and amount of liabilities at the end of 2021 columns, for some entities, is due to the rounding applied to the values included in these columns.

*** Taking into account claims that became time-barred on 31 December 2021.

Due to the confirmation by the trustee in bankruptcy of Bank Spółdzielczy in Grębów (Cooperative banks in Grębów), pursuant to Article 44 of BFG Act, of data correctness of 1 depositor, BFG Management Board adopted on 7 January 2021 a resolution which increased the number of depositors and the value of guaranteed funds on the disbursement list of the Bank to 2,365 depositors and PLN 22,983.5 thousand.

4. TIME BAR ON DEPOSITORS' CLAIMS

Pursuant to Article 24 (8) of BFG Act, due to the lapse in 2021 of 5 years from the date of fulfilment of the guarantee condition, at the end of 2021, the claims of depositors of SKOK Kujawiak, SKOK "Polska", SKOK "Jowisz", SKOK "Arka", SKOK "Skarbiec" and BS Nadarzyn became time-barred. For a part of depositors of the above-mentioned entities, based on Article 123 (1) (2) of the Civil Code, it was assessed that the correspondence with them constituted recognition of their claim by the Fund and caused the time bar to be interrupted. In case of these depositors, disbursements of guaranteed funds due to them will be continued according to individual time-barring periods for the claims in question.

The claims on account of guarantee of SKOK Wspólnota, SKOK in Wołomin and SBRI in Wołomin depositors also became time-barred, in case of which the individual time-barring period expired on 31 December 2021 (in relation to the majority of depositors of SKOK Wspólnota and SKOK in Wołomin, the claims became time-barred at the end of 2019, and for SBRI in Wołomin depositors – at the end of 2020).

The time-barring on 31 December 2021 of claims of depositors of SKOK Kujawiak, SKOK "Polska", SKOK "Jowisz", SKOK "Arka", SKOK "Skarbiec", BS Nadarzyn, SBRI in Wołomin, SKOK Wspólnota and SKOK in Wołomin had its financial results in 2022. The claimed amounts subject to time-barring were reclassified to other operating income of the Fund.

5. AUDIT OF CORRECTNESS OF DATA CONTAINED IN CALCULATION SYSTEMS OF ENTITIES COVERED BY THE GUARANTEE SCHEME

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

The calculation systems, which are obligatory for the entities covered by the guarantee scheme, allow to quickly obtain information on the value of guaranteed funds thanks to the automated process of establishing the value of such funds for each depositor and the possibility of data transfer to the Fund.



CALCULATION SYSTEM

IT system in a bank or credit union which allows to prepare detailed data of depositors of the bank or credit union for BFG, along with amounts of guaranteed funds calculated for them (in accordance with the Single Customer View standard, which allows to attribute to a specific depositor all information relating to them). Details on the calculation systems are set out in the *Regulation of the Minister of Finance of 26 September 2016 on the requirements for calculation systems maintained in entities covered by the obligatory guarantee scheme* (Journal of Laws of 2016, item 1642).

The aim of the audit is to minimise the risk of preparation of the depositor list containing incorrect or incomplete data, and to allow quick possible disbursements if the guarantee condition is met towards the entity covered by the guarantee scheme.

In 2021, 200 audits of correctness of data included in the calculation systems of the entities covered by the guarantee scheme were carried out.

Table 7.

NUMBER OF AUDITS IN 2021

Audit type	Commercial banks	Cooperative banks	Credit unions	Total
in the Fund	7	185	6	198
in a bank/credit union	0	2	0	2
TOTAL	7	187	6	200

Audits in the registered office of the Fund were carried out, in particular, with the use of automated audit algorithms of the SRG application and based on expert analyses of data sets. Audits carried out in registered offices of entities covered by the guarantee scheme additionally included, for example, verification of data contained in calculation systems with source documents.

As a result of data audits carried out in 2021, it was found that entities had generally adapted their calculation systems in terms of the applicable requirements in terms of the scope of data, the presentation of data and the appropriate designation of data, related to the definitions of the depositor and funds covered by the guarantee protection as defined in the provisions of BFG Act. In the case of audited entities, the ability to prepare the depositor list within the statutory deadline was also confirmed.

A detailed analysis of the results of the audit of data contained in the calculation systems of banks and credit unions confirms that the entities subject to the 2021 audit are taking steps to improve the quality of these data. Compared to the results of audits of these entities carried out in previous years, in most cases, there was a reduction in the scale of errors occurring, which was, for example, the result of information provided by the Fund following previous audits. The information helped to identify errors and contributed to their removal. A few of the entities should continue to work on the correct parameterisation of their IT systems, including, in order to show correct client and claim designations, in terms of the definition of the depositor and funds covered by guarantee protection.



BFG SYSTEM EFFICIENCY TEST

Pursuant to Article 34 of BFG Act, the Funds carried out the performance test of its systems in the scope of the ability to disburse guaranteed funds within the statutory deadline.

As part of the test, tasks arising from internal procedures were carried out, which covered the following areas:

- ✓ preparation of disbursement lists of a cooperative bank and a cooperative savings and credit union (the process of receiving data sets – depositor lists – from a bank and a credit union, checking these data and generating disbursement lists was verified, on the basis of actual data),
- ✓ verification of the preparedness for disbursement of guaranteed funds by the agent bank (checking the procedures for transferring the disbursement list to the agent bank with which the Fund has concluded an agreement on preparedness for disbursement of guaranteed funds and for uploading a test disbursement list into the agent bank's IT system),
- ✓ obtaining funds to finance the disbursement of guaranteed funds from an external source of financing (the process of obtaining financing [in the form of a loan from the State budget referred to in Article 270(1)(7) of BFG Act] of the disbursement of guaranteed funds to the depositors of a large bank for which the guarantee condition was assumed to be met and for which the value of the guaranteed funds exceeded the total available resources of the Fund was checked).

The test results demonstrated the correctness of the verification mechanisms in place, as well as the ability to carry out a comprehensive technical check (using algorithms) and an expert check (carried out by the Fund's staff) within the statutory deadline, confirmed the efficiency of the Fund's systems and the correct operation of the technical conditions agreed with the agent bank for the transmission of data, and confirmed the ability to apply quickly for external funding to secure funds for the disbursement of guaranteed funds within the statutory deadline.

Pursuant to Article 34 of BFG Act, the Fund sent to the Minister of Finance a letter informing of the results of the systems performance test.

6. PURSUIT AND SATISFACTION OF FUND CLAIMS ON ACCOUNT OF GUARANTEED FUNDS DISBURSEMENTS

As of 31 December 2021, the Fund participated in 14 bankruptcy proceedings as a creditor for the disbursement of guaranteed funds with a total exposure of PLN 5,448,037.4 thousand, of which three proceedings concern banks and the rest are conducted against failed credit unions.

In 2021, the Fund monitored the bankruptcy proceedings, analysing their effectiveness and future perspectives and made comments in case of objections to the actions of the trustees.

Table 8.

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

No.	Failed	Date of bankruptcy declaration	Guaranteed funds (thousands of PLN)	Outstanding claims of BFG as at 31.12.2021 (thousands of PLN)	
				capital	interest
	2014		817,483.3	429,553.6	0.0
1.	SKOK Wspólnota	26.09.2014	817,483.3	429,553.6	0.0
	2015	2015	4,283,475.1	4,211,501.4	22,815.0
2.	SKOK Wołomin	05.02.2015	2,246,531.5	2,246,531.5	6,893.1
3.	SBRiR in Wołomin	30.12.2015	2,036,943.6	1,964,969.9	15,921.9
	2016	2016	763,057.2	471,295.4	7,002.7
4.	SKOK "Polska"	13.04.2016	170,239.1	101,164.2	0.0
5.	SKOK Kujawiak	31.05.2016	183,877.9	127,014.9	4,765.5
6.	SKOK "Jowisz"	02.06.2016	81,930.0	25,511.4	0.0
7.	SKOK "Arka"	12.07.2016	93,145.7	37,537.7	1,089.7
8.	SKOK "Skarbiec"	29.09.2016	88,000.0	58,038.0	1,147.5
9.	BS Nadarzyn	19.12.2016	145,864.5	122,029.2	0.0
	2017	2017	685,242.1	282,670.0	0.0
10.	Wielkopolska SKOK	28.02.2017	284,203.3	80,313.2	0.0
11.	Twoja SKOK	19.06.2017	165,781.8	56,264.9	0.0
12.	SKOK "Nike"	03.07.2017	114,445.9	74,664.6	0.0
13.	SKOK "Wybrzeże"	21.11.2017	120,811.1	71,427.3	0.0
	2019	2019	22,983.5	22,983.3	216.0
14.	BS Grębów	03.09.2019	22,983.5	22,983.5	216.0
TOTAL			6,571,418.6	5,418,003.7	30,033.7



SATISFACTION OF FUND CLAIMS

In 2021, the Fund obtained satisfaction from bankruptcy proceedings in the amount of PLN 148,588.8 thousand, which accounted for 3% of the sum of the Fund's recognised claims for the disbursement of guaranteed funds in pending proceedings.

Overall, as a result of conducted bankruptcy proceedings, the Fund recovered a total of PLN 1,153,090.1 thousand by the end of 2021, representing 17.4% of the Fund's claims on account of the disbursement of guaranteed funds in pending proceedings.

Additionally, as of 31 December 2021, the partial distribution plans submitted by the trustees have not yet been implemented against:

- ✓ Twój SKOK – four distribution plans submitted, amount for the Fund is PLN 5,008.7 thousand (ca. 3% of the Fund's claims),
- ✓ SKOK "Arka" – amount for the Fund is PLN 2,002.6 thousand (2,12% of the Fund's claims).

Funds from these distribution plans were received by the Fund in February 2022.

Table 9.

SATISFACTION OF THE FUND IN BANKRUPTCY PROCEEDINGS

No.	Entity towards which bankruptcy was declared	Claims of the Fund recovered in 2021	Claims recovered by the Fund cumulatively	Degree of satisfaction of the Fund as of 31.12.2021	Amounts from partial distribution plans that have not been implemented in 2021
		(thousands of PLN)	(thousands of PLN)	(%)	(thousands of PLN)
1.	SKOK Wspólnota	3,200.0	398,800.0	48	0.0
2.	SKOK Wołomin	0.0	0.0	0	0.0
3.	SBRiR in Wołomin	52,993.7	52,993.6	3	0.0
4.	SKOK "Polska"	5,388.0	70,237.9	41	0.0
5.	SKOK Kujawiak	3,999.7	56,995.2	30	0.0
6.	SKOK "Jowisz"	5,000.0	57,000.0	69	0.0
7.	SKOK "Arka"	2,002.6	55,607.9	59	2,002.6
8.	SKOK "Skarbiec"	0.0	29,952.6	34	0.0
9.	BS Nadarzyn	0.0	24,262.1	17	0.0
10.	Wielkopolska SKOK	25,067.6	205,194.9	72	0.0
11.	Twoja SKOK	4,507.9	110,693.3	66	5,008.7
12.	SKOK "Nike"	40,439.7	40,439.7	35	0.0
13.	SKOK "Wybrzeże"	5,989.6	50,912.9	42	0.0
14.	BS Grębów	0.0	0.0	0	0.0
TOTAL		148,588.8	1,153,090.1		7,011.3

7. OTHER DEPOSIT GUARANTEEING ISSUES

As a result of Brexit, in 2021, FCE Bank Spółka Akcyjna Oddział w Polsce (FCE Bank Joint-stock Company Branch in Poland), operating in the territory of the Republic of Poland until now as a branch of a UK-based credit institution, has started operating as the only branch in Poland of a foreign bank based in that country. As funds held in branches of UK banks operating in the European Economic Area are not guaranteed by the home guarantee scheme, FCE Bank Spółka Akcyjna Oddział w Polsce – pursuant to Article 2 (41) (b) of BFG Act – became an entity covered by the Polish deposit guarantee scheme. Covering by the mandatory guarantee scheme under the terms of BFG Act applies to all deposits collected in the FCE Bank Spółka Akcyjna Oddział w Polsce due to the absence of any protection by the British guarantee scheme. Currently, the Branch does not conduct any deposit-related activity.

