



*BANK
GUARANTEE
FUND*

Annual Report 2009

Table of Contents

- **Message from the Chairman of the Fund's Council 3**
- **Message from the President of the Fund's Management Board 5**

- **Objectives and Tasks 6**
- **The Fund's Management and Organisation 8**
 - 1. Composition of the Fund's Corporate Bodies 8
 - 2. Structure of the Fund's Bureau 10
 - 3. Employment 13
- **Guarantee Activity 14**
 - 1. Financing Guarantee Activity 14
 - 2. Guarantee Disbursements 15
- **Assistance Activity – the Assistance Fund 17**
 - 1. The Purpose and Terms of Financial Assistance 17
 - 2. Terms and Conditions of Granting Assistance 18
 - 3. Assistance Activity to Date 20
- **Assistance Activity – Cooperative Bank Restructuring Fund 22**
 - 1. Purpose and Terms of Providing Assistance 22
 - 2. Terms and Conditions of Granting Assistance 23
 - 3. CBRF Activity to Date 24
- **Supervising and Monitoring Utilisation of the Financial Assistance 27**
 - 1. Scope of Supervision and Monitoring 27
 - 2. Supervising and Monitoring Banks 28
- **Analytic Activity 30**
 - 1. Sources of Information 30
 - 2. Bank Assessment Methodology 31
 - 3. Analysing the Situation in the Banking Sector and Identifying Risks 32
- **Investment Activity 33**
- **Working Cooperation with Polish and International Institutions 35**
 - 1. Cooperation with Polish Institutions 35
 - 2. Cooperation with International Institutions 36
- **Promotional and Informational Efforts 37**

A Message from the Chairman of the Fund's Council



Dear Sirs,

It is my pleasure to provide you with the 2009 Annual Report of the Bank Guarantee Fund. The past twelve months marked a very difficult time for the global banking system. The financial crisis, which was at its strongest in 2009, emphasised the importance of institutions that look after systemic stability. The resilience of the Polish banking systems to financial hardships results primarily from the unfaltering trust placed therein by its customers. It is safe to say that the Bank Guarantee Fund fulfilled its role as one of the leading institutions working to earn that trust. It is one of the reasons why in this tough year there was no need for financial aid allocated to bailing out banks struggling with insolvency. However, the Fund was active in extending loans out of the cooperative bank restructuring fund. In 2009, twenty-nine such loans were granted to support consolidation processes, project implementation and the purchase of shares in acquiring banks.

2009 was a year of significant legislative developments in national law, which affected the operations and activity of the Bank Guarantee Fund. Under the directive of the European Parliament and of the Council, the Bank Guarantee Fund Act was amended to extend, among other things, banks' notification obligations towards their customers with regard to the deposit guarantee scheme. Moreover, the Fund undertook efforts to shorten the time during which funds are not available to depositors in the event of the bank's bankruptcy to twenty business days and further increase of the limit for guarantee payments provided to the PLN equivalent of EUR 100,000. These changes, which will be implemented before the end of 2010, are a major challenge not only for the Fund itself, but also for the entire Polish banking sector. International cooperation proves immensely useful during the preparation stage. The BGF's active participation to date in the European Forum of Deposit Insurers (EFDI) and the International Association of Deposit Insurers (IADI) is bringing favourable results. Gaining experience and sharing knowledge on an international forum facilitates the introduction of changes and reduces their cost.

It is difficult to imagine the day-to-day operation of the Bank Guarantee Fund

without ongoing cooperation with the National Bank of Poland, the Finance Ministry, the Polish Bank Association and the banks participating in the Polish deposit insurance scheme. On behalf of the BGF Council, I would like to express my gratitude to all the representatives of these institutions for their support and assistance in the Fund's performance of its statutory responsibilities. Our cooperation instils a sense of security in banking customers and perpetuates a favourable view of the banking sector in our society.

Dariusz Daniluk
*Chairman of the Council
Bank Guarantee Fund*

A Message from the President of the Fund's Management Board



In 2009, despite the persisting disturbance on international financial markets, the Polish banking sector remained stable. One of the key pillars of the stability is the Bank Guarantee Fund, which, in the current year was faced with new challenges related to amending the EU and national legislation. The most important challenges include shortening the time required for disbursement of guaranteed sums to twenty days and the proposed increase of these amounts to EUR 100,000.

Other challenges facing the Bank Guarantee Fund include enhancing operational efficiency, developing new forms of aid, reinforcing analytical resources and developing international cooperation.

2009 was the eighth consecutive year in which no bank became insolvent and there was no need for guarantee disbursements.

In 2009, the scope of financial aid provided under the cooperative bank restructuring fund (the CBRF) was expanded and currently includes not only incurred and planned capital expenditures related to consolidation processes, but also expenditures aimed to increase the safety of the accumulated funds, as well as improving or unifying customer service standards. The Bank Guarantee Fund was an avid supporter of the consolidation of the cooperative bank sector, granting twenty-nine loans in the past year.

Some of the BGF's key tasks include gathering and analysing information about all the banks participating in the Polish deposit guarantee scheme. In 2009, the most important task in this area was to implement – in association with the NBP – a new reporting system for banks and to build a new analytical base for banks.

We would not be able to carry out our mission, to enhance the safety and stability of banks or build public confidence in the Polish banking system without close cooperation with the Finance Ministry, the National Bank of Poland, the Financial Supervision Authority, the Polish Bank Association, the National Cooperative Bank Association as well as both commercial and cooperative banks. I am very grateful for their cooperation.

Jerzy Pruski
President of the Management Board
Bank Guarantee Fund

Objectives and Tasks

The Bank Guarantee Fund, one of the cornerstone institutions ensuring the stability of the Polish banking system, carries out the tasks set out in the Bank Guarantee Fund Act of 14 December 1994, under the supervision of the Finance Minister.

2009 was a year of important legislative changes, both in national and European legislation, which affected the operation and activity of the Bank Guarantee Fund. In their directive 2009/14/EC, the European Parliament and the Council obliged the Member States, among other things, to expand banks' notification requirements towards customers with regard to the deposit insurance scheme and shortening the time during which funds are not available to depositors to twenty business days. The Bank Guarantee Fund Act was also amended to introduce into the Polish legal system the amended provisions of the directive. The portion of the act regarding the twenty-day period is planned to be amended.

In 2009, the Bank Guarantee Fund adopted decisions that will significantly determine its growth and functioning as a member of the financial security network in years to come. A strategic document, setting out the Fund's objectives and tasks, entitled *Directions of Growth of the BGF until 2011* was drafted. The priority goal defined therein was to ensure an efficient and reliable institution (offering disbursement of guaranteed sums within twenty days), working to develop the assistance function and its analytical resources. Another important objective is to enhance the efficiency of the BGF by introducing new solutions, such as budgeting, continuity plan, operational risk management system, and the new investment policy aimed at increasing the Fund's proceeds from investments. A plan concerning IT development until 2011 was also drafted in an effort to fortify infrastructure security and adapt the system to the BGF's expanded operations.

One of the Fund's statutory roles is to guarantee depositors the disbursement of their funds should an entity participating in the guarantee scheme, under national and European legislation become bankrupt. 2009 was the eighth consecutive year in which no bank went bankrupt and thus there was no need for disbursement of guaranteed sums.

In addition to ensuring the disbursement of sums, the Bank Guarantee Fund is actively involved in eliminating the risk of bank insolvency. Its key responsibilities include providing banks with financial assistance, in order to facilitate the implementation of recovery and restructuring schemes at institutions facing insolvency. The Fund's assistance activity indirectly supports the safeguarding of deposits accumulated in banks, while employing lower sums than those that would have to be allocated to financing potential guarantee disbursements.

Another responsibility for the Fund is to collect and analyse information about all the banks participating in the guarantee scheme, paying particular attention to identifying any risk of deterioration of their financial standing. The Fund's role is to identify threats to the stability of these banks at an early stage and mitigate the risk of instability of the banking sector.

The Fund also reviews development on international financial markets and

their implications for the Polish banking sector.

The Bank Guarantee Fund works closely with Polish financial security network institutions on a regular basis. These include the Finance Ministry, the National Bank of Poland and the Financial Supervision Authority. Good relations with these institutions enable the Fund to perform its statutory guarantee, assistance, and analytical roles, and assist in building confidence in the stability and efficiency of the Polish banking sector.

