

2015

ANNUAL REPORT  
BANK GUARANTEE  
FUND





## CONTACT

**MAILING ADDRESS:**

Bankowy Fundusz Gwarancyjny,  
ul. ks. Ignacego Jana Skorupki 4  
00-546 Warszawa, Poland

**PHONE:**

**22 58 30 942** or  
toll-free helpline **800 569 341**

**EMAIL:**

kancelaria@bfg.pl

**INTERNET:**

[www.bfg.pl](http://www.bfg.pl)

**FACEBOOK:**

[www.facebook.com/BankowyFunduszGwarancyjny](https://www.facebook.com/BankowyFunduszGwarancyjny)

FOR MORE INFORMATION ABOUT THE BANK GUARANTEE FUND PLEASE VISIT OUR  
WEBSITE: [WWW.BFG.PL/EN](http://WWW.BFG.PL/EN)

## TABLE OF CONTENTS

Message from the Chairman of the Council of the Bank Guarantee Fund and from the President of the Management Board of the Bank Guarantee Fund	4
Dictionary of the most important abbreviations	6
1. BFG ROLE AND TASKS	10
2. ORGANIZATIONAL STRUCTURE OF THE BANK GUARANTEE FUND	14
2.1. BFG AUTHORITIES	14
2.2. BFG OFFICE ORGANISATIONAL STRUCTURE IN 2015	17
3. DEPOSIT GUARANTEE ACTIVITY	22
3.1. DISBURSEMENT OF GUARANTEED DEPOSITS	23
3.2. DEPOSIT GUARANTEE FUNDING	25
3.2.1. FUNDS ACCUMULATED IN THE GUARANTEE SCHEME	25
3.2.2. FUNDING FOR THE DISBURSEMENT OF GUARANTEED DEPOSITS HELD IN BANKS	28
3.2.3. FUNDING FOR THE DISBURSEMENT OF GUARANTEED DEPOSITS HELD IN CREDIT UNIONS	29
3.3. DEPOSIT GUARANTEE PAYOUT IN 2015	30
3.4. DEPOSIT GUARANTEE PAYOUT IN 1995-2015	31
3.5. VERIFICATION OF DATA CONTAINED IN BANK AND CREDIT UNION CALCULATION SYSTEMS	34
3.6. BFG SYSTEMS STRESS TESTS	35
4. ASSISTANCE AND SUPPORT	38
4.1. ASSISTANCE ACTIVITIES AND SUPPORT TO BANKS	38
4.2. ASSISTANCE AND SUPPORT FROM THE CREDIT UNION GUARANTEE FUND	40
4.3. ASSISTANCE FROM THE STABILISATION FUND	43
4.4. ASSISTANCE FROM THE COOPERATIVE BANKS' RESTRUCTURING FUND	43
4.5. MONITORING AND AUDIT OF ENTITIES RECEIVING BFG ASSISTANCE AND SUPPORT	46
5. ANALITICAL ACTIVITY	48
5.1. SITUATION ANALYSIS FOR THE BANKING SECTOR, CREDIT UNION SECTOR AND IN THE MACROECONOMIC ENVIRONMENT	48
5.2. EARLY WARNING SYSTEM	50
5.3. BFG INFORMATION SYSTEM ENHANCEMENT	51
6. FUND INVESTMENT OPERATIONS	54

7. FINANCIAL RESULT IN 2015	58
8. COMMUNICATIONS AND EDUCATION	60
8.1. PUBLIC AWARENESS INITIATIVES	60
8.2. BFG PUBLICATIONS	62
8.3. EDUCATIONAL INITIATIVES	63
9. DOMESTIC COLLABORATION	66
10. INTERNATIONAL COOPERATION	70
10.1. MANAGEMENT OF AND COOPERATION WITH THE INTERNATIONAL ASSOCIATION OF DEPOSIT INSURERS	70
10.2. INVOLVEMENT IN THE INTERNATIONAL ARENA	72
11. INTERNAL AFFAIRS	76
11.1. LEGISLATIVE WORK	76
11.1.1. WORK ON DRAFT LEGISLATION ON RESOLUTION	76
11.1.2. OTHER SELECTED LEGISLATIVE WORKS	77
11.2. BFG IT SYSTEM	78
11.3. DATA SECURITY AND OPERATIONAL RISK MANAGEMENT	78
11.4. ADMINISTRATION	79
12. SELECTED FINANCIAL DATA	82
12.1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION	82
12.2. ADDITIONAL INFORMATION	82
12.3. ACCOUNTING POLICIES	82
12.4. BFG BALANCE SHEET	84
12.5. BFG PROFIT AND LOSS ACCOUNT	86
13. INDEPENDENT REGISTERED AUDITOR'S OPINION	88



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

Dear all,

On behalf of the Council and the Management Board we hereby provide you with the next Annual Report of the Bank Guarantee Fund. In 2015, the main tasks executed by the Fund were the disbursement of the guaranteed deposits, supporting the processes of credit union restructuring and preparation for performing new tasks related to execution of the Fund's function as a resolution authority.

---

For the first time since 2001 there was a case of disbursement of guaranteed funds to depositors of a bank due to the fulfilment of the guarantee condition for Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin. The disbursement of the guaranteed deposits has begun on the fifth working day from the day of fulfilment of the guarantee condition, in relation to the permissible 20-day period provided for in the *Act on BFG*. The value of the guaranteed funds amounted to over PLN 2 billion and it burdened the guaranteed deposit protection fund created in banks. By the end of 2015, BFG has executed more than 90% payments due to depositors.

The Fund also continued the disbursement of guaranteed funds to depositors of two credit unions, with respect to which the guarantee conditions were fulfilled in 2014.

The swift disbursement to the bank and credit unions depositors was a comprehensive test for the payout process procedures and has confirmed high effectiveness of BFG in this regard.

---

The Fund has supported the process of credit unions restructuring by granting subsidies and loss-coverage guarantees for commercial banks taking over two credit unions being at risk of insolvency. The Fund has also declared support in the planned process of takeover of the credit union by another union.

---

As of 1 November 2015, pursuant to the amended *Act on BFG*, the Fund acquired a status of resolution authority. Granting the status of resolution authority enabled BFG to take part in resolution colleges of international banking groups, which have their subsidiaries in Poland. The Fund's representatives have also participated in activities of the European Banking Authority and the European Commission concerning resolution matters.

The Fund has supported the Ministry of Finance in works related to the project about the Act on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution. The Act implements the Deposit Guarantee Schemes Directive and the Bank Recovery and Resolution Directive of the EU to the Polish legal order. Both directives introduce changes fundamental for the functioning of the Fund as both the deposit guarantee institution and as the resolution authority.

---

As in the previous years, the Fund was active in the international arena – in particular with regard to the Fund's engagement in managing the International Association of Deposit Insurers (IADI) and cooperation with its members. BFG representatives were involved in works of committees, subcommittees and working groups of IADI.

To sum up the last year, it is our pleasure to note that for 20 years of its existence, the Fund has effectively fulfilled its mission to protect the savings of depositors and supported the activities aiming at ensuring the security and stability of the financial sector in Poland.



*Nowak*

**Piotr Nowak**

Chairman of the  
Council of the Bank  
Guarantee Fund<sup>1</sup>



*Sokal*

**Zdzisław Sokal**

President of the  
Management Board of the  
Bank Guarantee Fund<sup>2</sup>

<sup>1</sup> On 11 February 2016, Piotr Nowak was appointed to serve as the Chairman of the Council of the Bank Guarantee Fund.

<sup>2</sup> The Council of the Fund appointed Zdzisław Sokal to serve as the President of the Management Board for a three-year term, beginning on 2 April 2016.

## Dictionary of the most important abbreviations

BFG, the Fund	Bank Guarantee Fund
BIS	Bank for International Settlements
BRR Directive (BRRD)	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012 (OJ L, 12.6.2014), of the European Parliament and of the Council
DGS Directive (DGSD)	Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes
EBA	the European Banking Authority
EFDI	the European Forum of Deposit Insurers
GDPF	the Guaranteed Deposit Protection Fund
CBRF	the Cooperative Bank Restructuring Fund
FSB	the Financial Stability Board
IADI	the International Association of Deposit Insurers
EC	the European Commission
PFSA	the Polish Financial Supervision Authority
FSC	the Financial Stability Committee
NACSCU	the National Association of Co-operative Savings and Credit Unions (Krajowa Spółdzielcza Kasa Oszczędnościowo-Kredytowa)
MOF	the Ministry of Finance of the Republic of Poland
MREL	the minimum requirements for own funds and eligible liabilities
NBP	the National Bank of Poland
BCP	business continuity plan



ResCo	EBA Resolution Committee
RGC	IADI Research and Guidance Committee
SBRiR	Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin
Credit Union	The Polish Cooperative Savings and Credit Union (Spółdzielcza Kasa Oszczędnościowo-Kredytowa)
SRG	Guarantee Execution System applied at BFG
SRS	Loss Settlement System applied at BFG
EWS	Early Warning System applied at BFG
TLAC	Total Loss Absorbing Capacity
EU	The European Union
PFSA	The Polish Financial Supervision Authority Office
Act on BFG	Act of 14 December 1994 on the Bank Guarantee Fund (Journal of Laws 2014, item 1866, as amended)
ZBP	The Polish Bank Association



## BFG ROLE AND TASKS

# 1. BFG ROLE AND TASKS

## WHO WE ARE

**The Bank Guarantee Fund is an institution acting in furtherance of the stability of the domestic financial system, in particular by managing and operating the obligatory deposit guarantee system, providing financial assistance and support and granting or performing the recapitalisation guarantee on terms provided in the Act on BFG.**

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

BFG was established by virtue of the *Act on BFG*, which has been in force since 17 February 1995. *The Act on BFG* and the *Bank Guarantee Fund Statutes*, together with other executive acts, constitute the legal basis for the activity of the Fund. The Statutes is annexed to the Regulation of the Minister of Finance of 13 August 2013 on awarding the statutes to the Bank Guarantee Fund (Journal of Laws, item 967).

As of 1 November 2015, due to the amendment of the *Act on BFG* under the *Act of 5 of August 2015 on the Macroprudential Supervision of the Financial System and Crisis Management*, **the Fund was assigned as the resolution authority** within the meaning of Article 3 (1) of the BRRD.

The BRRD regulations are to enter the Polish law after the adoption of the *Act on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution*, the draft of which was adopted by the Council of Ministers on 15 December 2015 and directed to the Parliament of the Republic of Poland on 27 January 2016.

---

## OUR MISSION

The mission of the Bank Guarantee Fund is **to act for the sake of safety and stability of banks and cooperative savings and credit unions and to contribute to the increased level of confidence in the domestic financial system. Thanks to the Bank Guarantee Fund savings deposited by clients in the accounts of banks and credit unions are safe.**

## OUR MAIN TASKS

- **guaranteeing** each **depositor a payout of bank or credit union deposits** up to the statutory limit (the equivalent in PLN of EUR 100 thousand); the release of funds starts no later than within 20 working days from the day of fulfilment of the guarantee condition;
- **providing financial assistance to banks** facing the threat of insolvency or for the acquisition of stocks or shares of the banks;
- **providing a guarantee** to increase the own funds of a bank, to banks undergoing reorganisation, and in case of execution of said guarantee, to purchase or take up shares, bonds or bank-issued securities;
- **supporting banks** in the case of their acquisition within resolution proceedings or liquidation, the liquidation of their organised part or selected property rights in the form of a loan, guarantees, loss sharing arrangements and subsidies;
- **offering loans to cooperative banks**, not threatened by insolvency, for the acquisition of stock of an affiliating bank, to cover expenditures associated with mergers, as well as investment expenditures;
- **providing assistance to cooperative and affiliating banks** not threatened by insolvency, for financing costs associated with establishing the institutional protection scheme or integrated association;
- **providing financial assistance to cooperative savings and credit unions** in the form of subordinated loans, guarantees or sureties, should a threat of insolvency arise;
- **supporting entities taking over credit unions**, selected property rights or selected liabilities of the credit unions or the acquirers of a credit union enterprise being liquidated, its organised part or selected property rights;
- **being involved in the work of the Financial Stability Committee;**
- **participating in resolution committees;**
- **participating in the works of the EBA Resolution Committee (ResCo);**
- **collecting and analysing information** on entities covered by the guarantee system;
- **developing analyses and forecasts** that are used to create an early detection system to provide early identification of the potential threats arising within the banking and credit union sectors;
- **controlling the use of financial assistance and support** granted by BFG;
- **verifying data correctness** contained in bank and credit union calculation systems.





## ORGANIZATIONAL STRUCTURE OF THE BANK GUARANTEE FUND



## 2. ORGANIZATIONAL STRUCTURE OF THE BANK GUARANTEE FUND

### 2.1. BFG AUTHORITIES

The statutory bodies of the Bank Guarantee Fund include the Council and the Management Board. The Management Board's role is to manage the Fund and represent it, while the Council supervises and controls the operations of the Fund. The term of the Council and of the Management Board of the Fund lasts 3 years.

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

#### **Composition of the Council of the Bank Guarantee Fund**

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

As at 1 January 2015, the Council consisted of the following persons:

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

On 5 March 2015 Szymon Milczanowski was recalled from the Council of the Fund and, on 16 March 2015, was replaced by Patryk Łoszewski. In the light of the above, the Council continued its operation with the composition as follows:



<i>Chairman of the Council</i>	<i>Ludwik Kotecki (Ministry of Finance)</i>
<i>Council Members</i>	<i>Ewa Kawecka-Włodarczak (Polish Financial Supervision Authority)</i>
	<i>Patryk Łoszewski (Ministry of Finance)</i>
	<i>Jacek Osiński (National Bank of Poland)</i>
	<i>Krzysztof Pietraszkiewicz (Polish Bank Association)</i>
	<i>Piotr Piłat (Ministry of Finance)</i>
	<i>Jan Szambelańczyk (Polish Bank Association)</i>
	<i>Olga Szczepańska-Maciejuk (National Bank Of Poland)</i>

Another three-year term of the Council, which was appointed in the same composition, began on 2 July 2015.

