

Annual Report 2019





Share capital ownership structure/shareholders

Set up by cooperative banks, SGB-Bank S.A. has been operating since 1990 as an associating bank for a group of cooperative banks. As at 31 December 2019, there were 194 cooperative banks in the group. The banks operated in the following regions: wielkopolskie [Greater Poland], zachodniopomorskie [Western Pomerania], pomorskie [Pomerania], dolnośląskie [Lower Silesia], kujawsko-pomorskie [Kuyavian-Pomeranian], łódzkie [Lodz] and lubuskie [Lubusz].

SGB-Bank S.A. operates in the territory of Poland in cooperation with and for the benefit of SGB cooperative banks. It, at the same time, provides comprehensive banking services addressed to natural and legal persons and grants loans to finance business undertakings, mainly in the area of agriculture and food processing.

The strategic goal of SGB-Bank S.A. is to set up a competitive group of banks, operating with the use of the cutting edge banking technologies that will assure the group a leading position in the commercial banking sector and long-term and successful cooperation with the cooperative banks that are the group members.

In 2019 SGB-Bank S.A. succeeded in strengthening the position of the Group of Cooperative Banks on the Polish financial market, making it a highly competitive group of banks. For example, since 2019 SGB cooperative banks have been offering a package of innovative mobile payment systems: BLIK, Google Pay, Apple Pay, Garmin Pay and Fitbit Pay.

The table below presents basic identification data of SGB-Bank S.A.

Table 1. Registry data

Business name	SGB-Bank Spółka Akcyjna [joint stock company]
Seat	Poznań
Address	ul. Szarych Szeregów no. 23a, town: Poznań, zip-code: 60-462 post-office: Poznań, country: Polska
[National Court Register] KRS number	0000058205
[Business Statistical Number] REGON	004848247
NIP [Tax ID no.]	7770005362

The Management Board of SGB-Bank S.A.

As at 01.01.2019 the Management Board of SGB-Bank S.A. was composed as follows:

- Mirosław Skiba – President of the Management Board,
- Andrzej Chmielecki – Vice-President of the Management Board,
- Ziemowit Stempin – Vice-President of the Management Board.

The Management Board of the Bank was composed of the aforementioned members until 31.01.2019 because as of that date Mr. Ziemowit Stempin resigned from the position of the Vice-President. To co-opt a member of the Management Board, the Supervisory Board of SGB-BANK S.A., at its meeting on 17.01.2019, decided to delegate Mr. Waldemar Zieliński, a member of the Supervisory Board, to temporarily act in the capacity of the Vice-President of the Management Board of SGB-Bank S.A. for the period from 01.02.2019 to 10.02.2019.

Moreover, at the aforementioned meeting, the Supervisory Board of SGB-BANK S.A. appointed Mr. Karol Wolniakowski for the position of the Vice-President of the Management Board of SGB-Bank S.A. from 11.02.2019 to the end of the term of office (2016-2020).

In view of the above stated, from 1.02.2019 to 10.02.2019 the Management Board of SGB-Bank S.A. was composed as follows

- Mirosław Skiba – President of the Management Board,
- Andrzej Chmielecki – Vice-President of the Management Board,
- Waldemar Zieliński – Vice-President of the Management Board (member of the Supervisory Board delegated to temporarily act in the capacity of a member of the Management Board).

As of 11.02.2019 the Management Board of SGB-Bank S.A. has been composed as follows:

- Mirosław Skiba – President of the Management Board,
- Andrzej Chmielecki – Vice-President of the Management Board,
- Karol Wolniakowski – Vice-President of the Management Board.

The composition of the Management Board was further changed in April 2019. The Supervisory Board, at its meeting on 20.02.2019, appointed Mr. Błażej Mika for the position of the Vice-President of the Management Board to the end of the term of office (2016-2020), thus, as of 15.04.2019 the Management Board was composed as follows:

- Mirosław Skiba – President of the Management Board,
- Andrzej Chmielecki – Vice-President of the Management Board,
- Błażej Mika – Vice-President of the Management Board,
- Karol Wolniakowski – Vice-President of the Management Board.

On 25.09.2019 Mr. Karol Wolniakowski filed a resignation from the position he held in the Management Board and as of 26.09.2019 he took the position of the Manager of the Risk Management Department.

As a result, from 26.09.2019 to 13.10.2019 the Management Board of SGB-Bank S.A. was composed as follows:

- Mirosław Skiba – President of the Management Board,
- Andrzej Chmielecki –Vice-President of the Management Board,
- Błażej Mika – Vice-President of the Management Board.

As of 14.10.2019 the Supervisory Board appointed Ms. Leokadia Danuta Tołwińska for the position of the Vice-President of the Management Board with the competence to supervise the significant risk management in the operations of SGB-Bank S.A. As a result, from 14.10.2019 to 31.12.2019 the Management Board of SGB-Bank S.A. was composed as follows:

- Mirosław Skiba – President of the Management Boardu,
- Andrzej Chmielecki – Vice-President of the Management Board,
- Błażej Mika – Vice-President of the Management Board,
- Leokadia Danuta Tołwińska – Vice-President of the Management Board.

On 04.02.2020 the Polish Financial Supervision Authority (KNF) unanimously granted its consent for appointing Ms. Leokadia Danuta Tołwińska for the position of a member of the Management Board of SGB-Bank S.A. competent for the supervision of the significant risk management in the operations of the Bank.

The Supervisory Board of SGB-BANK S.A.

The Supervisory Board shall exercise regular supervision over all the sectors of the operations of the Bank.

From 01 January 2019 to 23 June 2019 the Supervisory Board of SGB-BANK S.A. was composed as follows:

Table 2. Composition of the Supervisory Board, X term of office

Chairman of the Supervisory Board	Sławomir Flissikowski	
Deputy Chairman	Leokadia Danuta Tołwińska	
Secretary of the Supervisory Board	Sebastian Nietyksza	
Members of the Supervisory Board	Jerzy Bibro Zofia Kałek-Bazyluk Krzysztof Sadurski Katarzyna Zimniak	Waldemar Zieliński (co-opted to the Management Board in the period 01.02-10.02.2019) Ryszard Żuraw

On 24 June 2019, the General Assembly of SGB-Bank S.A. appointed the following persons for the position of members of the Supervisory Board of SGB-BANK S.A. in the term of office 2019-2022:

Table 3. Composition of the Supervisory Board, XI term of office

Chairman of the Supervisory Board	Sławomir Flissikowski	
Deputy Chairman	Leokadia Danuta Tołwińska (until 13.10.2019, from 14.10.2019 Vice-President of the Management Board)	
Secretary of the Supervisory Board	Sebastian Nietyksza	
Members of the Supervisory Board	Jerzy Bibro Zofia Kałek-Bazyluk Piotr Pniewski Adam Trzos	Halina Wilk Katarzyna Zimniak (Deputy Chairman from 14.10.2019)

Shareholding structure

As at 31 December 2019, the shares of the Bank were taken up by 236 business entities, in this 194 cooperative banks affiliated with SGB-Bank S.A., 38 banks non-affiliated with SGB-Bank S.A. and

4 other business entities. The shares held by the said entities in the share capital of the Bank were as follows: 92,88%; 2,95% and 4,17%.