In 2021, a bilateral agreement between the Fund and the Slovakian deposit guarantee scheme – *Fond ochrany vkladov* was concluded, which relates to the cross-border disbursement of funds guaranteed to depositors of branches of a Polish bank, which have its registered office in the territory of Slovakia, by *Fond ochrany vkladov*, in the name and on account of the Fund. The agreement is a set of formal and legal regulations (including duties and obligations, tools used, organisational issues and mutual settlements) between *Fond ochrany vkladov* and BFG, which will apply in case of the disbursement of guaranteed funds in the name of the Fund.



RESOLUTION

1. RULES FOR CARRYING OUT RESOLUTION

Resolution is the restructuring of a financial institution at risk carried out when its failure could have a serious negative impact on its clients, the functioning of financial markets or the economy.

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



THE FUND CARRIES OUT RESOLUTION IN A SITUATION WHERE THE FOLLOWING CONDITIONS HAVE BEEN MET JOINTLY:

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



The necessity to take measures in the public interest

The necessity to take measures in the public interest occurs when the bankruptcy of the entity might have serious adverse effects on the safety of its clients and their funds, financial stability (including the operation of financial markets or the economy), continuity of critical functions performed by the entity or would entail the need to increase the use the public funds towards the financial sector to meet the above-mentioned objectives.



AS PART OF RESOLUTION, THE FUND MAY USE ONE OF A FEW INSTRUMENTS, WHICH ARE DESCRIBED IN DETAIL IN BFG ACT:

- ✓ acquisition of the company,
- ✓ bridge institution,
- ✓ the write-down or conversion of the liabilities of the entity under restructuring,
- ✓ separation of property rights (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 writes down or converts the capital instruments of the entity subject to the resolution. In addition, for the purpose of applying resolution tools, the Fund ensures that the valuation referred to in 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. These valuations are, depending on the scope of information contained therein, referred to in the Report as Valuation 1, Valuation 2 or Valuation 3.

Losses of the entity under resolution are borne by the owners of the entity in the first place. 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 BFG Act. As a result, the risk of having to commit public funds, which means taxpayers incurring costs, was mitigated. BFG may support resolution financially, provided that this support is in line with the rules on state aid provided by the Member States of the European Union.

2. RESOLUTION PLANNING

Pursuant to Article 89 of BFG Act, the Fund reviews resolution plans and group resolution plans and updates them if necessary at least once a year.



Resolution plan

In the resolution plan, the Fund specifies the preferred resolution instrument, the use of which will best ensure the achievement of its objectives. 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 entity can change to such a significant degree that any scenarios adopted ex ante at the stage of developing or updating the resolution plan may prove less effective in a given situation.

In 2021, after consulting the Polish Financial Supervision Authority on the set MREL level, the Fund adopted a resolution on the acceptance of reviews of resolution plans for 165 cooperative banks, 8 cooperative savings and credit unions, 6 commercial banks and 7 investment companies.

165

**COOPERATIVE
BANKS**

8

**COOPERATIVE
SAVINGS AND CREDIT**

6

**COMMERCIAL
BANKS**

7

**INVESTMENT
COMPANIES**

The Fund also adopted resolutions on the acceptance of the review and update of the resolution plan for 61 cooperative banks, 2 affiliating banks and 6 commercial banks.

Moreover, BFG was engaged in works of resolution councils established for EU cross-border groups conducting activities in the territory of the Republic of Poland through subsidiaries, which are banks or investment companies.

IN 2021, REPRESENTATIVES OF THE FUND PARTICIPATED IN MEETINGS OF RESOLUTION COUNCILS FOR THE FOLLOWING BANKING GROUPS:

- ✓ **Banco Santander Group** (covering Santander Bank Polska S.A.),
- ✓ **Commerzbank AG Group** (mBank S.A.),
- ✓ **BCP Millennium Group** (covering Bank Millennium S.A.),
- ✓ **ING Group** (covering ING Bank Śląski S.A.),
- ✓ **BNP Paribas Group** (covering BNP Paribas Bank Polska S.A.),
- ✓ **Credit Agricole Group** (covering Credit Agricole Bank Polska S.A.),
- ✓ **Deutsche Bank AG** (covering Deutsche Bank Polska S.A.),
- ✓ **DNB Group** (covering DNB Bank Polska S.A.) and
- ✓ **Citigroup** (covering Bank Handlowy in Warszawa S.A.).

The Fund agreed and signed joint decisions as part of resolution councils with regard to 8 commercial banks and their 3 subsidiaries in agreement with the SRB and Norwegian resolution authority (Finanstilsynet). Obtaining a positive opinion of the Fund's Council preceded accession to joint decisions for 5 systematically important institutions (O-SII).

Moreover, within the resolution council for a capital group of an investment company, the Fund, in cooperation with the Cyprian resolution authority – Central Bank of Cyprus, agreed and signed joint decisions on the group resolution plan for a brokerage house and a group (plan update) and on the minimum level of own funds and eligible liabilities for two entities.

In 2021, the Fund issued 46 opinions on the foreseen effect of the performance of recovery plan on resolution, including 8 opinions for cooperative banks, 1 opinion for the association protection system, 17 opinions for commercial banks and 20 opinions for capital groups. In case of certain commercial banks and capital groups, opinions on recovery plans were issued multiple times.

On 7 June 2019, in the Official Journal of the European Union, under the so-called Banking Package, the *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 (BRRD2)* was published.

In 2021, the Fund was taking steps to familiarise the banking sector with the rules for determining the MREL requirement based on the so-called Banking Package (BRRD2/CRD V/CRR2) and with the implementation of BRRD2 to BFG Act finished at the end of Q3. The Fund's videoconferences, organised with the Polish Bank Association, were held in Q1

and their aim was to familiarise the banking sector with the approach for determining MREL preferred by the Fund after the BRRD2 implementation had become effective. Then, in the same quarter, the Fund sent correspondence to Polish units of banking groups in the scope of developing methodology for determining MREL in the 2021 development cycle and information on the new reporting requirement based on the implementing Regulation of the European Commission as regard reporting and disclosing information on the MREL/TLAC requirement. In September 2021, after BFG Act amendment had become effective, the rules for determining and maintaining the MREL requirement (the so-called MREL methodology) was published on the Fund's website – both in Polish and in English, where the updated approach of the Fund to determining MREL is presented. The interested entities may familiarise themselves with the current approach of the Fund to determining MREL, which is based on regulations of the amended BFG Act implementing BRRD2 provisions.

Following transposition to the Polish legal system of BRRD2 provisions, which cover new rules for determining MREL, in 2021, the Fund informed 25 commercial banks, 226 cooperative banks, 2 affiliating banks, 7 investment firms, as well as 8 cooperative savings and credit unions on the established target levels of the MREL requirement (it also designated how to achieve them), or accordingly exempted from the MREL requirement. The Fund informed entities on the identified issued and circumstances hindering resolution.

In 2021, the Fund finished works on the first version of guidelines on the write-down and conversion manual, which was provided to the first group of banks.

3. RESOLUTIONS COMMENCED

In 2021, BFG continued resolution processes commenced in 2020 – two against a cooperative banks and one against a commercial bank.

4. RESOLUTION OF PODKARPACKI BANK SPÓŁDZIELCZY W SANOKU

In view of the declaration of bankruptcy of PBS in Sanok in August 2020, the resolution activities were performed by the bridge institution, created for the purpose of this resolution process, functioning under the name Bank Nowy BFG S.A.

In January 2021, BFG Management Board accepted a report from Valuation 3 of PBS in Sanok, which aimed – pursuant to Article 241 (1) of BFG Act – to determine whether creditors and owners had been satisfied as a result of the resolution to a lesser extent than they would have been satisfied in bankruptcy proceedings conducted in the event that, on the date of the decision to initiate the resolution, the court had declared the debtor bankrupt.

Actions taken by BFG focused on the continuation of activities leading to the sale of all shares or the bridge institution company. As a result of the conducted activities, BFG received from the Wielkopolski Bank Spółdzielczy (WBS) a binding offer to purchase 72% of shares of Bank Nowy BFG S.A. with seven additional offers from individual investors to purchase 28% of shares. The transaction required the Polish Financial Supervision Authority to express no objection to the purchase of Bank Nowy BFG S.A. shares. The condition was met on 22 October 2021. In view of the meeting of transaction conditions, on 27 October 2021, the Fund signed an agreement for the sale of all shares of Bank Nowy BFG S.A. held, thus finalising the sale of this bridge institution. Before making the decision on the acceptance of the shares purchase offer, the Fund confirmed the market value of the received offer, by commissioning an independent consulting firm (PwC Advisory sp. z o.o. sp. k.) to value shares of Bank Nowy BFG S.A. The share sale price enabled the Fund to recover the entire amount incurred by the Fund to equip the bridge institution with capital (PLN 100 million). These resources went back into the banks' resolution fund. The sale of the bridge institution – Bank Nowy BFG S.A. – formally ended the process of PBS in Sanok resolution.

Having regard to the above, the Fund finished works on the report on the resolution together with the opening balance of the PBS resolution. On 18 November 2021, the Fund accepted the opening balance of the resolution and the report on the PBS in Sanok resolution.

In relation to the Fund's decision on the commencement of resolution of PBS in Sanok, write-down of capital instruments of the Bank, using the resolution instruments against the Bank, appointment of the Bank administrator and the Fund's decision on the suspension of Podkarpacki Bank Spółdzielczy w Sanoku, in 2021, the Fund actively participated in court proceeding before the Voivodeship Administrative Court in Warsaw, initiated with the complaint filed against the above-mentioned administrative decisions of the Fund and before the Supreme Administrative Court, to which the parties unsatisfied with the decision of the Voivodeship Administrative Court in Warsaw filed 114 cassation appeals.

5. RESOLUTION OF BANK SPÓŁDZIELCZY W PRZEMKOWIE

On 29 January 2021, the Court declared bankruptcy of BS in Przemków, covering the liquidation of assets, appointed a legal person – the Bank Guarantee Fund – to be the representative in the bankruptcy proceedings, appointed a trustee in bankruptcy and determined the function of the official receiver. Declaring BS in Przemków bankrupt was a consequence of BFG's petition for the declaration of bankruptcy of the bank of 29 October 2020.

Pursuant to Article 122(1)(1) of BFG Act, resolution was finished on the day the Court issued a decision to declare the entity under resolution bankrupt, as a result, the function of administrator of the entity under resolution also expired on that date.

On 4 March 2021, BFG Management Board read the petition on acceptance of the opening balance of the resolution and report on the resolution of BS in Przemków, and accepted the petition. The report was drawn up in accordance with the requirements determined in Article 117 and Article 240 of BFG Act.

6. RESOLUTION OF IDEA BANK S.A.

By decision of 30 December 2020, a resolution was initiated against Idea Bank S.A. ("Decision"). In case of this process, the resolution instrument used was the acquisition of the Idea Bank S.A. Company (and selected liabilities) by Bank Pekao S.A. ("acquiring entity").

Pursuant to the Decision the Administrator of Idea Bank S.A. ("Administrator", "entity under resolution") has been established. The Administrator's duties, apart from exercising powers of the Funds pursuant to BFG Act, included also carrying out with the acquiring entity all necessary actions regarding the handing over of the company and the liabilities of the entity in resolution, which the acquiring entity acquired on 3 January 2021.

The decision to initiate the resolution against Idea Bank S.A became the subject of 291 complaints to the court, but on 25 August 2021, the Voivodeship Administrative Court in Warsaw dismissed the complaints on the Fund's decision. Among the dismissed complaints, we may find, for example, a complaint of the Supervisory Board of Idea Bank S.A. Dismissal of the complaints meant examining the substantive side of the decision, and it confirmed that the decision of the Fund was not issued in breach of the law. In 2021, 58 cassation appeals were filed, which were the subject of a formal and legal assessment and deletion of noticed formal and fiscal shortcomings in the reported year.