The Fund's Management and Organisation

1. Composition of the Fund's Corporate Bodies

The statutory corporate bodies of the Bank Guarantee Fund are the Council and the Management Board. In the first and second quarter of 2009, the BGF Council was composed as follows:

Chairman of the Council:	Robert Jagiełło
Members of the Council:	Agnieszka Alińska Wioletta Barwicka Janusz Czarzasty Alina Gużyńska Alfred Janc Andrzej Parafianowicz Krzysztof Pietraszkiewicz Piotr Piąt Bogdan Romaniuk Jan Szambelańczyk

On 1 July 2009, a new term began for the Fund's Council. Under the amended Bank Guarantee Fund Act, the number of Board members was reduced from eleven to eight. The following new members were appointed to the Council:

Chairman of the Council:	Dariusz Daniluk
Members of the Council:	Agnieszka Alińska Krzysztof Broda Alina Gużyńska Robert Jagiełło ¹ Krzysztof Pietraszkiewicz Piotr Piąt Jan Szambelańczyk

On 1 January 2009, the Fund's Management Board was composed as follows:

President of the Management Board:	Małgorzata Zaleska
Members of the Management Board:	p.o. Jan Koleśnik Adrian Markiewicz Krystyna Majerczyk-Żabówka Marek Pyła

¹ On 2 November 2009, Jerzy Nowakowski replaced the representative of the National Bank of Poland, Robert Jagiełło.

In 2009, pursuant to a decision adopted by the Fund's Council, the composition of the Management Board was modified², as a result of which on 31 December 2009, the Fund's Management Board was composed as follows:

President of the Management Board:	Jerzy Pruski
Vice-President of the Management Board:	Anna Trzecińska
Members of the Management Board:	Krystyna Majerczyk-Żabówka Marek Pyła

² 1. As of 21 January 2009, Adrian Markiewicz was recalled from his position as a member of the BGF's Management Board, and Zbigniew Krysiak was appointed as a member of the Fund's Management Board; 2. As of 31 July 2009, Małgorzata Zaleska was recalled from her position as the President of the BGF's Management Board; 3. As of 1 August 2009, Zbigniew Krysiak was appointed as the President of the BGF's Management Board, where he served until 7 September 2009; 4. On 7 September 2009, Jerzy Pruski was appointed as a member of the Management Board, and on 8 September 2009 became the President of the Fund's Management Board; 5. As of 23 September 2009, Jan Koleśnik was recalled from his position as acting member of the Management Board; 6. As of 1 November 2009, Anna Trzecińska joined the Management Board and became the Vice-President of the BGF's Management Board; 7. As of 25 November 2009, Zbigniew Krysiak was recalled from his position as a member of the BGF's Management Board; 8. On 16 December 2009, the Fund's Council appointed Sławomir Niemierka as a member of the BGF's Management Board as of 15 January 2010.

2. Structure of the Fund's Bureau

The Bank Guarantee Fund performs its statutory tasks through the following organisational units:

Treasury and Analysis Department – responsible for collecting and analysing information concerning the economy and especially the banking sector, preparing macroeconomic studies and projections as well as assessing the economic and financial standing of entities participating in the guarantee scheme, and conducting investment activity by investing the Fund's available financial resources,

Assistance Activity and Deposit Guarantee Department – responsible for performing tasks related to the Fund's duty to ensure disbursement of guaranteed sums to depositors and assisting banks at risk of insolvency, trading in debts acquired from these banks and providing support to banks from the cooperative bank restructuring fund to support their consolidation,

Supervision and Monitoring Department – responsible for supervising and monitoring the financial and economic standing of banks that have received assistance from the Fund, in terms of proper and suitable use of the financial assistance received and the implementation of corporate recovery or similar schemes as well as for monitoring the standing of the banks taking advantage of the Fund's assistance and serving as the trustee in these banks,

Controlling, IT and Administration Department – responsible for creating databases and disclosing information and reports essential for the Bureau's operations, providing IT and administrative assistance and maintaining the reliability of the technical infrastructure and the Fund's office security system,

Financial Department – responsible for managing the Fund's finances and accounting,

The President's Office – responsible for ensuring support for the Fund's corporate bodies, legal assistance, workflow management and employee matters, as well as cultivating relationships with foreign deposit insurers and financial institutions, and providing public information and promotion of the Fund,

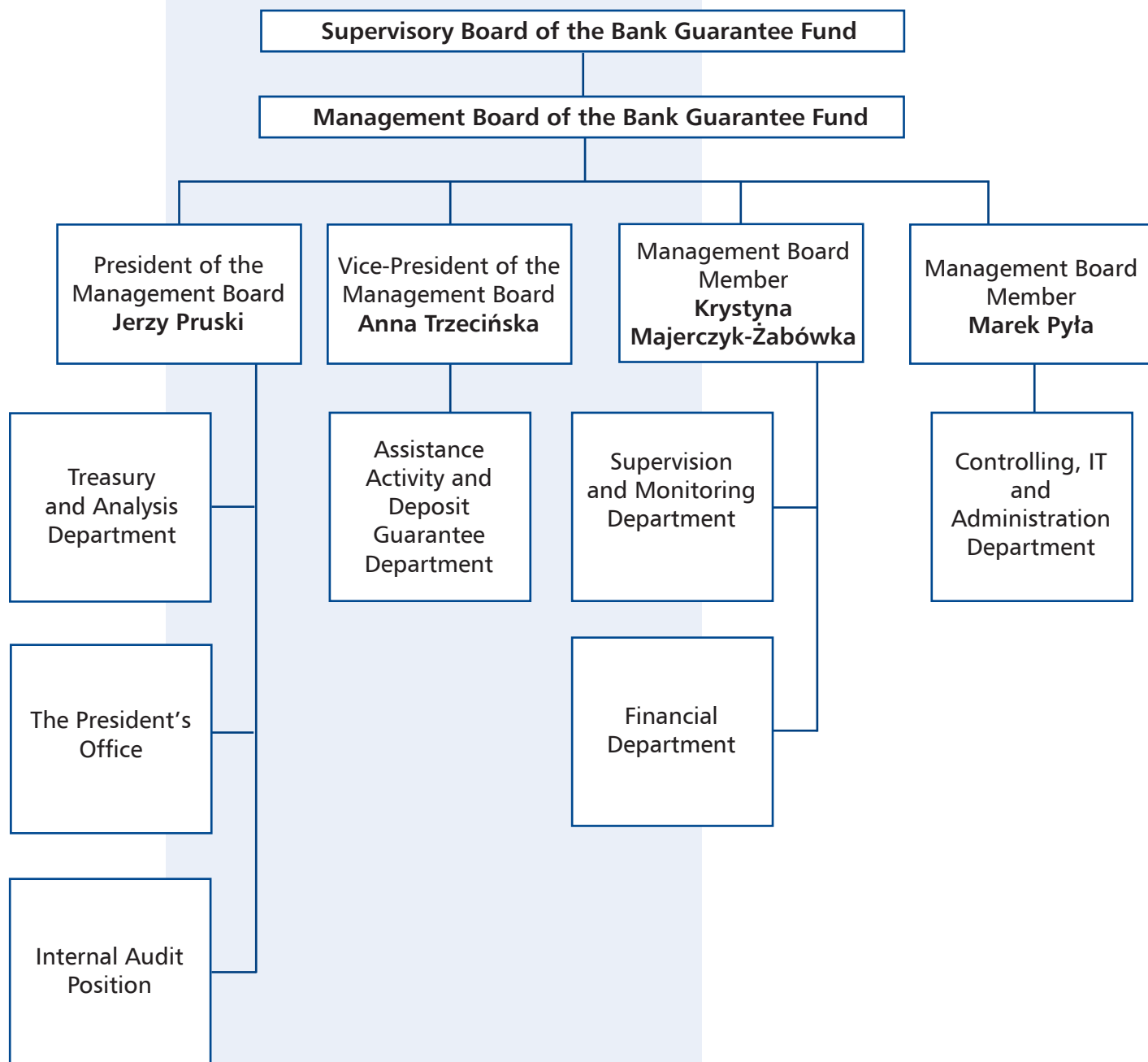
Internal Audit Position – responsible for evaluating the activity of the Fund's organisational units in terms of accuracy and compliance with applicable laws and the Fund's internal regulations.

Moreover, there are two permanent interdepartmental committees at the BGF:

the **Asset Management Committee**, which determines the policy for investing the Fund's available financial resources,

the **Committee for the Assessment of Requests for Assistance**, responsible for approving or rejecting the banks' requests for financial assistance from the assistance fund and for loans from the cooperative bank restructuring funds, prepared by the Assistance Activity and Deposit Insurance Department.