On 14 January 2019, the District Court Poznań – Nowe Miasto i Wilda in Poznan, VIII Commercial Division of the National Court Register, registered the increase of share capital of SGB-Bank S.A., effected by way of the issue of new shares series “AM”, up to the amount of PLN 311,383,100.00.

The registration of the increase of the share capital from PLN 303,846,600.00 to PLN 311,383,100.00 in the register of entrepreneurs of the National Court Register was a condition precedent for the effectuation of the resolution of the GAS [General Assembly of Shareholders] of SGB-Bank S.A. adopted on 10 December 2018 on the increase of the share capital of SGB-Bank S.A. by way of the issue of registered, ordinary shares series “AN” and by offering them in a private subscription with the exclusion of the right of pre-emption of the previous shareholders.

The shares series ”AN” were taken up based on the shares subscription agreements concluded with 149 cooperative banks. The shareholders took up 1,000,000 (one million) of the registered, ordinary shares series “AN” of SGB-Bank S.A. for the total price of PLN 100,000,000 (one hundred million zlotys). In connection with the foregoing, on 29 April 2019 the Management Board of SGB-Bank S.A. made a declaration on the amount of the increase of the share capital and issuance of new shares in the form of a notarial deed.

On 12 June 2019, the District Court Poznań-Nowe Miasto i Wilda in Poznan, VIII Commercial Division of the National Court Register, registered the increase of share capital of SGB-Bank S.A., effected by way of the issue of new shares series “AN”, up to the amount of PLN 411,383,100.00

The General Assembly of the Shareholders (GAS)

In accordance with the Charter of SGB-Bank S.A., the General Assembly of Shareholders is convened by the Management Board of the Bank.

All the details concerning the General Assembly of Shareholders can be found in the Charter of SGB-Bank S.A., which is published on the website <https://www.sgb.pl/bank-sgb/sgb-bank-s-a/statut-struktura-banku/>.

The General Assembly of Shareholders is capable of adopting resolutions valid for the SGB-Bank S.A. if at least 50% of the Bank Shareholders participates therein. In 2019, the GAS [General Assembly of Shareholders] of SGB-Bank S.A. was held on 24 June 2019.

Organisational structure and branch offices

In accordance with the Charter, the scope of the Bank operations consists in serving the function of a bank affiliating cooperative banks based on a concluded affiliation agreement, providing comprehensive banking services addressed to natural and legal persons or unincorporated units, including business entities and self-government entities, and in offering other types of cooperation with cooperative banks (the shareholders) as well as undertaking initiatives for the development of cooperative banking.

SGB-Bank S.A. performs its tasks and functions via its organisational units, separately identified in its organisational structure, i.e.: the Head Office and its organisational units.

In 2019 the organisational units of the Head Office were classified within four divisions: President of the Management Board Division, Business Division, Technology and Operations Division and Risk and Finance Division.

Employment structure

As at 31.12.2019 SGB-Bank S.A. employed 693 persons full-time. The table below presents basic information pertaining to employment in the Bank in the last three years.

Table 4. Employment in SGB-Bank S.A. in the years 2017 to 2019.

	31/12/2017	31/12/2018	31/12/2019
Full-time basis	649	675	693
Number of employees	668	694	706
On average: employment (in a given financial year)	640	661	691

The most important achievements

“Evolution of mobile banking in SGB”

In 2019 SGB-Bank S.A. was the second bank in Poland, which, within the framework of the “Evolution of mobile banking” strategy, activated an option of mobile payments in important market areas, which was available in all its SGB cooperative banks, thus, to all the clients of the entire SGB Group. In practically no time at all SGB-Bank S.A. succeeded in implementing: BLIK, Google Pay, Apple Pay, Garmin Pay and Fitbit Pay.

“Evolution of mobile banking in SGB” was not a one-time IT event but an implementation process, gradually completed in consecutive SGB cooperative banks. Activation of an e-wallet option in SGB-Bank S.A. is available to all the holders of Visa and Mastercard cards as well as debit and credit cards.

The slogan - “Evolution of mobile banking” - was coined to aptly characterise the revolutionary changes that have allowed SGB cooperative banks to transform into innovative financial institutions that apply the cutting edge technologies and attract wider and wider groups of customers.

This technological evolution of cooperative banks was well noted by the media. The report prepared by PRESS-SERVICE, a firm that monitors the media, which summarised the media coverage in the second half of 2019, included the information about the promotional campaign of mobile payments and a new package of banking services.

“We have everything...” campaign

The activities of SGB-Bank S.A. undertaken within the “Evolution of mobile banking” strategy received much publicity within a major advertising campaign worked up in cooperation with BPS S.A. The campaign entitled “We have everything... also the mobile payments” was launched in the Polish television and VOD in October 2019 and was aimed to promote mobile payments within banking services offered by the cooperative banks. Another goal assumed by SGB-Bank S.A. was to promote local cooperative banks as innovative and client-oriented financial institutions.

The campaign was launched on 21 October 2019. The advertising spots were regularly broadcast on TV until 17 November and they were additionally included in Christmas tv commercials. Local cinemas showed the advertising spot until the end of 202, the spot was, furthermore, in the Internet until the end of February 2020.

According to the statistics of SGB-Bank S.A., since July 2019 when the first mobile payments were activated in SGB banks until 22 March 2020, clients of the cooperative banks that form the SGB Group used almost 20 thousand tokens to activate the e-wallet applications in their mobile phones or smart watches. This translated into more than 700,000 transactions of the total value exceeding 35 million zlotys.

“We have everything...” campaign is another milestone in changing the image of cooperative banks. SGB-Bank S.A. aspires to create the image of SGB banks as innovative banks with the cutting edge technologies that enable them to meet a wide range of needs that their clients may have.

BS API

To design new solutions based on state-of-the art technologies and to implement them in the affiliated banks, SGB-Bank S.A., in cooperation with BPS S.A., developed BS API.

BS API is an innovative platform that enables SGB banks:

- to offer access to BLIK, Google Pay, Apple Pay, Garmin Pay and Fitbit Pay,
- to integrate many IT systems,
- to implement SBG mobile application,
- to launch on-line sales channels and to offer an overdraft with the use of a mobile app,
- to create a joint data warehouse.

Development of BS API was a breakthrough, underlying the transformation options in the cooperative banking sector. The platform integrates many diverse IT systems and enables the banks to make joint offers for the clients and to use state-of-the art mobile solutions in their banking services.

The creation of the platform attracted the attention of the entire banking sector. SGB-Bank S.A. was awarded with the Product of the Year IT@Bank2019 award in the recognition of the development and implementation of BS API - an innovative interface that enables the users to integrate many IT systems and facilitates the technological progress of cooperative banks affiliated in two groups in Poland. The award was granted at the annual conference IT@Bank 2019 - the biggest and most prestigious Polish meeting of IT and banking sectors.

SGB mobile application

Another priority for SGB-Bank S.A. was the development of the mobile application. Works on the application dedicated to all the clients of SGB Group commenced in 2019. The application is planned to replace the current SGB e-wallet and to be available to all SGB cooperative banks.

