

Annual Report 2021





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.

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 a group operating based on long-term and successful cooperation with the cooperative banks that are its members. In 2021 SGB-Bank developed its mobile application SGB Mobile and services available through BS API. The offer of the Bank was adapted to the requirements of the modern world and needs of the clients, i.e. on-line access to a number of banking services (such as opening of personal accounts, filing loan applications, instant transfers and other) was ensured.

Table 1 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 23a, 60-462 Poznań
[National Court Register] KRS number	0000058205
[Business Statistical Number] REGON	004848247
NIP [Tax ID no.]	7770005362

Shareholding structure

As at 31 December 2021, the shares of the Bank were taken up by 226 business entities, in this 184 cooperative banks affiliated with SGB-Bank S.A., 38 cooperative banks that were 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: 93.05%, 2.88% and 4.07%.

The governing bodies of SGB-Bank SA

The GAS [General Assembly of Shareholders]

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

Regulations concerning the GAS are contained in the Charter of SGB-Bank S.A. that is available on www.sgb.pl/bank-sgb/sgb-bank-s-a/statut-struktura-banku.

The GAS [General Assembly of Shareholders] of SGB-Bank S.A. was held on 24 June 2021.

The Supervisory Board of SGB-BANK S.A.

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

In 2021, the Supervisory Board of SGB-BANK S.A. was composed as follows:

Table 2. Composition of the Supervisory Board

Chairman of the Supervisory Board	Sławomir Flissikowski	
Deputy Chairman	Katarzyna Zimniak	
Secretary of the Supervisory Board	Sebastian Nietyksza	
Members of the Supervisory Board	Jerzy Bibro Piotr Pniewski Halina Wilk	Zofia Kałek-Bazyluk Adam Trzos

The Management Board of SGB-Bank SA

As at 01 January 2021, 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,
- Leokadia Danuta Tołwińska – Vice-President of the Management Board.

On 03 August 2021, the Financial Supervision Authority (KNF) unanimously granted its consent for appointing Karol Wolniakowski for the position of a member of the Management Board liable for the supervision of significant risk management in the operations of SGB-Bank S.A. As a result, the Supervisory Board of SGB-Bank S.A. co-opted Karol Wolniakowski to the Management Board and entrusted him – as of 01 October 2021 – with a position of the Vice-President supervising the Risk and Finance Division for the duration of the term of office of the Management Board from 2020 to 2024. Karol Wolniakowski replaced at this position Ms. Leokadia Danuta Tołwińska who had filed a resignation.

As of 01 October 2021, 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,
- Karol Wolniakowski – Vice-President of the Management Board.

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 an affiliation agreement concluded with the Bank, 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.

The Bank executes its tasks via its Head Office and branch offices.

In 2021 the organisational structure of the Head Office comprised four divisions: President of the Management Board Division, Business Division, Technology and Operations Division and Risk and Finance Division.

The organisational chart of SGB-Bank S.A. as at 31 December 2021 is appended to the Report as Appendix no. 1.

As of 01 January 2021 SGB-Bank S.A. Carried out its business operations via 18 branch offices. Over 2021 the number of branch offices was reduced to 11.

At the same time, as of 2021 the model of operation of branch offices was changed. In replacement of prior operating branch offices, 6 regional branches were created with superior powers over the other offices. Each regional branch established the position of an Affiliate Manager liable for cooperation with the cooperative banks.

As at 31 December 2021, there were 6 regional branches and 5 offices reporting thereto.

The list of branch offices as at 31 December 2021 is appended to the Report as Appendix no. 2.

Employment structure

As at 31 December 2021 SGB-Bank S.A. employed 653 persons, of whom 648.73 on a full-time basis. The table below presents basic information pertaining to employment in the Bank in the last three years. Change in the employment level results from the reorganisation of the sales network.

Table 3. Employment in SGB-Bank SA in the years 2019 to 2021.

	31 December 2019	31 December 2020	31 December 2010
Full-time basis	693.34	709.35	648.73
Number of employees	706	717	653

Rotation of employees in SGB-Bank S.A.

These days the recruitment and training of employees is very important. Despite fast development of technologies and IT tools, for SGB-Bank, people are the key asset. Owing to our people, we can create and maintain our competitive advantage. The recruitment and training of new employees entails additional costs. To avoid incurring such costs, in SGB-Bank S.A. we analyse the employee rotation ratio on a current basis.

Table 4. Total employee rotation ratio in SGB-Bank S.A. in the years 2019 to 2021.

	2019	2020	2021
Rotation rate	14.11%	16.39%	23.43%

The overall rotation ratio in Poland in the recent years has been about 16%. The following factors contributed to the increase of this ratio in SGB-Bank S.A. in 2021:

- reorganization, change of the organisational structure of branch offices (regional branches, reporting branches), change of the profile of operations of the branch offices,
- looking for new competencies,
- retiring employees.

The most important achievements in 2021

SGB Affiliation Agreement

On 01 July 2021, SGB-Bank S.A. and the affiliated cooperative banks concluded Addendum no. 3 to the SGB Affiliation Agreement, after a prior approval of such changes in the Agreement by the Financial Supervision Commission. The consolidated text of the SGB Affiliation Agreement makes up an appendix to the Addendum no. 3.

The introduced changes concern among others an option of an electronic communication channel, extension of the duties of the Parties to the Agreement and expansion of the range of services provided by the affiliating bank upon a request of a cooperative bank on the basis of separately

concluded agreements. The organisational units of the affiliating bank, the Affiliation Board and the Meeting of Presidents took part in developing the text of the concluded and binding SGB Affiliation Agreement. The draft was also consulted with the SGB Protection System of Cooperative Banks.