**Organisational structure of the Bank Guarantee Fund
(as at 31 December 2009)**



3. Employment

The average 2009 employment per annum was 67.5 person (66.3 positions). It marked the lowest headcount in the BGF's history, with the exception of the commencement of the Fund's operations. As on 31 December 2009, the Bank Guarantee Fund, including the Management Board, employed 74 people (73.25 positions).

Guarantee Activity

1. Financing Guarantee Activity

The source of financing the Fund's deposit guarantee activity are the resources collected by banks for the protection of guaranteed sums (FPGS). All banks participating in the Polish deposit insurance scheme are obligated to establish these funds. The amount of funds is calculated as the product of the sum of resources collected in the bank, which provide the basis for calculating the amount of mandatory provisions and the interest rate determined every year by the BGF Council. The maximum interest rate is 0.4 percent.

Taking into account the risks in the banking sector, the Council of the BGF determined the interest rate applicable to establishing the FPGS for 2009 at 0.4 percent for the sum of money collected in the bank in all accounts, which serves as the basis for calculating the mandatory provision level. In 2009, the Funds for the Protection of Guaranteed Sums established by all banks and maintained in their assets (updated on 1 July 2009) amounted to PLN 2,611,015.900. These funds were not utilised in 2009 as no bank insolvency occurred.

The method in which banks establish funds for the protection of guaranteed sums does not affect their financial obligations. It only restricts their freedom in administering a small – compared to the balance sheet sum – portion of their financial resources. Resources used to cover these funds are kept in the form of treasury bills, NBP money bills, treasury bonds or participation units of the money market funds, which brings banks income. The participants of the scheme submit to the BGF appropriate amounts for the disbursement of guaranteed sums only after the court declares the insolvency of a bank.

Furthermore, other sources for the disbursement of guaranteed sums include:

- amounts obtained by the Fund from banks' bankruptcy estates,
- resources from the assistance fund,
- the BGF's other own funds.

If the above funds prove insufficient, banks may apply for budget subsidies or loans or take out NBP loans.

Moreover, the annual fee may be raised to 0.6 percent (to supplement the assistance fund) and the fee for the fund for the protection of guaranteed sums may be raised to 0.8 percent under a regulation of the Finance Minister, upon consultation with the President of the National Bank of Poland and the Chairman of the Financial Supervision Authority.

2. Guarantee Disbursements

Funds allocated to guarantee disbursements in the years 1995-2009

Year	Funds allocated to guarantee disbursements (in PLN million)				Percentage of utilisation of the FPGS	Number of depositors
	Total	including:				
		from the FPGS	from liquidated bankruptcy estates	from the bankruptcy estate fund		
1995	105.0	85.9	19.1	0	38.1	89,939
1996	50.8	47.3	3.1	0.4	14.9	59,420
1997	6.4	4.7	0.6	1.1	2.3	10,418
1998	8.2	4.1	1.8	2.3	3.2	6,775
1999	4.7	0	2.0	2.7	0	1,572
2000	626.0	484.1	141.9	0	48.4	147,739
2001	12.5	0	4.5	8.0	0	2,658
2002	0.1	0	0.1	0	0	46
2003	0.1	0	0.1	0	0	27
2004	0.4	0	0.4	0	0	124
2005	0.1	0	0.1	0	0	99
2006	0.1	0	0.1	0	0	5
2007	0	0	0	0	0	0
2008	0	0	0	0	0	0
2009	0.004	0	0	0.004	0	1
TOTAL	814.4	626.1	173.8	14.5	6.15	318,823

As on 31 December 2009, the overall sum of the Fund's liabilities for undisbursed guaranteed sums amounted to PLN 17,400. This amount comprised the receivables of twenty-five depositors of Bank Staropolski SA, whose claims were not subject to the statute of limitations on 11 February 2005 as the period of the validity of these claims was interrupted.

In 2009, the Fund disbursed guarantee sums pursuant to a supplementary list of depositors of Bank Staropolski SA in the amount of PLN 4,500. Between the commencement of its operations and the end of 2009, the BGF disbursed guarantee funds to depositors of five commercial banks and eighty-nine cooperative banks.

Bank insolvencies in the years 1995-2009

Year	Commercial banks	Cooperative banks
1995*	2	48
1996	1	30
1997	-	6
1998	-	4
1999	1	-
2000	1	-
2001	-	1
2002-2009	-	-
TOTAL	5	89

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

The disbursements of guarantee sums made by the Bank Guarantee Fund in the years 1995-2009 amounted to PLN 814.4 million and were provided to 318,800 eligible depositors.

In 2009, the Bank Guarantee Fund obtained PLN 569,300 on account of receivables admitted to bank bankruptcy estates in connection with providing receivers with funds for depositor disbursements in previous years. These funds were sourced from the distribution of bankruptcy estates of three banks. The overall sum of the funds obtained from bankruptcy estates, as on 31 December 2009, amounted to PLN 53,423,700.

In 2009, the Fund was notified of the completion of two bankruptcy proceedings of banks for whom the BGF was a creditor.

As at the end of December 2009, pending were still the bankruptcy proceedings of three banks that were declared bankrupt by the courts during the life of the Fund.

Assistance Activity – the Assistance Fund

1. The Purpose and Terms of Financial Assistance

The fundamental purpose of the Fund's assistance activity is to grant financial assistance to banks at risk of insolvency in order to enable them to undertake restructuring operations, and, indirectly, to protect customers against the loss of funds they entrust with these banks. Pursuant to the Bank Guarantee Fund Act, assistance may be provided in the form of loans, guarantees or sureties, as well as by way of acquiring banks' safe debts, on terms more favourable than generally applicable terms. So far, the assistance provided by the BGF was solely in the form of loans.

The assistance fund out of which loans are extended is created from mandatory annual fees remitted by all participants of the guarantee scheme and the Fund's balance sheet surplus distributions. The fee payable by each bank is calculated as the product of the fee set by the Fund's Council and the base set out in the Bank Guarantee Fund Act.

The mandatory annual fee payable by banks in 2009 equalled 0.045 percent of the 12.5-fold sum of capital requirements under each risk type and capital requirements with regard to overdraft and breach of other standards defined in the Banking Law.

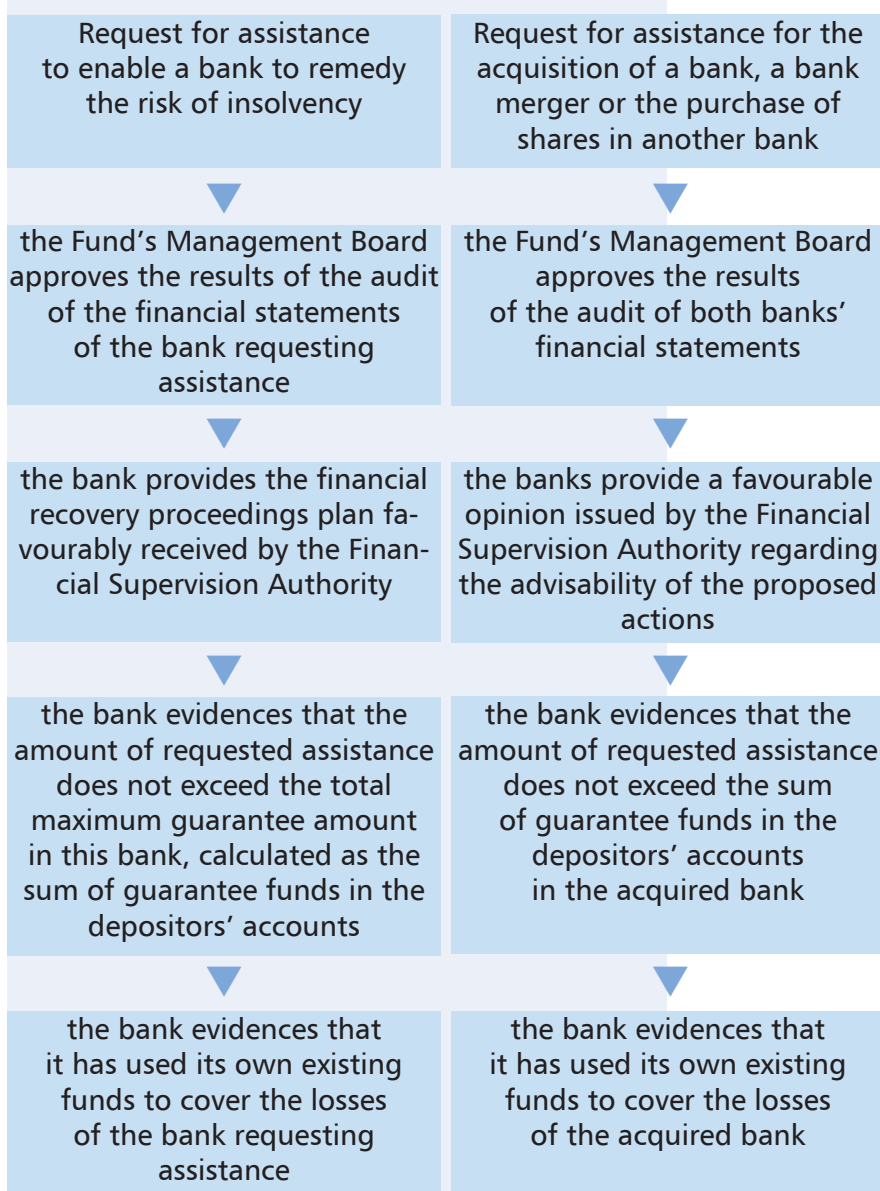
In 2009, the assistance fund was supplemented with annual fees remitted by banks in the total amount of PLN 308,159,900 and distributions of the Fund's balance sheet surplus of PLN 271,403,400.