The application will be provided with a user-friendly interface, easy to use by the clients. It is intended to fully guarantee the security in compliance with the assumptions of the PSD2 Directive. The users will be able to log in using their biometric data and to enjoy a wide range of functionalities, including access to their bank accounts, history of transactions, options of on-line transfers, use of cards and card functionalities, mobile payments, in this BLIK. The advantages of the application are: on-line activation process and no need to have any prior access to the Internet banking.

Additionally, the application is designed in compliance with the newest standards. It is to be simple, transparent and intuitive in use. This new SGB application will not only enable the users to make payments but it will serve a full range of banking functions, including convenient management of bank accounts as well as debit and credit card transactions. Moreover, apart from card transactions and bank transfers (in Express Elixir system), it will also enable the users to manage their subscriptions for the services such as Netflix and Spotify. This service will be offered within the bank mobile application for the first time in Poland.

“Konto TAK!”

In 2019 SGB-Bank S.A. ceased the promotion of its group offer of „Konto za złotówkę” account package, replacing it with its improved version - „Konto Tak!” The new package includes an account and a designer payment card with vertically designed personalised back. Within the package, the clients can also enjoy additional benefits, i.e. a Mastercard that goes with a loyalty program „Bez-cenne Chwile” or a VISA card that goes with „Visa Oferty” program. Owing to „Konto TAK!”, the clients can enjoy access to on-line banking, including mobile payments BLIK, Apple Pay, Google Pay, Garmin Pay and Fitbit Pay.

SGB System

In general banks want to concentrate on their core business activity and prefer to contract the performance of any auxiliary services. A cooperative bank that follows such a model does not buy systems and does not bear the costs of their maintenance. It receives ready solutions and pays only for the functions it uses. To meet such a demand SGB-Bank S.A. has come up with the SGB System, which it offers to the affiliated banks.

By offering the SGB System to the affiliated banks, SGB-Bank S.A. provides the banks with a solution how to limit their engagement in administrative IT works and concentrate on their core business, enjoying complete freedom in their pricing policies, client relations or bank management. The key assets of the System are: security, compliance with the business requirements or integration options with systems from various suppliers.

Owing to the SGB System, the cooperative banks can enjoy the growth of their business operations in compliance with their terms of trade and at the same time limit their engagement in the time consuming IT tasks. The System offers a wide range of operations starting from a bank trading system to innovative on-line banking.

In 2019 10 cooperative banks implemented the SGB System. More and more banks are planned to join the System in 2020 and in the next years. As at 31 December 2019, the total of 24 banks use the SGB System offered to them by SGB-Bank S.A.

Macroeconomic situation

World economy

Bear market in the Euro zone resulted in a drop in foreign transactions and exports from Poland. The growth rate of GDP temporarily flattened in the Euro zone in Q4 in 2019 and was 0.1% as compared to 0.3% in Q3 in 2018. The annual GDP growth rate was 1.0% and, after 1.2% growth in Q3 in 2019, the European industrial sector faced stagnation: the number of new supply orders dropped, production delays shortened, production volume was reduced and so was the employment. Production of capital goods or semi-finished products dropped the fastest, which was a clear indication of a decline in the investors’ demand for industrial goods.

The Euro zone situation encouraged the Board of EBC to undertake only mild steps in the monetary policy. Interest rates of basic refinancing operations and interest rates on consumer loans and deposits in the central bank were respectively: 0,00%, 0,25% and -0,50%. As per the declaration of the EBC Board, basic interest rates of EBC shall remain at the current level or shall drop as long as HICP inflation rate has not come sufficiently close to 2%.

To mitigate the impact of low interest rates, the bank continues to purchase net assets of the value of 20 billion EUR per month. At the same time the Federal Open Market Committee has maintained the federal funds rate in the range from 1.5–1.75%. The pursued monetary policy was intended to support the return of inflation to the targeted 2% rate.

Polish economy

According to the preliminary estimate, the increase of real gross domestic product (GDP) in 2019 was 4.0 % against 5.1 % in 2018 (constant average prices of the previous year). Domestic demand

increased by 3.8%. The increase of the real consumption in total was 4.0%, in this household consumption - 3.9%. Gross capital formation increased by 3%, in this gross outlay for fixed assets - by 7.8%. According to flash estimates of the Main Statistical Office, the increase of real Poland’s Gross Domestic Product (GDP) - seasonally unadjusted- in Q4 in 2019 was 3.1% year by year against 4.9% in a comparable period in 2018.

In 2019 the rate of economic growth gradually slowed down. In the surveys Polish manufacturers indicated that the number of orders placed with them was going down. A lower demand in Europe translated into a lower demand for Polish products. Reduced number of new contracts forced the entrepreneurs to reduce employment and purchases. Consumer spending kept declining.

Income available for spending in individual households was positively influenced by good labour market situation - the registered employment rate at the end of 2019 was 5.2% - at the same time the income received by the households within the framework of the program „Family 500+”

Graph 1. Dynamics of selected macroeconomic indices in 2019 (%)