In December 2021, the Fund's Management Board accepted the report on Valuation 3 drawn up according to data as of 31 December 2020 by PwC Advisory sp. z o.o. sp. k. It results from the report that initiation of the resolution against Idea Bank S.A. did not aggravate the situation of owners and creditors of the bank. It also allowed to protect PLN 0.8 bln of creditors, including depositors, whose deposits exceeded BFG's guarantee level or were not covered with the Fund's guarantees, and over PLN 1.5 bln of cash on BFG's guarantee fund.

In connection with the agreement between the Fund and the acquiring entity to guarantee coverage of losses, the appendix of which is the detailed list, prepared by Bank Pekao S.A., of property rights and liabilities covered by GPS, the Fund carried out the reconciliation of the list of property rights of Idea Bank S.A. covered by the loss coverage guarantee. The Fund finished the analysis of property rights and liabilities covered by GPS in the substantive and formal scope in Q3 2021. The Management Board accepted the final version by the resolution of 22 July 2021 on the acceptance of the lists of property rights and liabilities prepared by Bank Pekao S.A., constituting appendices to GPS.

In 2021, the Fund in cooperation with Asseco and with the Administrator of Idea Bank S.A. carried out works which resulted in the creation of the financial and accounting base of the entity under resolution, after acquisition by Bank Pekao S.A. of the organised part of the Idea Banks S.A. company.

At the end of December 2021, in relation to the expiry of the deadline indicated in the Fund's Decision of 28 December 2020, the Fund's Management Board decided to change the form of supervision over the bank and granted the power of attorney to the Administrator to actually exercise powers against Idea Bank S.A., while the scope of powers resulting from the above-mentioned power of attorney was defined in analogy to the existing scope of powers of the administrator.



PURSUIT OF CLAIMS FOR RESOLUTION COSTS INCURRED

The Fund is involved in two bankruptcy proceedings against residual entities for claims arising from the costs of resolution and from unpaid contributions to the banks' guarantee fund and the banks' resolution fund:

- ✓ PBS in Sanok – claims in the amount of PLN 7,922.2 thousand (costs of resolution) and in the amount of PLN 1,404.6 thousand (unpaid contributions),
- ✓ BS in Przemków – claims in the amount of PLN 82,841.2 thousand (costs of resolution) and in the amount of PLN 20.7 thousand (unpaid contributions). All components of the bankruptcy estate in these proceedings were liquidated in 2021 – the proceedings are in the final stages. All resources accumulated in the bankruptcy estate funds after satisfaction of the costs of the proceedings were allocated in 2022 to satisfy the Fund's claim for the costs of resolution, but this satisfaction is minimal (less than 0.2%).

7. OTHER RESOLUTION ACTIVITIES

BRIDGE INSTITUTIONS

In 2021, the Fund was still the sole shareholder of three bridge institutions functioning under business names: Pierwszy Bank BFG S.A., Drugi Bank BFG S.A. and Bank Nowy BFG S.A.

In Q1 2021, the Fund commenced the process of liquidation of two bridge institutions: the Pierwszy Bank BFG S.A. and Drugi Bank BFG S.A. The decision on liquidation was based on economic grounds, i.e. the possibility of reducing the burden of contributions on the sector due to the return of contributions to the banks' capital to the resolution fund. It was also linked to the acquired experience from the resolution processes carried out in 2020, which clearly shows the negative sides of use of the bridge institution instrument in resolution processes.

Due to their unprecedented nature, the bridge institution liquidation process was preceded by consulting KNF.

On 9 March 2021, the extraordinary general meetings of the two bridge institutions adopted resolutions on the dissolution of companies. The Fund also appointed a liquidator of both bridge institutions and approved liquidation programs.

On 2 December 2021, the Fund approved liquidation reports and accounts of the liquidation of Pierwszy Bank BFG S.A. in liquidation and Drugi Bank BFG S.A. in liquidation.

Then on 10 December 2021, the extraordinary general meetings of the two bridge institutions approved their financial statements on the day preceding the distribution between the shareholders of assets remaining after satisfaction of securing creditors (liquidation statements), i.e. on 1 December 2021, and financial statements at the close of liquidation, i.e. on 2 December 2021. Financial resources of the two bridge institutions were transferred to BFG account for the settlement with the shareholder after satisfaction of creditors and completion of the liquidation.

The financial statements and liquidation statements of both companies were submitted to the Financial Supervision Authority and provided to the tax office. Relevant requests to remove both bridge institutions from the National Court Register were also submitted.

Activities resulting in the sale of all shares of Bank Nowy BFG S.A. held by the Fund are described in the section *Resolution of Podkarpacki Bank Spółdzielczy w Sanoku*.



SUPPORT AND RESTRUCTURING ACTIVITIES

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



THE FUND'S TASKS

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

- ✓ 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

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 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 KNF on the recovery programme,
- ✓ the credit union demonstrates that the amount of the aid requested by the credit union would be not higher than the total amount under guarantee in that credit union, calculated as the sum of guaranteed deposits on the accounts of the credit union's depositors,
- ✓ the credit union requesting aid uses its existing own funds to cover losses,
- ✓ in the case of repayable financial aid, securing claims on account of the aid granted guarantees the repayment of the full aid amount with interest thereon.

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

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

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



SUPPORT

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

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



CONDITIONS FOR GRANTING SUPPORT

The Fund grants support provided that, in particular:

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

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

2. RESTRUCTURING OF COOPERATIVE SAVINGS AND CREDIT UNIONS



For the purpose of preparing restructuring processes of credit unions, the Fund monitored the economic and financial situation of credit unions, in particular those at which KNF appointed receivers or with respect to which 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 2021, the Fund did not provide any support in relation to the restructuring of credit unions, but it did settle loss coverage guarantee agreements (GPS) from the previous years.

3. MONITORING OF PERFORMANCE OF LOSS COVERAGE GUARANTEE AGREEMENTS



As of the end of 2021, the monitoring process covered:

6 commercial banks

(using support in relation to the acquisition of 8 credit unions) and

2 cooperative banks

(using support in relation to the acquisition of 2 credit unions and a bank), to which BFG granted support between 2014 and 2021 in relation to the process of restructuring credit unions.

Table 10.

**BANKS USING SUPPORT OF THE COOPERATIVE SAVINGS
AND CREDIT UNIONS' GUARANTEE FUND AND THE FUND
BANKS' RESOLUTION FUND**

No.	Bank name	Acquired credit union/bank	Support	
			loss, revenue reversal coverage from the date of acquisition to:	contribution to income, loss reversals from the date of acquisition to:
1.	Alior Bank S.A.	SKOK im. Stefana Kardynała Wyszyńskiego with its seat in Września	31.12.2020	31.12.2020 (income) 31.12.2022 (loss reversal)
		Powszechna SKOK with its seat in Knurów	31.12.2020	31.12.2022
		SKOK Jaworzno with its seat in Jaworzno	31.03.2027	31.03.2027
2.	Bank Pekao S.A.	SKOK im. Mikołaja Kopernika with its seat in Ornontowice	21.12.2019	31.12.2019 (income) 31.12.2021 (loss reversal)
3.	PKO BP S.A.	SKOK Wesoła with its seat in Mysłowice	30.06.2020	30.06.2020
4.	Śląski Bank Spółdzielczy "SILESIA"	SKOK Profit with its seat in Rybnik	30.11.2019	30.11.2021
5.	ING Bank Śląski S.A.	Bieszczadzka SKOK with its seat in Sanok	31.07.2025	31.07.2025
6.	Bank BNP Paribas S.A.	SKOK Rafineria with its seat in Gdańsk	30.04.2026	30.04.2026
7.	BS in Wschów	Lubuska SKOK with its seat in Zielona Góra	31.10.2021	31.10.2021
8.	Bank Millennium S.A.	SKOK PIAST with its seat in Tychy	30.09.2026	30.09.2026
9.	Bank Pekao S.A.	Idea Bank S.A. with its seat in Warsaw	31.12.2028	31.12.2028

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

Table 11.

SUPPORT PROVIDED BETWEEN 2014 AND 2021 IN THE FORM OF SUBSIDIES AND LOSS COVERAGE GUARANTEES IN CONNECTION WITH THE RESTRUCTURING OF CREDIT UNIONS

No.	Bank name	Acquired credit union	Year of providing support	Net value of acquired property rights on the date of acquisition in the books of the credit union	Initial support provided (subsidy)	Value of support provided as at 31.12.2021 (subsidy + balance of GPS settlement)
1.	Alior Bank S.A.	SKOK im. św. Jana z Kęt*	2014	25,873.95	15,895.75	9,901.06
		SKOK im. Stefana Kardynała Wyszyńskiego	2016	110,002.86	52,533.74	50,542.72
		Powszechna SKOK	2016	24,982.44	9,310.12	8,722.34
		SKOK Jaworzno	2019	143,217.94	110,000.00	118,666.14
2.	Bank Pekao S.A.	SKOK im. Mikołaja Kopernika	2015	221,696.40	101,926.31	64,496.63
3.	PKO BP S.A.	SKOK Wesoła	2015	219,465.09	278,858.41	292,329.02
4.	Śląski BS "SILESIA"	SKOK "Profit"	2017	1,909.15	115.84	113.62
5.	ING Bank Śląski S.A.	SKOK Bieszczadzka	2018	27,810.24	11,824.76	12,465.80
6.	BS we Wschowie	SKOK Lubuska	2018	6,527.00	1,877.63	1,824.94
7.	BGŻ BNP Paribas S.A.	Rafineria SKOK	2018	34,405.80	41,082.26	41,082.26
8.	Bank Millennium S.A.	SKOK PIAST	2019	127,251.62	67,492.28	55,804.04
TOTAL				943,142.49	690,917.10	655,948.57

* Agreement completed

On 31 December 2020, the Loss coverage agreement between the Bank Guarantee Fund and the Bank Polska Kasa Opieki S.A. with its seat in Warsaw ("Bank") was concluded to use by the Fund the resolution instrument in the form of acquisition of the Idea Bank S.A. company.

The agreement is settled in half-year periods. A report for the 1st settlement period was provided by the Bank within the deadline resulting from the Agreement and settled by the Fund in the undisputed part on 16 December 2021.



GPS AGREEMENTS SETTLEMENTS IN 2021

In 2021, as a result of settlements of loss coverage guarantee agreements:

- ✓ Fund's receivables from the Beneficiaries amounted to PLN 18,203.31 thousand,
- ✓ Fund's liabilities towards the Beneficiaries amounted to PLN 34,826.29 thousand.

The maximum potential liability of the Fund as of 31 December 2021, calculated on the basis of the value of assets covered by loss coverage guarantees resulting from banks' statements, is presented in Table 12.

Table 12.

THE MAXIMUM VALUE OF LIABILITIES RESULTING FROM GPS AGREEMENTS

Bank	Credit union/bank	Maximum liabilities of the Fund (thousands of PLN)
Alior Bank S.A.	SKOK Wyszyńskiego	0.0
	Powszechna SKOK	0.0
	SKOK Jaworzno	35,563.6
Bank Pekao S.A.	SKOK im. Mikołaja Kopernika	0.0
	Idea Bank S.A.	12,441,748.0
PKO BP S.A.	SKOK Wesola	0.0
Śląski Bank Spółdzielczy "Silesia"	SKOK "Profit"	0.0
ING Bank Śląski S.A.	Bieszczadzka SKOK	5,934.2
BS in Wschów	Lubuska SKOK	0.0
BNP Paribas Bank Polska S.A.	SKOK Rafineria	10,313.3
Bank Millennium S.A.	SKOK PIAST	46,326.1
TOTAL		12,539,885.2



ANALYTICAL ACTIVITIES



OBJECTIVE OF THE ANALYTICAL ACTIVITIES

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

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



AS PART OF CONDUCTED WORKS, THE FUND PREPARED, FOR EXAMPLE, ANALYSES AND INFORMATION ON:

- ✓ economic and financial situation of banks and cooperative savings and credit unions, including those evaluated as increased-risk entities,
- ✓ changes in the structure of balance sheets and income statements that have taken place since the start of the COVID-19 pandemic, with a particular focus on the situation of the 10 largest commercial banks,
- ✓ the credit risk situation at the commercial banks with the largest exposures to CHF housing loans to private individuals, taking into account, for example, the methods of provisioning for legal risk for these loans, the scale of pending court proceedings and settlements with borrowers, as well as the capital buffers held by these banks to cover the risks associated with the above-mentioned loans.