On 14 August 2015, the Minister of Finance, at the request of Ludwik Kotecki, recalled him from the position of the Chairman of the Fund Council. Piotr Piłat, hitherto acting as a Member of the Council, was appointed the new Chairman. In order to complete the composition of the Council of the Fund, on 14 August 2015, the Minister of Finance appointed Sławomir Dudek as a Member of the Council. In the light of the above, the composition of the Council until the end of 2015 was as follows:

<i>Chairman of the Council</i>	<i>Piotr Piłat (Ministry of Finance)</i>
<i>Council Members</i>	<i>Sławomir Dudek (Ministry of Finance)</i>
	<i>Ewa Kawecka-Włodarczak (Polish Financial Supervision Authority)</i>
	<i>Patryk Łoszewski (Ministry of Finance)</i>
	<i>Jacek Osiński (National Bank of Poland)</i>
	<i>Krzysztof Pietraszkiewicz (Polish Bank Association)</i>
	<i>Jan Szambelańczyk (Polish Bank Association)</i>
	<i>Olga Szczepańska-Maciejuk (National Bank of Poland)</i>

### Composition of the Management Board of the Bank Guarantee Fund

As at 1 January 2015, the Management Board consisted of the following persons:

<i>President of the Management Board</i>	<i>Jerzy Pruski</i>
<i>Deputy President of the Management Board</i>	<i>Krzysztof Broda</i>
<i>Members of the Management Board</i>	<i>Andrzej Banasiak Marek Szeffler</i>

At the request of Andrzej Banasiak, on 21 January 2015, the Council of the Fund recalled him from the Management Board of the Fund. On 27 April 2015, the Council of the Fund complemented the composition of the Management Board by appointing Tomasz Obal to act as a member of the Management Board of the Fund. In the light of the above, from 27 April 2015 until the end of 2015, the Management Board of the Fund operated in the following composition:

<i>President of the Management Board</i>	<i>Jerzy Pruski</i>
<i>Deputy President of the Management Board</i>	<i>Krzysztof Broda</i>
<i>Members of the Management Board</i>	<i>Tomasz Obal Marek Szeffler</i>

## 2.2. BFG OFFICE ORGANISATIONAL STRUCTURE IN 2015

The organisational structure of the Bank Guarantee Fund Office consisted of the following organizational units, responsible, among other things, for the tasks within the scope of:

- **Deposit Guarantee Department (DGD)** – ensuring by the Fund the payout of guaranteed deposits to depositors and auditing the correctness of data contained in bank and credit union calculating systems covered by the guarantee scheme,
- **Financial Assistance Department (FAD)** – helping banks and credit unions, which face the risk of insolvency, providing support in restructuring of banks and credit unions, with exclusion of the tasks of DPS, transacting assets acquired from banks and credit unions, granting assistance to banks from the Cooperative Bank Restructuring Fund and administration of this assistance, as well as control and monitoring of banks and credit unions receiving support or financial assistance from the Fund,
- **Treasury and Analysis Department (TAD)** – carrying out banking sector and credit union sector analyses and assessments of the economic and financial standing of banks and credit unions, collecting and analysing information prevailing macroeconomic conditions in Poland and abroad, as well as investing of available funds of the Fund,
- **Strategic Projects Department (SPD)** – restructuring credit unions by the acquisition of shares of the acquiring bank, purchase or acquisition of bank shares in order to acquire or purchase a credit union, selected property rights or liabilities of a credit union, providing and executing of a recapitalisation guarantee and projects related to the financial safety and stability, participation in resolution colleges on resolution,
- **IT and Administration Department (IAD)** – acquiring, compiling and granting access to information necessary for the functioning of the Fund Office, the protection of data, persons and property and the security and operability of technical and IT systems and ensuring continuity of the Fund's operations,
- **Accounting and Financial Department (AFD)** – financial management and accountancy of the Fund,
- **Office of the President (OP)** – ensuring administrative support to the authorities of the Fund, to the President of the Management Board, overall administration and HR, promotion and information activities,
- **Legal Department (LD)** – extending legal support to the authorities of the Fund, the President of the Management Board and the Fund Office,
- **International Department (ID)** – collaboration of the Fund with foreign deposit guarantee institutions and their associations, as well as international financial institutions and other foreign entities,

- **Operational Risk Position (OR)** – coordinating and supporting the operational risk management process in the organizational units of the Fund Office,
  - **Internal Audit Position (IAP)** – monitoring the operations of the Fund for consistency of operations with the established aims, internal regulations and the law
- 

**The BFG Office also hosted four permanent inter-departmental committees:**

- **Asset Management Committee**, which carried out the policy of allocation of available funds of the Fund.
  - **Assistance Application Assessment Committee**, which had the tasks of issuing opinions on applications for granting, by the Fund, assistance and support to banks and credit unions.
  - **Operational Risk Committee**, which had the tasks of initiating, coordinating and issuing operational recommendations to the BFG Management Board, related to the presence of the operational risk within BFG,
  - **Early Warning System Committee** which had the task of assessing the economic and financial situation of the banking sector and credit union sector, within individual banks, credit unions and the National Association of Co-operative Savings and Credit Unions and its impact on the financial system stability.
- 

In addition, in 2015, the following committees and task forces operated within BFG:

- **Committee for monitoring insolvency proceedings of credit unions,**
  - **Task force for the development and implementation of models for determining the fees for the purposes of deposit guarantees and resolution based on risk,**
  - **Task force for the protection of classified information within the Bank Guarantee Fund,**
  - **Task force for crisis management within the Bank Guarantee Fund.**
- 

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

- **President of the Management Board Jerzy Pruski** – Office of the President, Legal Department, Financial Assistance Department, Deposit Guarantee Department<sup>3</sup>, Treasury and Analysis Department<sup>4</sup>, International Department and the Internal Audit Position,
- **Deputy President of the Management Board Krzysztof Broda** – Strategic Projects Department and Accounting and Financial Management Department,
- **Member of the Management Board Andrzej Banasiak** – Treasury and Analysis Department<sup>5</sup>,
- **Member of the Management Board Tomasz Obal** – Deposit Guarantee Department<sup>6</sup>,
- **Member of the Management Board Marek Szeffler** – IT and Administration Department and Operational Risk Position.

<sup>3</sup> Until 26 April 2015

<sup>4</sup> Since 22 January 2015

<sup>5</sup> Until 21 January 2015

<sup>6</sup> Since 27 April 2015

As at 1 January 2015, there were 109 employees in BFG (107.15 fte), while as at 31 December 2015 – there were 124 employees (123.5 fte), and approximately 45% of the employed persons were women.

**Figure 1.**  
**BFG Organizational Structure as at 31 December 2015**



Bank Guarantee Fund  
Council



Bank Guarantee Fund  
Management Board

President of the  
Management Board  
Jerzy Pruski

Deputy President  
of the Management  
Board  
Krzysztof Broda

Member of the  
Management Board  
Tomasz Obal

Member of the  
Management Board  
Marek Szeffler

Financial Assistance Department  
(FAD)

Treasury and Analysis  
Department (TAD)

Office of the President (OP)

Legal Department (LD)

International Department (ID)

Internal Audit Position (IAP)

Strategic Projects Department  
(SPD)

Accounting and Financial  
Management Department (AFMD)

Deposit Guarantee  
Department (DGD)

IT and Administration  
Department (IAD)

Operational Risk Position  
(OR)



# DEPOSIT GUARANTEE ACTIVITY





### 3. DEPOSIT GUARANTEE ACTIVITY

The Bank Guarantee Fund is an institution managing the deposit guarantee scheme for the funds deposited in banks and cooperative savings and credit unions which operate in Poland. As at the end of 2015, the Fund's guarantee encompassed **deposits held in all Polish banks (i.e. in 38 commercial banks and 560 cooperative banks), as well as in all cooperative savings and credit unions (i.e. in 48 unions).**

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



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

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




#### **Guaranteed deposits:**

- a) in the case of a bank – funds in all types of registered bank accounts, whether denominated in PLN or in foreign currencies. Other monetary claims resulting from banking operations and confirmed by registered bank-issued documents or registered certificates of deposit are also covered by the guarantee,
- b) in the case of a credit union – funds in all types of credit union accounts, whether denominated in PLN or in foreign currencies, but with exclusion of funds deposited on account of member contributions and shares. Other monetary claims resulting from financial settlements carried out by a credit union are also covered by the guarantees.







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



### 3.1. DISBURSEMENT OF GUARANTEED DEPOSITS

**The Fund satisfies guarantee-related claims within 20 working days from the day of fulfilment of the guarantee condition.** In the case of fulfilment of the guarantee condition, the receivership of a bank or receiver of a credit union determines the balance in the accounting books of an entity, with respect to which the fulfilment of the guarantee condition has occurred, and compiles a list of depositors, which is then submitted to the Fund no later than within 3 working days (from the day of fulfilment of the guarantee condition). The Fund verifies the data of the depositors with the use of the Guarantee Execution System, then prepares a disbursement list and conveys it to the entity that will carry out the disbursement of the guaranteed deposits on behalf and for the benefit of the Fund. Depositors of a bank or credit union are not obliged to report their claims to the Bank Guarantee Fund prior to receiving the guaranteed deposits.

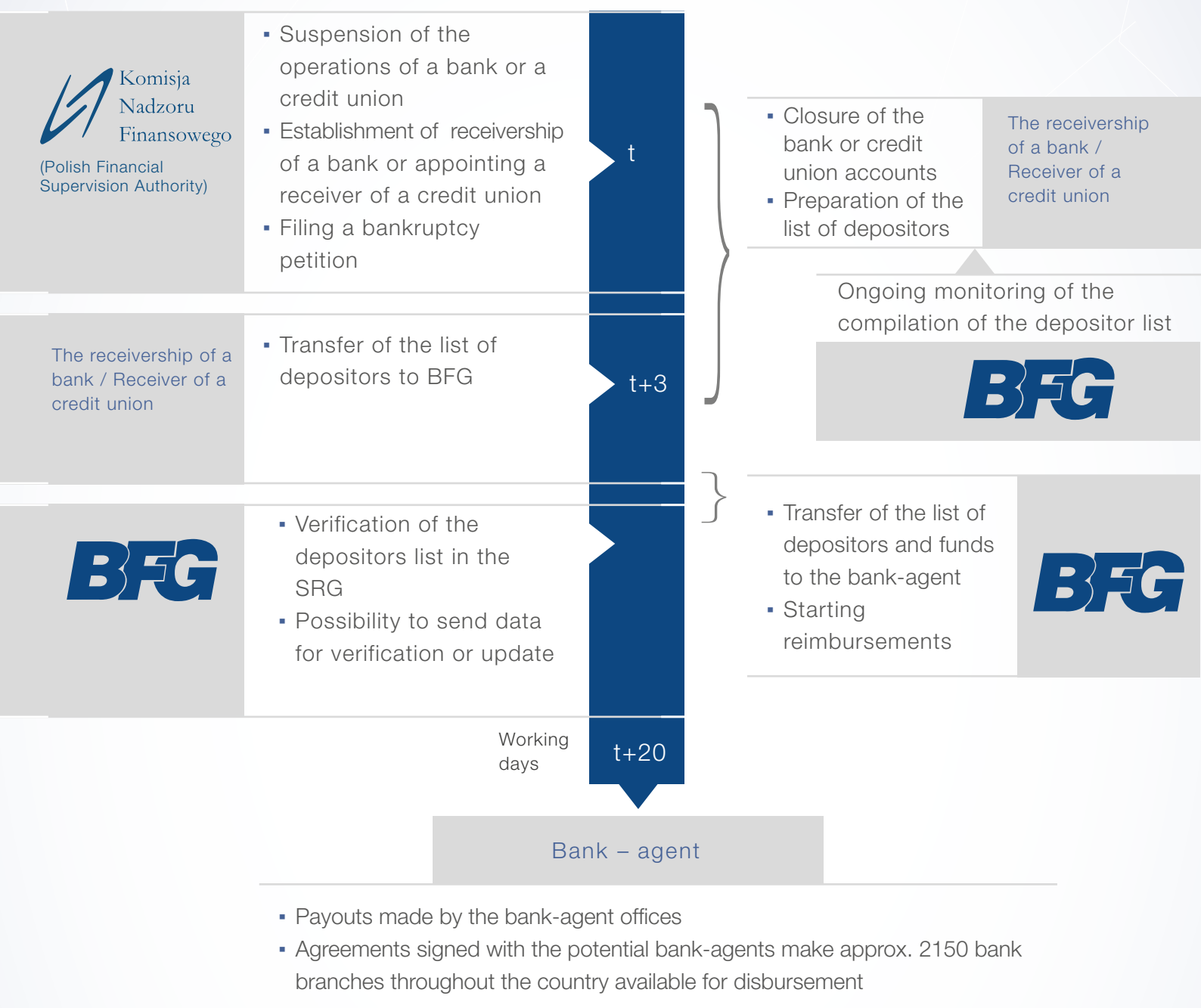
**Guarantee Execution System (SRG)** – IT system of the Bank Guarantee Fund which enables effective control of the depositor lists, verification of the disbursement amounts and preparation of depositor disbursement lists.



Pursuant to the *Act on BFG*, depending on the decision of the Fund, the disbursement of the guaranteed deposits may be carried out by the receivership or entity authorized to represent the Fund (in the case of a bank) or receiver (in the case of a credit union), or via a different entity, with which the BFG Management Board concludes an Agreement on the guaranteed deposits payment execution. The Fund has entered into such agreements with four<sup>7</sup> banks. These are retail banks holding a significant branch network, which allows for carrying out disbursements throughout the country, providing depositors with an easy access to guaranteed deposits. The process of receiving the guaranteed deposits is presented in figure 2.

<sup>7</sup> Three of these banks signed agreements which expand the possible disbursement scope with depositors of credit unions.

**Figure 2. The disbursement of the guaranteed deposits**



The maximum amount that can be disbursed to a single depositor at a given bank or credit union on account of the BFG guarantee is the **PLN equivalent of EUR 100 thousand**.

Individuals who for whatever reason fail to collect their due funds in the course of a payout carried out by an entity authorised by the Fund may approach BFG directly to collect their due disbursement within 5 years from the day of fulfilment of the guarantee condition. After this period, the guarantee-related depositor claims are barred.

## 3.2. DEPOSIT GUARANTEE FUNDING

### 3.2.1. FUNDS ACCUMULATED IN THE GUARANTEE SCHEME

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

Funding of the BFG's guarantee activity can be carried out on a mixed – ex post and ex ante – basis.

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

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



Guaranteed Deposit Protection Funds (GDPF) are the source of the ex post funding intended to fund the disbursement of guaranteed deposits held in banks. If the guarantee condition with respect to a bank is fulfilled, BFG requests the bank to transfer its funds from its GDPF, and all other banks to transfer their funds proportionally to their share in the GDPF.

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

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



For the establishment of the GDPF in 2015, the BFG Council set a percentage rate of 0.55% of the total sum of all funds in all accounts at a given bank constituting the basis for calculating the reserve requirement. The total value of the Guaranteed Deposit Protection Fund (GDPF) established by all banks in 2015 (updated on 1 July 2015)

was PLN 5,670.4 million. When on 23 November 2015 the guarantee condition for Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin (SBRiR) was fulfilled the GDPF was used. Therefore the GDPF value established by the banks for 2015 decreased by PLN 2,036.9 million and amounted to PLN 3,633.5 million as at the end of 2015.

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

The ex ante source are BFG own funds, such as:

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

The ex ante fund includes the item of ‘decrease of own funds when the guarantee condition has been fulfilled’.

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

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

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



For 2015, the BFG Council set the following rates of the annual premiums remitted to BFG by entities covered by the mandatory deposit guarantee scheme:

- allocated to the assistance fund – 0.189% of the product of 12.5 and the sum of the capital requirements weighted for different types of risk and capital requirements due to exceeding limits and violating other norms stipulated in the Act of 29 August 1997 on the Banking Law,
- allocated to the stabilisation fund – 0.05% of the product of 12.5 and the sum of the capital requirements weighted for different types of risk and capital requirements due to exceeding limits and violating other norms stipulated in the Act on Banking Law, of 29 August 1997.
- allocated to the credit union guarantee fund – 0.3% of the value of assets and off-balance sheet liabilities.