“Evolution of Mobile Banking in SGB”

The slogan – “Evolution of Mobile Banking” – was coined in 2019 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 clients. In 2021 the Bank continued the “Evolution of Mobile Banking” strategy.

Apart from implementation of mobile payments, the “Evolution of Mobile Banking” strategy also includes:

- BS-API platform development,
- implementation of the mobile application – “SBG Mobile”,
- launching the SGB ID service,
- implementation of Moje Dokumenty SGB [“My SGB Documents”] service based on a permanent data carrier
- mobile authorisation of transactions and operations made via the online banking,
- implementation of sales processes of products and services in remote channels – SGB Mobile, the online banking (issuing cards online, remote opening of a bank account, online loan granting, sales of insurance),
- constant improvement of the services and products as well as simplification of processes for the clients in remote channels.

In 2021 the Bank implemented further solutions for the clients, which proves helpful in daily banking operations. Among those, the following can be listed: BLIK P2P transfers to the phone or the so-called added values such as Autopay (payments for e-tickets on toll roads), an option to register for Covid vaccinations via a mobile application or monitoring fitness via the Active service.

All the listed services and the “Evolution of Mobile Banking” strategy shall be additionally appreciated through the prism of COVID-19 pandemic. The clients were informed about an option of

switching from cash to non-cash transactions, which contributed to infection prevention. At the same time, the clients were provided with tools allowing them to confirm payments with the use of smartphones, tablets, smartwatches or other devices operating based on the mobile applications.

SGB-Bank continues the adopted directions of development within the framework of strategy adopted for the years 2021-2024. It is the purpose of the affiliating bank to provide the affiliated banks with solutions that catch up with competitors, or are even better in certain respects (the advancement or quality of the offered services).

BS API

This uniform IT platform is used by almost the entire group of banks that are the members of the SGB Affiliation (182 out of 183 banks). 6 different IT systems were integrated, as a result the banks can offer to their clients a uniform product offering comprising the same products and services.

BS API underlies the operation of the mobile application – SGB Mobile, facilitates the circulation of information and documents, shortens the procedures, simplifies and protects data verification. The platform enables the user to open a bank account from the level of a mobile application. It, furthermore, facilitates the control of the finance management and improves the client security of the online banking by providing them with access to a Trusted Profile and My ID service – a safe tool of confirming identity online based on the BS API is at present used in all the SGB cooperative banks. The platform has integrated the mobile application – SGB Mobile with Autopay (system of automatic payments for e-tickets on toll roads in Poland). Works are at present pending on solutions that will enable the clients to contract loans online.

The BS API platform underlies the option of provision of services for the suppliers that cooperate with the cooperative banks. Owing to the cooperation with the IT system suppliers, SGB has launched the following services:

- change of the card payment limits,
- activation of payment cards,
- 3D Secure,
- BLIK P2P,
- mobile authorisation.

SGB mobile application

Making the SGB Mobile application available to the clients was one of the most important parts of the “Evolution of Mobile Banking” strategy implemented in SGB Group. Within 6 months, combined efforts of the SGB-Bank team and Ailleron firm resulted in the development and implementation of an application available to all SGB cooperative banks, irrespectively of the core business of each of the banks. 143 cooperative banks made the application available to their clients. In 2021 the SGB Mobile application was extended with many other functionalities.

In June, the Active module was implemented. It shows such parameters as e.g. saturation, pulse, burnt calories or a number of steps made. „Wyzwanie Active” [Active Challenge] was created. Therein, the users can count steps, make card transactions and win vouchers to sports shops. In July automatic payments for e-tickets on toll roads were initiated in the Autopay service. From September 2021, the application offers an option of opening a “Selfie Account”. Completely remote process of opening a bank account is possible due to the cutting edge technologies of identity verification IDENTT. In 2021 users of the SGB Mobile application could also register for COVID-19 vaccinations.

The full list of the services implemented in the SGB Mobile application in 2021 is as follows:

- Autopay – the service of automatic payments for e-tickets on toll roads
- mobile authorisation – available to cooperative banks with Novum system,
- COVID module – the service of COVID-19 vaccination registration
- 3D Secure – service management in the application
- transfer to a Trusted Recipient without any PIN number
- remote issuance of cards,
- information about application updates and a module about planned breaks and faults,
- „Wyzwanie Active” [Active Challenge] – service for the users of Garmin devices
- “Selfie Account” – a mobile account,
- Banners and splash screens – services,
- transfer to a phone BLIK (P2P).

Basic functionalities of the SGB Mobile application are as follows: access to the account and cards, verification of the transaction history and balance, making transfers, adding a card to mobile

payments and BLIK. From the application level, it is possible to cancel/block the card, temporarily unblock the card, assign the PIN number or confirm on-line transactions via 3D Secure.

In 2021, the application was downloaded 224,084 times. In December 2021 almost 153 thousand users with unique ID from 143 cooperative banks used the the SGB Mobile application.