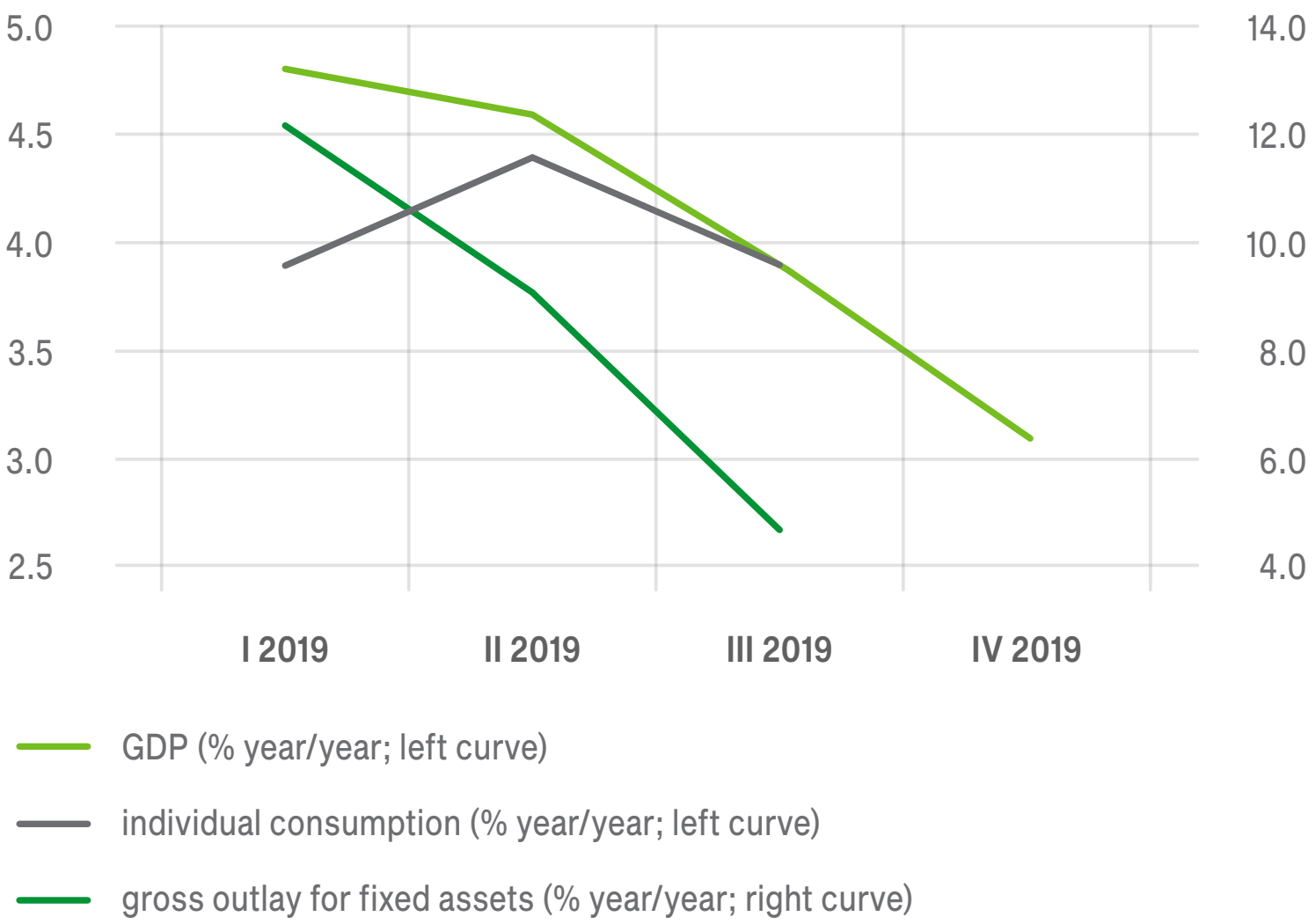


Table 5. Basic interest rates, as at 31 December 2019.

Central Bank	Bank of England	Bank of Switzerland	ECB	Fed
Basic interest rate	0,75%	(-)1,25-(-)0,35%	0,00%	1,50-1,75%
Date of the last change of the interest rates	August 2018	January 2015	March 2016	October 2019

ceased to have any positive effects in view of household spending. Retail sale in constant prices in 2019 increased by 5.4% (against 6.2% in 2018). The increasing inflation also adversely affected the consumption. Prices of consumer goods and services increased by 3.4% in December 2019 as compared to December 2018, and by 0.8% as compared to the previous month.

Foreign trade turnover in 2019 in current prices was PLN 1,013.7 billion (exports) and PLN 1,005.8 billion (imports). The positive balance was at the level of PLN 7.9 billion, whereas in 2018 - it was PLN 19.5 billion. As compared with 2018, exports increased by 6.6% and imports by 3.6%. Exports to Germany dropped by 0.6% as compared to 2018 and amounted to 27.6%, whereas imports from Germany dropped by 0.8% and amounted to 21.8%. Thus, the positive balance in trade turnover with the biggest foreign partner was PLN 60.8 billion against PLN 49.5 billion in 2018.

Financial services market in Poland

In 2019 the Monetary Policy Council maintained the basic interest rates of the central bank at the same level. The reference rate at the end of 2019 was 1.5%, lombard rate - 2.5% and deposit rate - 0.5%.

The Council came to the conclusion that even if the inflation was likely to exceed the upper limit of the inflation target, the temporary increase in price dynamics was influenced with demand and regulatory factors that were outside of any direct influence of the domestic monetary policy. Any motions for any increase or decrease of the reference rate were rejected by the majority of the Council.

In 2019 interbank rates remained stable. This was a market response to the continued mild monetary policy pursued by the Monetary Policy Council.

Stable interest rates applicable to treasury bonds translated into reduced supply of the government securities due to reduced loan needs of the state budget. In 2019 the state budget deficit was PLN 13.7 billion against PLN 28.5 billion planned in the state budget law.

Fluctuations in bond prices also reduced the increasing engagement of domestic investors, mainly banks, in the Polish debt securities market. The yield from Polish debt securities was influenced with external factors. Such factors included mainly decisions of monetary policy authorities in highly developed countries, trade wars and Brexit.

Table 6. WIBOR rates and the yield from Polish debt securities 2018–2019 (%)

Date	31/12/2019	28/12/2018	Change (percentage points)
O/N	1,50	1,54	-0,04
1W	1,55	1,54	-0,03
1M	1,63	1,64	-0,01
3M	1,71	1,72	-0,01
6M	1,79	1,79	0,00
9M	1,80	1,82	-0,02
12M	1,84	1,87	-0,03
Yield from 2 year bonds	1,48	1,34	0,14
Yield from 5 year bonds	1,79	2,29	-0,50

The Polish zloty exchange rate was mainly influenced by external factors, affecting risk aversion. After the strengthening of zloty in October, end of the year brought about the weakening of the domestic currency. This was the response to foreign exchange rates fluctuations in reference to the currencies in the emerging markets and to the global strengthening of USD rates. The F/X rate EUR/PLN of the National Bank of Poland ranged from PLN 4.25-4.40 per 1 EUR and USD/PLN ranged from PLN 3.70-4.00 for 1 USD.

The main index of the Warsaw Stock Exchange (WIG) increased in December last year by 0.58% as compared to the previous month and in comparison to December the previous year - dropped by 0.78%. WIG20 index dropped in December by 0.41% as compared to the previous month and in comparison to December the previous year - by 6.58%. Polish stock exchange was slower in response to market trends than other foreign stock exchanges. According to the Investor Movement

Index (IMX), at the end of 2019, the investors awaiting the upward movement of stocks at the Warsaw Stock Exchange (“GPW”) slightly exceeded the number of investors predicting the downward movement.

In the first half of 2020, the business operations of SGB-Bank S.A. and the entire sector of financial services were adversely influenced by the outbreak of the global COVID pandemics. The scale of recession it has brought as well as its economic, social and political effects are at the moment of drawing up this Annual Report difficult to assess.

Report of an independent statutory auditor



Report of an independent statutory auditor on the audit of the annual financial statement

For the Shareholders of SGB-Bank Spółka Akcyjna [joint stock company]

Report on the audit of the annual financial statement

Opinion

We have reviewed the annual financial statement of SGB-Bank Spółka Akcyjna (hereinafter the “Bank”) with the registered office in Poznań, ul. Szarych Szeregów 23a, including: introductory notes to the financial statement, balance sheet as of 31 December 2019, profit and loss account, statement of changes in shareholders’ equity, cash flow statement for the fiscal year ended on 31 December 2019 and additional information and explanatory notes.

In our opinion, the attached annual financial statement:

- truly and fairly reflects the assets of the Bank as of 31 December 2019 as well as the financial results and cash flows of the Bank for the fiscal year ended on 31 December 2019 in accordance with the provisions of the Law of 29 September 1994 - the Accounting Act (consolidated text: Journal of Laws of 2019, item 351 as amended) (the Accounting Act) and is consistent with the applied accounting principles (policy),
- has been drawn up on the basis of properly maintained books of accounts,
- the form and content thereof complies with applicable provisions of the law and the Bank charter.

This opinion is consistent with the additional report for the Audit Committee issued at date hereof..