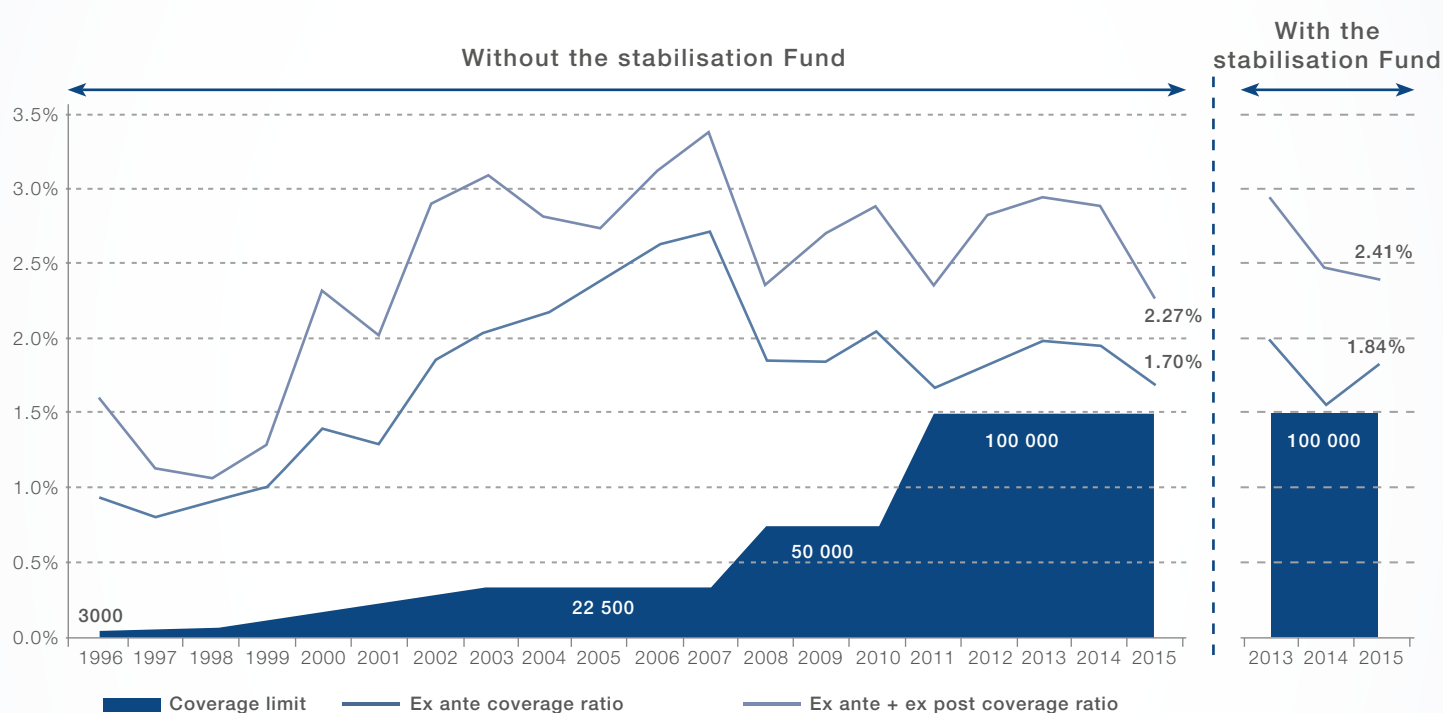
As at the end of 2015, the total ex ante<sup>8</sup> funds accumulated by the BFG amounted to **PLN 11,634.0 million**. The ratio of deposit coverage by ex ante funds accumulated in the guarantee scheme at the end of 2015 was 1.84%, and – taking into account the ex post funds – 2.41%.

<sup>8</sup> BFG's available own funds less the amount which enables financing the BFG fixed assets and providing funds for the Fund's operational activity during the period of one year.

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



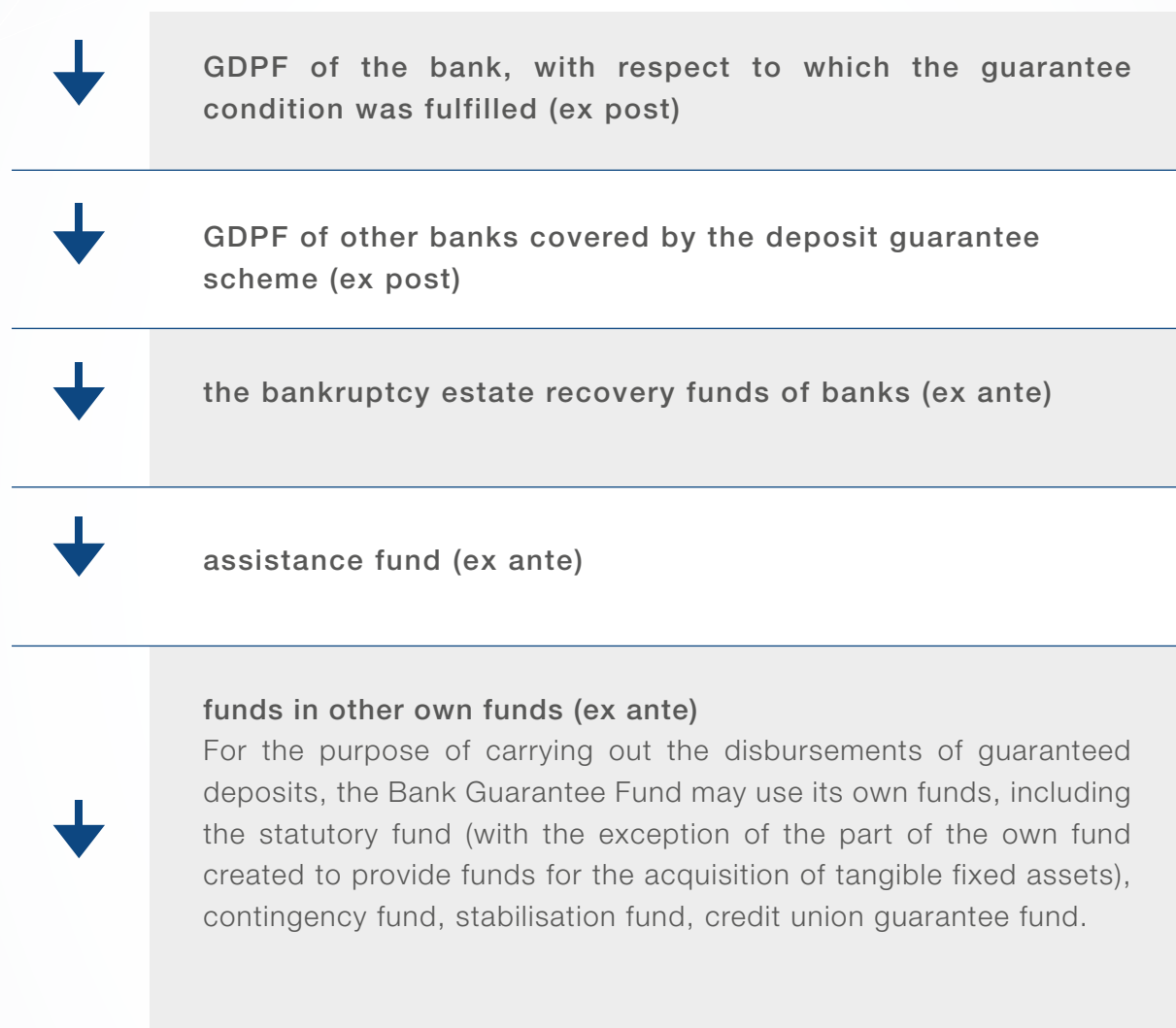
**Chart 1. Coverage limits and coverage ratios for banks\***



\* in order to ensure comparability with data from previous years, the level of coverage ratios in 2013-2015 are given without taking into account the amounts accumulated in the stabilisation fund (created from prudential levies remitted by banks); additionally, ratios taking into account the stabilisation fund were presented.

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

The following diagram shows the possibilities of using funds in cases of disbursements to bank depositors.



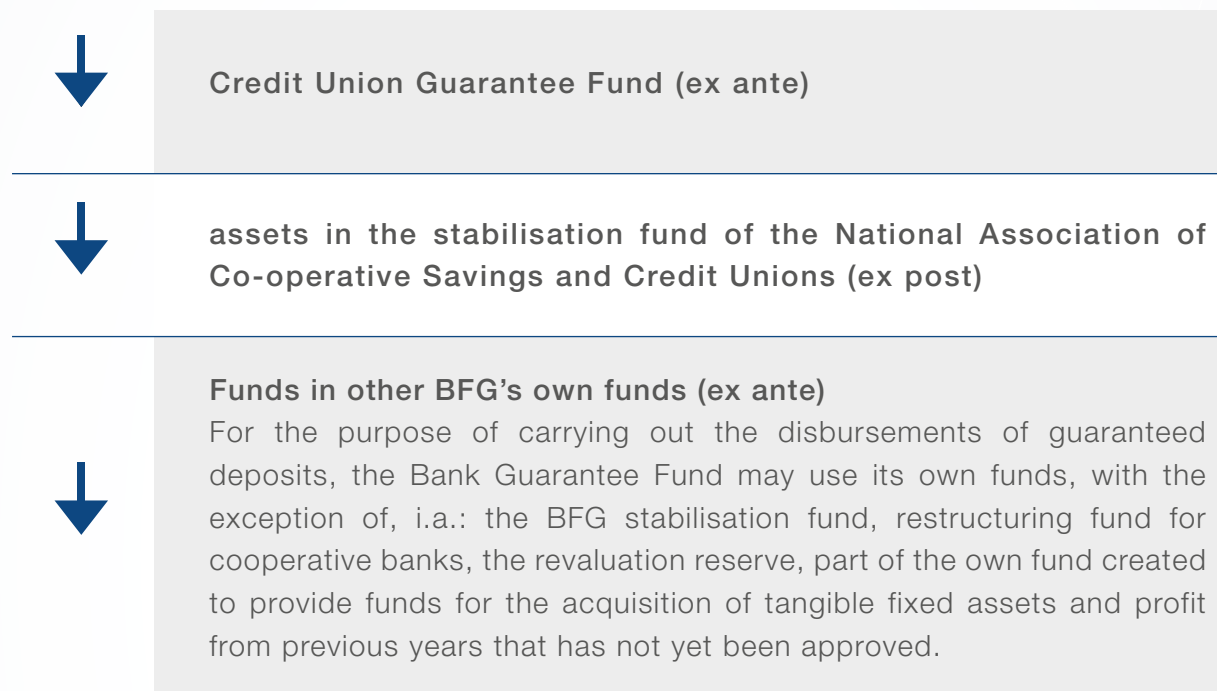
In addition to the above sources of funding, the following options of funding guaranteed deposit payouts are also available:

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



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

The following diagram shows the possibilities of using funds in cases of disbursements to credit union depositors.



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

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

### 3.3. DEPOSIT GUARANTEE PAYOUT IN 2015.

For the first time since 2001, there has been a case of reimbursing bank depositors by the fund as the guarantee condition has been fulfilled with respect to SBRIr.<sup>9</sup>

The payout list prepared by the Fund on the basis of data received from the SBRIr receivership included 33.1 thousand depositors and the total value of guaranteed deposits amounted to PLN 2,036.9 million.<sup>10</sup> The payout started on the fifth working day following the day of fulfilment of the guarantee condition, in relation to permissible period of 20 days provided for in the Act on BFG. The disbursement of guaranteed deposits to the SBRIr depositors was executed by Bank Zachodni WBK S.A.

Without the agent bank's participation, the Fund executed the disbursement as defined by the *Act on Individual Pension Accounts and Individual Pension Security Accounts* for the owners of funds accumulated in SBRIr in individual pension accounts (IKE), and disbursement to the trust accounts for the owners of funds accumulated in SBRIr in housing trust accounts (pursuant to the *Act on Protection of the Housing Unit or Single-Family Home Buyer's Rights*).

*The values presented in a table have been rounded and presented in millions of PLN, not in PLN as in the audited financial statement of the Bank Guarantee Fund for 2015. Therefore, the sum of amounts given in some of the columns or rows of the table and other lists presented in this report may slightly differ from the total amounts given in the summary of these columns or rows.*

**Table 1. Disbursement of guaranteed deposits in 2014-2015**

No.	Name of entity	Day of fulfilment of the guarantee condition	Number of depositors*	Liabilities towards depositors* PLN million	Total disbursements by the end of 2015 PLN million	Liability amount at the end of 2015* PLN million	Percentage of disbursement made at the end of 2015
1	SKOK Wspólnota	18 July 2014	74,048	817.5	808.9	8.6	98.95%
2	SKOK Wołomin	12 December 2014	45,454	2,246.5	2,238.7	7.9	99.65%
3	SBRIr Wołomin	23 November 2015	33,147	2,037.0	1,902.2	134.8	93.38%
	<b>TOTAL</b>	-	<b>152,649</b>	<b>5,101.0</b>	<b>4,949.8</b>	<b>151.2</b>	-

\* The values provided also include the number of depositors and the total value of the guaranteed funds for persons who were placed in the depositor list, accuracy of which is justifiably doubtful.

<sup>9</sup> As at 21 November 2015 the Polish Financial Supervision Authority (PFSA), with the decision of 20 November 2015, suspended the activity of SBRIr, and on 23 November 2015 it submitted a request to declare bankruptcy of the Bank to the competent District Court. The above measures, along with the earlier decision of the PFSA of 10 August 2015 on the appointment on 11 August 2015 of a receiver with respect to SBRIr resulted in fulfilment of the guarantee condition for the Bank on 23 November 2015.

<sup>10</sup> The amount exclusive of liabilities towards those depositors whose personal details require confirmation. Including the amount of liabilities towards those depositors whose personal details require confirmation, the total amount of liabilities in this respect was PLN 2,037.0 million.



By the end of 2015, the total amount of the SB RiR guaranteed deposits disbursed was PLN 1,902.2 million, and including BZ WBK S.A. acting as an agent, the guaranteed deposits totalling PLN 1,888.7 million were disbursed to 23,945 depositors. In 2015, the Fund also continued to disburse the guaranteed funds to depositors of two credit unions, towards which the guarantee condition had been fulfilled in 2014 (i.e. towards SKOK Wspólnota on 18 July 2014 and SKOK Wołomin on 12 December 2014). At the end of 2015, the value of the Fund's liabilities left for disbursement to the SKOK Wspólnota depositors amounted to PLN 8.6 million, while to SKOK Wołomin depositors, PLN 7.9 million.

### 3.4. DEPOSIT GUARANTEE PAYOUT IN 1995-2015

Starting from the very beginning of BFG operations, the disbursement of guaranteed deposits was carried out to depositors of 5 commercial banks, 90 cooperative banks and 2 cooperative savings and credit unions.