Diagram 1. Number of logins to the SGB Mobile application

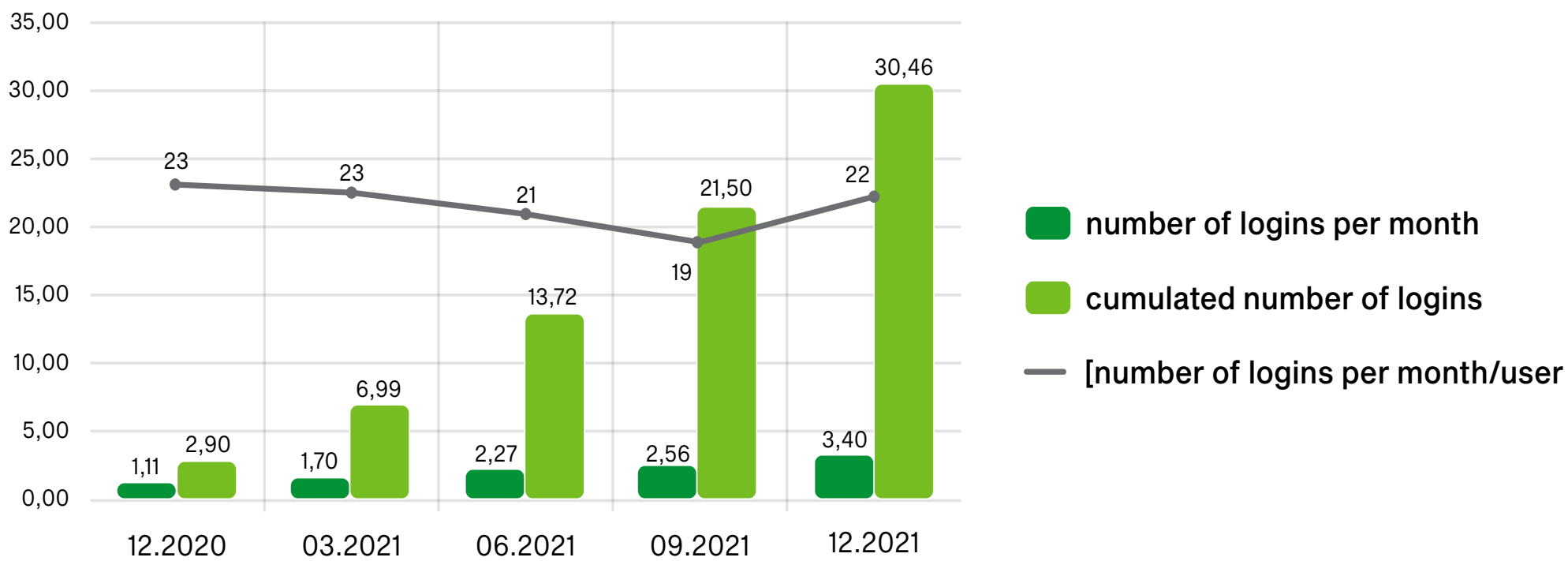
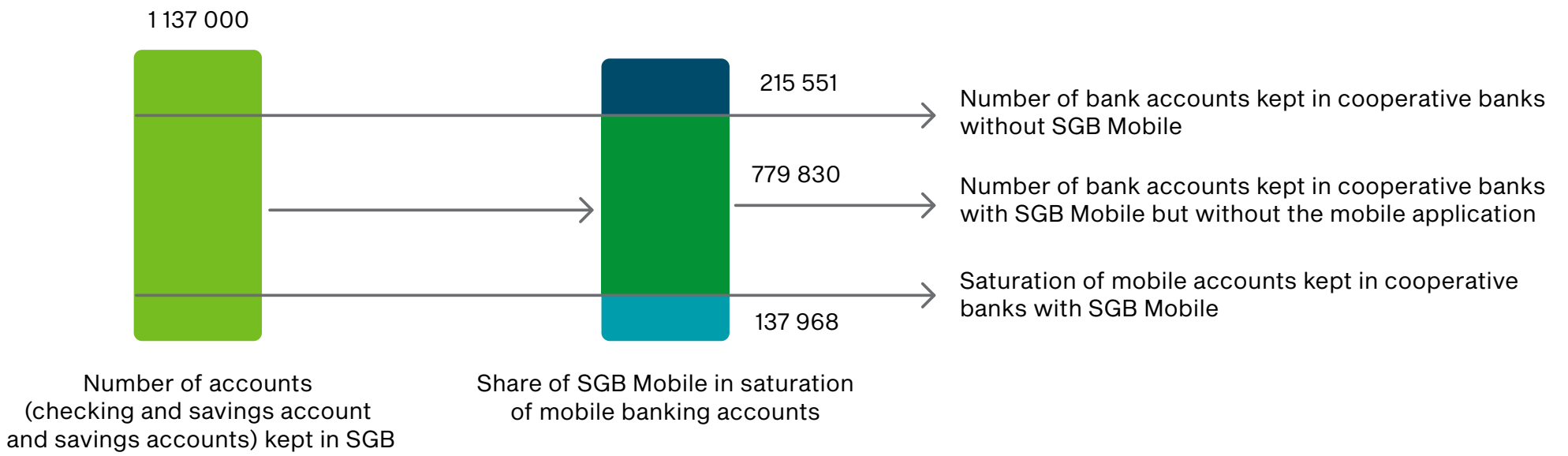


Diagram 2. Share of the SGB Mobile application in checking and savings accounts and savings accounts in SGB Group



Information about awards and recognition received

- At the beginning of 2021, the SGB Mobile application was nominated to the Mobile Trends Award in the Finance and Banking category as one of 5 best applications in Poland.
- In June 2021, the SGB Mobile application was recognised in the Banking category in the 19th edition of the renowned ‘Lider Roku 2020’ (‘Leader in 2020’) technological competition organised by Gazeta Bankowa.
- On 7 October 2021 SGB-Bank S.A. was honoured with the title of the Partner of the Year (‘Partner Roku’) at the Electronic Economy Congress competition for its cooperation with VISA in order to implement a solution facilitating the standing order payments in the SGB Mobile application (‘Plan Manager’).
- 12 October 2021, SGB-Bank S.A. was nominated to Fintech Awards in the BankTech category for the development of the mobile banking application for the SGB cooperative banks.

Mobile Account

In 2021 SGB-Bank implemented a mobile account for cooperative banks in one plan with a dedicated VISA mobile payment card, Mastercard mobile payment card and electronic banking services. A mobile account is accessible only and exclusively from the mobile application level for individual clients who are of age and do not have a personal account.