Legal basis

We have carried out the audit in accordance with

- the Law of 11 May 2017 on statutory auditors, auditing companies and public supervision (consolidated text: Journal of Laws of 2019, item 1421 as amended) (The Law on statutory auditors),
- International Standards on Auditing in the version adopted as the National Standards on Auditing (NSA) by way of a resolution of the National Council of Statutory Auditors no. 3430/52a/2019 of 21 March 2019 as amended and
- The EU Regulation No. 537/2014 of the European Parliament and of Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing the Commission Decision 2005/909/EC (OJ UE L 158 of 27.05.2014, p. 77 and OJ UE L170 of 11.06.2014, p. 66) (Regulation 537/2014).

In accordance with the aforementioned standards, our liability is specified in the further section hereof entitled *Liability of a statutory auditor for the audit of the annual financial statement*.

We are independent from the Bank in accordance with the International Code of Ethics for Professional Accountants of the International Federation of Accountants (IFAC Code), adopted by way of a resolution of the National Council of Statutory Auditors no. 3431/52a/2019 of 25 March 2019 as rules of professional ethics of statutory auditors, and in accordance with other requirements concerning professional ethics applicable to audits of annual financial statements in Poland. In particular, carrying out the audit the key auditor and the auditing firm were independent from the Bank and, thus, met independence requirement following from the Law on statutory auditors and from the Regulation 537/2014. Moreover, we have fulfilled other obligations of professional ethics in accordance with the said requirements and the IFAC Code.

In our opinion, the documents we reviewed had provided sufficient and adequate basis to express our opinion.

Key issues of the audit

In our professional opinion, key issues of the audit are the most important information for the auditor’s assessment of the annual financial statement drawn up for the current reporting period.

Such information includes the identified, most significant risks of material misstatement, including the risk of fraudulent material misstatement. We have referred to those issues in the context of our overall audit of the entire annual financial statement and we have taken them into account while drafting our opinion about the statement. Below, we have also summarised our approach to the said risks, and, where appropriate, we have presented our most important observations concerning those risks. We have not expressed any separate opinion thereon.

Valuation of receivables

In its financial statement as of 31 December 2019, the Bank presented receivables due from the financial institutions, from the customers and receivables from the state budget, the total of which amounted to PLN 5,556 million. These receivables represented 24% of the assets of the Bank as at the balance sheet date. The receivables amounts and their portfolio reflect the scale and efficiency of loan granting operations of the Bank and significantly affect the evaluation of the entire financial statement.

Those receivables entail a risk that arises when a loan is granted. In order to reduce the risk that the receivables recognised in the balance sheet might be written off, the process of loan granting must be properly structured and secured. The receivables are also at risk of impairment. To evaluate the probability of possible value impairment, we have assessed the status of the receivables and the scale of risk of impairment and we have compared our calculations with the funds allocated in

Our audit approach

Within the framework of the audit and to provide the answer how to prevent the risk of overestimation of the receivables presented in the financial statement of the Bank, we have performed the following:

- we have examined, analysed and described the loan granting process, applicable in the Bank,
- we have identified key verification measures used by the Bank in the loan granting process and we have verified the efficiency of these measures through compliance tests,
- we have assessed the accounting policy in reference to the creation of special purpose funds and the recognition of write-downs on the receivables value, and also we have assessed the compliance of the accounting policy with the applicable laws and whether the accounting policy is proper in view of the current structure of receivables in the Bank portfolio.

Moreover, with regard to the analysis of the selected sample of granted loans, we have applied the following procedures:

special purpose funds for the risk related to loan repayment and write downs on the value of such receivables in view of the risk of their repayment by the Management Board of the Bank in accordance with the accounting policy, developed based on the provisions of the law applicable to the operations of banks. Improper evaluation of receivables and the scale of the risk of their value impairment as well as improper management of the risk related to the receivables may result in the overestimation of the receivables in the financial statement of the Bank. In the Introduction to the financial statement and in notes 10-12 of the additional information and explanatory notes, the Management Board presented the main assumptions regarding the valuation of the receivables. It, furthermore, presented the created reserve funds and the write-downs made on the receivables value using the respective data as at the end of 2019 and 2018.

- we have confirmed the account receivable balances,
- we have verified whether relevant presented loans were properly classified into relevant risk categories identified in appropriate regulations on special purpose reserve funds (provisions) and writedowns, in particular, we have verified whether timely repayments of amounts receivable were properly evaluated and we have verified the financial and economic situation of the debtors,
- we have analysed the methodology applied to calculate the amounts of special purpose reserve funds and write-downs and the methodology of used for their recalculation,
- we have evaluated whether the applied reduction of special purpose reserve funds and write-downs was justified in view of the securities lending arrangements made,
- we have verified the quality and pricing of the securities, based on which special purpose reserve funds and write-downs on the receivables value were reduced.

Additionally, taking into account the entire portfolio of the receivables, we have applied the following procedures:

- we have evaluated whether the interest accrued on the receivables was calculated properly and in full amounts,
- we have analysed the ratio between the receivables and the income presented in the financial statement of the Bank in in view of the receivables recorded in 2019 and in 2018.

Valuation of debt securities

The balance sheet value of debt securities presented in the financial statement as at 31 December 2019 amounted to PLN 15,777 million, which represented 67% of the total assets of the Bank.

To ensure the proper valuation of debt securities and adequate presentation of the results of such a valuation in the financial statement, the Management Board of the Bank needs to recognise individual items in the relevant categories of financial assets at the date of their acquisition or date when contracted and to respectively apply an adequate method of their valuation (pricing). Such issues as non-listing on the stock exchange – in case financial assets priced at fair value – or value impairment in case of financial assets priced at the adjusted purchase price with the account for the effective interest rate may require special attention. The majority of debt securities owned by the Bank is listed on the active financial markets, 99% of which are the securities issued by banks, government and self-government institutions. Safe structure of the debt securities portfolio of the Bank may reduce the related risk. Nevertheless, this balance sheet item poses a significant risk of overestimation of debt securities in the overall evaluation of the entire financial statement.

Opinion of the statutory auditor

While carrying out the audit we have reviewed the accounting policy in terms of:

- classification of particular items of debt securities into relevant categories of financial assets,
- selection of the pricing methods used for particular categories of the financial assets.

Moreover, with regard to the analysis of the selected sample of debt securities, we have applied the following procedures:

- we have evaluated whether the accounting policy of the Bank was applied properly in terms of classification of debt securities,
- we have verified whether the fair value was priced based on the listings of debt securities in active financial markets,
- we have verified whether proper pricing methods were selected and proper assumptions were adopted for the calculation of the fair value of non-listed debt securities,
- we have verified whether the pricing at the adjusted purchase price was applied properly with the account for the effective interest rate,
- we have verified whether the effects of the pricing of debt securities were properly presented as the total accrued interest or as the revaluation capital.

Continued business operations

The spread of SARS-CoV-2 pandemic is the circumstance that may pose a threat to the ongoing business operations of the Bank in the foreseeable future. The Management Board of the Bank analysed such a threat in the context of all available information as at the date of drawing up the financial statement. As a result thereof, the Management Board drew up the financial statement assuming that the Bank shall be able to be an on-going concern in the foreseeable future. The Management Board, further, concluded that the pandemic did not pose a threat to the continued business operations of the Bank, which information it included in the Introduction to the audited financial statement. The on-going concern assumptions have been described in note 64 to the financial statement.