**Table 2. Guarantee Conditions Fulfilment – 1995-2015**

Year	Commercial Banks	Cooperative Banks	Cooperative savings and credit unions
1995*	2	48	-
1996	1	30	-
1997	-	6	-
1998	-	4	-
1999	1	-	-
2000	1	-	-
2001	-	1	-
2002-2013	-	-	-
2014	-	-	2
2015	-	1	-
<b>TOTAL</b>	<b>5</b>	<b>90</b>	<b>2</b>

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

**Table 3. Funds used to execute the guarantee disbursements for banks in 1995-2015**

Year	Funds allocated to guarantee disbursements (in PLN million)				% drawdown of the GDPF (%)	Number of depositors
	Total	Including:				
		From the GDPF	From the liquid assets of the bankruptcy estates**	From the bankruptcy estate recovery fund		
1995	105.0	85.9	19.1	0	38.1	89,939
1996	50.8	47.3	3.1	0.4	14.9	59,420
1997	6.4	4.7	0.6	1.1	2.3	10,418
1998	8.2	4.1	1.8	2.3	3.2	6,775
1999	4.7	0	2.0	2.7	0	1,572
2000	626.0	484.1	141.9	0	48.4	147,739
2001	12.5	0	4.5	8.0	0	2,658
2002	0.1	0	0.1	0	0	46
2003	0.1	0	0.1	0	0	27
2004	0.4	0	0.4	0	0	124
2005	0.1	0	0.1	0	0	99
2006	0.1	0	0.1	0	0	5
2007- 2008	0	0	0	0	0	0
2009	0.004	0	0	0.004	0	1
2010- 2014	0	0	0	0	0	0
2015	2,037.0*	2,036.9	-	-	35.9	33,147*
TOTAL	2,851.4	2,663.0	173.8	14.5	-	351,970

\* The provided values include also the number of depositors and the total value of the guaranteed deposits for persons (PLN 0.1 million) who were placed in the depositor list, accuracy of which is justifiably doubtful.

\*\* By 30 December 2010, pursuant to the Act on the BFG the guaranteed deposits were disbursed primarily from the liquid assets of the bankruptcy estate of the bank with respect to which the guarantee condition was fulfilled.

**In 1995-2015, the disbursements of guaranteed deposits amounted to PLN 2,851.4 million provided to 352.0 thousand eligible bank depositors.**

**Table 4. Funds used to execute the guarantee disbursements for credit unions in 2014-2015**

Year	Funds allocated to guarantee disbursements (in PLN million)			Number of depositors*
	Total*	Including:		
		From the Credit Union Guarantee Fund (including the National Association of Co-operative Savings and Credit Unions)	From the assistance fund <sup>11</sup>	
2014	3,063.9	53.4	3,010.5	119,501
2015	0.1	0.1	0.0	1
TOTAL	3,064.0	53.5	3,010.5	119,502

\* including the PLN 73 thousand liability resulting from the BFG Management Board resolution, adopted on 9 February 2015 on the disbursement of the guaranteed deposits to SKOK Wołomin depositors after completion of the depositor list. The values provided also include the total value of the guaranteed funds for persons who were placed in the depositor list, accuracy of which is justifiably doubtful.

**In 2014-2015, the disbursements of guaranteed deposits amounted to PLN 3,064.0 million, provided to 119.5 thousand eligible credit union depositors.**

The sums transferred for the disbursement of guaranteed deposits to depositors with respect to which the guarantee condition was fulfilled, are subject to recovery from their bankruptcy estates.

In the case of banks, the recovered sums are, pursuant to the *Act on BFG*, accumulated in the bankruptcy estate recovery fund and may be used only for funding of further disbursements of guaranteed deposits. The total amount of the funds recovered from the bankruptcy estates was, as at 31 December 2015, PLN 54.0 million. In 2015, this fund was not used.

The amounts recovered from the credit unions' bankruptcy estates supply the credit union guarantee fund.

On 30 December 2015 the District Court for the capital city of Warsaw in Warsaw issued the decision on declaration of the SBRiR bankruptcy. BFG submitted the claim for liabilities against the bank's bankruptcy estate. Moreover, as at the end of 2015, one bank, with respect to which the guarantee condition was fulfilled in 1995, was still the subject of bankruptcy proceedings.

Due to the guaranteed deposits disbursements to depositors of SKOK Wspólnota and SKOK Wołomin, in 2015 the Fund submitted the claim for liabilities against the bankruptcy estates of these credit unions.

<sup>11</sup> Compliant with the decision of the Fund Council the outstanding amount was covered from the assistance fund due to the fact that the amount of the BFG liabilities pursuant to the guaranteed deposits exceeded the credit unions' available funds and the stabilisation fund value provided by the National Association of Co-operative Savings and Credit Unions.

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

Banks and cooperative savings and credit unions are obliged to deploy calculation systems. The calculating systems allow a quick calculation of the value of covered deposits for each individual depositor through the computerised process of determining the value of such deposits and transferring them to BFG. The systems arrange the data in accordance with the *Single Customer View* standard, which attributes all relevant information to a particular client.

**Calculating system** – an IT system in a bank or credit union allowing for the preparation of data for BFG, relating to depositors together with the value of covered deposits for each depositor. The details of calculating systems utilised in banks are specified in the Regulation of the Minister of Finance of 27 January 2011 on the requirements for calculating systems maintained by entities covered by the mandatory guarantee system – and for the credit unions – in the Regulation of the Minister of Finance of 26 September 2013 on the requirements for calculating systems maintained by the cooperative savings and credit unions.



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

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

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



Data accuracy audits can take place in house at the Fund or on-site at bank or credit union headquarters. Audits carried out at banks or credit unions (preceded by audits at the Fund) are aimed, in particular, at comparing the calculation systems data with source documents.

**Table 5. Number of audits carried out in 2015.**

Type of audit	Commercial Banks	Cooperative Banks	Credit Unions	Total
at the Fund*	5	46	66	117
at bank/credit union**	0	3	13	16
<b>TOTAL</b>	<b>5</b>	<b>49</b>	<b>79</b>	<b>133</b>

\* an audit carried out by employing automatic control algorithms and an in-depth expert comparison of data,

\*\* comparison of data contained in the calculation systems with source documents.

### 3.6. BFG SYSTEMS STRESS TESTS

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

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



As part of the Fund's system effectiveness test, the performance of the disbursement list preparation procedures for bank and credit union depositors, as well as of the guaranteed deposits' disbursement procedures by means of the agent entity were examined.

The aim of the test with respect to the disbursement list preparation was to audit the course of the process, which consists of collecting data packages (depositor list) from a bank and credit union, verifying those data and preparing the disbursement lists. The aim of the test with respect to the guaranteed deposits disbursement by means of the agent entity, with which in 2015 the Fund entered into the agreement on its readiness to conduct the guaranteed deposits disbursement, was to audit the procedure of the disbursement list transfer to the bank, loading data to the bank systems and bank's readiness to conduct the payout to depositors. These processes were the simulation of the measures taken in the situation of the bank's operation suspension and the guarantee condition being fulfilled.

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

The fact that the Fund is well-prepared to carry out the deposit guarantee objectives was further attested by quick and effective completion of the guaranteed deposits disbursement to the SBRiR depositors.





## ASSISTANCE AND SUPPORT





## 4. ASSISTANCE AND SUPPORT

### 4.1. ASSISTANCE ACTIVITIES AND SUPPORT TO BANKS

#### Aims

The fundamental aim of granting financial assistance or support is to conduct restructuring processes in banks facing the threat of insolvency, and indirectly to protect customers against the loss of deposits entrusted to these banks. Pursuant to the *Act on BFG*, the financial assistance may take the form of loans, guarantees and sureties, as well as purchase of the assets of banks facing the threat of insolvency. Until now, the BFG operations included only assistance in the form of loans.

On 1 November 2015, the provisions amending the *Act on BFG* entered into force. The Fund gained the ability to provide support to banks in the case of their takeover or liquidation, takeover or liquidation of their organized part or selected property rights. This support can be achieved by:

- acquisition of shares of the acquiring bank,
- granting a loan or a guarantee,
- granting a guarantee of total or partial coverage of losses resulting from the risks associated with the acquired or purchased property rights or the acquired liabilities,
- granting subsidies to cover the difference between the value of the acquired property rights and the acquired liabilities arising from the deposit guarantee in the accounts of the bank depositors.

The financial assistance to banks is provided from the Assistance Fund. The Assistance Fund is created from mandatory annual contributions remitted by banks and from the distribution of the balance sheet surplus of the Fund. The Assistance Fund may also be used to cover liabilities arising from guaranteed deposits in the event of insufficient resources of the GDPF or the credit union guarantee fund.<sup>12</sup>

---

#### Pre-conditions for granting financial assistance

A pre-condition to gain financial assistance from the Fund is the presence of insolvency threat in a bank. Pursuant to the Art. 20 of the *Act on BFG*, financial assistance may be granted in particular after:

- approval by the Fund Management Board of audit results of a financial statement concerning the operations of a bank applying for assistance and – in the case of an application for assistance for the purpose of takeover, merger of banks or purchase of stock (shares) of another bank – the audit results of the financial statements of both banks,
- submission by a bank of a positive opinion of the Polish Financial Supervision Authority on the programme for rehabilitation proceedings or on the purposefulness of takeover, merger of banks or purchase of stock (shares) of another bank,

<sup>12</sup> The manner of using the funds was presented in previous chapters.



- demonstration that the amount of the requested loan, guarantee, surety and funds allocated by the Fund for the purchase of claims does not exceed the total maximum amount under guarantee in this bank and – in the case of an application for financial assistance for takeover or merger with another bank – that it does not exceed the sum of guaranteed funds in the depositors' accounts with the bank to be taken over,
- documentation that the existing own funds of a bank have been used for loss coverage of the bank applying for assistance or the bank to be taken over.

Furthermore, a condition for the extension of financial assistance is establishing legal security for its repayment.

---

### **Pre-conditions for granting support**

The Fund may grant support for restructuring of banks in the case of the presence of insolvency threat at a given bank. Pursuant to Art. 20 ba clause 2 of the amended *Act on BFG*, a condition for the Fund to provide support to banks in the case of their takeover or liquidation, takeover or liquidation of their organized part or selected property rights is, in particular:

- approval by the Fund Management Board of the audit results of a financial statement concerning the operations of a bank, presented by the acquirer or purchaser,
- submission to the Fund Management Board by the acquirer or purchaser of a positive opinion of the Polish Financial Supervision Authority on the purposefulness of the takeover and on the lack of danger to the safety of depositors' funds held in the bank being taken over, as well as in the acquiring or purchasing bank,
- demonstration that the amount of the funds engaged by the Fund in the support for the acquirer or purchaser would not be higher than the total amount of guaranteed deposits accumulated in depositors accounts of the bank being taken over,
- use of the existing own funds for loss coverage,
- in the case of assistance in the form of a loan or guarantee – collateralisation of receivables guaranteeing refund of the full amount of the assistance including interest.

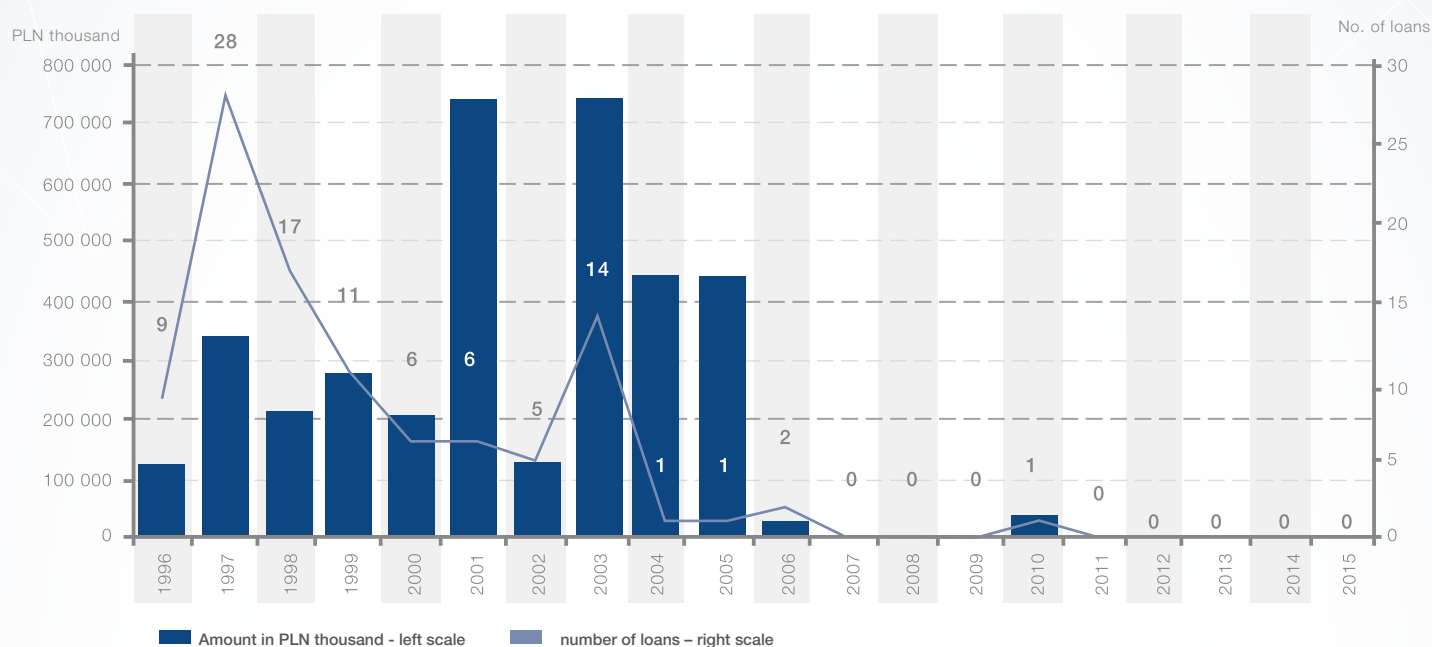
---

### **Current assistance and support activities**

In 2015, none of the banks received any assistance from the Assistance Fund, and no request for financial assistance or support was submitted.

**In the period between 1996 and 2015, BFG granted a total of 101 loans from the Assistance Fund, of which 44 were directed to commercial banks and 57 to cooperative banks, for a total of PLN 3,790,342.4 thousand.**

**Chart 2. Loans disbursed from the Assistance Fund in the period between 1996\* and 2015**



\* A loan granted in December 1995 was disbursed in January 1996.

**Table 6. Purpose of the BFG financial assistance in the period between 1996 and 2015.**

In the period between 1996 and 2015, financial assistance granted by BFG was used for:		PLN thousand
1.	independent bank reorganisation programme proceedings	2,249,050.0
2.	bank takeovers	1,306,292.4
3.	purchase, by new shareholders, of shares of banks facing the threat of insolvency	235,000.0
TOTAL		3,790,342.4

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

## 4.2. ASSISTANCE AND SUPPORT FROM THE CREDIT UNION GUARANTEE FUND

### Aims

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

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

In addition, the *Act on BFG* introduces the possibility for the Fund to purchase the stock of a bank in order to take over or acquire all or part of the enterprise of a credit union facing the threat of insolvency, its restructuring and sale to a third party. Assistance and support for credit unions are financed with the use of the Credit Union Guarantee Fund. Assets from the fund are also used in order to cover the liabilities arising due to the guaranteed funds.