Identity is verified on the basis of a scan of the ID card. The mobile account was made available to the banks in the mobile application at the end of the third quarter of the year. The account is offered to the clients of cooperative banks. In 2021, 8 banks offered mobile accounts to their clients. As at 31 December 2021, the number of activated mobile accounts in all the banks was 479.

Advertising campaign

In July 2021 SGB-Bank started to regularly advertise the brand of the SGB cooperative banks in the Internet. The Bank continued to promote the SGB cooperative banks as banks offering new solutions, focusing on the SGB Mobile application – a flagship product for individual clients. Advertisements pop up all the time, with different intensity. November and December were the months

when the new advertising spots popped up most intensively, they continued the story of the spots that had been advertising SGB since 2019.

During the advertising campaign, the application was installed over 160 thousand times and the advertising spots popped up over 339 million times.

During the advertising campaign, the decision was made to use the same tools that had been applied during the previous advertising campaign, i.e.:

- Facebook Ads,
- Google Ads,
- Programmatic Display & Video 360.

These tools allow to fully use the potential of advertising in the Internet and to adjust the intensity of the popping up spots to the current needs. During the most intensive advertising period, the campaign was also supported with VOD (tvп and tvп), display advertising on the parcel lockers and advertising spots played in the Helios cinema chain, as a result the advertisements of the application were shown in the areas of operation of the SGB cooperative banks.

Where the SGB Mobile application was not introduced, mobile payments were promoted. Promotional materials were also displayed in all SGB cooperative banks offering the SGB Mobile application.

In compliance with the rules adopted by the Affiliation, the campaign was financed from the funds (budgets) of the SGB cooperative banks and the affiliating bank.

Development of the Integrated Affiliation Solution within the framework of the System of SGB Services

The model of operation adopted by the Affiliated focuses on facilitating the SGB cooperative banks to concentrate on their core business. Provision of services in the areas that support the core businesses is more and more often contracted from the affiliating bank. For the purpose, the System of SGB Services was developed. The System is understood as a set of services offered by SGB-Bank for the benefit of the affiliated banks. In such a model of operation, a cooperative bank receives ready solutions and pays only for the functions plan that it uses.

One of the basic elements of the System of SGB Services is the Integrated Affiliation Solution that offers a wide range of operations, starting from the transaction system via innovative online and mobile banking, ending on the reporting support. The Integrated Affiliation Solution enables the cooperative banks to reduce the time needed for administrative work in the area of back office services and time consuming IT operations, in this assuring the cybersecurity. This way, the banks can concentrate on their core businesses, while enjoying full trading freedom as regards their pricing policies, client relations or managing the bank.

In 2021 the Integrated Affiliation Solution was implemented by 7 more SGB cooperative banks and two projects of affiliation to cooperative banks (part of the Integrated Affiliation Solution family) were completed. More and more banks are planned to be joined in the system in 2022 and in the next years. Plans also envisage mergers. As at 31 December 2021, 25% of the accounts of the SGB Affiliation were the accounts within the Integrated Affiliation Solution kept by 35 cooperative banks.

AML service

In 2021, the banks operating within the System of SGB Services launched the AML Service. It is an innovative and comprehensive solution that consists of a set of new IT tools and a plan of operations' and consultancy services. The banks operating within the System of SGB Services receive ongoing technical support and access to the AML Expert Hub in SGB-Bank. Thanks to new technologies, the anti-money laundering and financing terrorism processes were automated and optimised. The implemented solution guarantees high level security of cash flows and optimises the AML processes, while its integration with business processes of the bank translates into time savings as regards the customer service. The service aims to consolidate standards of the processes implemented in the area of AML in SGB Affiliation.

In 2021, thanks to the integration with the SGB Platform, the banks operating within the System of SGB Services and using the AML Service launched an automated KYC process. This significantly reduced labour intensity of business processes, mainly by automating the processes that had been performed manually. Besides a standard distribution channel in the offices of cooperative banks, the automated AML verification was implemented also as eKYC in the process of contracting bank

services remotely and opening the Selfie Account in the SGB Mobile application. It is a milestone in the automation of processes within the area of AML.

Cooperative banks continue to enjoy full access to the benefits offered by the AML Service – an innovative and comprehensive solution that consists of a set of new IT tools and a plan of operations’ and consultancy services. The banks operating within the System of SGB Services receive ongoing technical support and access to the AML Expert Hub in SGB-Bank. In 2021, functionalities of the AML System (which is a main component of the System of SGB Services) were extended with a set of 13 additional modifications initiated by the cooperative banks. Moreover, the processes and systems were modified to comply with the amendment of the provisions of the AML Law, which became effective in October 2021. As regards the legal requirements, the cooperative banks received ready-made and already implemented solutions, which only proves the important role that SGB-Bank plays. In the following months, we expect to undertake further steps aimed at increasing automation and streamlining the processes within the area of AML.

SGB Platform

In 2020, SGB-Bank launched the project of a multi-bank platform supporting business processes initiated in different sales channels. As per the assumed objectives, SGB Platform is planned to become a basic tool used by consultants in the sales departments of SGB-Bank as well as any other SGB cooperative banks interested therein. The Platform is also intended as a driving force of the online sales processes initiated by the clients in their mobile applications or via online banking.

First, in 2020, an option of opening checking and savings accounts for individual clients via the distribution channel in branch offices was activated. Thanks to the new solution, the whole operation of opening bank accounts and issuing debit cards linked therewith and online banking service is processed in one system. SGB Platform is used for the entire process of presenting an offer to the client, automated risk assessment, preparation of documents and granting access to them, and finally activation of respective products and services. As a result, the time needed to open an account, receive a debit card and get access to online banking services was significantly reduced. Next steps will focus on the implementation of processes concerning bank accounts for institutional clients and loans for individual customers, just to name a few.