The assistance fund is also a source of financing for disbursements of guarantee sums in the event that the resources accumulated in banks as part of the fund for the protection of guarantee sums.

2. Terms and Conditions of Granting Assistance

Pursuant to Article 20 of the Bank Guarantee Fund Act, an entity is eligible for financial assistance upon meeting the requirements listed in the diagram below.

Terms and conditions of obtaining assistance from the Fund



On the basis of the authorisation stipulated in the Bank Guarantee Fund Act, the Fund's Council set out the principles, terms, conditions and manner of granting financial assistance to entities participating in the mandatory guarantee fund scheme as well as the insolvency risk evaluation criteria.

In 2009, financial support was offered on the terms and conditions presented in the table below.

Terms and conditions of providing financial support in 2009

Terms and conditions of providing support:	Purpose of the assistance: elimination of the risk of insolvency	
• annual interest rate on the loan	0.1-0.4 bill rediscount rate determined by the Monetary Policy Council	
• commission	for commercial banks	for commercial banks
	0.3 percent of the loan amount deducted from the loan amount	0.1 percent of the loan amount deducted from the loan amount
• loan utilisation period	up to five years*	
• loan disbursement	once-off or in tranches	
• repayment of interest	once per quarter	
• repayment of principal	in quarterly or six-monthly instalments**	

* In reasonably justified cases this period could be extended to ten years.

** In particularly justified cases it was possible to apply a grace period in the repayment of principal.

3. Assistance Activity to Date

In 2009, no loan was extended out of the assistance fund. Moreover, the Fund administered loans granted in previous years.

The financial assistance granted by the BGF in the years 1995-2009 was allocated towards:

banks' self-recovery plans	PLN 2,249,050,000
acquisitions of banks at risk of insolvency	PLN 1,262,792,400
purchase by new shareholders of shares in banks at risk of insolvency	PLN 235,000,000

In 2009, two requests for assistance from the assistance fund were processed. One of them was declined, the other one received PLN 43,500,000 in financial assistance, conditional upon adjustment of the merger plan and the approval of the Financial Supervision Authority.

In 2009, one bank repaid the loan early in full.

From its inception until the end of 2009, the BGF granted 100 loans from the assistance fund, of which 44 were extended to commercial banks and 56 to cooperative banks, for a total of PLN 3,746,842,400.

Loans granted from the assistance fund in the years 1995-2009

Type of bank and allocation of assistance:	Loan disbursements	
	Amount in PLN thousand	Share percentage
• commercial*	3,427,386.4	91.5
self-recovery	2,066,000.0	55.1
commercial bank acquisitions	981,906.4	26.2
cooperative bank acquisitions	144,480.0	3.9
share purchase	235,000.0	6.3
• cooperative	319,456.0	8.5
self-recovery	183,050.0	4.9
merger processes**	136,406.0	3.6
TOTAL	3,746,842.4	100.0

* Together with banks that acquired the cooperative banks.

** In 2009, the Fund's Management Board resolved to extend financial assistance in the amount of PLN 43,500,000, but the loan will be disbursed in 2010.

The financial aid provided by the Fund to date had a tangible effect on the finances, reinforced confidence in the banking sector, helped maintain free access to banking services and assisted in enhancing the efficiency of banking operations.

Assistance Activity – Cooperative Bank Restructuring Fund

1. Purpose and Terms of Providing Assistance

Pursuant to the Act concerning the operation of cooperative banks, their mergers and on the acquiring banks of 7 December 2000, the Bank Guarantee Fund provides financial assistance to cooperative banks from the cooperative bank restructuring fund (the CBRF) established in 2001 to support cooperative bank merger processes.

In accordance with the above act, the Fund received PLN 123,409,700 to be allocated to the above initiatives of cooperative banks and to related investments, in particular towards:

- unification of IT software and hardware,
- unification of banking technology,
- unification of finance and accounting procedures,
- unification of banking products and services offered,

as well as towards purchasing shares in the acquiring bank.

Financial support is available only to those cooperative banks that are at no risk of insolvency and are fully capable of repaying their outstanding loans. The amended Act on the Operation of Cooperative Banks (...) broadened the subjective and objective scope of CBRF assistance, in that assistance may now be granted also towards financing planned investments.

2. Terms and Conditions of Granting Assistance

In view of the implementation of the amended Act on the Operation of Cooperative Banks (...), the Fund's Council defined new forms, procedure and detailed terms and conditions of providing financial assistance from the cooperative bank restructuring fund, as set out in the table below:

Terms of providing financial assistance from the CBRF for applications received after 13 December 2008

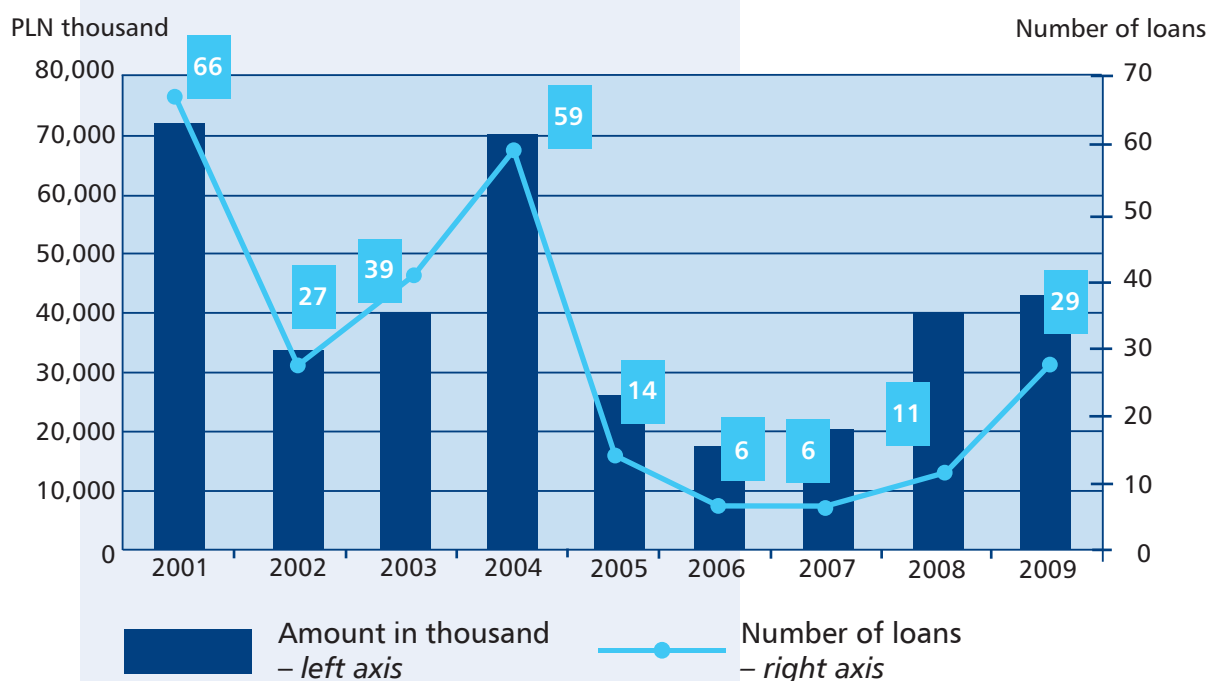
Terms and conditions of providing support:	Purpose of the assistance:	
	to support merger processes and non-merger investments	to purchase the shares in the acquiring bank
• annual interest rate on the loan	0.1 bill rediscount rate determined by the Monetary Policy Council	0.05 bill rediscount rate determined by the Monetary Policy Council
• commission	0.1 percent of the loan amount, deducted from the loan amount	
• loan utilisation period	up to five years	
• grace period in the repayment of principal	up to one year	
• loan disbursement	once-off/tranches	once-off
• repayment of interest	once per quarter	
• repayment of principal	in six-monthly instalments	

The Fund's Council adjusted the forms, procedure and terms of granting assistance under the CBRF to the subjective and objective scope of assistance broadened under the amended Act on the Operation of Cooperative Banks (...). The purpose of the adjustments was to accelerate application processing and providing assistance to banks. Compared to previously existing terms, the principal repayment grace period was shortened from two years to one year.