---

### **Pre-conditions for granting assistance and support**

A pre-condition to gain financial assistance and support from the Fund is the presence of insolvency threat in a given credit union. Pursuant to Articles 20d and 20h of the *Act on BFG*, financial assistance and support may be granted only after certain preconditions are met, in particular the following:

- approval by the Fund Management Board of audit results of a financial statement of a credit union applying for financial assistance and, in the event that support is being applied for of a credit union being taken over,
- submission to the Fund Management Board by the credit union applying for assistance of a positive opinion of the Polish Financial Supervision Authority (PFSA) on the reorganisation programme, and in the case of an application for granting support – a positive opinion by PFSA about the purposefulness of the takeover and lack of danger to the safety of depositors' funds held in the credit union with respect to which the Polish Financial Supervision Authority has taken a decision concerning its takeover or liquidation, as well as the lack of such danger in the bank or credit union performing the takeover or acquisition,
- demonstration that the amount of requested loan, guarantee, surety as well as funds allocated by the Fund for the purchase of claims does not exceed the total maximum amount under guarantee in the credit union and – in the case of an application for support – that it does not exceed the total sum of guaranteed deposit in the depositors' accounts that are taken over in the credit union,
- documentation that the existing own funds of a credit union have been used for loss coverage of the credit union applying for assistance or the union being acquired or liquidated,
- provision of such collateralisation deriving from the granted assistance and from the support granted in the form of a loan or guarantee as would ensure the full repayment of the assistance or support including interest.

The Fund may also grant financial assistance in the form of acquisition of monetary claims of unions facing the threat of insolvency, provided that these claims are derived from granted loans and credits for which there is no delay in repayment, and the economic and financial situation of the debtor does not pose a threat of further timely repayment of debt.

### Current assistance and support activities

In 2015, two commercial banks submitted to the Fund a request for support in the process of restructuring the unions facing the threat of insolvency. The Fund granted support in the form of a subsidy and a loss-coverage guarantee to Bank Pekao S.A. for the takeover of SKOK im. M. Kopernika and to PKO BP S.A. for the takeover of SKOK “Wesoła”.

**Table 7. Support granted in the form of subsidies in the period between 2014 and 2015**

	Description	Year of granting	Subsidy in PLN thousand
1	Alior Bank S.A. (SKOK św. Jana z Kęt)	2014	15,895.8
2	Pekao S.A. (SKOK im. Mikołaja Kopernika)	2015	101,926.3
3	PKO BP S.A. (SKOK “Wesoła”)	2015	278,858.4
	TOTAL	-	396,680.5

**In the period between 2014 and 2015, BFG granted support in the form of subsidies in the total amount of PLN 396,680.5 thousand.**

In 2015, the Fund has also issued a declaration of support in the process of takeover of SKOK “Siarkopol”, planned by SKOK im. Eugeniusza Kwiatkowskiego. The Polish Financial Supervision Authority, taking into account the consent given by the Credit Union concerning the takeover of SKOK “Siarkopol” and the declaration of support issued by BFG, decided on the takeover on 1 November 2015 of SKOK “Siarkopol” by SKOK im. Eugeniusza Kwiatkowskiego.<sup>13</sup>

In connection with the decision of the PFSA on the possible applications of banks to participate in the restructuring of SKOK „Kujawiak”, a meeting was held at the premises of the Fund with the bank interested in taking over this union.<sup>14</sup> The bank, taking into account the financial data of SKOK “Kujawiak”, finally did not agree to take it over.<sup>15</sup>

<sup>13</sup> In February 2016, the Fund, due to the issued declaration on the possibility of it granting support, received the financial statements of SKOK “Siarkopol”, drawn up as at the date of takeover by SKOK im. E. Kwiatkowskiego, which – in the event of receiving from SKOK im. E. Kwiatkowskiego the declaration of intent of BFG support – will potentially be subject to acknowledgement by the Fund Management Board.

<sup>14</sup> On 1 December 2015, the PFSA issued the decision on the possibility of applying by banks for participation in the restructuring procedure of SKOK “Kujawiak” by 14 December 2015.

<sup>15</sup> As a consequence, the PFSA suspended SKOK “Kujawiak’s” operations as of 8 January 2016 and decided to file a petition at the competent court for initiating insolvency proceedings towards that SKOK, which constituted a formal premise for commencement of the disbursement of guaranteed funds from BFG.

### 4.3. ASSISTANCE FROM THE STABILISATION FUND

#### Aims

Pursuant to the *Act on BFG*, the funds gathered by the Fund within the scope of the stabilisation fund are a source of financing of the assistance granted to domestic banks in the form of guarantees related to increase in own funds – and should that guarantee be executed – of the purchase or assumption of shares, bonds or other bank securities, issued by these banks.

The stabilisation fund is created from the prudential levies paid by all entities covered by the guarantee scheme, as well as by the distribution of the balance sheet surplus.

---

#### Conditions for granting assistance

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

**In 2015, the Fund did not receive any requests to issue a recapitalization guarantee. So far, none of the banks has used this type of aid.**


### 4.4. ASSISTANCE FROM THE COOPERATIVE BANKS' RESTRUCTURING FUND

#### Aims

Under the *Act of 7 December 2000 on the operation of cooperative banks, their affiliation and affiliating banks*, in the reporting year BFG granted financial assistance to cooperative banks from the cooperative bank restructuring fund established in 2001. The size of the cooperative bank restructuring fund is fixed and at 31 December 2015 it amounted to PLN 123,409.7 thousand, of which the amount used was PLN 71,261.4 thousand.

On 13 September 2015, the Act of 25 June 2015 on the amendment of the *Act on the operation of cooperative banks, their affiliation and affiliating banks, and some other acts* entered into force. It has expanded, i.a., the material and personal scope of the financial assistance granted by the Fund from the resources of CBRF. The amending Act enables assistance to be granted to affiliating banks, as well as enables cooperative banks and affiliating banks to benefit from assistance for financing the costs associated with the creation of an institutional protection scheme or an integrated association. The assistance granted by the Fund may be redeemed to the amount of the de minimis





assistance, i.e. the equivalent in PLN of EUR 200 thousand, in cases justified by public interest, or having an impact on enhancing financial stability. Pursuant to the Act, the CBRF shall be liquidated no later than on 31 December 2021.

In connection with the amendment to the above mentioned Act, new rules of financial assistance granted to banks from the cooperative bank restructuring fund have been developed, taking into account these changes and the suggestions of the cooperative bank sector in this regard.

Financial assistance of BFG from CBRF may be used for financing by:

- **cooperative banks:**

- » acquisition of an affiliating bank's shares,
- » planned or incurred expenses associated with the merger of cooperative banks, with the aim of increasing the safety of deposits held in these banks or improving or harmonization of the standards of customer service, in particular:
  - acquisition or upgrade of the IT software or hardware,
  - development or standardisation of banking technology,
  - modification of financial and accounting procedures,
  - development or consolidation of banking products and services,
  - planned expenses classified as investment,
  - incurred or planned expenses connected with creating or joining an institutional protection scheme or an integrated association,

- **affiliating banks:**

- » incurred or planned expenses associated with creating or joining a protection system or an integrated association.

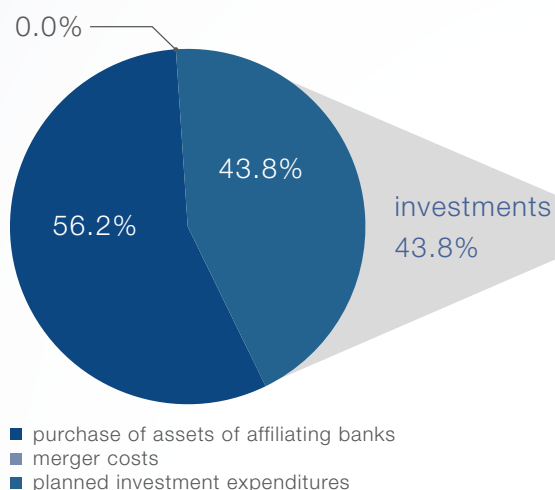
Financial assistance may be granted only to those banks where there is no threat of insolvency.

---

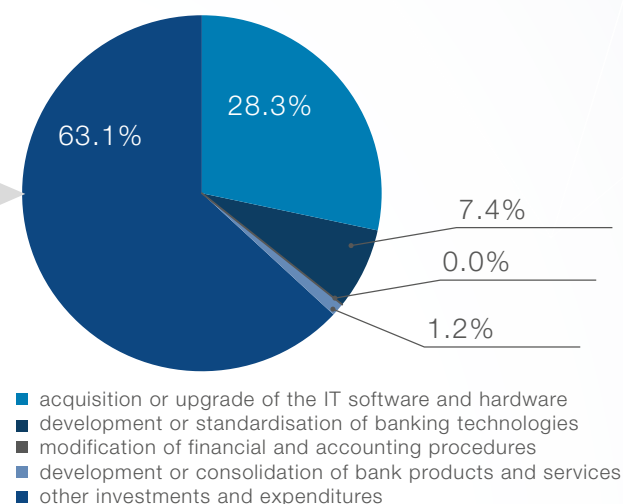
### **CBRF financial assistance**

**In 2015, the Fund analyzed requests submitted by 9 cooperative banks, the aim of which was to obtain 12 CBRF loans for the total amount of PLN 11,048.4 thousand. The decision was taken to grant financial assistance in the amount of PLN 10,860.0 thousand to banks that submitted their applications.**

**Chart 3.**  
Breakdown of loans granted in 2015 from the CBRF, as at 31.12.2015



**Chart 4.**  
Investment allocation breakdown of loans granted in 2015 from the CBRF, as at 31.12.2015



In 2015, loans for purchases of shares of affiliating banks constituted the biggest percentage (56.2%). There was no demand for financing expenditures related to merger processes of banks.

Over 63% of the funds obtained from CBRF loans in 2015 for the purpose of planned investment expenditures was used for other investments and expenses regarding building construction, refurbishment and renovation.

From 2001 to 2015, BFG granted 317 loans from the Assistance Fund for a total amount of PLN 527,479.0 thousand. There were no problems with the repayment of borrowed funds in any of the cases.

**Figure 5. Disbursement of CRBF funds in the years 2001-2015**  
(including annexes regarding the increase of the loans)





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

As at 31 December 2015, the economic and financial situation of 55 banks receiving the BFG financial assistance was being monitored, including:

- 3 commercial banks which – due to the fact that they took over credit unions – make use of the assistance from the Credit Union Fund in the form of a loss sharing arrangements and subsidy
- 52 cooperative banks making use of 73 CBRF loans.

**Table 8. Entities receiving BFG financial assistance and support in 2015**

Entities using the financial assistance and support	Number of entities					
	1 January 2015			31 December 2015		
	Assistance Fund	CRBF funds	Credit Union Fund	Assistance Fund	CRBF funds	Credit Union Fund
Commercial Banks	-	x	1	-	x	3
Cooperative Banks	-	62	-	-	52	-
Credit Unions	-	x	-	-	x	-
<b>TOTAL</b>	-	62	1	-	52	3
	63			55		

On the basis of the results of the audit of banks using financial assistance or support from BFG it was stated that there was no threat to repayment of obligations to BFG.

In terms of monitoring and auditing banks receiving the support, the Fund obtained reports considering settlements for loss-coverage guarantees for the next settlement periods. Until the end of 2015, the Fund accepted all reports presented within the year regarding loss coverage guarantee agreements.<sup>16</sup>

In 2015, there were no planned controls carried out at banks receiving CRBF loans, taking into account their stable situation established as a result of a systematic monitoring and timely implementation of contractual obligations. There was no necessity to carry out an ad hoc controls at those banks as well.

<sup>16</sup> The Fund used a specially developed system application, the System of Loss Settlement (SRS), for supporting the settlement of loss coverage guarantee agreements. This tool enables the Fund to examine interim reports regarding the implementation of the loss coverage guarantee agreements with dedicated algorithms for particular agreements.



## ANALITICAL ACTIVITY



## 5. ANALITICAL ACTIVITY

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

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

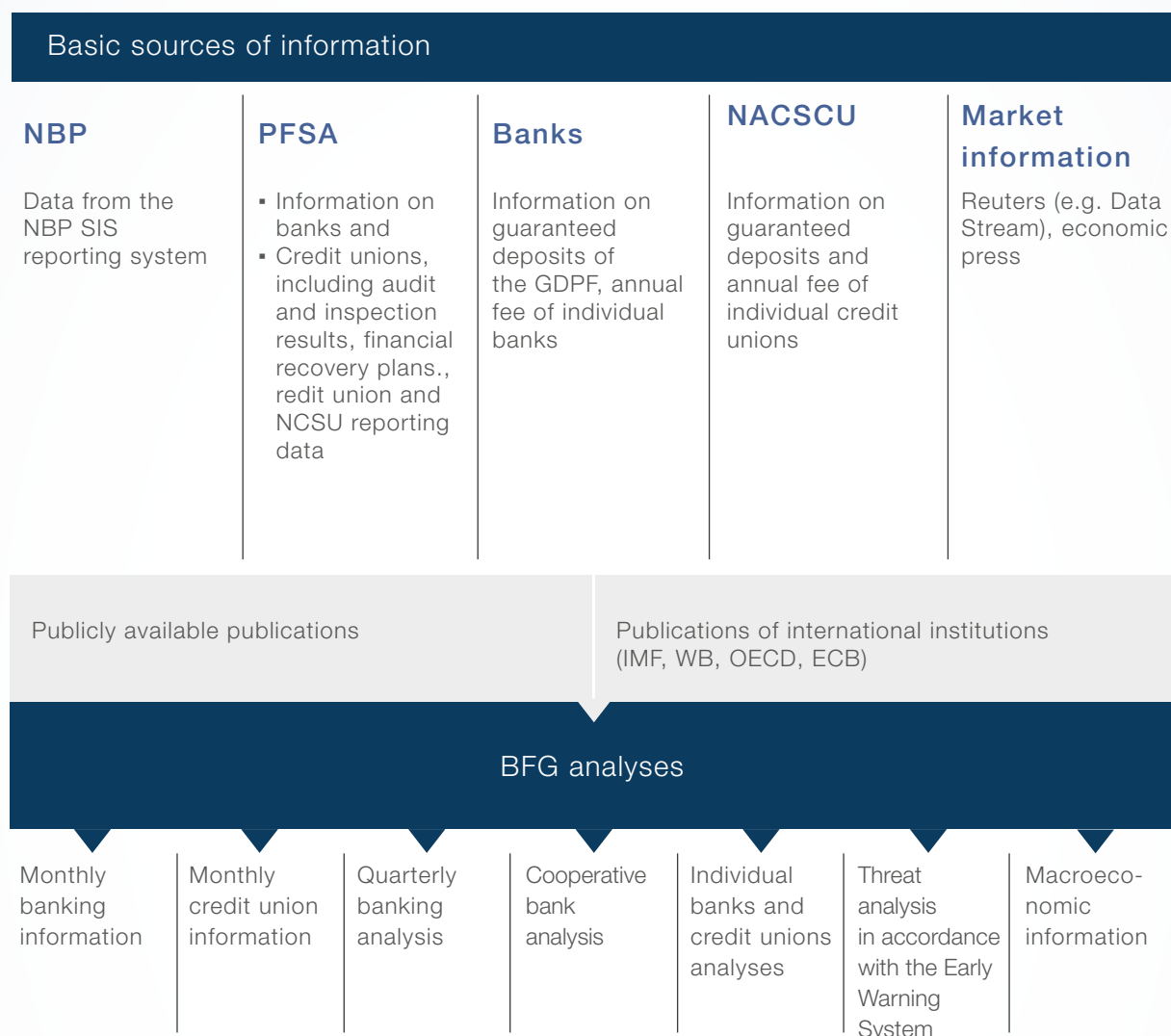
These analyses were prepared as follows:

- quarterly:
  - banking sector threat analysis, taking into account the respective specificity of commercial and cooperative banks,
  - bank threat analysis in accordance with the EWS model,
- monthly – synthetic information:
  - on the situation in the banking sector,
  - on the situation in the cooperative savings and credit union sector,
- semi-annually – cooperative bank sector threat analysis.