In April 2021, the bank activated an option of opening current, subsidiary, currency, savings and VAT accounts for the benefit of institutional clients via the distribution channel in branch offices. Moreover, the bank continued the development and implementation of such online processes as a loan application review, loan granting and disbursement processes for individual clients via the distribution channel in branch offices and via mobile application. The new processes were implemented in January 2022.

SGB Platform is offered to the affiliated cooperative banks as the Integrated Affiliation Service. Cooperative banks could use the SGB Platform to open checking and savings account for individual clients via the distribution channel in branch offices since May 2021 and via the remote banking channel since 2021. As of 31 December 2021, 25 banks implemented the solution offered by SGB-Bank. The bank plans to continue the implementation of the Services supporting the opening of checking savings accounts for individual clients in the remaining cooperative banks. Also, the bank started the activation of the same Service for institutional clients via the distribution channel in branch offices and the option of cash loan for individual clients via the distribution channel in branch offices and via the online banking in cooperative banks.

SGB24/SGB24 Biznes online banking

In 2021, continuing the “Evolution of Mobile Banking” strategy, SGB-Bank worked on the development of SGB24 online banking platform intended for individual and corporate clients. Over this period, the bank released 4 new updates of online banking system for the clients. The new releases for the clients contained new added or modified functionalities in respect of as many as 32 services. The most relevant changes include:

- a new option of purchasing insurance via online banking,
- currency exchange for businesses,
- verification if the counterparties’ accounts are on the “White List” of VAT payers at the time of placing a transfer order or signing a package of transfers,
- configuration of text message notifications directly by a client,
- new formats of exporting account statements and new formats of mass payment analytics,
- extended information about transfers when accepting multiple payments,
- division into current accounts and VAT accounts,
- additional criteria of sorting transactions,

- new option of using a multisignature on applications and opening deposit accounts online by cooperative banks,
- access to My SBG Documents option [Moje Dokumenty SGB] where clients can read the documents addressed to them by the bank.

The development of online channels also supports individual and corporate clients in submitting new applications and subsidy requests within the government programmes, such as Tarcza PFR, application for “500+” child benefit, “Świadczenie Dobry Start Dziecka” child benefit. In 2021, 9 cooperative banks joined the Integrated Affiliation System of the banks using, among others, the shared online banking platform SGB24/SGB24 Biznes, and the total number of cooperative banks, including SGB-Bank, that implemented and used the shared solution was 36 at the end of the year. At the end of 2021, the total number of online banking users was 1,982,000, which is a growth by 35% y/y.

SGB currency exchange

SGB currency exchange facilitates immediate foreign currency exchange via the Internet. The amount debited from the account in Polish zloty is exchanged and credited on the account kept in a given foreign currency or vice versa. SGB-Bank enables the clients and banks that use the def3000 system to exchange currency via the SGB24 and SGB 24 Biznes within the framework of online banking services. In 2021 the SGB currency exchange was extended with a new functionality that allows currency exchange transactions to be made in the SGB currency exchange 24 hours a day.

Macroeconomic situation

World economy

Like in the previous year, in 2021 the world economy was strongly influenced with COVID-19 pandemic and its consequences. A strong increase in demand, suppressed when the most stringent sanitary restrictions were imposed and economies were thrust into ‘deep freeze’, improved the market situation, however, the rate of global growth of GDP was slowed down by subsequent

waves of the pandemic as well as by constantly rising prices of energy raw materials and continuing supply limitations due to disruptions in the Global supply chain.

In 2021, the USA GDP rose by 5.7% which had been the fastest growth rate since 1984. At the same time the Federal Open Market Committee maintained the federal funds rate in the range from 0.00 to 0.25%. The central bank of the United States initiated the financial asset purchase (LSAP) program. However, in December 2021 and in January 2022, the bank decided to reduce the rate of the asset purchases to 30 billion USD a month at present. The program will come to an end and the balance sheet total of the central bank of the United States shall be reduced after the decision is made on the increase of the federal funds rate. Tightening of the monetary policy was an effect of fast rising prices – in December 2021 PCE inflation was 5.8%.

The GDP growth rate in the Euro zone was also high and reached 5.2% in 2021. Such high economic growth was facilitated with the implementation of the so-called extraordinary program of mitigating the monetary policy in response to the pandemic: purchase of private and public sector securities of the total value of 1.85 trillion EUR. At the turn of 2021 and 2022, the purchase rate of assets under the program was curbed. The program finally came to an end in March 2022. Perspectives of any potential increases in the basic interest rates in the Euro zone have not been specified. In 2021 the basic interest rate remained at the previous zero level, despite the fact that the inflation rate clearly rose (the HICP inflation was 5.0% in December 2021) and it may be expected to continue rising for a longer time period.