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

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

On 22 December 2021, KNF made a decision on appointment of a trustee in Getin Noble Bank S.A. on 27 December 2021. Taking into account the size of the Bank and its importance for the financial system, KNF considered it reasonable that the role of trustee should be performed by an institutional entity. Therefore, the function of the trustee was entrusted by KNF to the Bank Guarantee Fund.

Appointment of the trustee is an element of supporting the Bank's bodies in activities aimed at improvement and stabilisation of its economic and financial situation and consisting in ensuring that capital ratios of the Bank are shaped above the regulatory minimum, Bank's achievement of sustainable profitability and improvement of the quality of its assets.

Appointment of a trustee is one of the supervisory tools used by KNF, it does not have an impact on the ongoing business and operational activity of a bank, but it supports the recovery and restructuring activities carried out by the bank.

On 23 December 2021, the Fund's Management Board appointed two attorneys-in-fact to take in the name of the Fund actions resulting from the appointment of the Fund as the Bank's trustee, with effect from 27 December 2021.



OTHER ACTIVITIES OF THE FUND

1. LEGISLATIVE WORKS

LEGISLATIVE WORKS ON AMENDMENTS TO BFG ACT AND OTHER ACTS HAVING IMPACT ON THE FUND'S OPERATIONS

Due to legislative works by the Ministry of Finance aimed at implementation of the *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* during the reporting period, the Fund provided opinion and positions on the *draft act amending the act on Bank Guarantee Fund, deposit guaranteeing scheme and resolution, and amending certain other acts*.

The above-mentioned act aimed at implementing BRRD2, as well as streamlining the previous solutions functioning under the *Act of 10 June 2016 on the Bank Guarantee Fund, deposit guaranteeing scheme and resolution*, which implemented the original BRR Directive and DGS Directive. Proposed amendments in the above-mentioned scope resulted from experiences and practical use of these provisions, and their intention was to precisely adjust national regulations to the implemented Union provisions and to streamline the resolution process.

The draft act amending the *act on Bank Guarantee Fund, deposit guaranteeing scheme and resolution, and amending certain other acts* was accepted by the Council of Ministers on 26 April 2021 and submitted to the Parliament (Sejm) on 14 May 2021. The first reading of the draft act was on 21 May 2021 during the Parliament's plenary session. The draft act was submitted to the Public Finances Committee, which then submitted it for consideration by the Permanent Subcommittee for Financial Institutions. The Subcommittee considered the draft act on the meeting on 14 June 2021, in which representatives of the Fund participated.

On 23 June 2021, the Public Finances Committee accepted the draft act as amended and requested that it be passed by the Parliament.

The second reading of the draft act was on 7 July 2021, and the third reading of the draft act in the Parliament was on 8 July 2021. The Senate did not amend the act, therefore, the act was submitted to the President, who signed it on 21 August 2021. *The Act of 8 July 2021 amending the act on the Bank Guarantee Fund, deposits guaranteeing scheme and resolution, and certain other acts* was published in Journal of Laws on 31 August 2021 under number 1598 and entered into force in substantial part on 15 September 2021.

THE MOST IMPORTANT CHANGES INTRODUCED BY THE ABOVE-MENTIONED AMENDMENT, WITHIN THE SCOPE RESULTING FROM THE BRRD2 IMPLEMENTATION, REGARDED:

- ✔ provisions on determination by the Fund and fulfilment by the entities of the minimum requirement for own funds and eligible liabilities (MREL);
- ✔ Introducing new terms, including "resolution entity" and "resolution group", which are determined with the preferred resolution strategy, and therefore determine the method of conducting resolution;

- ✔ introducing the so-called *pre-resolution moratorium*, i.e. granting the resolution authority the power to temporarily suspend performance of certain liabilities towards specified creditors of the entity on the stage before the resolution process, but after the bank is considered to be on the verge of bankruptcy, as well as the specific case of the suspension of certain liabilities involving the suspension of operating deposits, including guaranteed deposits, and determination of the MREL requirement;
- ✔ providing the resolution authority with the power to impose restrictions on entities in the distribution of profits generated where the combined buffer used in addition to the MREL requirement is not met due to the lack of instruments to meet MREL (M-MDA);
- ✔ introducing provisions for the contractual recognition of the suspension of liabilities arising from financial contracts entered into by a domestic entity if the contract is governed by the law of a third country;
- ✔ modification of the provisions on contractual recognition of write-down or conversion in respect to liabilities governed by third country law (the bank will independently assess whether it is legally or economically impossible to include an additional clause in the contracts; if an exemption is needed, the bank is obliged to notify the resolution authority of its decision).

MOREOVER, CHANGES RELATED DIRECTLY TO THE IMPLEMENTATION OF BRRD2 AND RESULTING FROM THE EXPERIENCES OF THE FUND SO FAR WERE INTRODUCED, IN PARTICULAR, IN THE SCOPE OF:

1) clarifying the provisions on:

- ✔ using Code of Administrative Procedure (for example, extension of exclusions – Article 11(5) of BFG Act);
- ✔ write-down or conversion of capital instruments or eligible liabilities (Article 70a and 70b of BFG Act) and a write-down instrument or conversion of liabilities (Article 212a and 212b of BFG Act);
- ✔ resolution plans;
- ✔ Decision on the initiation of resolution (including, for example, the possibility to combine in the decision a number of solutions, which hitherto required issuing separate decisions – Article 101(12b) of BFG Act);
- ✔ publication of a decision or information on causes and effects of resolution (Article 109 of BFG Act);
- ✔ financing resolution (Article 112 of BFG Act);
- ✔ effects of resolution, for example, in the scope of managing the resolution entity (Article 113 of BFG Act);
- ✔ establishing the deputy administrator;
- ✔ exclusions regarding the application of the provisions of the Commercial Companies Code and the Cooperative Law in resolution (Article 121 of BFG Act);
- ✔ notifying employees of resolution (Article 124 of BFG Act);
- ✔ estimation (Article 137 – 140 of BFG Act);
- ✔ company acquisition instruments (Article 175(5) and Article 176(1) of BFG Act), bridge institution (Article 181(6) of BFG Act) and write-down or conversion of liabilities;

- ✔ petition for declaration of resolution entity bankrupt (Article 230 of BFG Act);
- ✔ financing resolution costs incurred after its initiation (Article 273 of BFG Act);
- ✔ exemptions from the obligation to pay contributions of resolution entities (Article 286(5) and Article 295(8) of BFG Act);
- ✔ adjusting contributions (Article 290a of BFG Act);
- ✔ payment commitments, in particular issues relating to the acquisition and settlement of assets pledged as security for payment commitments (Article 303 – 308 of BFG Act);
- ✔ professional secrecy (Article 320 and 320a of BFG Act);
- ✔ obtaining information by the Fund (Article 330 of BFG Act), including, amongst others, from the National Depository for Securities and its companies (Article 330(3a) of BFG Act);

2) introducing provisions:

- ✔ on the deputy administrator;
- ✔ for the protection of retail investors from the risk of investing in debt securities of a bank, which are eligible liabilities to the MREL, and thus may be subject to the bail-in (by adding Article 3h to the *Act of 21 July 2006 on the financial market supervision*);
- ✔ introducing solutions for effective mechanisms to prevent conflicts of interest in the performance of BFG's statutory tasks (Article 6(2-5) of BFG Act).

A major change in competence made by the *Act of 12 February 2010 on recapitalisation of certain institutions and on government financial stabilisation instruments* is entrusting the Fund with competence to issue decisions on using government financial stabilisation instruments.

In Q4 2021, works were conducted for the purpose of introducing changes to BFG Act in relation to the necessity to adjust national provisions to the *Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132* (OJEU L of 2021, No 22, p. 1).

Moreover, in 2021, works were underway on the changes to BFG Act, as well as to other acts (including to the Act – *Banking Law*), which may influence the performance of Fund's competencies, which had been included into the draft *act amending the act on covered bonds and mortgage banks and certain other acts*. Key planned changes relate to:

- ✔ Clarifying the “financing contract” term and provisions for suspension of obligations (Article 316a – 316c of the BFG Act);
- ✔ streamlining the resolution procedure using the asset management entity instrument, including specifying the rules and mode of bond issuance by the asset management entity;
- ✔ clarifying the rules for the Fund to provide guarantees within resolution;
- ✔ clarifying the rules for the use of guarantee fund resources for resolution-related activities (amendments to Article 179 and 188(4 – 5a) of BFG Act);

- ✓ the management board and supervisory board of resolution entity and of the bank taken over “by way of shares acquisition”;
- ✓ Specifying the rules and mode for the Fund's issuance of bonds guaranteed by the State Treasury;
- ✓ introducing the possibility for the Fund's Council to reduce the target level of funds of the deposit guaranteeing scheme in banks (from 2.6% to a maximum of 1.6% of the amount of funds guaranteed in banks and foreign bank branches covered by the mandatory deposit guaranteeing scheme);
- ✓ mortgages and registered pledges to secure loans taken over by the asset management entity, asset separation facility, write-down or conversion of capital instruments or eligible liabilities;
- ✓ possibility of creating a protection scheme for commercial banks operating in the form of a company, the so-called IPS-K (amendment to the Act – Banking Law), based on the institutional protection system (IPS), referred to in the *Act of 7 December 2000 on the functioning of cooperative banks, their affiliation and affiliating banks*.

INCLUSION OF THE FUND TO THE PUBLIC FINANCES SECTOR

On 17 June 2021, a government bill amending the act on public finances and certain other acts has been submitted to the Parliament. The bill includes provisions integrating the Fund into the public finance sector from 1 January 2022. Due to the above, the bill also included proposals of amendments to provisions of the *Act of 10 June 2016 on the Bank Guarantee Fund, deposit guaranteeing scheme and resolution*. The provisions relate in particular to:

- ✓ specifying that the Fund is not a state legal person and is not any other state organisational unit;
- ✓ exclusions in the scope of Fund's using certain provisions of the *Act on public finances* – relating to contractual clauses exempting the principle of publicity (Article 35 of the Act), the principles of collection and earmarking of funds (Article 42(2) of the Act), the principles of investment activity and incurring liabilities (Article 49, Article 92 or Article 93 of the Act);
- ✓ different rules on the investment of free funds (Article 315(1a) of BFG Act);
- ✓ exclusion of the application to the Fund of the provisions of the *Act of 16 December 2016 on the principles of state property management*;
- ✓ setting deadlines for the preparation of the draft annual financial plan of the Fund and its submission to the minister responsible for public finance and the minister responsible for financial institutions (Article 269(1a) and (1b) of BFG Act);
- ✓ introducing mechanisms to strengthen the independence of the members of the Fund's Management Board by extending the term of office of the Management Board to 5 years and limiting the possibility of dismissing members of the Management Board before the end of their term of office to enumeratively indicated cases.

In addition, the aforementioned bill introduced a transitional provision that extends the current term of office of the Fund's Management Board until April 2024.

On 20 August 2021, the *Act of 11 August 2021 amending the act on public finances and certain other acts*, which introduced the above-mentioned statutory amendments on the Fund's operations, was published in the Journal of Laws.

OTHER LEGISLATIVE WORKS

IN THE REPORTING PERIOD, THE FUND PRESENTED TO THE MINISTRY OF FINANCE POSITIONS ON THE FOLLOWING DRAFT IMPLEMENTING ACTS TO BFG ACT:

- ✓ Regulation of the Minister of Finance amending Regulation on the status of the Bank Guarantee Fund;
- ✓ Regulation of the Minister of Finance, Development Funds and Regional Policy on providing the Bank Guarantee Fund with information on the minimal level of own funds and eligible funds;
- ✓ Regulation of the Minister of Finance, Development Funds and Regional Policy on extending the period for achieving the target level of funds of the deposit guarantee scheme in banks;
- ✓ Regulation of the Minister of Finance, Development Funds and Regional Policy on payment of contributions due to the Bank Guarantee Fund by banks, foreign bank branches, investment firms, cooperative savings and credit unions and the National Association of Cooperative Savings and Credit Unions in the form of payment commitments;
- ✓ Regulation of the Minister of Finance, Development Funds and Regional Policy amending Regulation on a model depositor information sheet.