The analytical system of the Bank Guarantee Fund is subject to constant development and modification. Its design and the most important sources of information on banks and credit unions are shown in Figure 3.

In 2015 work was performed on the system of credit scoring as an additional tool to the EWS used for early detection of cooperative banks with deteriorating economic and financial situation or banks whose risk profile may influence its deterioration in future.


**Figure 3 Sources of information and BFG analysis**



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

### **Bank and Credit Union Analyses**

In 2015, banking sector analyses focused on the areas and issues which posed the most significant risks to the banking sector condition and to the individual banks. In addition, the Fund performed detailed risk assessment of selected groups of banks. The financial and economic situation within the credit unions' sector was also monitored and analysed in an ongoing manner. The studies put an emphasis on problems and risks related to the credit unions' sector and on the issues related to individual credit unions. The financial situation was monitored with respect to those credit unions, in which the PFSA appointed a receiver or initiated the procedure of appointing a receiver, as well as those with a capital adequacy ratio lower than 1%. A more incisive analysis was carried out in respect of those credit unions that exhibited the highest threat levels.



The situation in the banking and in the cooperative savings and credit unions sector was also the main topic of the meetings of the Early Warning System Committee.

### **Work on designation fee models for deposit guarantee and resolution**

The Fund continued work on the construction of models of calculation of risk-based premiums for deposit guarantee and resolution. Individual models, taking into account the character of entities obliged to contribution, were developed. The Fund's proposals within the construction of the models of calculation of premiums due by banks were consulted with the PFSA and the banking sector.

The process of consulting models of calculation of risk-based premiums due by credit unions with the sector of cooperative savings and credit unions was also started. For this purpose, the current Fund's proposals within the models of calculation of contributions for deposit guarantee and resolution, taking into account the character of the credit unions sector, were directed to the National Association of Cooperative Savings and Credit Unions.

### **Macroeconomic information**

Domestic and international economic events were analysed on a monthly basis. Macroeconomic and market-related events that could have had an impact on banking sector stability were singled out. The situation in financial markets was also analysed (including, in particular, treasury bonds market), which constituted a necessary part of the Fund's investment activity, supporting effective securities portfolio management.

## **5.2. EARLY WARNING SYSTEM**

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

- profitability,
- credit risk,
- capital adequacy.

The final evaluation also takes into account non-financial reporting information pertaining to ongoing reorganisation proceedings. The aim of the model is to identify banks threatened by insolvency quickly and effectively.

In 2015, the Bank Guarantee Fund was carrying out assessments of all banks on a regular basis using its EWS model. The results were presented and discussed at meetings of the Early Warning System Committee, which is charged with carrying out assessments of the economic and financial situation of banks and credit unions, as well as its impact on the financial system stability. The analysis of the economic and financial situation

of individual entities covered by the guarantee system and the process of granting ratings to the banks within the EWS is supported by a dedicated IT system. The tool makes it possible to carry out complex assessments of all the banks and to display in a standardized manner the results of attributed rating, as well as to present their current financial and economic situation.

### 5.3. BFG INFORMATION SYSTEM ENHANCEMENT

In order for BFG to fulfil its statutory mandate, it is imperative that access to information on the banks and credit unions covered by the mandatory guarantee scheme is ensured. The task is carried out by the Bank Guarantee Information System, which supports the process of gathering, processing and granting access to data and information on the banks and credit unions and information on the statutory and own operations of the Fund to authorised users. The most important source of the BFG Information System is financial reporting data of banks and credit unions.

In 2015, there was further development of the Fund's databases due to the fact that prudential reporting packages of the banks were acquired by BFG. The existing reports were modified and the new ones were developed for selected reporting packages of the banks for individual and for consolidated reporting. The functionalities of applications operating standard reports were improved.

*The BFG Information System was amended due to the entry into force of the Regulation No. 23/2015 of the President of the National Bank of Poland amending the regulation pertaining to the scope, mode and timing of conveying information to the Bank Guarantee Fund on banks covered by the mandatory guarantee system of 26 December 2015.*







# FUND INVESTMENT OPERATIONS



## 6. FUND INVESTMENT OPERATIONS

### **Investment opportunities**

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

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

---

### **Terms and conditions of BFG investment policy**

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

According to the assumptions of the Fund's investment policy, the decisions about investing spare funds in 2015 were taken based on information about the current market situation of the treasury bonds and predictions about their profitability, keeping in mind securing the funds for the intervention activities. In 2015, within the interventions, subsidies have been paid out twice to banks, due to takeover of credit unions and the transaction of the temporary substitution of the GDPF funds from the short-term Fund's portfolio, given the need to pay out the guarantee disbursement to the depositors of the SBRiR.

---

### **Participation in the BondSpot Platform and Bank Agreements**

Good cooperation with banks composing the group of the biggest national entities on the market of treasury bonds and the Fund's participation in the Treasury BondSpot Poland platform, have enabled effective execution of transactions and obtaining funds for interventions.

### Structure of the BFG portfolio

In comparison to 2014, there was a decrease in the share of treasury bonds in the BFG portfolio from 98.54% to 88.17% as per nominal value at the end of 2015, and an increase from 1.46% to 11.83% in the share of money bills, due to the need of carrying out interventions by the Fund.

At the end of 2015, profitability of the whole securities portfolio, maintained by the BFG, reached the level of 3.84%, with duration of 2.72 years (in comparison with profitability at the level of 4.75% and duration of 3.39 years at the end of 2014).

**Table 9. Structure of the BFG portfolio (as per nominal value)**

Type	Share in portfolio as per nominal value	
	31.12.2014	31.12.2015
NBP money market bills	1.46%	11.83%
Treasury Bonds	98.54%	88.17%
TOTAL	100.00%	100.00%





# FINANCIAL RESULT IN 2015



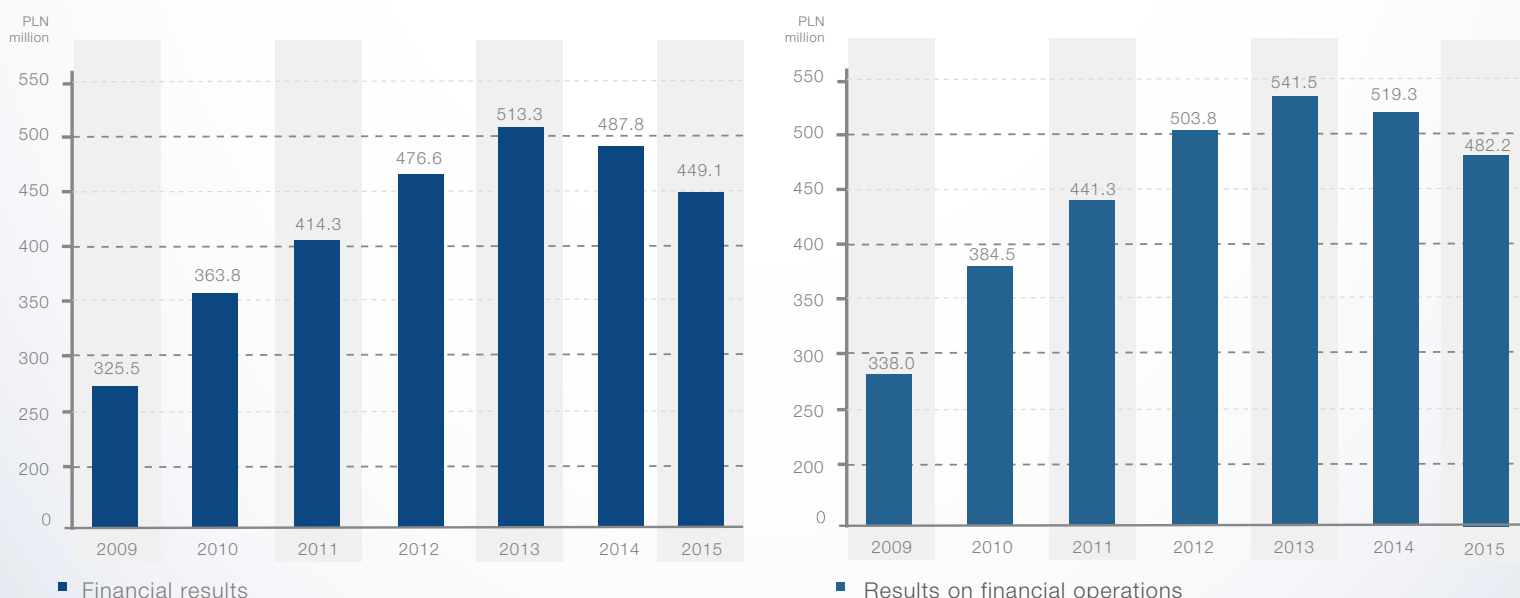
## 7. FINANCIAL RESULT IN 2015

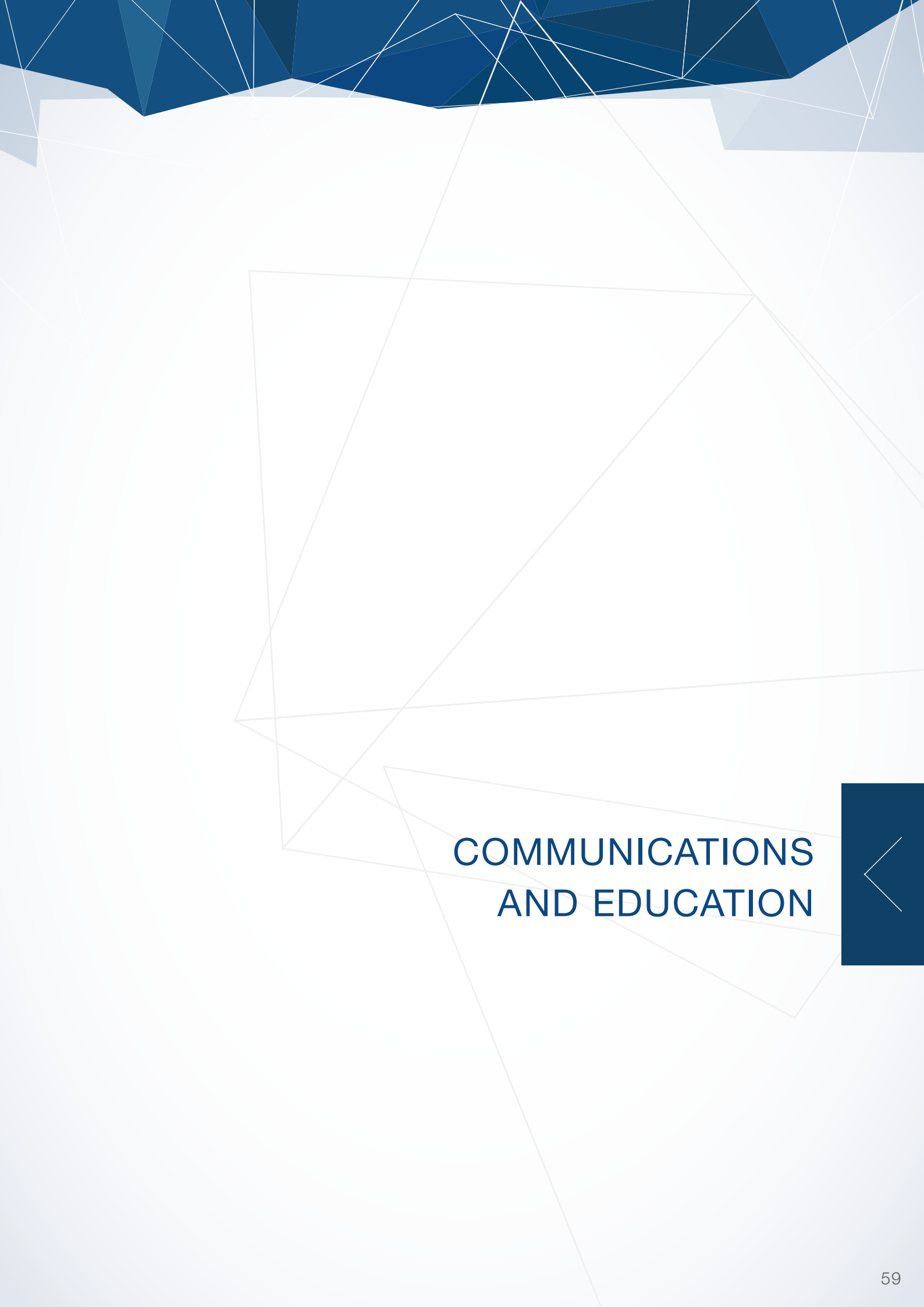
In 2015, the financial result reached the level of PLN 449,091.9 thousand, and was 7.5% higher than the planned value. The main item in the profit and loss account in 2015 was the result on financial operations in the amount of PLN 482,161.5 thousand, including the result on securities, in the amount of PLN 480,155.7 thousand. The result on securities operations was composed of: the result on treasury bonds—PLN 463,603.5 thousand, the result on National Bank of Poland money bills—PLN 14,919.8 thousand, and the result on buy-sell-back and sell-buy-back operations in the amount of PLN 1,632.5 thousand.

The result on financial operations, except the result on securities, included result on realisation of coverage guarantee in the amount of PLN 1,977.7 thousand and interest income on the funds in the current account and term deposits of PLN 28.1 thousand. The result on statutory activities of the Fund reached the level of PLN 164.0 thousand, including the interest income on the repayable assistance granted to the banks of PLN 162.2 thousand and the defaults interest for annual and prudential payments for 2015 in the amount of PLN 1.5 thousand. Other operating income in the amount of PLN 122.8 thousand included mostly the income from the sale and liquidation of fixed assets, revenues received from the penalties for violation of the banking law and the income received from the compensations.

The overall costs amounted to PLN 33,356.5 thousand, from which, the most important position were the remuneration costs (PLN 18,494.6 thousand). The costs of outsourced services amounted to PLN 4,063.5 thousand, amortisation and depreciation – PLN 3,623.1 thousand and other costs – PLN 4,287.2 thousand.

Figure 6. BFG financial results in the years 2009-2015





## COMMUNICATIONS AND EDUCATION





## 8. COMMUNICATIONS AND EDUCATION

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

### 8.1. PUBLIC AWARENESS INITIATIVES



#### Materials available at banks and credit unions

BFG leaflets, made available to clients in banks and credit union branches, are among the principal awareness-building materials on the functioning of the deposit guarantee system in Poland. Responding to the ongoing demand, banks and credit unions received copies of information leaflets on the deposit guarantee system and placards used to identify membership of the entity in the mandatory deposit guarantee system.



#### Website

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

### **BFG Helpline**

A toll-free helpline (**800 569 341**) is an important tool that gives members of the public, interested in obtaining information about the deposit guarantee system in Poland, direct access to the employees of the Fund. All interested persons could obtain information related to ongoing disbursements, the principles of functioning of the deposit guarantee scheme and the participation of individual financial entities in the guarantee system.