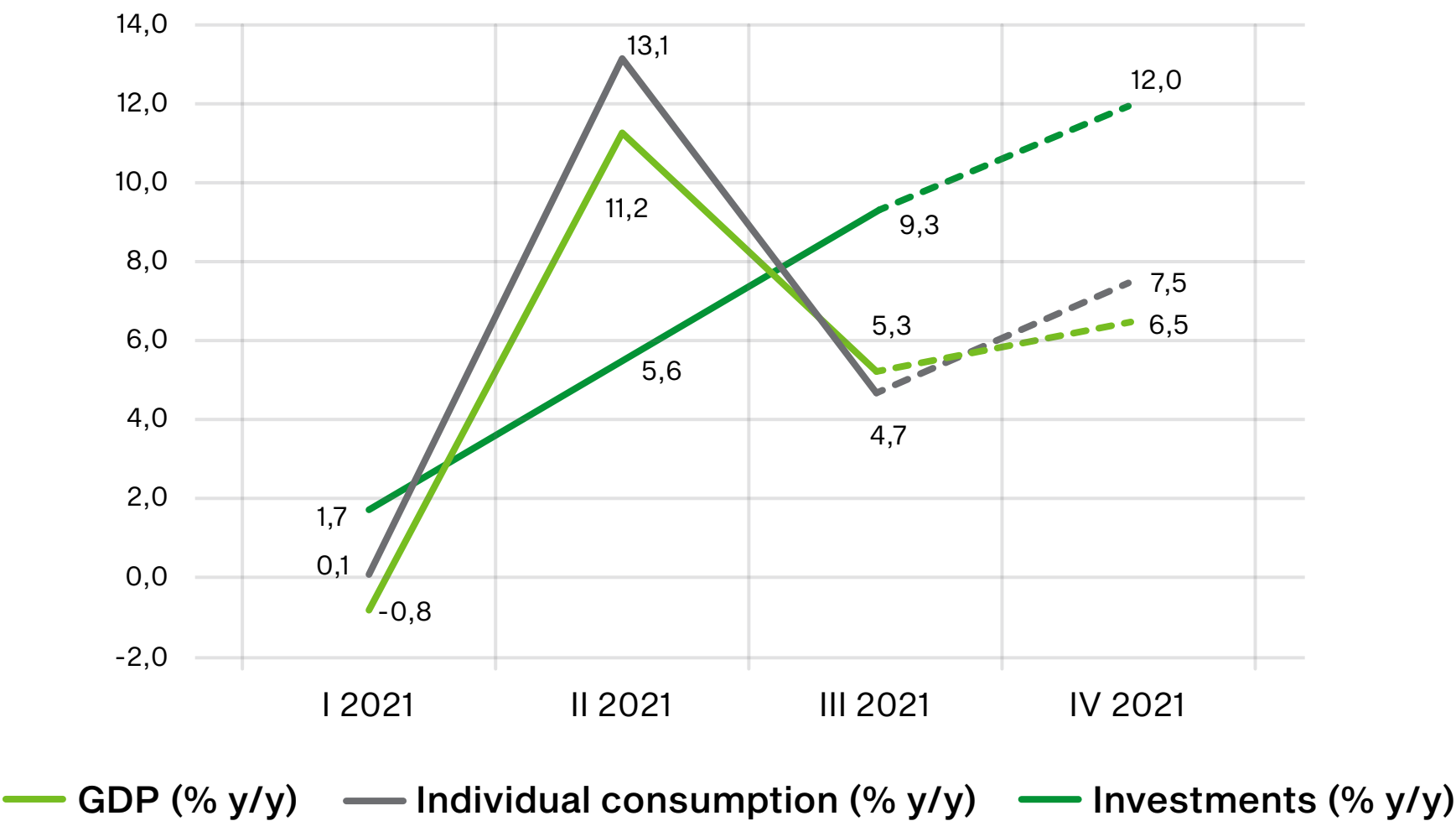
Table 5. Basic interest rates, as at 31 December 2021.

Central Bank	Bank of England	Bank of Switzerland	ECB	Fed
Basic interest rate	0.25%	(-)0.75-(-)0,25%	0,00%	0.00–0.25%
Date of the last change of the interest rates	December 2021	January 2015	March 2016	March 2020

Polish economy

According to the preliminary estimate, the dynamics of the gross domestic product (GDP) in 2021 was 5.7%. The household consumption increased by 6.2% and gross outlay for fixed assets by 8.0%. Economic situation in Poland improved in 2021 as compared to 2020. However, the end of the previous year brought about pessimistic forecasts among business entities and consumers. The economic situation kept declining due to stronger cost pressures and the COVID-19 spread, in particular the spread of Omicron variant of SARS-CoV-2. Apart from a generally uncertain economic situation, unclear and unstable legal provisions, prolonged delivery times of means of production to factories and continuous increase of costs of production also to a larger or lesser extent posed additional burdens to business activities of enterprises. Whereas, in the last month of 2021, consumers more and more pessimistically assessed their future financial situation and future economic situation in Poland.

Diagram 3. Dynamics of selected macroeconomic indices in 2021 (%)



In 2021 agricultural production market conditions were favourable for the manufacturers. Prices of agricultural products sold by individual farms rose by 3.2% as compared with 2020. At the same time, average prices of goods and services purchased for the current needs of agricultural production and investments in the overall perspective remained the same. As a result, the ratio of the prices of products and services sold and bought (the so-called "price gap") was 103.1 as compared to 97.5 in 2020. It shall, however, be noted that the prices of all basic means of agricultural production were higher than in the previous year. Prices of fertilisers noted the highest rise. Prices of fuel and fodder were also much higher than in 2020.

In 2021 sold production of the industry increased by 14.9% (as compared to a 1.0% decline a year before). The highest growth rate of agricultural production was observed in Q2 of 2021 (by 30.2%) and in the remaining year quarters the rise was as follows: an increase by 7.8% in Q1 and 13.4% in Q4. The food processing industry noted a growth of 14.2% and sales increased over the year in most of the industry sectors (31 out of 34 in total). Labour efficiency in industry, measured as sold production per one employee, increased by 14.4% per annum in 2021. At the same time, average employment rate increased only slightly.

Construction and assembly services provided by building companies with more than 9 employees increased by 3.2% in 2021. The annual sold production was higher as regards entities performing mainly specialised construction works and entities specialising in the construction of land and water civil engineering structures, it, however, went down in entities specialising in erection of buildings. Sales of renovation works increased (by 10.7%) and those of investment project works declined (by 1.3%). The declining sales noted by entities specialising in erection of residential and commercial buildings only confirm limited investment activities of self-governments and gradual recovery of investments.