3. CBRF Activity to Date

In the years 2001-2009, the Bank Guarantee Fund extended 220 loans from the cooperative bank restructuring fund for a total of PLN 369,830,900. During that time, the amount of loans granted was more than double the size of the cooperative bank restructuring fund as funds obtained from repayments were allocated to new financial relief efforts. None of the cases processed reported any issues with repayment of borrowed funds.

Disbursement of loans from the CBRF in the years 2001-2009



In 2009, the Fund processed 35 requests for financial assistance under the CBRF, for a total of PLN 82,564,100, which included two requests for a total of PLN 2,200,000, submitted before the amended Act on the Operation of Cooperative Banks (...) entered into force, and processed on then-current terms and conditions.

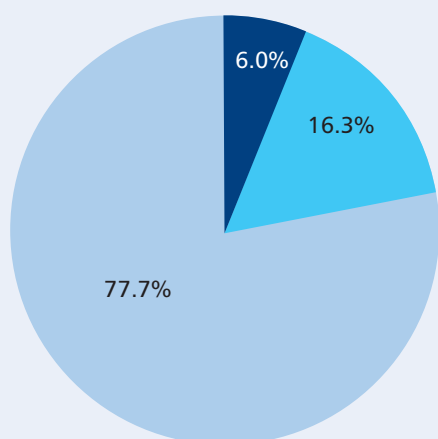
Upon review of the amounts requested by banks before the end of 2009, the Fund's Management Board resolved to:

- grant 31 loans for a total of PLN 55,053,000, of which:
 - 27 loans were allocated to support merger processes or non-merger investments – for a total of PLN 51,885,000,
 - 4 loans were allocated to the purchase of shares in the acquiring bank – for a total of PLN 3,168,000.
- turn down requests for financial assistance submitted by eight banks due to insufficient amounts in the cooperative bank restructuring fund available at each application stage.

In 2009, twenty-nine loans were disbursed for a total of PLN 43,247,000³. As on 1 January 2009, forty-four banks were utilising fifty-eight loans from the cooperative bank restructuring fund, for a total indebtedness thereunder of PLN 85,469,400.

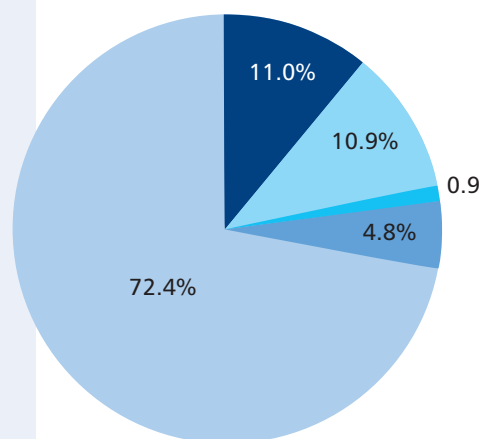
The allocation of loans from the cooperative bank restructuring fund in 2009 is presented on the diagrams below.

Structure of loans granted in 2009 from the CBRF as on 31 December 2009.



- purchase of shares in acquiring banks
- merger costs
- non-merger costs

Structure of investments carried out under loans obtained in 2009 under the CBRF as on 31 December 2009.



- purchase or modification of software and hardware
- development or unification of banking technology
- modification of finance and accounting procedures
- development or unification of banking products and services
- other investment and costs

³ Additionally, in 2009, the second tranche of the loan granted in 2008 for a total of PLN 2,707,100 was disbursed. One bank did not sign the loan agreement after assistance was approved, and one loan was disbursed in January 2010. For eleven loans, a total of PLN 6,200,000 remains to be disbursed under subsequent tranches.

A vast majority of the funds obtained by banks under CBRF loans was allocated to other investments and expenses (including construction, renovations and building updates) and the purchase or modification of IT software and hardware. This accounted for 83.4 percent of the loans granted in 2009.

In 2009, banks repaid principal for a total of PLN 24,439,200. Twenty-four banks repaid thirty-one loans in full.

Taking into account repayments and disbursements of the loans granted, as at the end of 2009, forty-six banks were taking advantage of cooperative bank restructuring fund loans (utilising a total of fifty-six loans), for a total indebtedness thereunder of PLN 106,984,400.

Supervising and Monitoring Utilisation of the Financial Assistance

1. Scope of Supervision and Monitoring

In 2009, the BGF adopted new “Terms and Conditions of Supervising and Monitoring Participants of the Mandatory Deposit Insurance Scheme (...)”, adjusted to reflect the amended Bank Guarantee Fund Act and Act on the Operation of Cooperative Banks, their Mergers and on the Acquiring Banks.

The scope of the Fund’s supervision includes:

With respect to banks using financial aid from the assistance fund	With respect to banks using loans from the cooperative bank restructuring fund
verifying whether the financial assistance is being used properly	verifying whether the financial assistance is being used in accordance with its purpose
verifying whether a recovery plan is being implemented	monitoring economic and financial standing and organisational efficiency
monitoring economic and financial standing	verifying the discharge of obligations under loan agreements
monitoring management procedures	

In 2009, guidelines were developed to ensure a unified approach to analysing and evaluating the above areas.

Banks utilising the Fund’s financial assistance were supervised and monitored in two forms:

- in the form of analyses and evaluations carried out on the basis of available financial statements, information obtained from the banks, from the National Bank of Poland and the Financial Supervision Authority and from publicly available sources,
- in the form of audits carried out at banks utilising the Fund’s financial assistance, in accordance with the 2009 audit plan.

2. Supervising and Monitoring Banks

In 2009, the Fund audited eleven banks utilising financial assistance from the BGF.

Number of banks audited in 2009

Banks utilising assistance:	Number of banks audited	
	from the assistance fund	from the cooperative bank restructuring fund
Commercial banks	-	-
Cooperative banks	1	10
TOTAL	1	10

Upon auditing a bank utilising a loan from the assistance fund, it was established that the recovery plan is being implemented properly, and the financial results earned significantly exceeded the plan projections. Moreover, no objections were raised with regard to the performance of the remaining obligations under the loan agreement concluded with the BGF; the obtained funds were utilised and secured in accordance with the agreement. The audit confirmed that the assistance provided by the BGF has served its purpose, by supporting the acquisition of a bank threatened by insolvency.

In 2009, the Bank Guarantee Fund monitored the economic and financial standing as well as the performance of obligations under loan agreements for forty-eight banks.

Number of banks monitored in 2009

Banks taking advantage of the Fund's assistance:	Number of banks			
	1 January 2009		31 December 2009	
	from the assistance fund	from the Cooperative Bank Restructuring Fund	from the assistance fund	from the Cooperative Bank Restructuring Fund
Commercial banks	1	-	1	-
Cooperative banks	1	44	-	47
TOTAL	2	44	1	47
	46		48	

In 2009, the Fund monitored twenty-six new banks that had received thirty loans, while the monitoring of twenty-four banks was completed. Upon monitoring the banks taking advantage of financial assistance, it was established that:

- the banks were not insolvent and that there was no risk of default on their obligations towards the BGF,
- the banks timely discharged their obligations under loan agreements.

Analytic Activity

1. Sources of Information

The Fund independently analyses the banks' economic and financial standing and evaluated any existing and potential risks for their operations.

- The Bank Guarantee Fund sources information about the banks from:
the National Bank of Poland, pursuant to the Agreement on the subject, scope, procedure and timelines applicable to notifications provided by the National Bank of Poland to the Bank Guarantee Fund, concluded on 27 December 2007.
- the Financial Supervision Authority, pursuant to the Agreement on Cooperation and Exchange of Information between the Financial Supervision Authority and the Bank Guarantee Fund of 12 June 2008.
- the banks, pursuant to the Regulation of the President of the National Bank of Poland concerning the scope, procedure and timelines applicable to notifications provided by banks participating in the mandatory insurance deposit scheme to the Bank Guarantee Fund of 2 May 2006, amended on 7 July 2009. Pursuant to Regulation 12/2009 of the President of the National Bank of Poland, the notification obligation was broadened and specified, the frequency of notifications to be provided by the banks was increased and an obligation was introduced to submit information solely online using a secure electronic signature.