IN THE REPORTING PERIOD, THE FUND PRESENTED TO THE MINISTRY OF FINANCE POSITIONS ON, FOR EXAMPLE, THE FOLLOWING DRAFT LEGAL ACTS:

- ✓ Act amending the Act on trading in financial instruments and certain other acts;
- ✓ Act amending the Act on bonds and certain other acts;
- ✓ Act amending the Act on covered bonds and mortgage banks and certain other acts;
- ✓ Act amending certain acts in relation to ensuring the development of the financial market and the protection of investors in this market;
- ✓ Act amending the Act on accounting and certain other acts;
- ✓ Act of 12 February 2010 on recapitalisation of certain institutions and on government financial stabilisation instruments to ensure the possibility of using government financial stabilisation instruments against CCP;
- ✓ Regulation of the Minister of Finance, Development Funds and Regional Policy amending Regulation on the scope, mode, form and deadlines for providing the Polish Financial Supervision Authority with information by investment firms, banks, referred to in article 70(2) of the Act on trading in financial instruments, and custodian banks;
- ✓ Regulation of the Minister of Finance, Development Funds and Regional Policy on the detailed method of estimating the internal capital and carrying out reviews of strategies and estimation procedures and permanent maintenance of internal capital by a bank;
- ✓ Regulation of the Minister of Finance, Development Funds and Regional Policy amending Regulation on criteria and method of conducting supervisory examination and assessment in banks;

- ✓ *Regulation of the Minister of Finance, Development Funds and Regional Policy on the risk management scheme and the internal control system and the remuneration policy in banks;*
- ✓ *Regulation of the President of the Council of Ministers on payments to cover the banking supervision costs;*
- ✓ *Regulation of the Minister of Finance amending Regulation on statements of public finance sector entities in the scope of financial operations;*
- ✓ *Regulation of the Minister of Finance amending Regulation on the detailed classification method of debt titles included in the national public debt;*
- ✓ *Regulation of the Minister of Finance on estimating the internal capital and liquid assets, risk management scheme, supervisory examination and assessment, as well as remuneration policy in a brokerage house or a small brokerage house.*

Moreover, in the reporting period, the Fund presented to the Office of Competition and Consumer Protection its position on the draft regulation of the Council of Ministers amending regulation on reports on granted public aid, information on not granting such aid and reports on arrears, and the position including notes on the draft Report on public aid in Poland granted to businesses in 2020 and to the Report on *de minimis* aid in Poland granted to businesses in 2020.

PARTICIPATION IN WORKS RELATED TO EUROPEAN ACTS

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

- ✓ *directive NPL secondary markets – EP position;*
- ✓ *directive on credit service providers and credit purchasers and enforcement of collateral;*
- ✓ *proposal for a Regulation of the European Parliament and of the Council on a pilot system for market infrastructures based on distributed registry technologies (COM (2020) 594 final);*
- ✓ *Regulation of the European Parliament and of the Council on the prevention of use of the financial system for the purpose of money laundering or terrorist financing – COM (2021) 420;*
- ✓ *Directive of the European Parliament and of the Council on mechanisms that Member States should put in place to prevent the use of the financial system for the purpose of money laundering or terrorist financing and repealing Directive (EU) 2015/849 – COM (2021) 423;*
- ✓ *Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance firms and amending Directives 2002/47/EC, 2004/25/EC, 2009/138/EC, (EU) 2017/1132 and Regulations (EU) No 1094/2010 and (EU) No 648/2012 COM/2021/582 final (IRRD);*
- ✓ *Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties;*
- ✓ *draft EU acts forming part of the Basel III banking package:*

- ✓ *Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches and environmental, social and corporate governance risks and amending Directive 2014/59/EU,*
- ✓ *Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and baseline level,*
- ✓ *Regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of groups of global systemically important institutions applying a multiple point of contact resolution strategy and the methodology for the indirect subscription of instruments eligible to meet the minimum own funds and eligible liabilities requirement;*
- ✓ materials on: *Commission Delegated Regulation (EU) .../... of 20.10.2021 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the specification of the assessment methodology competent authorities are to follow when assessing the compliance of credit institutions and investment firms with the requirements to use the Internal Ratings Based Approach;*
- ✓ materials on the EU Regulation aiming to create the *European Single Access Point (ESAP)*.

The Fund also carried out works on the draft memorandum *MoU establishing a framework for financial services regulatory cooperation between the European Union and the United Kingdom of Great Britain and Northern Ireland* and the position on the equivalence of third-country legal systems (Brazil and Mexico) in the scope of confidentiality and business secrecy protection applicable in Poland in relation to the Bank Guarantee Fund's accession to the contract on cross-border cooperation between institutions comprising the crisis management group for the Santander Group.

The Fund provided the Ministry of Finance with the position on the Opinion of the European Central Bank of 7 May 2021 on granting certain loans and using requirements in the scope of maintaining mandatory provision by the National Bank of Poland (CON/2021/17).

2. NATIONAL AND INTERNATIONAL COOPERATION



NATIONAL COOPERATION

Acting to promote the stability of the national financial system, BFG actively cooperated with financial safety-net institutions, that is, the Ministry of Finance, National Bank of Poland and Polish Financial Supervision Authority. The President of the Fund's Management Board is a member of the Financial Stability Committee (KSF) in the financial system crisis management (KSF-K) and macroprudential (KSF-M) formula. The Fund implemented the KSF-M recommendation (Resolution No 43/2021 of the Financial Stability Committee of 18 January 2021) on taking up activities to establish 2021 contributions for the guarantee fund of banks on the level lower in comparison to 2020 contributions. In addition, the Fund participated in the cyclical assessment of the systemic risk, carried out as part of KSF-M, also Fund's representatives regularly participated in works of the KSF-M Permanent Working Group.

Moreover, representatives of the Fund participated in meetings of the Public Finance Committee, including the works of the Parliament Public Finance Committee and the draft *act amending the Act on the Bank Guarantee Fund, deposit guarantee scheme and resolution, and certain other acts*.

The Fund, with the rest of the Financial Education Council institutions, participated in works on developing the national financial education strategy coordinated by the Ministry of Finance. The project aimed at spreading knowledge and skills among the Polish people is carried out with the support of EU funds and in cooperation with the OECD.

Within the works related to the statutory requirements, the Fund held many meetings with representatives of commercial banks, cooperative banks, the National Union, the SGB Cooperative Protection System and BPS Affiliation Protection System and affiliations of PBS and SGB, Biuro Informacji Kredytowej S.A. (Credit Information Bureau), as well as EY, PwC.

PRESIDENT OF BFG MANAGEMENT BOARD:

- ✔ participated in meetings with the Polish Bank Association in the large banks and medium banks sections and cooperative banks section on the new MREL policy;
- ✔ participated in the discussion panel during the XXI Conference of the Chamber of Brokerage Houses entitled *Capital market to support investment and economic growth during the slowdown*.



COOPERATION WITHIN THE EUROPEAN BANKING AUTHORITY

AS PART OF COOPERATION WITH THE EBA, REPRESENTATIVES OF THE FUND PARTICIPATED IN MEETINGS:

- ✓ of the Resolution Committee (ResCo);
- ✓ Subgroup on Resolution Execution (SGRE);
- ✓ Subgroup on Resolution Planning and Preparedness (SGRPP), subgroup of the Resolution Committee of EBA, which deals with resolution planning.

Additionally, during the reporting period, the Fund was represented on teleconferences of EBA task forces:

- ✓ on the *Deposit Guarantee Schemes* (TFDGS), during which:
 - ✓ the updated draft of the EBA Opinion on the covering with guarantees clients' funds in the accounts of investment firms, electronic money institutions and payment institutions was discussed,
 - ✓ the draft document of new EBA guidelines on conducting stress tests of deposit guarantee schemes was presented, and issues on the problem with defining and reporting available financial means of deposit guarantee schemes was discussed (AFM – *available financial means*),
 - ✓ drafts of surveys on customer funds in the accounts of payment institutions, electronic money institutions, investment funds and new FinTech companies were discussed,
 - ✓ results of surveys on the impact of Brexit and COVID-19 on the activities of deposit guarantee schemes, client accounts and the role of broker platforms in the disbursement of guaranteed funds were presented,
 - ✓ a draft of new EBA guidelines on the disclosure and reporting of available financial means of deposit guarantee schemes was discussed;
- ✓ on DGS contributions, devoted to work on the revision of the guidelines on the calculation methods for contributions to the deposit guarantee scheme, in particular the preparation of a survey, the results of which formed the basis for further analytical work;
- ✓ dedicated to comments on the above-mentioned draft EBA guidelines on disclosure and reporting of available financial means of deposit guarantee schemes and the presentation of the draft EBA guidelines on calculation methods for contributions to deposit guarantee schemes.

Moreover, BFG representative participated in a teleconference, during which the updated guidelines on conducting stress test by deposit guarantee schemes were presented.



COOPERATION WITHIN THE EUROPEAN COMMISSION

In February and April 2021, a teleconference of the European Commission EGBPI expert group (Commission Expert Group on Banking, Payments and Insurance), in which BFG representatives participated, was held. The subject of the teleconference was, amongst others, the presentation and discussion of issues relating to the evaluation of the resolution process of small and medium banks, results of surveys on issues on launching the resolution process and further works on Article 32b of the BRRD Directive, results of surveys on disbursements and using available financial means by the deposit guarantee schemes, presentation and discussion of the EBA document on the synergy of deposit guarantee schemes with authorities responsible for combating money laundering and terrorist financing. The EBA document discussed during the teleconference, primarily covers results of the survey carried out among EU Member States and a proposal of good practices in the area of disbursements of guaranteed funds, taking into account issues of cooperation of deposit guarantee schemes with institutions responsible for combating money laundering and terrorist financing. Moreover, issues of resolution, including, amongst others, in the scope of the approach to resolution of small banks and the MREL requirement were discussed.

In March 2021, the President of BFG Management Board was the speaker on the DG FISMA conference, organised within the EC, entitled *Strengthening the EU's bank crisis management and deposit insurance framework: for a more resilient and effective banking union, during the 1st Session of the panel entitled The toolbox in resolution and insolvency What is available and what do we need?*

Also in March 2021, the Fund representatives participated in the EC teleconference entitled *Strengthening the EU's bank crisis management and deposit insurance framework: for a more resilient and efficient banking union*. The conference addressed the issues of strengthening the crisis management and deposit guarantee schemes and the need to continue work on a single European deposit insurance scheme (EDIS).

In Q4 2021, the Bank Guarantee Fund consulted the European Commission to obtain consent for the sixth prolongation of the assistance programme for cooperative banks and small commercial banks (assistance programme). By the decision of 29 October 2021 (State Aid SA.64522 (2021/N) – *Poland Sixth prolongation of the resolution scheme for cooperative banks and small commercial banks*), the European Commission consented the above-mentioned prolongation.

Moreover, the Fund participated in the development and consultations on the quarterly report ERC IADI (Europe Regional Committee, International Association of Deposit Insurers).



IADI

Two meetings of the IADI Strategic Planning Working Group (SPWG) and two meetings of the IADI Fee Options Subgroup, the members of which were the President of BFG Management Board and the Director of BFG Management Board's Office, were held in the reporting period. The task of the SPWG was to analyse and make recommendations in the main areas of the organisation's activities and to analyse the association's functioning and funding rules to date. The role of the Subgroup was to focus on analysing the association's current method of calculating annual fees. The SPWG and Fee Options Subgroup's work was concluded with recommendations for the EXCO and AGM.

In 2021, there were six meetings of the Executive Council (EXCO) and accompanying meetings of permanent committees (including the Core Principles Council Committee, CPRC), technical committees (including the Cross Border Technical Committee, CBTC), working groups, and regional committees (including the European Regional Committee, ERC) with meetings preceding them. BFG representatives participated in the events.