Responsibility of the Management Board and the Supervisory Board for the annual financial statement

The Management Board of the Bank is responsible for drawing up the annual financial statement based on the properly maintained books of accounts. The financial statement shall truly and fairly present the assets, financial results and cash flows of the Bank in accordance with the provisions of the Accounting Act, executive provisions based thereon, the adopted accounting principles (policy) and other applicable provisions of the law as well as with the Bank charter. The Management

Opinion of the statutory auditor

Carrying out the audit, we have planned and performed the procedures aimed to ensure that the indicated circumstances did not indicate any significant uncertainty regarding the on-going concern of the Bank. Within those procedures:

- we have discussed the influence of SARS-CoV-2 pandemic on the operations and business activity of the Bank with the Management Board,
- we have analysed the financial subsidies for the costumers of the Bank granted by the government,
- we have analysed the number of requests for the suspension of repayments and the repayment amounts concerned filed due to COVID-19 pandemic,
- we have analysed conclusions regarding the continuation of business activity presented in the financial statement, including those concerning the influence of the SARS-CoV-2 pandemic on the operations of the Bank.

Board of the Bank is also responsible for the internal control that is necessary to draw up the annual financial statement without any material fraudulent or erroneous misstatement.

Drawing up the annual financial statement, the Management Board of the Bank is responsible for the assessment whether the Bank is able to continue its business operations, for disclosure of issues (if any) related with the continuation of business operations, and for the assumption of the on-going concern, except for the situation when the Management Board either intends to liquidate the Bank or to discontinue business operations or when there is no feasible alternative but for liquidation or discontinuance of the business operations.

Pursuant to the Accounting Act, the Management Board and the members of the Supervisory Board of the Bank are liable for the compliance of the annual financial statement with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for the supervision of the financial reporting of the Bank.

Liability of the statutory auditor for the audit of the annual financial statement

Our aim is to reasonably assure that the overall annual financial statement does not contain any material fraudulent or erroneous misstatement and to draw up a report on the audit with our opinion. Reasonable assurance refers to a high degree of certainty, yet, it does not guarantee that the audit carried out in accordance with NSA will always identify any existing material misstatement. Misstatements may be due to a fraud or an error and they are deemed material if it may be reasonably expected that such misstatements, separately or collectively, could affect business decisions made on the basis of the annual financial statement.

The scope of this audit cannot assure any future profitability of the Bank or the effectiveness and efficiency of running the business of the Bank by the Management Board either at present or in the future.

Carrying out the audit in according to NSA, we review the documents in compliance with the best professional practice, with the observance of the professional prudence as well as:

- we identify and evaluate risks of material misstatements in the annual financial statement due to a fraud or an error, we draft and carry out audit procedures adequate to such risks and we

base our opinion on sufficient and proper documentation. The risk that a material misstatement due to a fraud will not be identified is higher than the risk of a material misstatement due to an error because a fraud may be related to a collusion, forgery, deliberate omissions, misleading or circumvention of internal control;

- we cooperate with the internal control in the scope relevant for the audit in order to draft the procedures of the audit that are well-adjusted to the specific circumstances, however, our procedures are not intended to express our opinion on the efficiency of the internal control of the Bank;
- we evaluate whether the accounting principles (policy) are applied properly and whether accounting estimates and related thereto recognised amounts made by the Management Board of the Bank are reasonable;
- we evaluate whether the assumption of the on-going concern by the Management Board of the Bank was justified and, based in the collected accounting documents, we verify whether there is any significant uncertainty due to any events or circumstances that pose a threat to the continuation of business operations of the Bank. Should we come to the conclusion that there is such a significant uncertainty pertaining to the on-going concern, we are required to report it in our report on the audit of the annual financial statement or, should our findings be incorrect, we are required we modify our opinion. Our conclusions are based on the audited documentation which we had obtained prior to the date of drawing up the report on the audit by a statutory auditor, however, future events or circumstances may prevent the Bank from the continuation of its business;
- we evaluate the overall presentation, structure and content of the annual financial statement, including disclosed data, and we, further, review whether the annual financial statement fairly presents business transactions and the circumstances thereof.

We provide the Supervisory Board with the information about, among others, the planned scope and dates of the audit and about any significant findings, including all and any identified by us during the audit significant flaws of the internal control.

We submit a declaration to the Supervisory Board, stating that we have complied with the relevant requirements of professional ethics concerning independence and we inform the Supervisory Board about any related and other issues which might be reasonably deemed as for a threat to our independence. Whenever applicable, we also inform the Supervisory Board about the applied security measures.

Out of the information provided to the Supervisory Board, we have indicated the issues that proved the most significant for the audit of the annual financial statement for the current fiscal year and we have deemed that information as key information for the audit. We present this information in more detail in our report of a statutory auditor on the audit provided that the legal provisions or other regulations do not prohibit public disclosure of such information, or provided that in unusual circumstances we shall find that such key information should not be presented in our report for the reason that the adverse effects of such a disclosure could be reasonably expected to counter balance any public interest resulting therefrom.

Other information, including the report on operations

Other information section includes the report on the operations of the Bank in the fiscal year ended on 31 December 2019 and a declaration on non-financial information specified in Art. 49B section 1 of the Accounting Act. It makes up a separate part of the report on the operations of the Bank.

Liability of the Management Board and the Supervisory Board

Under the Accounting Act and other applicable laws, the Management Board of the Bank bears liability for drawing up the report on the operations of the Bank. Moreover, the Management Board and the members of the Supervisory Board of the Bank are liable for the compliance of the report on the operations with the requirements specified in the Accounting Act.

Liability of a statutory auditor

Our opinion on the annual financial statement excludes the report on the operations and we refrain from expressing any opinion concerning the compliance of the report on the operations with NSA. Carrying out the audit of the annual financial statement, we were obliged to read the report on the operations of the Bank, and auditing the financial statement, we were obliged to verify whether the report is in any way significantly inconsistent with the annual financial statement or with our best knowledge we acquired during the audit or whether it might in any other way be significantly inconsistent. If, based on the audit works, we should confirm any material misstatements in the report on the operations, we are obliged to report it respectively in our report on the audit. Pursuant to the requirements of the Law on statutory auditors, it is our obligation to issue an opinion

whether the report on the operations has been drawn up consistently with the information included in the annual financial statement. Moreover, we are obliged to provide the information whether the Bank has made a declaration concerning the non-financial data or not. Moreover, pursuant to Art. 111A section 3 of the Law of 29 August 1997 (consolidated text: Journal of Laws of 2019 item 2357 as amended) (The Banking Law), we are obliged to review the information specified in Art. 111a section 2 of the Banking Law.

Opinion on the report of the operations

In our opinion, the report on the operations was drawn up in accordance with the applicable provisions and complies with the provisions of Art. 49 of the Accounting Act and Art. 111A section 1 and 2 of the Banking Law and with the information included in the appended annual financial statement. Moreover, we declare that, as per our best knowledge about the Bank and its environment that we acquired during the audit of the annual financial statement, we have not found any material misstatements in the report on the operations.

Information about the declaration on the non-financial data

In accordance with the requirements of the Law on statutory auditors, we hereby provide the information that the Bank has made a declaration on the non-financial information specified in Art. 49B section 1 of the Accounting Act. It makes up a separate part of the report on the operations.