In 2021, as regards residential housing, 234.7 thousand apartments were granted the occupancy permit, i.e. this is a 6.3% y/y increase. Developers completed and handed over 141.7 thousand apartments, i.e. by 0.7% y/y less, as regards private investors this number was 88.3 thousand apartments, i.e. it increased by 19.4% y/y. Construction of 277.4 thousand apartments was commenced, i.e. by 23.9% y/y more: of which the developers started the construction of 166.3 thousand apartments (by 27.7% more y/y) and private investors – 106.1 thousand (by 17.5% y/y more). The response of the supply market of apartments was delayed in view of the strong demand of the buyers after the outbreak of the pandemic.

Retail sales returned to the level from before the pandemic. In 2021 sales grew in all the year quarters. The sales in the last year were higher by 5.8% than in 2020. Sales were higher in all the groups of commodities than a year before. End of the year, however, brought a slow- down of the growth dynamics in the entities selling furniture, audio and video equipment and household appliances, which may show a decline in consumer trends in making important purchases.

Foreign trade turnover was going down. Foreign trade turnover according to the Central Statistical Office in the period from January to November 2021 was PLN 1,189.1 billion (exports) and PLN 1,184.8 billion (imports). Positive balance was at the level of 4.3 billion PLN and was by ten times lower than in a comparable period in 2020. The dynamics of exports was 22.5% y/y and of imports – 28.0% y/y. The dynamics of exports was adversely affected by declining sales of cars and other auto parts. Higher dynamics of imports as compared to exports adversely affected the foreign trade turnover, net exports in turn exerted stronger and stronger negative impact on the GDP growth rate.

Labour market situation slightly improved in 2021 as compared with the previous year. According to the data estimates the number of people working in Poland at the end of 2021 was by 0.3% higher than a year before. Average monthly gross remuneration in the business sector was 5,889.84 PLN in 2021 and was by 8.8% higher than a year before. Pay rises, usually much higher than a year ago, were noted in all areas of businesses. In December 2021 average monthly remuneration was by 11.2% y/y higher and represented the most rapid rise since 2008, however, due to increasing inflation, real wages increased only by 3.0% y/y.

The inflation pressure in Polish economy was much stronger than in 2020. The annual Consumer Price Index (CPI) in 2021 reached the peak in the last 20 year time span. Prices of consumer goods and services increased by 5.1% . Prices of goods increased by 4.6% and of services – by 6.8%. The increase in the Consumer Price Index generally stemmed mostly from increased prices of goods and services related with housing (by 1.61 pp), increased prices of transport services (by 1.28 pp) and increased prices of foodstuffs and non-alcoholic drinks (by 0.88 pp). Yet, in December 2021, prices of goods and services were already higher by 8.6% y/y and by 0.9% m/m. The base inflation rate was 5.3% y/y (the highest noted from August 2001) and 0.4% m/m.

Financial services market in Poland

Polish monetary authorities for a long time undertook only mild measures in their monetary policy. Their approach changed as late as in October 2021. From then on more and more stringent measures are being introduced within the tightening of the monetary policy. At the end of 2021, basic interest rates of the National Bank of Poland were as follows:

- reference rate: 1.75%
- lombard rate: 2.25%
- deposit rate: 1.25%
- rediscount rate of bills of exchange 1.80%
- discount rate of bills of exchange 1.85%

Forecasts that the tightening of the monetary policy will continue have translated into an increase of rates on the interbank market and a high yield increase of Polish treasury bonds.

Table 6. WIBOR rates and the yield from Polish debt securities 2020 – 2021 (%).

Date	31 December 2021	31 December 2020	Change (pp.)
O/N	1.63	0.11	1.52
1W	2.09	0.12	1.97
1M	2.23	0.20	2.03
3M	2.54	0.21	2.33
6M	2.84	0.25	2.59
12M	3.13	0.25	2.88
Yield on 2-year bonds	3.35	0.09	3.26
Yield on 5-year bonds	3.99	0.80	3.19

The Polish zloty exchange rate was mainly influenced with uncertainty arising due to the course of the pandemic and decisions of national monetary authorities. Despite the fact that the basic interest rates were increased by the Monetary Policy Council, Polish zloty remained weak. At the end of 2021, average exchange rates of Polish zloty published by the National Bank of Poland into main foreign currencies were 4.06 USD/PLN and 4.5594 EUR/PLN.

In 2021 the Warsaw Stock Exchange General Index (WIG) increased by 19.57% up to 69,296.26 points and WIG20 by 12.85%.

Last year 16 new companies were listed on the stock exchange. At the end of 2021, there were 429 companies listed on the Warsaw Stock Exchange by 4 companies less than in 2020. At the end of the year, sentiments went down and the Polish Investor Sentiment Index showed that almost half of the investors expected the bear market.

Report of an independent statutory auditor



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

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

Report on the audit of the annual financial statements

Opinion

We have reviewed the annual financial statements of SGB-Bank Spółka Akcyjna (hereinafter the “Bank”) with the registered office in Poznań, ul. Szarych Szeregów 23a, including: introduction to the financial statements, balance sheet as of 31 December 2021, profit and loss account, statement of changes in shareholders’ equity, cash flow statement for the fiscal year ended on the aforementioned date and additional information and explanatory notes.

In our opinion, the attached annual financial statements:

- truly and fairly reflect the assets of the Bank as of 31 December 2021 as well as the financial results and cash flows of the Bank for the fiscal year ended on 31 December 2021 in accordance with the provisions of the Law of 29 September 1994 – the Accounting Act (consolidated text: Journal of Laws of 2021, item 217 as amended) (the Accounting Act) and are consistent with the applied accounting principles (policy),
- have 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 2020, item 1415 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 EU L 170 of 1.06.2014, p. 66 (Regulation 537/2014).