At the 67th EXCO, the President of BFG Management Board was officially accepted as a member of the CPRC for a three-year term of office. A new Deputy President of the IADI EXCO was also elected for a two-year term of office (Alejandro Lopez, Argentina). In addition to regular activities, during the EXCO in the reporting period, 4 IADI strategic objectives for 2022–2026 were adopted. To the three existing, that is:

1. Promotion of compliance with the Core Principles for the effective deposit guarantee schemes;
2. Advancement of deposit insurance research and policy development;
3. Provision of technical assistance to Members to modernise their current deposit guarantee schemes, a new objective was added
4. Improving IADI management through increasing performance and transparency of (associations) activities.

EXCO also voted in favour of two fee calculation methods proposed by the SPWG. By a majority vote, the option was chosen in which BFG's fee remains at the same level as before. Works of the SPWG and Fee Options Subgroup were finished, but (due to the dissatisfaction of certain members with the solutions developed) a new working group – *Fee Technical Committee* – was set up within the European committee, which will continue the analysis of the fee calculation method. The EXCO also focused on discussing the IADI strategic plan for the next 4 years, that is, Draft IADI Strategic Plan 2022–2026.

In April 2021, there was the annual meeting of the members of the IADI European committee (Europe Regional Committee, ERC). A new vice-chair of the ERC was elected during the meeting (Sven Stevenson, the Netherlands), discussions were also held on the IADI Action Plan and planned activities of the committee in the region, the above-mentioned *Fee Technical Working Group* was established. Director of the BFG Office of the Management Board became a member of the working group.

In November/December 2021, there were events connected to the Executive Council's meeting and the 20th Annual General Meeting of IADI (AGM), as well as accompanying meetings of committees and working groups. The President of the BFG Management Board and employees of the Office of the Management Board participated in the meetings. At the above meetings, previous votes were ratified, reports of committees and working groups were approved, results of previous mail votes and other reports of the IADI Secretariat (relating to the financial statements, paymaster) were presented

and adopted, the budget and business plan for 2021–2024, the external auditor for the next years, the quantitative composition of EXCO for the next year and change in the IADI audit method were adopted. The IADI *Strategic Goals and Objectives: 2022–2026* and a process for electing a new IADI Secretary General were presented. The events were accompanied by the IADI conference – *Outlook on the Year Ahead* – comprising of two sessions: 1) *Financial stability and deposit guarantee in the eyes of IADI partners* (speakers from the IMF, WB Group, FSI) 2) *New benefits for IADI in the field of research, advisory services, training and technical support* (speakers from IADI).

The Fund was also involved in IADI works within the Capacity Building Technical Committee (CBTC), which discussed, amongst others, the FSI Connect training platform management and access to it. One may find there training sessions on financial products, risk management, prudential standards, deposit guaranteeing or good practices within the banking and insurance supervision.

MOREOVER, THE FUND WAS REPRESENTED AT:

- ✓ 4 cyclical IADI *debriefing sessions*, addressing current activities of IADI, in particular initiatives and works of committees;
- ✓ a scientific conference IADI Biennial Research – *Navigating the New Normal for Financial Stability, Deposit Insurance and Bank Resolution*;
- ✓ a teleconference, *5th Americas Deposit Insurance Forum*, addressing, for example, the role of deposit guarantee schemes in emergency planning and crisis management and financial safety-net interventions, as well as an overview of crisis simulation and management in selected Latin American countries;
- ✓ a meeting – *Overview of the Senior Research Analyst and Administrator* – during which the actions taken within IADI research were discussed;
- ✓ SEACEN-BOJ-FSI-IADI seminar – *Virtual Seminar on Problem Bank Intervention and Resolution*;
- ✓ an IADI Round Table PR discussion with the participation of PR experts of member institutions;
- ✓ a webinar entitled *IADI INSIGHTS: New Frontiers in Machine Learning: Coverage*;
- ✓ a meeting of the Resolution Issues for Financial Cooperatives IADI committee;
- ✓ an FSI-FSB conference – *10 Years of the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions*;
- ✓ a workshop – *IADI Asia-Pacific Regional Committee Technical Assistance Virtual Workshop on Resolution Issues in New-normal Times: Cooperation and Coordination in Handling Resolution of Troubled Banks during Pandemic or Global Warming*;
- ✓ a seminar co-organised by IADI ERC and EFDI, *Sustainability: Green-washing or Emerging Issues for Deposit Insurers*, on the impact of ESG factors on financial stability.

The Fund also participated in filling in IADI surveys and systematically issued opinions on documents and answered questions.



EFDI

In May 2021, there was the Annual General Meeting of the members of the European Forum of Deposit Insurers, which was attended by a Member of BFG Management Board, as well as BFG employees. At the meeting, the report of the previous General Meeting, the financial report for 2020, the auditor's report, and the budget and contributions for the coming year were adopted. The appointment of an auditor to perform the audit for the following year was also voted on. The committees and working groups presented their reports, as well as the EFDI Secretariat. The EFDI President presented objectives, which had been identified by the EFDI Management Board as requiring implementation in 2021/2022.

WITHIN THE COOPERATION WITH EFDI, THE FUND WAS ALSO REPRESENTED AT THE FOLLOWING MEETINGS:

- ✓ EFDI D3 Working Group, addressing:
 - ✓ results of the crisis management system review and organisation of deposit guarantee schemes,
 - ✓ document of the European Union on the review of the rules for banking risk management and the rules for deposit guaranteeing,
 - ✓ proposed changes to the content of the information sheet for depositors,
 - ✓ draft document on counteracting money laundering;
- ✓ on the *EFDI EU Coffee Club*, relating to effective ways of managing risk, particularly taking into account the risks related to COVID-19;
- ✓ Federal Deposit Insurance Corporation (FDIC) on the *Possibilities of Big and Alternative Data in Finance and Banking*. The conference pertained to the issues of using techniques and tools for obtaining big data on depositors and financial transactions and conducting analyses on these data;
- ✓ EFDI PRC Committee (Public Relation and Communication Committee);
- ✓ H2C EFDI Group;
- ✓ EFDI EU Committee.

At the EFDI EU Committee meetings, there was presented and adopted a number of documents developed within EFDI working groups. In addition, the meetings addressed, for example, the subject of works carried out in the EC within the so-called *Roadmap on Crisis Management and Deposit Insurance Framework Review* published at the end of 2020, which is the basis for the review of deposit guarantee and crisis management frameworks in banks, which are contained in BRRD, SRMR and DGSD. EFDI decided to develop a common written position for the EC as an association of European deposit insurers. Moreover, in September 2021, a Member of BFG Management Board was a speaker during the EU Committee, where he had a presentation entitled *Bank Guarantee Fund as RA – experience gained*.

The Fund also participated in filling in EFDI surveys and systematically issued opinions on documents and answered questions.



OTHER

During the reporting period, the Director of the Office of the Management Board participated in the *Deposit Insurance Fund: New role and strategy* conference, where he was a speaker during the *Role of a guarantee system in financial sector development* panel, speaking about the Polish experiences.

In October 2021, there were two teleconferences of the Bank Guarantee Fund and the Ukrainian Deposit Guarantee Fund (DGF), relating to the Ukrainian request for institutional support in implementing the BRR Directive in Ukraine. It was discussed during the meetings that BFG would undertake to provide the multifaceted support to the Ukrainian Deposit Guarantee Fund. It was agreed that the project would be supervised by the Office of the Management Board Director in cooperation with delegated experts from the Bank Guarantee Fund. The first direction of activities will be the conclusion of the agreement on cooperation between BFG and DGF, and then expressing consent to the participation of the fund's representatives in the preparation of stress test for the DGF, based on the funding from the European Bank for Reconstruction and Development. Further talks with the Ukrainian side on the possible fields of cooperation within the technical support to the DGF and the rules for their financing will also be held.

Due to the entry into force of the *Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132* (OJEU L 222 of 22.01.2021, p. 1, hereinafter CCP PR Regulation) and the planned appointment of BFG to be the CCP resolution authority, in Q4 2021, the Fund commenced works in the task force at the European Securities and Markets Authority (ESMA) – CCP Recovery and Resolution Task Force (CCPRRTF). In Q4 2021, there were two meetings of the CCPRRTF, during which the draft implementing Regulations and guidelines for the CCP RR Regulation were discussed.

DURING THE REPORTING PERIOD, THE FUND WAS ALSO REPRESENTED AT:

- ✓ a videoconference – *Failed Bank Resolutions During COVID-19: The FDIC Experience*, organised by the Association of Supervisors of Banks of the Americas (ASBA) and the Federal Deposit Insurance Corporation (FDIC);
- ✓ a teleconference organised by the Indonesian deposit guarantee scheme entitled *The rise of digital banking and the future of deposit insurance system*, which pertained to the global trends in the scope of the development of digital banking in the context of activities of FinTech and BigTech entities.

Additionally, in Q4 2021, the Fund got involved in works of the ESRB Expert Group on Margins and Haircuts, which deals with the issue of strengthening the CCP activities in the scope of limiting the pro-cyclicality effect of margin and reduction rates. The 2021 meetings of the group, at which the Fund was represented, addressed, for example, the functioning of the CCP's risk management

systems in the COVID-19 pandemic, instances of risk materialisation and outlined initial directions for further work of the group.

In the reporting period, the Fund filled in numerous surveys, information questionnaires, consulted documents for the purposes of the activities of international institutions, and answered questions from foreign deposit guarantee schemes regarding deposit guarantee rules in Poland.

3. INFORMATION POLICY



Objective of information policy

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



COOPERATION WITH THE MEDIA

In the reporting period, the Fund provided the media with information on the resolution of Idea Bank S.A. commenced on 31 December 2020, including on the Voivodeship Administrative Court in Warsaw's dismissal of complaints regarding the instigation of the resolution of Idea Bank S.A., it also informed on the level of 2021 BFG contributions and the method of determining MREL levels, as well as provided information on the sale of 100% shares of Bank Nowy BFG S.A. and the liquidation of Pierwszy Bank BFG S.A. and Drugi Bank BFG S.A. Additionally, the Funds explained the scope of amendments introduced to BFG Act, informed on the Valuation 3 results on the resolution instigated against PBS in Sanok and Idea Bank S.A., as well as on appointment of BFG to be the Getin Noble Bank S.A.'s trustee.

Interviews and statements of the President of BFG Management Board were published in "Rzeczpospolita" and "Parkiet" as well as in "Dziennik Gazeta Prawna" in 2021.



WEBSITE

The Fund published on its website current information on the activities of BFG, including, amongst others, information on Idea Bank S.A. resolution, MREL methodology and the sale of the Bank Nowy BFG S.A.

During the reporting period, the highest daily number of entries to the Fund's website was 3.3 thousand, while the year as a whole saw a total of approximately 187.4 thousand entries.

3.3 thou.

**DAILY NUMBER
OF ENTRIES TO WEBSITE**

187.4 thou.

**ENTRIES TO THE WEBSITE
DURING THE YEAR**



BFG HELPLINE AND WRITTEN ANSWERS TO QUESTIONS

In the reporting period, there was significant client interest in information obtained directly from the Fund (the highest number of daily calls was 45). In total, during the reporting period, BFG employees operating the helpline answered to approximately 4 thousand questions. Questions of clients related mainly to the scope of the guarantee in banks and credit unions, information sheets² received by clients from banks and credit unions, and rules for the disbursement of guaranteed funds to depositors of banks and credit unions for which the guarantee condition had been met. Reported doubts also concerned the Idea Bank S.A. resolution process.

Answers were also provided to written questions sent to BFG on, for example, the guarantee for bank and credit union depositors, as well as to petitions and complaints from clients, shareholders and bondholders of Idea Bank S.A. and to correspondence sent by the holders of GetBack S.A. bonds, who purchased them through Idea Bank S.A. Explanations were also provided on guarantees for bank or credit union depositors as part of direct customer service at the Fund Office.

max 45

**NUMBER
OF DAILY CALLS**

approx. 4.0

**REPLIES WITHIN
A YEAR**

² Information sheets on the deposit guarantee scheme are provided to clients by banks and credit unions pursuant to the *Regulation of the Minister of Finance of 18 July 2016 on the model information sheet for depositors*.