In 2009, a SIS reporting information system was implemented and the banks' analytic mechanism was developed using new reporting Technologies, FINREP and COREP; standardised information structures were also developed to allow processing of data for analysis in the form of reports with specified parameters, using BGF-developed utility software known as *Aplikacja SIS*.

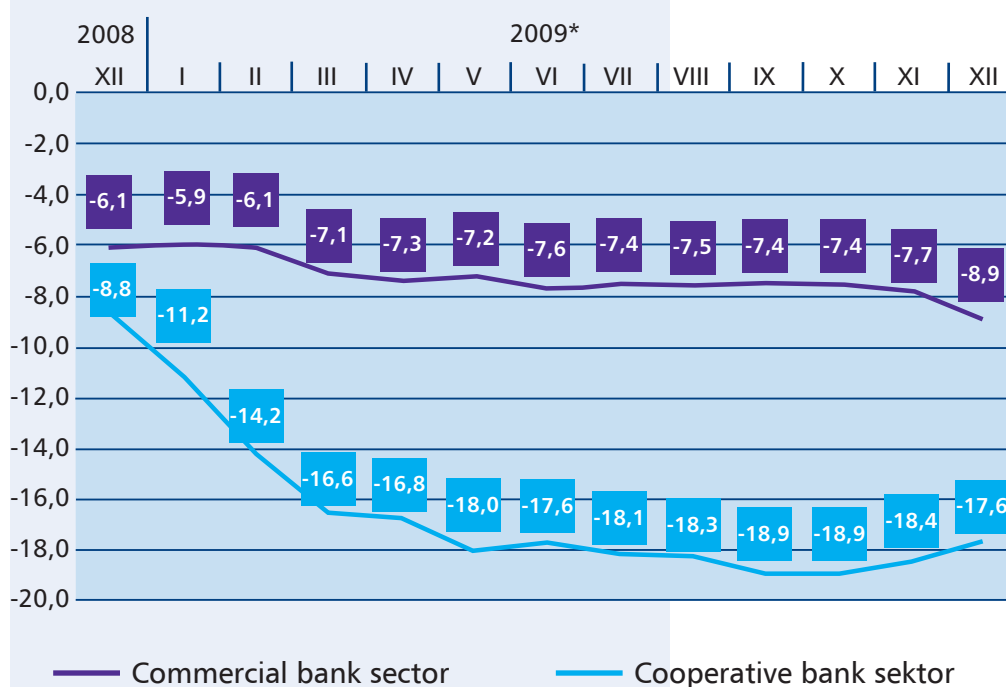
2. Bank Assessment Methodology

These ratings and risk matrices are the basic source of information concerning each bank's standing. Banks identified as carrying a higher risk undergo more thorough evaluation, aimed at identifying the source of the risk.

The bases for discussing risks in the entire banking sector are the migration matrices and risk indices. A migration matrix is used to observe the position of a bank in relation to the risk index in each reporting period.

The *risk index* presents a combined, standardised assessment of the effectiveness, solvency, asset quality and the quality of off-balance sheet liabilities granted, weighted by each bank's share in the deposits of the banking sector. The risk index is calculated separately for commercial and cooperative banks. It is presented on a scale of 0 (no risk) to – 100 points (highest risk). Variations in index levels reflect changes in the assessment of risk in the sector. The diagram below presents the levels of index risks in the banking sector.

Index of risk in the commercial and cooperative banking sector



* preliminary data for December 2009

In 2009, efforts were undertaken to change the methodology of risk assessment for the banking sector using the new SIS reporting mechanism. These efforts were focused on modifying the procedures of assessing reporting and non-reporting factors in the banking assessment system.

3. Analysing the Situation in the Banking Sector and Identifying Risks

The Bank Guarantee Fund's analytic roles are accomplished due to the fact that under the Act, the Fund is authorised to access information about banks, and thus able to make its independent analysis of each bank's economic and financial standing and evaluate existing and potential risks involved in each bank's operations.

The BGF's primary analytic responsibilities include:

- the assessment of risk in the banking sector in order to define the demand for financial resources from the deposit guarantee scheme, accumulated in banks in the form of Funds for the Protection of Guaranteed Sums (the FPGS) in order to cover potential guarantee obligations,
- identifying at an early stage the risk of insolvency for banks and any actions required from the Fund in association with the Financial Supervision Authority and other institutions of the financial security network.

As part of consistent analyses (conducted monthly and quarterly), the economic and financial situation in the banking sector (including the commercial and cooperative banking sector) was evaluated, taking into consideration existing and potential risks. Moreover, basic macroeconomic data and structural and legal changes in the banking sector were analysed, together with information concerning the severity and implications of the crisis on international financial markets in terms of the effect it may have for the stability of the Polish banking system. Particular emphasis was placed on financial institutions investing into banks operating in Poland.

In 2009, projections were prepared concerning the amount and structure of deposits, the overall capital requirements in the banking sector and projections concerning the amount of the BGF's guarantee obligations and demand for assistance. In view of the fact that the amended Directive 94/19/EC allows for increasing the limit of guaranteed sums to EUR 100,000 in 2010, the works concerning both amounts took into consideration two options of the guarantee limit, i.e. EUR 50,000 and EUR 100,000. The proposed amount of the fee under the fund for the protection of guaranteed sums and the mandatory annual fee for 2010 was presented to the BGF's Council, which approved them by way of a resolution on 18 November 2009.

Investment Activity

Under the Bank Guarantee Fund Act, the Fund may solely purchase securities issued or guaranteed by the State Treasury or the National Bank of Poland. Furthermore, the Fund may purchase participation units in the money market funds and establish term deposits with the NBP.

In 2009, in the area of the Fund's investment activity, a total of 146 acquisitions were completed, of which:

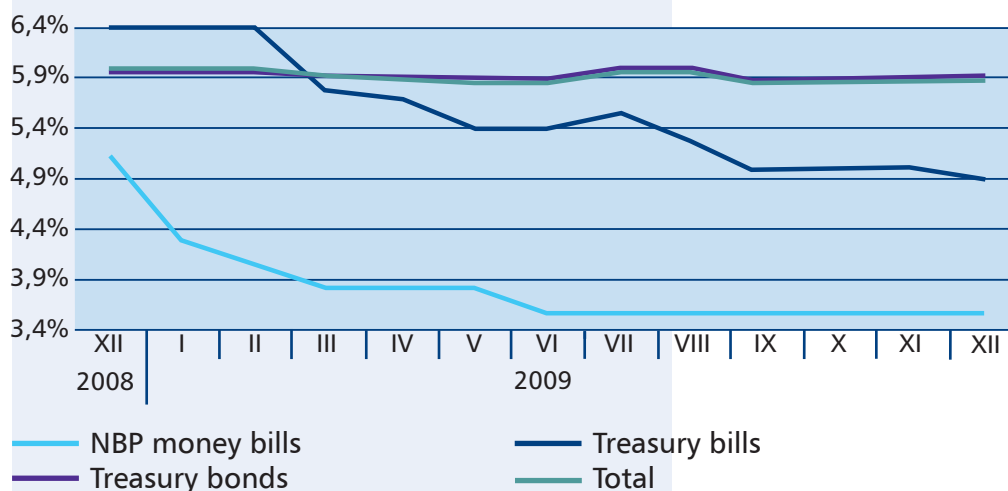
- 55 involved treasury bonds,
- 26 involved treasury bills,
- 65 involved NBP money bills

and 26 buyout transactions, of which:

- 15 involved treasury bonds,
- 8 involved treasury bills,
- 3 involved NBP money bills.

Transactions in the area of investment fund participation units of the money market and allocation of funds in the form of term deposits with the NBP, due to low profitability of the above instruments, were not effected.

Profitability of securities in the Fund's portfolio (on the basis of a 365-day period) as at the end of each month



In 2009, the BGF reported an increase in the share of treasury bonds in the total nominal value of the securities portfolio from 92.6 percent at the end of 2008 to 95.7 percent.