---

### **Presence in the media**

Another important tool of informing the public about BFG was cooperation with the media (the press, TV, radio, the Internet). The Fund's representatives were providing updates about the most recent information concerning the current deposits guarantee conditions, Fund's tasks, as well as the process of preparing and processing the guarantee disbursements to the depositors.

---

The Bank Guarantee Fund continued its communications and educational activities by utilizing social media sites, such as: Facebook, YouTube and Pinterest. Apart from that, another edition of the BFG contest for the top bachelor's, master's and doctoral dissertation was carried out.



## 8.2. BFG PUBLICATIONS

In 2015, three subsequent issues of the *Safe Bank* journal were published. The fourth issue was ready to be printed. In total, the *Safe Bank* presented more than 20 articles and papers. The thematic scope of the articles included, i.a., the problem of systemic risk and macroprudential policy, regulatory infrastructure, issues concerning the risk of bank activities, new liquidity norms resulting from the EU and global regulations (Basel III), and also the influence of the bank sector concentration and involvement of foreign entities on financial stability. The journal included book reviews and reports from conferences and seminars.

Moreover, the special issue of the *Safe Bank*<sup>17</sup> in English, contained selected issues connected with the stability of the financial system that were subject matter in the debate of the European Financial Congress in June 2015, was delivered for printing.



The market position of the *Safe Bank* amongst domestic financial journals was reinforced thanks to, i.a., the decision of the Minister of Science and Higher Education to place it on the list of the scored journals, with 13 pts. parameter (an increase by 8 pts. in comparison to the previous rating). It places the *Safe Bank* among a few of the best rated journals concerning problems of the financial market and stability of the banking system in Poland.



Both the current and the archived issues of the *Safe Bank* journal are available on the BFG website ([www.bfg.pl/czasopismo-bezpieczny-bank](http://www.bfg.pl/czasopismo-bezpieczny-bank)). Back in 2015, the Annual Report of the Bank Guarantee Fund for 2014 was developed and published on the website in Polish and English language versions (<http://www.bfg.pl/raporty-roczne>).

<sup>17</sup> *Safe Bank* issue no. 3 (60) 2015

## 8.3. EDUCATIONAL INITIATIVES

### **Accessible Finances Academy**

For the past several years, the Bank Guarantee Fund has been involved in an initiative led by the National Bank of Poland, called the *Accessible Finances Academy*. The main goal of the project is, i.a., the reduction of financial exclusion and propagation of cashless transactions in Poland. Within the framework of the initiative, a representative of the Fund was involved in meetings with the local opinion makers organized by the District Branches of the National Bank of Poland in Katowice, Gdańsk and Bydgoszcz. The participants represented NGOs, Universities and social activism circles. Propagation of knowledge of the principles of the deposit guarantee scheme within the Academy is aimed at eliminating barriers related to the use of services provided by banks and credit unions resulting from concerns about the safety of funds entrusted to these entities.

### **Other activities**

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







## DOMESTIC COLLABORATION



## 9. DOMESTIC COLLABORATION

The President of the Fund Management Board, as the member of the Financial Stability Committee, regularly attended meetings of this body, where the discussed topics included, i.a., Fund's analysis about identified risks in the financial system.

**The Financial Stability Committee** is the body competent for macroprudential supervision in Poland. The Committee is a collegial body, which represents four main institutions of the financial safety net, i.e. the National Bank of Poland, the Ministry of Finance, the Financial Supervision Authority and the Bank Guarantee Fund. The activities of the Committee within the macroprudential supervision are chaired by the President of the National Bank of Poland.

**Macroprudential supervision** covers identification, assessment and monitoring of the systemic risk and the activities to minimize this risk by utilizing macro prudential instruments.

**The aim of the macroprudential supervision** is reduction of the systemic risk, especially by strengthening the resilience of the financial system and, as a consequence, supporting the long-term and balanced economic growth of the country.




The Fund has participated in the work of the Financial Market Development Council in the Ministry of Finance.

The President and the Deputy President of the BFG Management Board have participated in the XXVII Annual Meeting of the Polish Bank Association. During one of the debates, the President of the BFG Management Board has presented new solutions for the BFG contributions. The President of the Management Board has also participated in the meeting of the Polish Bank Association big banks section, during which he has discussed conditions of fees determination for 2016.

Meetings with bank representatives were held in the premises of the Fund, concerning, i.a., potential involvement of the banking sector in the restructuring of credit unions and supporting this process by BFG, as well as new solutions about the BFG contributions.

The President of the BFG Management Board participated in the meeting of the Cooperative Banking Sector Consultative Board, where the discussions included, i.a., the current state of work to implement the amended Act on the operation of cooperative banks, their affiliation and affiliating banks and the possibility of utilizing the restructuring fund of the cooperative banks.





The Members of the BFG Management Board took part in the annual Forum of Leaders of Cooperative Banks organized by the Polish Bank Association and the affiliating banks.

Within the scope of its collaboration with the Polish Bank Association, BFG once again took part in an opinion poll measuring the public's perception of the banking sector, called *Survey on the Reputation of the Banking Sector*. It entailed, i.a., a discernment of the level of knowledge among members of the general public about the deposit guarantee system and the role of the Bank Guarantee Fund. The level of public awareness is close to the level recorded in the preceding years.

However, among bank employees, the Fund is in the leading position, ex aequo with the NBP, when it comes to institutional confidence.

In 2015, representatives took part in numerous conferences and seminars held domestically, such as the 5<sup>th</sup> European Economic Congress in Sopot and the 10<sup>th</sup> Banking Risk Congress. During many conferences, the Fund's representatives were guest speakers, debate participants or panel discussion moderators.

BFG also engaged in works on the organization of the European Economic Congress in Sopot as a member of European Economic Congress Program Council. The Fund was a partner in the debate *Resolution – state of execution and challenges*.





## INTERNATIONAL COOPERATION



## 10. INTERNATIONAL COOPERATION

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

In the years 2012-2015, the President of the BFG Management Board was acting as the President and Chair of the Executive Council (EXCO) of the International Association of Deposit Insurers (IADI). On 29 October 2015, during the Annual General Meeting (AGM) of the Association Members, the President of BFG Board has completed his three-year term of office as the IADI President and the Chair of the EXCO. At the same time he has been elected as the IADI Executive Council Member.

In 2015, the IADI President chaired three meetings of the Executive Council, as well as the Annual General Meeting of IADI Members. The IADI Executive Council has approved the updated version of the *Core Principles for Effective Deposit Insurance Systems* (Core Principles). Approval of the principles was preceded by over a year long work of the Steering Committee and a specially assembled international working group inclusive of, i.a.: representatives of the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Monetary Fund and the World Bank. The revised document replaced its previous version in the FSB *Compendium of Key Standards for Sound Financial System*.

**Core Principles for Effective Deposit Insurance Systems** is a set of the best international practices, the purpose of which is to improve the effectiveness of deposit guarantee systems, developed in 2009 (updated in 2015) by the IADI and the Basel Committee on Banking Supervision, and approved by the Financial Stability Board. The Core Principles are utilized during reviews of the financial sector in various jurisdictions (the Financial Sector Assessment Program, FSAP), realized by the International Monetary Fund and by the World Bank.



Within the framework of cooperation with the IADI, the BFG representatives took part in the work of the committees<sup>18</sup> and IADI subcommittees<sup>19</sup>.

<sup>18</sup> Committee of: Governance, Research and Guidance, Training and Conference, Membership and Communications, Data and Survey.

<sup>19</sup> Subcommittee on Resolution Issues of Financial Cooperatives, Subcommittee on Purchase and Assumption, Subcommittee on Update of Guidance for Resolution of Bank Failures, Subcommittee on Recoveries from the Assets of Failed Banks, Subcommittee on Financial Inclusion and Innovation, Subcommittee on Bail-in Implications for Deposit Insurance and Funding, Subcommittee on Deposit Insurance Fund Target Ratio.

In January 2015, a special IADI Strategic Planning Workshop organized by the IADI Governance Committee was held at the premises of the Bank Guarantee Fund, with the participation of IADI Executive Council members and Governance Committee members. The key aim of the meeting was a discussion on adjustment of the Association's activities to future challenges, including setting new strategic priorities and a new organizational structure of IADI. Representatives of deposit guarantee institutions from over 20 countries participated in this 2-day workshop. During the 45<sup>th</sup> IADI EXCO in June 2015, the new strategic goals and plan of structural changes in the Association were established.

The BFG representative, representing IADI, participated in the work of the Financial Stability Board – a working group acting within the *FSB Resolution Steering Group*, and also of two working groups for execution of bail-in (tool for debt write-down or conversion).

The Fund continued work on the IADI research project on *Bail-in implications for deposit insurers and funding*, carried out within the RGC Subcommittee.

The Fund also coordinated working out of the IADI position to the project of a document prepared by the Financial Stability Board called the *Principles on Loss Absorbing and Recapitalization Capacity of G-SIBs in Resolution* and the accompanying document TLAC Term Sheet. The statement of the Association has been passed to the Financial Stability Board.

In 2015, BFG provided technical support for the IADI surveys using iFost – the IADI's First Online Survey Tool – created by the Fund.



## 10.2. INVOLVEMENT IN THE INTERNATIONAL ARENA

In 2015, representatives of BFG took part in international meetings focusing on the financial stability and operation of the deposit guarantee systems.

**The EBA Resolution Committee (ResCo)** has been established based on Art. 127 of the BRR Directive, obliging EBA to create a permanent committee consisting of the representatives of resolution authorities, responsible for drafting the Guidelines and Implementing Technical Standards (ITS), as well as Regulatory Technical Standards (RTS), issued pursuant to the legislative deputation included in the BRR Directive. ResCo is also responsible for providing technical support for the European Commission (EC) within the scope of the EC delegated acts – other than RTS and ITS – issued pursuant to the legislative deputation included in the BRR Directive. Moreover, ResCo enables the exchange of experiences between the resolution authorities of individual Member States.



The President of BFG Management Board is a member of the EBA Resolution Committee (ResCo). ResCo's first meeting was held on 3 February 2015. Together in 2015, the ResCo's members met 5 times<sup>20</sup>. During those meetings, the members have presented and discussed, i.a., the examples of resolution processes in Austria, Croatia and Denmark.

The Fund's representatives have participated for instance in:

- A meeting, organised by the European Commission, of the expert group regarding the third pillar of the Banking Union, i.e. the European deposit insurance scheme,
- Meetings of the EC Expert Group on Banking, Payments and Insurance, where they have discussed the following issues: operationalisation of MREL requirement and its relation to the international TLAC standard, drafts of EC delegated acts concerning the material scope of contracts and transactions subject to safeguards in partial transfers and conditions for exclusion of liabilities from bail-in by decision of a resolution authority,
- Workshops devoted to, i.a., interrelationships between a single resolution mechanism and regulations established by the BRR Directive.

The Fund has continued its involvement in the work connected with preparing guidelines and technical standards to the DGS and BRR Directives, conducted within the EBA.

<sup>20</sup> 3 February, 30 March, 22 May, 6 October, 2 December.



Within the cooperation with the EBA, the Fund has participated also in:

- Meetings of the working group - EBA Subgroup on Crisis Management, whose aim is to prepare the project documents for the needs of ResCo and the EBA Standing Committee on Regulation and Policy,
- Meetings of the EBA working group, where the project of the guidelines on cooperation agreements between deposit guarantee schemes and on stress tests for deposit guarantee schemes were discussed,
- Seminar about requirements for creating recovery and resolution plans for the entities other than systemically important institutions,
- Workshops on: cooperation agreement between deposit guarantee schemes, the target level for DGS funds and exchange of EU DGSs' experiences on introduction of the EBA guidelines on methods for calculating contributions to deposit guarantee schemes.

### **Participation in resolution colleges**

As the Fund had been officially assigned as the Polish resolution authority it participated in the work of resolution colleges created for banking groups, which have their subsidiaries in Poland or they operate in a form of a relevant branch.

The Fund's representatives have taken part in:


- Works of resolution colleges for the HSBC and Royal Bank of Scotland (RBS) groups, organized by the Bank of England,
- an informal meeting for the resolution colleges' members for the groups headquartered in Sweden – Handelsbanken, Nordea, SEB and Swedbank – organized by the Swedish National Debt Management Office,
- a working meeting of the resolution college members for Deutsche Bank group, organized by Bundesanstalt für Finanzmarktstabilisierung (FMSA).

The Fund's representatives participated also in the workshops organized by ING Bank Śląski and ING NV, dedicated to the the connections between the ING group entities in the context of resolution planning.

### **Other activities in relation to international cooperation**

In September 2015, the Fund's representatives participated in the Annual General Assembly of European Forum of Deposit Insurers. The meeting was accompanied by the conference entitled *Sailing towards financial stability*, organised jointly by EFDI and the State Agency for Deposit Insurance and Bank Resolution of Croatia. The President of the BFG Management Board has participated in the discussion panel on cooperation within safety net.





The President of the BFG Management Board took part in the Annual Meetings of the International Monetary Fund and the World Bank Group and in the meetings organized by the Institute of International Finance and the Group of 30. Many bilateral meetings with the representatives of the International Monetary Fund and the World Bank took also place.

The President of BFG Management Board, acting as the President of IADI, has also participated in the conference accompanying the BIS Annual General Meeting.

Moreover, the Fund's representatives have participated in:

- meetings of the EFDI EU Committee,
- workshops on the recovery plans and resolution organized by the World Bank,
- regional workshop on assessment of compliance with the Core Principles for Effective Deposit Insurance Systems,
- seminar on valuation in the process of resolution, resolution colleges and creating resolution plans organized by the Finansiële Stabiliteit,
- workshops about using the reduced requirement in the scope of creating recovery plans for entities of lower system significance.

In February 2015, at the BFG premises, there was a seminar called *Challenges for European Deposit Insurance Systems: Funding, Investment Practices and Reimbursement*, in which representatives of the European deposit guarantee institutions, central banks and financial supervision entities, as well as the World Bank, the European Commission and European Banking Authority took part. The aim of the seminar was, for deposit insurance practitioners in Europe, to benchmark best practices in the activities of the deposit guarantee institutions and to explore avenues for closer collaboration with other financial safety net participants, both at a domestic level and on a pan-European scale.



## INTERNAL AFFAIRS



## 11. INTERNAL AFFAIRS

### 11.1. LEGISLATIVE WORK

#### 11.1.1. WORK ON DRAFT LEGISLATION ON RESOLUTION

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

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



The Fund worked on the Act on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution<sup>21</sup> within the legislative process carried out by the Ministry of Finance. The remarks and proposals for the draft made by the Fund mostly related to:

- corrected draft of the justification for the draft act,
- both regulations regarding payment of contributions for the execution of the Fund's tasks and definitions setting forth the subjective scope of the draft act,
- impact assessment in field of the amount of contributions remitted by entities for the BFG, as well as on the Fund's operating expenses,
- drafting the implementing acts (or amendments of the existing acts) for the draft act,
- analysis of submitted remarks to the draft of 3 August 2015.

Representatives of the Fund took part in meetings of the Government Legislation Centre's Law Commission. Following completion of the Law Commission's work, on 3 December 2015, the draft act was sent to the Prime Minister's Office and at the meeting of 15 December 2015 was adopted by the Council of Ministers, which terminated the government stage of work on the draft. On 27 January 2016, the draft was submitted to the Sejm (the lower house of the parliament) of the Republic of Poland.