EXPLORING THE LEVEL OF KNOWLEDGE IN THE PUBLIC ABOUT THE ROLE OF BFG

During the reporting period, an opinion poll was carried out by Kantar Polska, which indicated that public awareness of how BFG operates is low in every age, education or residence group.

The poll shows that only 28% of respondents declare knowledge of institutions that guarantee the recovery of individual clients' money in the event of bankruptcy of a bank or credit union in Poland, while the level of public acceptance towards BFG's power to carry out resolution is high at almost 50%.



FUND'S PUBLICATIONS

In 2021, 3 issues of the "Safe Bank Journal" (Bezpieczny Bank) journal (the fourth one has been prepared for print) were published. In total, almost 20 articles and studies were published in the **"Safe Bank Journal"** annual. Their topics included the broad issues of prudential supervision and crisis management in the banking sector, capital market issues and resolution processes, the impact of the COVID-19 pandemic on the economy. Research results and reviews of books on economics were also included.

"Safe Bank Journal", in the second half of 2021, received 40 points in the scoring system of scientific journals of the Minister of Science and Higher Education, and was positioned among several top-rated journals dealing with financial market issues and the stability of the banking system in Poland.

In Q4 2021, the OJS (<https://ojs.bfg.pl>) electronic platform for editing the "Safe Bank Journal" was implemented. It will facilitate the editorial process and publication, improve communication with authors and reviewers, and enhance the prestige of the journal.

Like every year, the Fund prepared the *BFG Annual Report for 2020* in the Polish and English version.



OTHER INFORMATION AND PROMOTION ACTIVITIES

In Q1 of the reporting period, BFG continued activities related to the educational campaign lasting several months and aimed at increasing the awareness of various social groups about the national deposit guarantee scheme for banks and credit unions.

During the reporting period, the Fund was also involved in coordinated by the Ministry of Finance works on the concept for preparing a nationwide financial education strategy, participated in major events of the financial market, including those organised within the CEDUR educational project, as well as supported activities related to the next edition of the FINSIM Liga Akademicka competition. Moreover, the Fund representatives participated in works of the Financial Market Development Council.

In Q2 2021, the Competition for the best bachelor's theses, master's theses and doctoral dissertations on the deposit guarantee schemes, resolution of financial institutions, regulatory infrastructure of the financial system, issue of financial security and financial stability was decided. The competition saw 23 submissions. The jury awarded two bachelor's theses and three master's theses; no awards were given in the field of doctoral dissertations. The next edition of the Competition was also announced.

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

4. HR ISSUES



EMPLOYMENT

On 1 January 2021, the employment level in the Bank Guarantee Fund was 222 persons (215.76 FTE), and on 31 December – 222 persons (219.36 FTE). The Fund's average annual employment in persons is 222.83, in FTE 218.69.

Figure 4.

EMPLOYMENT STRUCTURE

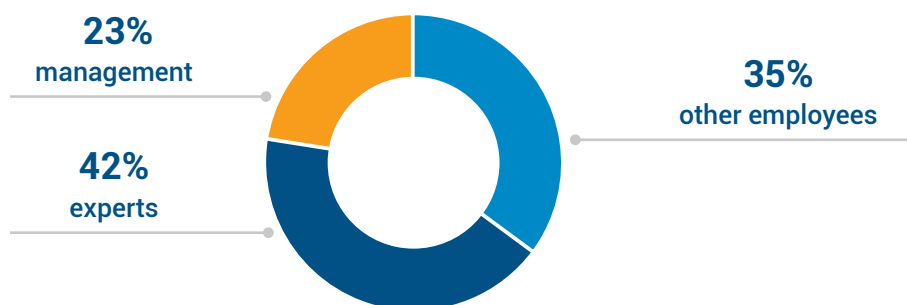


Figure 5.

EMPLOYMENT STRUCTURE BY AGE

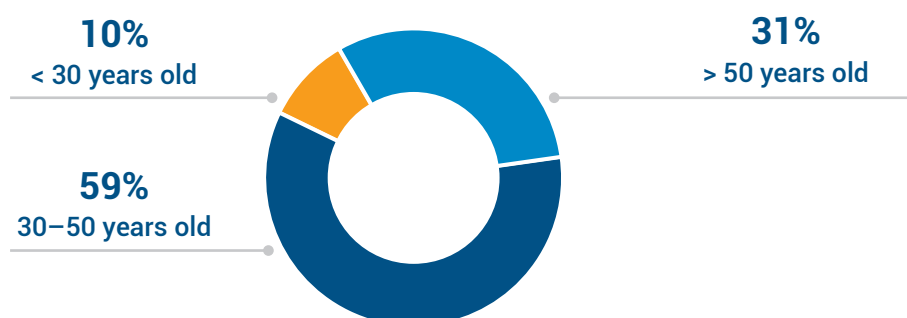
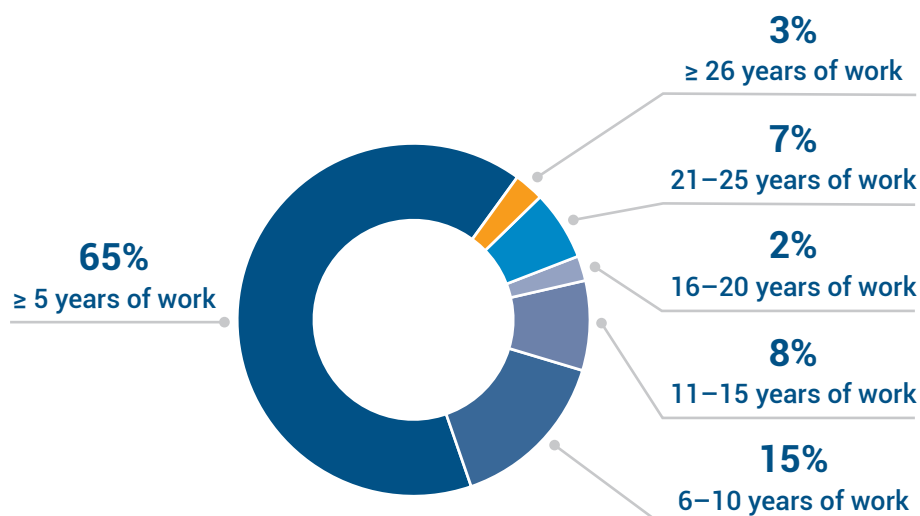


Figure 6.

EMPLOYMENT STRUCTURE BY YEARS OF WORK FOR BFG





TRAINING AND OTHER ACTIVITIES

In 2021, the Fund employees expanded their knowledge and improved their competencies during numerous training courses and seminars on, for example:

- ✓ MIFID II in activities of a financial institution,
- ✓ MDR tax scheme reporting,
- ✓ derivative instruments and their use in the banking sector,
- ✓ financial management of the public finance sector,
- ✓ management control and risk management in units of the public finance sector,
- ✓ restructuring and bankruptcy issues,
- ✓ modern technologies and IT security systems,
- ✓ changes in labour law, social security and income tax.

In 2021, BFG continued cooperation with the Office of the Polish Financial Supervision Authority within the Centre for Education for Market Participants (CEDUR) programme.

Moreover, the Fund employees actively participated in the CIONET TRIBE programme, which aimed at exchanging experiences and expert knowledge in the field of IT systems and new technologies, allowing an efficient search for solutions to technological and organisational challenges.

As part of the ongoing digitalisation of the HR functions, the Employee Portal was implemented and its functionalities developed. In addition, applications related to holidays and remote working were developed. The digitalisation of HR processes optimises them, ensuring quality and transparency.

In view of the continuing pandemic situation, the Fund continued the measures taken in 2020 for the benefit of employees, i.e. enabling remote working, providing appropriate equipment, necessary protective measures, opportunities for additional preventive examinations of employees. Information was prepared on health and safety rules in the workplace and on the principles of remote working.

The Fund employees returned to work on-site on 28 June 2021, having at the same time the opportunity to work remotely.

Due to the remote working of a large group of employees, measures were taken to maintain a sense of belonging to the organisation among employees, such as the organisation of the second edition of a family art competition for a Christmas card.

Considering the continuing state of the COVID-19 pandemic, regulatory changes were monitored and internal regulations regarding the maintenance of the sanitary regime and occupational health and safety, including preventive examinations for employees, were adjusted accordingly.



FINANCING OF THE FUND'S ACTIVITIES

1. FINANCIAL RESOURCES OF THE FUND

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



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

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

OWN FUNDS OF THE BANK GUARANTEE FUND ARE:

- ✓ statutory fund,
- ✓ cooperative bank restructuring fund,
- ✓ guarantee fund of banks,
- ✓ guarantee fund of credit unions,
- ✓ bank resolution fund,
- ✓ credit union resolution fund,
- ✓ reduction in own funds if the guarantee condition is met or if resolution tools are used (negative value),
- ✓ revaluation fund.

In the case of disbursements of guaranteed funds to depositors of banks, the source of financing of the ex post nature, after exhaustion of own funds, referred to in Article 56 of BFG Act, are the funds gathered by banks in the form of guaranteed deposit protection funds. The value of guaranteed deposit protection funds updated on 1 July 2021 by banks for 2021 (using the basis for calculating the mandatory provision amount for April 2021) was PLN 5,592.7 million. The value of guaranteed deposit protection funds created by banks as of 31 December 2021 did not change in relation to the value of guaranteed deposit protection funds updated by banks as of 1 July 2021.

2. DETERMINATION OF CONTRIBUTIONS



IN Q1, THE TOTAL AMOUNTS OF CONTRIBUTIONS FOR GUARANTEE FUNDS OF BANKS AND CREDIT UNIONS AND RESOLUTION FUNDS OF BANKS AND CREDIT UNIONS WERE DETERMINED FOR 2021 AS FOLLOWS:

- ✓ PLN 1,000 million for the guarantee fund of banks,
- ✓ PLN 13.5 million for the guarantee fund of credit unions,
- ✓ PLN 1,230 million for the resolution fund of banks,
- ✓ PLN 1 million for the resolution fund of credit unions.

Based on the total amounts of contributions for individual funds determined by the Fund Council, in the reporting period, the following contributions were determined:

- ✓ due from banks and credit unions for individual quarters of 2021 for guarantee funds,
- ✓ due from banks, investment firms and credit unions in 2021 for resolution funds.

The breakdown of the total amounts by entity was made in accordance with:

- ✓ methods approved by KNF – in case of guarantee funds of banks and credit unions,
- ✓ relevant regulations of the European Commission, Minister of Development and Finance and resolutions of the Council – in case of resolution funds of banks and credit unions.

The calculation of contributions to the guarantee fund of banks took into account adjustments to contributions made by banks in connection with corrections made by some of these entities to the data on the amount of guaranteed deposits. Contributions to the guarantee fund of credit unions did not require adjustments, as none of the credit unions adjusted their data for previous periods.

Moreover, the calculation of contributions to the resolution fund of banks for 2021 took into account adjustments of contributions made by banks and investment firms for 2020, which related to corrections made by a few entities to data, which form the base for determination of the contribution to the resolution fund of banks for 2020.

The Fund sent letters to all entities obliged to contribute to the guarantee funds and the resolution funds, informing them on the contributions amount due, the deadline for their payment and the maximum share of contributions in the form of payment commitments. In the case of cooperative banks participating in the institutional protection scheme and using reliefs due to their IPS membership, the amount that these banks have to pay to the protection scheme, calculated by the Fund, was also provided.

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

- ✓ the website provides information on the data used to determine the 2021 contributions and information necessary to determine the bank's combined risk profile assessment;
- ✓ letters containing additional individual information were sent to 21 commercial banks whose contributions were calculated on a risk basis.

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

In Q4 2021, after the BFG Council adopted the relevant resolution, banks were also informed of the rate for the creation of guaranteed deposit protection funds for 2022, set as 0.3 per cent of the sum of money held at the bank in all accounts, which is the basis for calculating the mandatory provision for October 2021.