Report on other requirements of the legal provisions and regulations

Information on the compliance with the prudence principles

The Management Board of the Bank is liable for the assurance of compliance of the operations of the Bank with the prudence principles specified in separate provisions, in particular it is liable for proper assessment of capital ratios.

The purpose of the audit of the financial statement was not to draw up an opinion on the compliance by the Bank with the prudence principles, thus this audit refrain from any opinion thereon. Within the audit of the financial statement of the Bank, we have carried out procedures intended

to identify any breaches by the Bank of the prudence principles specified in separate provisions, in particular to verify if the Bank has correctly assessed the capital ratios presented in Note 1 of the additional information and explanatory notes appended to the financial statement, which might have any significant impact on the financial statement.

We hereby inform you that the Bank failed to meet the required level of prudence specified in the separate provision in respect of the tier 1 capital ratio in the period from 1 January 2019 to 30 June 2019 and in respect of TCR - in the period from 01 January 2019 to 31 May 2019.

Be informed that - except for the breach specified herein concerning our audit of compliance of the Bank with the requirements to maintain the tier 1 capital ratio and TCR - we have not found any other breaches by the Bank of the applicable prudence principles, in particular we have found no improper assessments of capital ratios by the Bank as at 31 December 2019, which might have any significant impact on the financial statement.

Declaration on the provided services other than the audit of the financial statement

In accordance with our best knowledge and belief, we represent that we have not provided any services other than the audit of the financial statement forbidden under the provisions of Art. 136 of the Law on statutory auditors and Art. 5 section 1 of the Regulation 537/2014.

Selection of the auditing firm

We were selected to carry out the audit of the annual financial statements of the Bank for the fiscal years 2019 and 2020 by the virtue of the resolution of the Supervisory Board of the Bank no. 81/2019 of 24 July 2019. We have been auditing the financial statements of the Bank continuously from the fiscal year ended on 31 December 2016, i.e. for four subsequent years. As regards the audit of the financial statement for 2016 we were selected to audit it separately, and in respect of the fiscal years 2017 and 2018 - to audit them jointly. We were also selected to audit the financial statement for 2019 jointly with the one for 2020.

Elżbieta Grześkowiak

Statutory auditor no. 5014

Key statutory auditor auditing the financial statement in the name of Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k., Poznań, ul. Abpa Antoniego Baraniaka 88 E, auditing firm no. 4055

Poznań, 27 May 2020

Balance sheet of the bank - assets

Assets	Note	31/12/2019	31/12/2018
Cash, funds in the Central Bank		1,548,623.7	1,114,746.6
In current account	4	1,439,270.0	1,006,649.9
Other funds		109,353.7	108,096.7
Receivables from the financial sector	10	1,080,027.6	857,375.0
In current account		615,455.3	393,221.9
Fix term deposits		464,572.3	464,153.1
Receivables from the non-financial sector	11	3,665,255.2	3,775,819.1
In current account		249,320.4	227,052.6
Fix term deposits		3,415,934.8	3,548,766.5
Receivables from the state treasury sector	12	811,010.3	720,584.1
Fix term deposits		811,010.3	720,584.1
Debt securities	21	15,776,734.2	13,284,955.3
Banks		4,475,374.0	3,722,973.5
Government and self-government institutions		11,074,146.7	9,243,829.9
Other issues		227,213.5	318,151.9
Shares in subsidiary entities	15	12,754.6	12,015.0
In financial institutions		3,398.6	2,659.0
In other entities		9,356.0	9,356.0
Shares in other entities	15	22,575.1	31,209.7
In financial institutions		22,474.9	31,109.5
In other entities		100.2	100.2
Other securities and financial assets	21	330,596.4	364,891.0
Intangible assets	17	48,330.2	38,728.0
Other intangible assets		38,079.8	35,572.8
Expenses for the intangible assets		10,250.4	3,155.2

Fixed tangible assets	18	90,062.3	87,528.7
Real estates		71,780.7	74,023.1
Other fixed assets		17,244.8	8,636.2
Fixed assets under construction		1,036.8	4,869.4
Other assets	19	10,792.3	34,126.1
Other issues		10,792.3	34,126.1
Prepayments	20	105,864.9	102,742.2
Assets under deferred income tax	39	99,247.1	100,316.0
Other prepayments		6,617.8	2,426.2
TOTAL ASSETS		23,502,626.8	20,424,720.8

Balance sheet of the bank - liabilities

Liabilities	Note	31/12/2019	31/12/2018
Liabilities towards the financial sector	24	21,436,910.2	18,743,493.0
In current account		4,845,336.7	4,348,158.6
Fix term deposits		16,591,573.5	14,395,334.4
Liabilities towards the non-financial sector	25	758,706.1	671,495.2
Saving accounts, in this:		683,781.8	598,008.8
a) current		553,888.8	509,059.5
b) fix term		129,893.0	88,949.3
Other, including:		74,924.3	73,486.4
a) current		61,217.9	60,021.6
b) fix term		13,706.4	13,464.8
Liabilities towards the state treasury sector	26	53,159.2	24,042.4
Current		21,783.5	13,704.7
Fix term deposits		31,375.7	10,337.7
Liabilities under debt securities issuance	31	19,707.1	21,849.6
Other liabilities under financial instruments	27	20.4	0.1
Special funds and other payables	28	69,292.5	53,827.4
Special funds		137.7	46.1
Other payables		69,154.8	53,781.3
Accruals and deferred costs	29	4,145.7	3,190.6
Accruals		622.6	564.9
Other deferred costs		3,523.1	2,625.7
Provisions	30	81,662.5	81,523.6
Provisions under deferred income tax	39	67,233.9	67,939.7
Other reserve funds		14,428.6	13,583.9
Subordinated liabilities	31	316,953.1	183,921.0

Share capital	32	411,383.1	303,846.6
Supplementary capital		241,672.3	241,672.3
Revaluation capital	33	45,326.6	57,615.1
Other reserve funds		38,243.8	185,718.2
General banking risk provision		38,243.8	72,845.8
Other		0.0	112,872.4
Net profit (loss)		25,444.2	-147,474.3
TOTAL LIABILITIES		23,502,626.8	20,424,720.8
SOLVENCY RATIO	1	16.45%	12.35%
		0.0	0.0
Liabilities		22,740,556.8	19,783,342.9
Capitals		762,070.0	641,377.9
IN TOTAL		23,502,626.8	20,424,720.8
		0.0	0.0

Off balance sheet items

	Note	31/12/2019	31/12/2018
Contingent liabilities granted and received		611,973.4	634,027.2
Liabilities granted:	37	598,763.5	606,766.8
a) financial		561,074.2	572,466.0
b) guarantees		37,689.3	34,300.8
Liabilities received:		13,209.9	27,260.4
a) financial		0.0	0.0
b) guarantees		13,209.9	27,260.4
Liabilities arising due to purchase/sale transactions		75,238.8	112,155.4
Other issues		6,000.0	7,800.0