**Structure of the Fund's securities portfolio as on 31 December 2008
and 31 December 2009**

Items	Structure		
	31 Dec 2008	31 Dec 2009	Change
	%		percentage points
NBP money bills	0.24	0.04	-0.2
Treasury bills	7.16	4.28	-2.9
Treasury bonds	92.60	95.68	+3.1
TOTAL	100.0	100.0	-

In Q4 2009, the Fund commenced the implementation of a new investment policy, aimed at boosting profitability at an acceptable risk level. Under the policy, the average maturity of treasury bonds was extended and the value of funds invested in NBP money bills, treasury bills and funds deposited on NBP accounts was lowered.

Cooperation with Polish and International Institutions

1. Cooperation with Polish Institutions

In 2009, the Fund maintained a close relationship with banks from the Polish banking sector. The Fund notified acquiring banks of, among other things, any changes to the procedures governing granting financial assistance to cooperative banks participating in the association. Members of the BGF's Management Board participated in the meetings of the Advisory Council of the Cooperative Banking Sector.

In November 2009, an advisory meeting was held with the Management Board of the Polish Bank Association regarding the proposed amount of the fee for the establishment by banks of a fund for the protection of guaranteed sums and the amount of the 2010 mandatory annual fee.

On 24 August 2009, the Bank Guarantee Fund and Biuro Informacji Kredytowej S.A. (Credit Information Bureau) concluded the Agreement concerning cooperation with regard to the implementation of a research and analysis project involving analysis and projecting credit portfolio quality in the banking sector. The purpose of the project covered by the agreement is to conduct an analysis of the current status and prepare a projection of new lending and credit risk for household and corporate segments.

In 2009, BGF representatives participated in reconciliation conferences concerning financial market legislation drafts. In the course of these works, proposals, opinions and statements concerning required changes and detailed solutions were drafted and submitted. The Fund participated in legislation drafting devoted to widely applicable acts, such as those concerning:

- the responsibilities of the Bank Guarantee Fund and the operations of its corporate bodies;
- the operation of the deposit guarantee scheme (changes with regard to notification obligations and international cooperation in connection with Poland implementing Directive 2009/14/EC of the European Parliament and of the Council of 11 March 2009 amending Directive 94/19/EC on deposit-guarantee schemes as regards the coverage level and the payout delay),
- improving the stability of the banking sector,
- recapitalising certain financial institutions and providing financial institutions with State Treasury support.

Moreover, the Bank Guarantee Fund presented the Ministry of Finance with a position with regard to the changes concerning the investor compensation system in which the BGF's Management Board opted for the acquisition of the system by the BGF.

Disputes

On 8 May 2009, before the Arbitration Court at the Polish Bank Association, proceedings brought by the Bank Guarantee Fund were completed. The defendant was ordered to pay the BGF PLN 2 million plus statutory interest accrued until the payments date. The remaining portion of the claim was dismissed.

2. Cooperation with International Institutions

As a result of a change of President of the Bank Guarantee Fund, the Fund's representative in international institutions in which the BGF participates, primarily in the International Association of Deposit Insurers (IADI), also changed. The changes were also notified to the office of the European Forum of Deposit Insurers (EFDI).

In 2009, the BGF was represented at international meetings and conferences held by the IADI and the EFDI and devoted to important deposit insurance issues, as well as at *The Eurofi Financial Forum 2009*, a meeting of a European Commission Working Group concerning deposit insurance schemes and at the *Crisis Management at Crossroads* conference, held by the SUERF, CEPS and the Belgian Financial Forum.

The Bank Guarantee Fund was actively involved in various efforts and projects, both in Poland and abroad. The Fund co-hosted a seminar titled: *Financial Institutions in Crisis – the Lehman Brothers Case* and a conference titled: *Cooperative Banks – Challenges in the Face of New Legislation*. Both events were attended by representatives of public authorities, financial institutions, the banking sector, as well as the sciences and media.

In Q4 2009, the Fund began preparations for a celebration of the fifteenth anniversary of its inception. The highlight of the celebration will be marked by an international conference, to be held on 21 May 2010, titled *Global Financial Crisis: Lessons for the Stability of the Financial Sector*. Renowned economists, noted financial institution experts, representatives of foreign deposit insurers and academics are expected to attend the conference.

Promotional and Informational Efforts

2009 saw a continuation of efforts aimed at promoting in the banking sector the set of best practices, developed by the Fund in the form of two documents, i.e. *Best practices in banking with regard to notifying participation in the mandatory deposit guarantee scheme* and *Best practices in banking with regard to notifying customers of a bank's financial and economic standing*.

In 2009, the Fund was notified that fifty-six cooperative banks approved the best practices. By the end of the year, a total of seventy-two banks, including five commercial banks and sixty-seven cooperative banks, notified the Fund of their approval of the best practices. As a result of adoption on 19 September 2009 of *the Act of 16 July 2009 amending the Bank Guarantee Fund Act*, amending the regulations concerning a bank's obligation to notify customers of participation in the deposit guarantee scheme and of its financial and economic standing, the BGF began to consider the purpose of continuing the project.

In 2009, the Fund continued to develop and distribute in Poland complimentary promotional materials for customers of Polish banks, presenting the new rules underlying the deposit insurance scheme. The promotional materials, a total of 900,000 copies, were distributed to commercial and cooperative banks. In late 2009, efforts were undertaken to redesign and update these materials.

Moreover, in response to growing needs reported by the banks, the Fund commissioned and distributed placards confirming a bank's participation in the mandatory deposit insurance scheme. The BGF also prepared a brochure presenting the core activities of the Bank Guarantee Fund in each area of its expertise, taking into account the current legal status of the deposit insurance scheme in Poland.

The Fund distributed new issues of the BGF Newsletter, which contained resolutions of the Fund's Management Board and Council. The newsletter was distributed to all commercial and cooperative banks as well as selected Polish universities and libraries.

In 2009, the Fund also distributed an issue of the *Safe Bank* journal issued late in 2008 (2/2008), and published two new issues (1/2009 and 2/2009), with *Safe Bank No. 2/2009* issued in English. The journal is distributed to banks, selected Polish universities and libraries across Poland, as well as public administration bodies.

In 2009, the Fund completed work on educational materials which, as determined by the Minister of Education, were entered on the list of educational resources recommended for use in schools teaching Business Basics. The materials comprised three presentations (Banks and the Banking System, Assessing Banks and the Polish Deposit Guarantee Scheme) and a transcript. The 5,000 copies of the educational materials were provided free of charge in the form of a CD-ROM to comprehensive secondary schools across Poland.

On 28 February 2009, the Fund once again selected a bachelor's, master's and doctoral dissertation that best covered the issues of the deposit guarantee system, the Fund's operations, and the financial security of the banking industry. Four master's dissertations from the University of Gdańsk and Gdańsk Technical University were submitted, of which the judges awarded two. A new edition of the competition was commenced and it will be completed in the next calendar year.

On 17 July 2009, the new BGF website was launched. The website proved popular with the Fund's customers, reporting approximately 60,000 visits by the end of the year.

As part of its promotional and informational activity, the Fund issued the Polish- and English-language 2008 *Annual Report of the Bank Guarantee Fund*, which was distributed to banks in Poland, sixty-five deposit guarantee schemes and international institutions in which the Fund participates, i.e. the EFDI and the IADI.

Financial Statements

Balance sheet as on 31 December 2009

ASSETS	31 December 2009	31 December 2008 (comparable data)	31 December 2008 (approved data)
I. Cash	222,681.67	299,365.37	299,365.37
1. Cash in hand	3,470.73	869.67	869.67
2. Cash in current account	191,276.05	245,631.01	245,631.01
3. Cash in special guarantee settlement account	1,798.65	1,798.65	1,798.65
4. Cash in term deposit account	0.00	0.00	0.00
5. Cash in Company Benefits Fund	26,136.24	51,066.04	51,066.04
II. Receivables from financial institutions	554,044,073.68	538,102,450.98	538,660,919.63
1. Receivables from banks due to:	554,044,073.68	538,102,450.98	538,660,919.63
a) obligatory contributions to special guarantee settlement account	0.00	0.00	0.00
b) annual contributions to assistance fund	0.00	0.00	0.00
c) loans granted from assistance fund	447,094,985.21	452,627,426.56	453,131,272.96
d) loans granted from Cooperative Bank Restructuring Fund	106,949,088.47	85,475,024.42	85,529,646.67
e) realised guarantees and endorsements	0.00	0.00	0.00
f) receivables purchased	0.00	0.00	0.00
2. Receivables from other financial institutions	0.00	0.00	0.00
III. Receivables from the State budget	0.00	0.00	0.00
IV. Other receivables and claims	6,673.02	5,236.32	5,236.32
V. Securities and other financial assets	6,086,873,855.92	5,467,994,940.36	5,470,714,792.20
1. Debt securities	6,086,873,855.92	5,467,994,940.36	5,470,714,792.20
a) of banks	2,198,504.20	13,296,308.51	13,296,308.51
b) of state issuers	6,084,675,351.72	5,454,698,631.85	5,457,418,483.69
c) of other issuers	0.00	0.00	0.00
2. Shares	0.00	0.00	0.00
a) in financial institutions	0.00	0.00	0.00
b) in other entities	0.00	0.00	0.00
3. Other securities and other financial assets	0.00	0.00	0.00