In 2021, changes were introduced to the method of determining the contributions to the guarantee fund of banks due from banks, which did not require the approval of KNF, but only the notification of KNF of the changes. The necessity to introduce changes related to addresses of reporting units, introduced by the resolution no 7/2020 of the National Bank of Poland of 25 February 2020 amending the resolution on the mode and detailed rules for banks' provision to the National Bank of Poland of data necessary to determine the monetary policy and periodical assessment of the monetary situation of the country and assessment of the financial situation of banks and the banking sector risk. It resulted in the necessity to modify the descriptions of data sources for the majority of risk indicators defined in the method. Moreover, the Fund made changes in the method of a structuring nature or adjusting the method to changes in the applicable law, for example, resulting from a change in the terminology in the scope of the credit quality indicator and an update to the legal publications.

Following the adoption by the Management Board of the Fund of the resolution on the adoption of the above-mentioned changes in the method of determining the contributions to the guarantee fund of banks due from banks, a relevant informative letter was sent to KNF with the attached consolidated text of the method, adopted by the resolution of BFG Management Board.

The introduced changes will be used for the first time for the purpose of determining contributions to the guarantee fund of banks for 2022, that is, when calculating the risk indicator based on data as of 31 December 2020 or 31 March 2021. The above changes to the risk indicators will not change the risk differentiation of banks as compared to the existing method.

On 21 December 2021, the *Regulation of the Minister of Finance of 23 November 2021 on the extension of the deadline for achieving the target level of funds of the deposit guarantee scheme in banks* (Journal of Laws item 2255) became effective. The Regulation constitutes implementation of the recommendation, referred to in Article 2 of the resolution no 43/2021 of the Financial Stability Committee of 18 January 2021 on recommendations to reduce the burden of financing the guarantee fund of banks. Pursuant to the above-mentioned Regulation, the deadline for achieving the target level of funds of the deposit guarantee scheme in banks is extended from 3 July 2030 to 31 December 2034.

3. INVESTMENT ACTIVITIES

Pursuant to BFG Act, the Fund may purchase securities issued or guaranteed by the State Treasury, National Bank of Poland and the governments or central banks of Member States of the EU or OECD. In addition, the Fund may purchase monetary market fund units and make deposits with NBP and the Minister of Finance.

The 2021 investment activities were carried out in accordance with the *2021 Investment Policy*, which sets out the principles for adjusting the liquidity buffer maintained in the Fund's securities portfolio to the financial condition of entities in the banking and credit unions sector, and presents a multi-variant approach to the Fund's investment activities for mitigating interest rate risk while achieving the best possible financial results under conditions of fluctuating market prices for securities. As a result, the main objective of investment activities of the Fund in 2021 was optimisation of the volume and structure of the securities portfolio depending on the anticipated timing and scale of changes in interest rates in Poland and the situation of entities in the banking and credit unions sector, in such a way as to provide financial resources for possible interventions and to secure the Fund's securities portfolio against the risk of unfavourable changes in market profitability, especially under conditions of a significant increase in inflation rates and the cost of money in Poland.

At the end of 2021, the return on the Fund's securities portfolio was 1.65%, while the duration was 0.90 years (against a return of 0.97% and a duration of 0.95 years at the end of 2020). It is important to note in this regard that the investment activities undertaken have significantly increased the profitability of the portfolio, slightly reducing its duration.

Table 13.

PORTFOLIO OF DEBT SECURITIES OF BFG AS OF 31.12.2020 AND 31.12.2021

Type	2020.12.31				2021.12.31			
	Denomination (thousands of PLN)	Duration	YTM*	Share	Denomination (thousands of PLN)	Duration	YTM*	Share
NBP money bills	6,182,000	0.02	0.10%	29.8%	6,804,000	0.02	1.75%	26.3%
Treasury bills	900,000	0.25	0.61%	4.3%	-	-	-	-
Bonds	13,678,035	1.41	1.38%	65.9%	19,037,974	1.22	1.61%	73.7%
TOTAL	20,760,035	0.95	0.97%	100.0%	25,841,974	0.90	1.65%	100.0%

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



SUMMARY FINANCIAL STATEMENTS

1. BALANCE SHEET OF THE FUND

Table 14.

BALANCE SHEET AS OF 31 DECEMBER 2021 AND AS OF 31 DECEMBER 2020 (IN PLN)

ASSETS	31.12.2021 r.	31.12.2020 r.
Cash	4,874,634.97	229,752,525.22
Cash at hand	22,504.42	32,450.57
Cash in the current accounts	75,066.70	97,202.31
Deposits	4,435,000.00	229,389,000.00
Cash of the Company Social Security Fund	342,063.85	233,872.34
Receivables from financial institutions	2,854,923,901.33	2,427,184,729.54
Receivables from banks on account of:	2,853,153,126.33	2,425,413,954.54
- payment commitments	2,853,153,126.33	2,425,413,954.54
- borrowings granted	-	0.00
Receivables from cooperative savings and credit unions on account of:	1,770,775.00	1,770,775.00
- obligations for payment	1,770,775.00	1,770,775.00
Other receivables and claims	79,378.47	80,779.61
Securities and other financial assets	25,765,051,155.68	23,582,735,028.06
Debt securities:	25,765,051,155.68	20,682,735,028.06
- of banks	8,490,918,311.07	7,499,446,950.72
- of State Treasury	17,274,132,844.61	13,183,288,077.34
Shares	0.00	2,900,000,000.00
- in financial institutions	0.00	2,900,000,000.00
Property, plant and equipment	49,053,409.65	49,868,950.57
Intangible assets	1,688,842.99	863,942.96
Accruals	1,222,982.96	1,101,315.37
ASSETS IN TOTAL	28,676,894,306.05	26,291,587,271.33

Table 14 cd.

**BALANCE SHEET AS OF 31 DECEMBER 2021
AND AS OF 31 DECEMBER 2020 (IN PLN)**

LIABILITIES	31.12.2021 r.	31.12.2020 r.
Liabilities	19,464,537.26	25,577,062.24
Liabilities due to depositors	16,591,914.51	22,596,385.11
Other liabilities	2,872,622.75	2,980,677.13
Special-purpose funds	342,063.85	233,872.34
Accruals	4,020,087.31	9,478,336.29
Provisions	74,218,862.71	24,615,763.09
Statutory fund	1,637,025,547.68	1,637,025,547.68
Guarantee fund of banks	17,120,357,146.46	15,805,691,374.67
Guarantee fund of banks available for use	17,120,357,146.46	15,805,691,374.67
Bank resolution fund	9,558,428,506.33	8,538,964,452.85
Bank resolution fund available for use	9,558,428,506.33	5,638,964,452.85
Bank resolution fund used	0.00	2,900,000,000.00
Guarantee fund of credit unions	34,335,548.87	27,527,717.94
Guarantee fund of credit unions available for use	34,335,548.87	27,527,717.94
Credit union resolution fund	5,546,542.40	4,506,233.04
Credit union resolution fund available for use	5,546,542.40	4,506,233.04
Cooperative bank restructuring fund	626.30	626.30
Cooperative bank restructuring fund available for use	626.30	626.30
Cooperative bank restructuring fund used	-	0.00
Reduction in own funds if the guarantee condition is met or if resolution tools are used	(22.88)	(89,194.28)
Financial result	223,154,859.76	218,055,479.17
LIABILITIES IN TOTAL	28,676,894,306.05	26,291,587,271.33

2. PROFIT AND LOSS ACCOUNT

Table 15.

PROFIT AND LOSS ACCOUNT FOR YEARS ENDING RESPECTIVELY ON 31 DECEMBER 2021 AND 31 DECEMBER 2020 (IN PLN)

	2021	2020
Revenues from statutory activities	4,441.45	63,422.39
Interest revenues	4,441.45	63,422.39
Result on statutory activities	4,441.45	63,422.39
Result on financial transactions	267,635,185.64	287,609,110.35
Securities	256,526,347.70	287,472,912.70
Other	11,108,837.94	136,197.65
Result on foreign exchange gains/losses	0.00	(13.95)
Business costs	(55,768,941.18)	(76,287,508.47)
Outsourced services	(7,545,071.38)	(28,633,142.92)
Remuneration	(35,823,857.72)	(35,251,291.01)
Social security and other benefits	(5,427,986.79)	(5,364,861.45)
Other	(6,972,025.29)	(7,038,213.09)
Depreciation/amortisation of fixed assets and intangible assets	(3,415,859.98)	(2,962,701.17)
Other operating revenues	14,974,098.47	9,640,735.65
Other operating costs	(274,064.64)	(7,565.63)
FINANCIAL RESULT	223,154,859.76	218,055,479.17

2. RULES OF PREPARING THE SUMMARY FINANCIAL STATEMENTS

The summary financial statements, which comprise the balance sheet as of 31 December 2021 and the profit and loss account for 2021, 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 2021. In addition, they include comparative figures for the previous financial year ended 31 December 2020.

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

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

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

3. ACCOUNTING PRINCIPLES

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

- ✓ Debt securities, i.e. treasury bonds, debt securities guaranteed by the State Treasury, treasury bills and NBP money bills, as well as financial assets and liabilities arising from buy-sell back and sell-buy back transactions, are measured at the adjusted acquisition price taking into account the effective interest rate, and the effects of this measurement are recognised in revenue or costs from financial operations, respectively. Debt securities are recognised and excluded from the books of account as of the transaction settlement day. Outflows of securities are measured at 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 2021, item 1238). 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 payment commitments, as referred to in Article 303 of BFG Act, are part of contributions made by entities. These receivables are collateralised by securities. The maturity of these receivables is governed by the provisions of Article 304 and 305 of BFG Act. Receivables on account of payment commitments are recognised in the amount receivable, subject to the prudence principle. Equivalents of receivables from payment commitments increase the value of the Fund's own funds.
- ✓ Receivables on account of the disbursement by the Bank Guarantee Fund 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%.
- ✓ Receivables on account of resolution costs are recognised at the amount receivable, taking into account write-downs.
- ✓ Other receivables are disclosed in the amount receivable, taking into account any write-downs thereon.
- ✓ Fixed assets and intangible assets are disclosed at the acquisition price or the cost of manufacturing, less depreciation and impairment losses, if any.
- ✓ Fixed assets and intangible assets are depreciated using the straight-line method for the purpose of spreading over time their initial value throughout their useful life. Depreciation rates are determined taking into account the economic useful life.
- ✓ Prepayments/accruals are disclosed in the amount of costs allocated to future reporting periods.
- ✓ Provisions are created for liabilities resulting from support granted to entities acquiring cooperative savings and credit unions or banks and for employee benefits. Provisions for employee benefits, i.e. for jubilee awards, retirement and disability severance pay, as well as death benefits, are calculated on the basis of actuarial measurement. Provisions for support of entities acquiring cooperative savings and credit unions are determined with the use of financial data of entities that are acquired, available as of the balance sheet date.
- ✓ Accruals include accruals for unused leaves, for bonuses and annual awards as well as other accruals of costs. Accruals for bonuses and annual awards are recognised in the amount of the bonuses and annual awards due in the financial year. Other accruals are determined in the amount of costs due for a given reporting period, not being a matured liability as of the balance sheet date.
- ✓ Other liabilities are measured in the amount payable.
- ✓ The result 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, shares

disposal result, as well as other revenues on account of interest on funds collected in the bank account and on time deposits.

- ✔ Time-barred claims on liabilities for guaranteed funds are recognised in the profit and loss account as other operating revenues.

In 2021, 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 2021*.



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 2021 to December 31st 2021



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INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENT

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

Opinion

The attached summary financial statement of the Bank Guarantee Fund in Warsaw at ul. Fr. Ignacego Skorupki 4, hereinafter referred to as the "Fund", which consists of the balance sheet prepared as at 31st December 2021, 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, 2021.

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 2021, in line with the principles set out in "Principles for the preparation of summarized financial statements".

The summary financial statement

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

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

Audited annual financial statement and our report on it

We expressed an unmodified opinion on the Fund's audited annual financial statement for 2020 in our audit report dated March 14, 2022.

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".



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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, 16th of August, 2022



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