<sup>21</sup> Previously as a draft for the Act on the Bank Guarantee Fund, orderly liquidation of banks and amendments to certain other acts

### 11.1.2. OTHER SELECTED LEGISLATIVE WORKS

In the course of legislative work, the Fund issued opinions and statements on a series of other draft legal acts related to the Bank Guarantee Fund operations, such as:

- *the Act of 25 June 2015 amending the Act on the operation of cooperative banks, their affiliation and affiliating banks and other acts,*
- *the Act of 5 August 2015 on Macroprudential Supervision of the Financial System and Crisis Management*, which introduced amendments in the *Act on BFG* with respect to the BFG being assigned a role of the resolution authority. This act regulated the participation of the Fund in the resolution colleges and the exchange of information necessary for preparing group resolution plans, and granted the Fund the rights to aid restructuring activities in the banking sector. The amendments entered into force on 1 November 2015.

In 2015, the Fund also supported the work of the Ministry of Finance on a number of other draft legal acts related to the financial sector, including the work on draft documents and new regulations created on the EU level, for instance, within the scope of solutions regarding the financial system stability – particularly creating a Single Resolution Mechanism and Cross-Border Crisis Management Groups in the context of the new EU regulations and creating resolution committees.

The representatives of the Fund attended the meetings of the extraordinary Sejm subcommittee on the implementation of acts on cooperative savings and credit unions.

## 11.2. BFG IT SYSTEM

In 2015, the Loss Settlement System was developed at the Fund and released for use. It is an IT tool which supports the process of settlement of the loss-coverage guarantee realisation. The system enables effective settlement of periodic reports in the process of loss-coverage guarantee realisation with use of automation of the control functions. Thanks to the designed system's flexibility, the losscoverage guarantee agreements may be concluded with various entities.

As a result of the work on computerisation of the securities portfolio management process, and using the Fund's own resources, a system supporting front office operations was built. The created database describes a current securities portfolio status, securities purchase and sale transactions.

The Fund's IT System was expanded in order to ensure that, in relation to the changes in the NBP SIS reporting system, the service of prudential reporting new packages is available.

The expanding of the Fund's IT System infrastructure included some essential projects, like expanding the server calculation capacity and disk array subsystem through implementation of state-of-the-art enterprise-class Storage Memory technologies.

## 11.3. DATA SECURITY AND OPERATIONAL RISK MANAGEMENT

The Fund's operations within the area of data security and protection focused on implementation of changes within the scope of personal data protection, which entered into force on 1 January 2015, as a result of amending the *Act on Protection of Personal Data*. The Fund's classified information protection system currently in operation was also adapted for the needs of processing the information classified as "confidential". A task force was established in order to execute the tasks of the division of protection of information, in the meaning of the Act on Protection of Classified Information.

Aiming at increasing the IT security level, the central modules of the information leakage prevention system were purchased and put in place, and the first stage of installation of the working station monitoring software was executed.

## Operational Risk Management

Operational risk at the Bank Guarantee Fund is defined as the probability of material and non-material harm caused by improper or erroneous internal processes, human actions, functioning of systems or external events affecting BFG activity.



Risk management has been implemented by the BFG Management Board, Operational Risk Committee – and on an ongoing basis – by all Departments of the Fund. The Fund's risk management consists of technology, security, legal and HR sections.

The fundamental tools used for managing the operational risk have been: a database, in which information concerning incidents that disrupt the operations of BFG is collected; key risk indicators, which record periodic variations in the levels of risks within selected areas of the Fund's activity; description of the major processes implemented in the Fund, which is used for identification of the operational risk present in the processes; the business continuity plan; principles of granting rights and access to critical resources, as well as functional control.

It was possible to ensure uninterrupted BFG functioning owing to the BFG well-preparedness for performing tasks, carrying out current analyses of the operational risk and taking action to limit this risk.

### 11.4. ADMINISTRATION

During the reporting period, the Fund worked on maintaining a proper technical condition of the Fund's Office premises. Moreover, the mandatory periodic review of the technical infrastructure of the building was carried out, particularly of the building security and employee safety monitoring systems. The task consisting in optimisation of the use of the building office space was completed as well.







## SELECTED FINANCIAL DATA



## 12. SELECTED FINANCIAL DATA

### 12.1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The accompanying financial data, which comprise a balance sheet as of 31 December 2015 and profit and loss for 2015 (hereinafter called the Financial Information) has been derived from the audited annual financial statements of the Bank Guarantee Fund prepared for 2015 in accordance with the Decree of the Minister of Finance dated 23 December 2013 on specific accounting policies of the Bank Guarantee Fund (Journal of Laws of 2013, item 1721) and the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330 with further amendments).

### 12.2. ADDITIONAL INFORMATION

The Financial Information is not a statutory report and does not contain sufficient information to allow a full understanding of the financial situation of the Bank Guarantee Fund, therefore it should be read together with the Financial Statements of the Bank Guarantee Fund for the year ended 31 December 2015.

### 12.3. ACCOUNTING STANDARDS

In accordance with the accounting standards applicable to the BFG, the following methods of asset and liability measurement and determination of income and costs were applied:

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

- Impairment allowances cover non-performing receivables, i.e. the receivables, in case of which the payment delinquency exceeds 6 months. As at 31 December 2015, there were no such receivables.
- Fixed assets and intangible assets are measured at their purchase price or the cost of their construction less depreciation. There was no evidence of impairment of these assets.
- The depreciation of fixed assets and amortisation of intangible assets is calculated according to a straight line method over the lifetime of an asset. In determining the depreciation rate, the economic lifetime is taken into account.
- Other receivables and claims are accounted for according to the amount of payment due less impairment. As at 31 December 2015, as well as at 31 December 2014, no impairment triggers existed, thus no impairment allowances were recognised on those receivables.
- Advances and prepaid expenses are accounted for at an amount of costs to be recognized in future reporting periods.
- Provisions, in the case of which the amounts or the maturity date are uncertain, result from the support provided to an entity taking over a cooperative savings and credit union or from employee benefits. The employee-benefits provisions i.e. the provision for jubilee awards, retirement allowance, disability benefits and death benefits were determined on the basis of the actuary calculations.
- Accruals and deferred income presented within the liabilities include equivalent costs related to unused holidays, bonuses and annual awards, as well as the remaining cost accruals. Costs of accruals of annual awards are included in the bonus and annual awards' costs for the given fiscal year. The remaining accruals and deferred income presented within the liabilities were determined as an amount of costs related to the given reporting period, which do not constitute an outstanding liability on the balance sheet date.
- Other liabilities are accounted for at amounts due.
- The result on financial operations includes income from: treasury bonds, NBP bills, result on buy-sell back, sell-buy back operations, result on loss-coverage guarantee agreements realisation, as well as any remaining income from interest on cash in bank accounts and overnight deposits. The result on financial operations from securities is determined in accordance with amortised cost method using effective interest rate. As well as any remaining income from interest on funds in a bank account and term deposits. The result on financial operations on securities is determined in accordance with amortised cost method using effective interest rate.

## 12.4. BFG BALANCE SHEET

As at 31 December 2015 and as at 31 December 2014 (in PLN)

ASSETS	31.12.2015	31.12.2014
<b>Cash</b>	<b>30,569,758.79</b>	<b>118,348.76</b>
Cash in hand	39,200.29	6,560.19
Cash in current accounts	37,554.13	102,056.59
Cash in special guarantee settlement account	6,046.02	1,798.65
Cash in time deposit account	30,480,000.0	0.00
Cash in Company Social Benefit Fund	6,958.35	7,933.33
<b>Receivables from financial institutions</b>	<b>175,397,677.65</b>	<b>443,403,719.51</b>
Receivables from banks due to:	175,397,677.65	443,403,719.51
▪ loans granted from the Cooperative Bank Restructuring Fund	71,238,852.01	86,943,101.18
▪ other operations	104,158,825.64	356,460,618.33
<b>Other receivables and claims</b>	<b>4,165.59</b>	<b>4,334.06</b>
<b>Securities and other financial assets</b>	<b>12,204,694,325.75</b>	<b>9,837,297,648.01</b>
Debt securities:	12,103,556,141.54	9,824,347,147.72
▪ of banks	1,410,588,859.48	141,192,163.62
▪ of the State Treasury	10,692,967,282.06	9,683,154,984.10
Other securities and other financial assets	101,138,184.21	12,950,500.29
<b>Intangible assets</b>	<b>1,562,912.96</b>	<b>1,918,143.26</b>
<b>Tangible assets</b>	<b>54,989,179.17</b>	<b>56,483,863.66</b>
<b>Advances and prepaid expenses</b>	<b>117,000.50</b>	<b>196,405.03</b>
<b>TOTAL ASSETS</b>	<b>12,467,335,020.41</b>	<b>10,339,422,462.29</b>

LIABILITIES & FUNDS	31.12.2015	31.12.2014
<b>Liabilities</b>	<b>152,420,435.11</b>	<b>392,355,841.75</b>
Amounts due to depositors	151,230,825.44	391,290,225.77
Other liabilities	1,189,609.67	1,065,615.98
<b>Special funds</b>	<b>6,958.35</b>	<b>7,933.33</b>
<b>Accruals and deferred income</b>	<b>4,154,827.53</b>	<b>3,918,438.16</b>
<b>Provisions</b>	<b>6,464,546.70</b>	<b>112,333,268.08</b>
<b>Statutory Fund</b>	<b>1,637,025,547.68</b>	<b>1,637,025,547.68</b>
<b>Supplementary Fund</b>	<b>666,604,353.56</b>	<b>666,604,353.56</b>
<b>Assistance Fund</b>	<b>8,434,478,744.99</b>	<b>6,453,910,523.49</b>
Assistance Fund available for use	8,434,478,744.99	6,453,910,523.49
<b>Cooperative Bank Restructuring Fund</b>	<b>123,409,688.87</b>	<b>123,409,688.87</b>
Cooperative Bank Restructuring Fund available for use	52,148,301.81	36,433,701.81
Cooperative Bank Restructuring Fund used	71,261,387.06	86,975,987.06
<b>Bankruptcy Estate Recovery Fund</b>	<b>54,014,027.98</b>	<b>54,014,027.98</b>
<b>Credit Union Guarantee Fund</b>	<b>30,294,536.21</b>	<b>0.00</b>
Credit Union Guarantee Fund available for use	30,294,536.21	0.00
<b>Stabilisation Fund</b>	<b>909,544,850.75</b>	<b>408,075,419.68</b>
Stabilisation Fund available for use	909,544,850.75	408,075,419.68
<b>Equity reduction in case of guarantee conditions fulfilment</b>	<b>(175,366.77)</b>	<b>0.00</b>
<b>Financial result</b>	<b>449,091,869.45</b>	<b>487,767,419.71</b>
<b>TOTAL LIABILITIES &amp; FUNDS</b>	<b>12,467,335,020.41</b>	<b>10,339,422,462.29</b>

## 12.5. BFG PROFIT AND LOSS ACCOUNT

For the years ending 31 December 2015 and 31 December 2014 (in PLN)

	2015	2014
<b>Income from statutory activity</b>	<b>164,042.87</b>	<b>260,234.26</b>
Interest income	162,199.61	258,807.74
Interest income due to late payment of mandatory annual contributions and prudential levies by banks	1,484.11	1,181.47
Interest income on delayed repayments of loans and interest by banks	352.85	245.05
Interest income due to late payment of mandatory annual contributions by cooperative savings and credit unions	6.30	0.00
<b>Result on statutory activity</b>	<b>164,042.87</b>	<b>260,234.26</b>
<b>Result on financial operations</b>	<b>482,161,534.52</b>	<b>519,321,973.15</b>
On securities	480,155,716.62	518,893,249.09
Other	2,005,817.90	428,724.06
<b>The Fund's operating costs</b>	<b>(29,266,426.88)</b>	<b>(28,450,929.31)</b>
External services	(4,063,517.09)	(4,164,862.51)
Salaries	(18,494,610.24)	(17,594,711.03)
Social security and employee benefits	(2,421,056.56)	(2,286,453.31)
Other	(4,287,242.99)	(4,404,902.46)
<b>Depreciation of fixed assets and amortisation of intangible assets</b>	<b>(3,623,109.93)</b>	<b>(3,281,524.07)</b>
<b>Other operating income</b>	<b>122,823.61</b>	<b>267,790.28</b>
<b>Other operating expenses</b>	<b>(466,994.74)</b>	<b>(350,124.60)</b>
<b>Result on operating activities</b>	<b>449,091,869.45</b>	<b>487,767,419.71</b>
<b>Financial result</b>	<b>449,091,869.45</b>	<b>487,767,419.71</b>



## INDEPENDENT REGISTERED AUDITOR'S OPINION





## 13. INDEPENDENT REGISTERED AUDITOR'S OPINION

This document is a translation of a document originally issued in Polish. The only binding version is the original Polish version.



### **Independent registered auditor's opinion on the financial information**

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

#### **Opinion on the financial information**

The accompanying financial information of the Bank Guarantee Fund (hereinafter called "the Fund"), with its registered office at Ks. Ignacego Skorupki 4 Street in Warsaw, which comprises the balance sheet of the Fund as at 31 December 2015, the income statement of the Fund for the period from 1 January to 31 December 2015, the description of the basis of preparation of the financial information and accounting policies of the Fund, hereinafter called "the financial information", was prepared by the Management Board of the Fund based on the audited annual Financial Statements of the Fund for the financial year from 1 January to 31 December 2015 ("the Financial Statements"). The Financial Statements of the Fund were prepared in accordance with the Decree of the Minister of Finance dated 24 December 2013 on specific accounting policies of the Bank Guarantee Fund (Journal of Laws of 2013, item 1721, hereinafter called "the Regulation") and the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330 with further amendments, hereinafter called "the Accounting Act").

On 7 March 2016 we issued an unqualified audit opinion on these Financial Statements. The Financial Statements of the Fund and the financial information do not reflect the effects of events that occurred subsequent to the date of issue of that opinion.

The financial information does not contain all the disclosures required by the Regulation. For a full understanding of the Fund's financial position as at 31 December 2015, the results of its operations for the period from 1 January to 31 December 2015 and the scope of our audit, the financial information should be read in conjunction with the Financial Statements of the Fund and our opinion and audit report thereon.

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

The Management Board is responsible for the preparation of the financial information of the Fund on the basis described in Notes 12.1 – 12.3 of the financial information.

PricewaterhouseCoopers Sp. z o.o.  
Al. Armii Ludowej 14, 00-638 Warsaw, Poland  
T: +48 (22) 523 4000, F: +48 (22) 523 4040, [www.pwc.com](http://www.pwc.com)

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, under KRS number 0000044655, NIP 526-021-02-28. The share capital is PLN 10,363,900. The seat of the Company is in Warsaw at Al. Armii Ludowej 14.



### **Independent registered auditor's opinion on the financial information**

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

##### *Registered auditor's responsibility*

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

##### *Opinion*

In our opinion, the financial information prepared on the basis of the audited Financial Statements of the Fund for the period from 1 January to 31 December 2015, is consistent, in all material respects, with the Financial Statements of the Fund, on the basis described in Notes 12.1 – 12.3 of the financial information.

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

Katarzyna Łącka

Principal Registered Auditor  
No. 13131

Warsaw, 15 September 2016