VI. Intangible assets	883,525.88	89 809.87	89 809.87
VII. Tangible fixed assets	61,594,229.67	62 769 130.70	62 769 130.70
VIII. Fixed assets	0.00	0.00	0.00
Other assets			
IX. Prepayments and accruals	88,565.29	53,894.04	53,894.04
TOTAL ASSETS	6,703,713,605.13	6,069,314,827.64	6,072,593,148.13

	31 December 2009	31 December 2008 (comparable data)	31 December 2008 (approved data)
Contingent Receivables	2,659,389.67	8,929,803.24	611,103,799.74
1. debts claimed from bankruptcy estate	2,659,389.67	5,066,363.24	5,066,363.24
2. other receivables	0.00	3,863,440.00	606,037,436.50

LIABILITIES	31 December 2009	31 December 2008 (comparable data)	31 December 2008 (approved data)
I. Liabilities	587,698.38	626 436,88	626 436,88
1. Liabilities towards the receiver or trustee of the bankruptcy estate due to payments under the guaranteed funds system	0.00	0,00	0,00
2. Other liabilities	587,698.38	626,436.88	626,436.88
II. Accruals and deferred income	1,874,424.72	1,732,490.28	1,732,490.28
III. Provisions	1,954,052.45	1,569,453.81	1,569,453.81
IV. Statutory fund	1,637,025,547.68	1,637,025,547.68	1,637,025,547.68
V. Reserve fund	669,882,674.05	669,882,674.05	669,882,674.05
VI. Assistance fund	3,893,601,270.01	3,314,038,000.52	3,314,038,000.52
1. Assistance fund to be used	3,446,601,270.01	2,861,448,000.52	2,861,448,000.52
2. Used assistance fund	447,000,000.00	452,590,000.00	452,590,000.00
VII. Cooperative Bank Restructuring Fund	123,409,688.87	123,409,688.87	123,409,688.87
1. Cooperative Bank Restructuring Fund to be used	16,425,326.93	37,940,290.11	37,940,290.11
2. Used Cooperative Bank Restructuring Fund	106,984,361.94	85,469,398.76	85,469,398.76
VIII. Funds obtained from bankruptcy estates	53,423,671.70	52,854,397.02	52,854,397.02
IX. Revaluation fund	0.00	0.00	0.00
X. Special funds and other liabilities	26,136.24	51,066.04	51,066.04

XI. Financial profit (loss)	325,206,761.52	270,102,381.51	271,403,392.98
1. Profit (positive value)	325,206,761.52	270,102,381.51	271,403,392.98
2. Loss (negative value)	0.00	0.00	0.00
XII. Profit (loss) from previous years	-3,278,320.49	-1,977,309.02	0.00
TOTAL LIABILITIES	6,703,713,605.13	6,069,314,827.64	6,072,593,148.13

	31 December 2009	31 December 2008 (comparable data)	31 December 2008 (approved data)
Contingent liabilities in respect of	7,806,000.00	3,587,624.34	3,587,624.34
1. guarantees and endorsements granted	0.00	0.00	0.00
2. other liabilities	7,806,000.00	3,587,624.34	3,587,624.34

2009 profit and loss account of the Bank Guarantee Fund with its registered office in Warsaw

I. Income from statutory activity	2,476,837.77	3,543,440.49	3,420,412.00
1. Interest income	2,473,069.49	3,497,952.46	3,374,923.97
2. Commission income	0.00	42,650.98	42,650.98
3. Income from interest for delayed contributions by banks for effecting guarantee payments	0.00	0.00	0.00
4. Income from interest for delayed annual contributions paid by banks	3,136.48	2,011.32	2,011.32
5. Income from interest for delayed repayments of loans and interest on loans by banks	631.80	825.73	825.73
II. Cost of statutory activity	0.00	0.00	0.00
1. Interest on credits received from the National Bank of Poland	0.00	0.00	0.00
2. Interest on loans received from the State budget	0.00	0.00	0.00
3. Other costs	0.00	0.00	0.00
III. Profit (loss) on statutory activity (I-II)	2,476,837.77	3,543,440.49	3,420,412.00
IV. Profit (loss) on financial operations	337,977,989.14	282,677,553.53	284,101,593.49
1. With securities	337,968,211.28	282,656,208.13	284,080,248.09
2. Other	9,777.86	21,345.40	21,345.40
V. The Fund's operational costs	17,848,109.59	15,435,166.75	15,435,166.75
1. Outsourced services	3,681,453.55	2,485,009.19	3,164,247.86
2. Salaries	10,111,517.72	9,462,274.68	10,059,421.68
3. Salary overheads	1,127,113.16	1,079,368.38	1,079,368.38
4. Other assets	2,928,025.16	2,408,514.50	1,132,128.83

VI. Depreciation of fixed and intangible assets	1 654 091.11	2,140,257.30	2,140,257.30
VII. Write-offs for provisions and revaluation	0.00	0.00	0.00
VIII. Liquidation of provisions and revaluation decreases	0.00	0.00	0.00
IX. Other income	4,258,197.05	1,694,066.31	1,694,066.31
X. Other costs	4,061.74	237,254.77	237,254.77
XI. Profit (loss) on operational activity (III+IV-V-VI-VII+VIII+IX-X)	325,206,761.52	270,102,381.51	271,403,392.98
XII. Profit (loss) on extraordinary operations	0.00	0.00	0.00
1. Extraordinary profits	0.00	0.00	0.00
2. Extraordinary loss	0.00	0.00	0.00
XIII. Financial result of the Fund (XI+/-XII)	325,206,761.52	270,102,381.51	271,403,392.98
1. Profit (positive value)	325,206,761.52	270,102,381.51	271,403,392.98
2. Loss (negative value)	0.00	0.00	0.00

Date: 15 March 2010

PricewaterhouseCoopers

Independent Auditor's Report

For the Finance Minister, the Council of Ministers, the Fund's Council and the Management Board of the Bank Guarantee Fund

We have audited the attached financial statements of the Bank Guarantee Fund (hereinafter, the "Fund") with its registered office in Warsaw at ul. ks. Ignacego Jana Skorupki 4, which includes:

- (a) a balance sheet prepared as on 31 December 2009, which presents the total balance of assets and liabilities of PLN 6,703,713.605.13;
- (b) a profit and loss account for the financial year from 1 January to 31 December 2009, presenting a net profit of PLN 325,206,761.52;
- (c) additional information, which comprises introductions and additional notes.

The Fund's Management Board is responsible for preparing financial statements and a report on operations in accordance with all applicable laws. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with:

- (a) the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223, as amended);
- (b) our knowledge and expertise obtained in the course of serving as independent auditor in compliance with the standards applicable to independent auditors, issued by the National Board of Auditors.

Our audits were planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used by the Fund and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Independent Auditor's Report

For the Finance Minister, the Council of Ministers, the Fund's Council and the Management Board of the Bank Guarantee Fund (continued)

The information contained in the Fund's report on operations for the financial year from 1 January to 31 December 2009 takes into account the provisions of the Accounting Act and is consistent with the information contained in the audited financial statements.

In our opinion, the accompanying financial statements, in all material respects:

- (a) were prepared on the basis of properly maintained accounting records in accordance with the applicable accounting standards (policies);
- (b) comply in terms of their form and contents with any laws applicable to the Fund and with the Fund's statute;
- (c) present fairly and clearly the Fund's financial position and asset as on 31 December 2009 and its financial result for the financial year commenced on 1 January and ended 31 December 2009, in accordance with the accounting principles in force in the Republic of Poland, as defined in the Accounting Act and Regulation of the Finance Minister concerning specific accounting principles of the Bank Guarantee Fund of 19 December 2008 (Journal of Laws No. 236, item 1631).

Auditing on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered on the list of entities authorised to audit financial statements under number 144:

Adam Celiński
Key Auditor
Register Entry 90033

Warsaw, 15 March 2010