Profit and loss account of the Bank

	Note	1.01-31.12.2019	1.01-31.12.2018
Income generated from the interest		554,570.6	526,031.5
Interest from the financial sector		9,909.0	9,788.8
from the non-financial sector		185,206.7	187,405.3
from the state treasury sector		25,401.7	23,113.3
Securities generating fixed amount of income		334,053.2	305,724.1
Cost of the interest		307,758.0	284,790.9
from the non-financial sector		270,478.5	249,400.5
Interest from the non-financial sector		5,210.7	5,365.9
from the state treasury sector		625.8	220.7
From the securities		31,443.0	29,803.8
cost of the issue of own securities		11,700.5	7,851.5
cost of [securities] premium		19,742.5	21,952.3
Financial result from the interest	40	246,812.6	241,240.6
Cost of commission fees	41	6,573.2	8,638.9
Financial result from the commission fees		46,778.6	41,199.2
Income from shares, other securities and financial instruments of the floating income rate	43	713.5	663.9
from subsidiary entities		148.1	185.1
from other entities		565.4	478.8
Result of financial operations	45	13,351.8	-2,364.9
Securities and other financial instruments		13,351.8	-2,364.9
Foreign exchange result		19,591.4	20,722.1
Result of the banking operations		327,247.9	301,460.9
Other operating income	46	30,586.8	17,785.5
Other operating costs	47	29,444.2	20,305.0

Costs of the operations of the Bank	48	181,299.8	156,536.6
Remunerations		56,572.1	52,339.2
Insurance and other benefits		15,297.6	13,819.2
Other		109,430.1	90,378.2
Depreciation of fixed assets and amortisation of intangible assets	42	20,533.7	19,635.0
Write offs to reserves and impairment write downs		346,488.3	484,219.2
Write offs to special purpose reserves		332,368.9	443,556.4
Impairment write downs		14,119.4	40,662.8
Release of reserves and impairment write downs		-255,696.8	-206,432.9
Release of special purpose reserve funds		-255,546.7	-206,138.7
Release of provisions for the impairment of assets		-150.1	-294.2
Difference between the value of the reserve funds and the impairment value		90,791.5	277,786.3
Gross profit (loss)		35,765.5	-155,016.5
Income tax		10,321.3	-7,542.2
NET PROFIT		25,444.2	-147,474.3

Changes in equity of the Bank

	1.01-31.12.2019	1.01-31.12.2018
Equity capital at the opening balance	641,377.9	795,441.8
Share capital at the opening balance	303,846.6	303,846.6
Changes in the share capital	107,536.5	0.0
increases due to:	107,536.5	0.0
issuance of shares,	107,536.5	0.0
Share capital at the closing balance	411,383.1	303,846.6
Supplementary capital at the opening balance	241,672.3	240,029.4
Changes in the supplementary capital	0.0	1,642.9
increases due to:	0.0	1,642.9
distribution of profit (over the statutory minimum value)	0.0	1,642.9
Supplementary capital at the closing balance	241,672.3	241,672.3
Revaluation capital at the opening balance	57,615.1	64,204.7
Changes in revaluation reserve	-12,288.5	-6,589.6
reductions due to:	12,288.5	6,589.6
pricing of the assets available for sale	12,288.5	6,589.6
Revaluation capital at the closing balance	45,326.6	57,615.1
General banking risk reserve fund at the opening balance	72,845.8	72,845.8
Changes in the general banking risk reserve fund	-34,602.0	0.0
reductions due to:	34,602.0	0.0
coverage of losses	34,602.0	0.0
General banking risk reserve fund at the opening balance	38,243.8	72,845.8
Other reserve funds at the opening balance	112,872.4	111,229.5
Changes in other reserve funds	-112,872.4	1,642.9
increases due to:	0.0	1,642.9
distribution of profit	0.0	1,642.9
reductions due to:	112,872.4	0.0
coverage of losses	112,872.4	0.0

Other reserve funds at the closing balance	0.0	112,872.4
Profit (loss) brought forward at the opening balance	-147,474.3	3,285.8
Profit brought forward at the opening balance	0.0	3,285.8
Change in the previous years' profit	0.0	-3,285.8
reductions due to:	0.0	3,285.8
allocation to the supplementary capital	0.0	1,642.9
allocation to the reserve capital	0.0	1,642.9
Profit brought forward at the closing balance	0.0	0.0
Loss brought forward at the opening balance	147,474.3	0.0
Change in the previous years' loss	-147,474.3	0.0
reductions due to:	147,474.3	0.0
coverage of losses	147,474.3	0.0
Loss brought forward at the closing balance	0.0	0.0
Profit (loss) brought forward at the closing balance	0.0	0.0
Nett result	25,444.2	-147,474.3
a) net profit	25,444.2	0.0
b) net loss	0.0	147,474.3
Equity capital at the closing balance	762,070.0	641,377.9
Equity capital after the proposed distribution of profit	762,070.0	641,377.9

Cash flows in operating activities

	Nota	1.01-31.12.2019	1.01-31.12.2018
Net profit (loss)		25,444.2	-147,474.3
Total adjustments:		264,159.4	357,513.9
Depreciation and amortisation		20,533.7	19,635.0
Profit (loss) due to foreign exchange rates		0.0	0.0
Interest and share in the dividend		713.5	-663.9
Profit (loss) on investment activities		-88.5	384.6
Change in the reserves		138.9	5,179.5
Change in the debt securities	63	-2,490,828.1	-911,327.7
Change in the receivables from the financial sector	63	-125,609.2	-65,395.1
Change in the receivables from the non-financial sector and state treasury sector		20,137.7	224,447.1
Change in the receivables from the purchased securities with the buy-back option		0.0	1,127.6
Change in shares, other securities and financial assets	63	-5,344.4	-9,858.6
Change in the liabilities towards the financial sector	63	2,693,417.3	1,205,913.7
Change in the liabilities towards the non-financial sector and state treasury sector		116,327.7	-112,963.1
Change in other liabilities		15,485.4	24,225.7
Change in accruals and prepayments		-3,065.0	-17,642.9
Change in future income		897.3	-755.1
Other adjustments		21,443.2	-4,792.9
Net cash flows from operating activities		289,603.6	210,039.6
Cash flows from investment activities			
Inflows		35,833.9	28,583.0
Sale of shares in other entities, other securities and financial assets		34,294.7	18,478.4

Sale of intangible assets and fixed tangible assets		2,252.7	9,440.7
Other investment income		-713.5	663.9
Expenditure		32,943.0	21,576.3
Purchase of shares in other entities, other securities or financial assets		0.0	0.0
Purchase of intangible assets		32,943.0	21,576.3
Net cash flows from investment activities		2,890.9	7,006.7
Cash flows from financial activities			
Inflows		238,426.0	0.0
Increase in subordinate liabilities		130,889.5	0.0
Net inflows from the issue of shares and additional contributions towards the share capital		107,536.5	0.0
Expenses		0.0	-7,012.1
Reduction in subordinate liabilities		0.0	-7,012.1
Net cash flows from financial activities		238,426.0	-7,012.1
Net cash flows in total		530,920.6	210,034.2
Balance sheet change in cash		530,920.6	210,034.2
including the change in cash due to exchange differences		0.0	0.0
Cash opening balance	63	1,392,250.5	1,182,216.3
Cash closing balance		1,923,171.1	1,392,250.5
of limited disposability		0.0	