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

We are independent from the Bank in accordance with the *International Code of Ethics for Professional Accountants* (including the *International Standards of Independence*) of the International Ethical Standards of Accountants (IESBA 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 IESBA 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 statements 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 statements and we have taken them into account while drafting our opinion about the statement. Below, we have also summarized 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**Description**

In its financial statements as of 31 December 2021, 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 6,067 million. These receivables represented 23% of the assets of the Bank as at the balance sheet date. The receivable 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 statements.

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. The assessment of whether the criteria of value impairment of individual items of receivables have been met and the assessment of the scale of risk of impairment is reflected in amounts allocated to 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, created 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 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 statements of the Bank.

In the Introduction to the financial statements 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 2021 and the previous year.

Opinion of the statutory auditor

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 statements of the Bank, we have performed the following acts:

- 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:

- 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 write-downs, 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 statements of the Bank in view of the receivables recorded in 2021 and in the previous year.

Liability of the Management Board and the Supervisory Board for the annual financial statements

The Management Board of the Bank is liable for drawing up the annual financial statements based on the properly maintained books of accounts. The financial statements 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 Board of the Bank is also liable for the internal control that is necessary to draw up the annual financial statements without any material fraudulent or erroneous misstatement.

Drawing up the annual financial statements, the Management Board of the Bank is liable 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 where the Management Board either intends to wind-up the Bank or discontinue its operations or where 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 obliged to ensure that the annual financial statements meet the requirements specified in the Accounting Act. Members of the Supervisory Board are liable for the supervision of the financial reporting of the Bank.

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

Our aim is to reasonably assure that the overall annual financial statements do 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 statements.

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 statements due to a fraud or an error, we draft and carry out audit procedures adequate to such risks and we obtain evidence to 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, we are required to report it in our report on the audit of the annual

financial statements 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 statements, including disclosed data, and we, further, review whether the annual financial statements fairly present 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 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 statements for the current fiscal year and we have deemed that information as key information for the audit. We present them in more detail in our report on the audit by a statutory auditor provided that the legal provisions or other regulations do not prohibit public disclosure of such information, in unusual circumstances, we shall find that such key information should not be presented in our report for the reason that it could be reasonably expected that the adverse effects of such a disclosure would 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 2021 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 statements 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 statements, we were obliged to read the report on the operations of the Bank, and auditing the financial statements, we were obliged to verify whether the report is in any way significantly inconsistent with the annual financial statements 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 statements. Moreover, we are obliged to provide the information whether the Bank has made a declaration or a separate report concerning the non-financial data or not. Additionally, pursuant to Art. 111a section 3 of the Law of 29 August 1997 the Banking Law (consolidated text: Journal of Laws of 2021, item 2439, 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 statements.

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 statements, we have not found any material misstatements in the report on 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 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 statements was not to draw up an opinion on the compliance by the Bank with the prudence principles, thus, this audit refrains from any opinion thereon. Within the audit of the financial statements 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 statements, which might have any significant impact on the financial statements.

Be informed that we have not found any breaches by the Bank – in the period from 1 January 2021 to 31 December 2021 – of the applicable prudence principles, in particular we have found no improper assessments of capital ratios by the Bank as at 31 December 2021, which might have any significant impact on the financial statements.

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

In accordance with our best knowledge and belief, we represent that we have not provided any services other than the audit of the financial statements 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 2021 and 2022 by the virtue of the resolution of the Supervisory Board of the Bank no. 47/2021 of 26 May 2021. We have been auditing financial statements of the Bank continuously from the fiscal year ended on 31 December 2016, i.e. for six subsequent financial years. For the audit of the financial statements for 2016, we were selected by way of a separate procedure, next we were selected for two year periods: 2017-2018, 2019-2020 and 2021-2022.

Paweł Zaczyński

Statutory auditor no. 13290

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.
Poznań, ul. Abpa Antoniego Baraniaka 88 E
auditing firm no. 4055

Poznań, 12 May 2022.

Financial statements of SGB – Bank SA for 2021 in thousand PLN

Balance sheet – assets

Aktywa	31/12/2021	31/12/2020
Cash, funds in the Central Bank	894,321	721,991
In current account	772,621	576,820
Other funds	121,700	145,171
Receivables from the financial sector	1,798,223	1,397,840
In current account	1,107,095	668,250
Fix term deposits	691,127	729,591
Receivables from the non-financial sector	3,378,184	3,603,155
In current account	273,663	234,286
Fix term deposits	3,104,521	3,368,870
Receivables from the state treasury sector	890,605	827,049
Fix term deposits	890,605	827,049
Debt securities	18,704,600	18,033,092
Banks	6,130,828	4,849,978
Government and self-government institutions	11,442,017	12,173,257
Other	1,131,754	1,009,858
Shares in subsidiary entities	12,855	12,855
In financial institutions	3,499	3,499
In other entities	9,356	9,356
Shares in other entities	28,934	21,580
In financial institutions	28,895	21,467
In other entities	40	113
Other securities and financial assets	310,758	333,065
Intangible assets	76,656	59,791
Other intangible assets	66,591	53,754
Outlay for the intangible assets	10,066	6,037

Fixed tangible assets	76,605	87,137
Real estates	56,970	64,911
Other fixed assets	18,394	14,389
Fixed assets under construction	1,241	7,836
Other assets	22,274	10,666
Assets taken over – for sale	4,604	4,626
Other	17,670	6,040
Prepayments	117,837	113,582
Assets under deferred income tax	108,090	105,046
Other prepayments	9,746	8,535
Equity shares	0	1,403
TOTAL ASSETS	26,311,851	25,223,205

Financial statements of SGB – Bank SA for 2021 in thousand PLN

Balance sheet – liabilities

Liabilities	31/12/2021	31/12/2020
Liabilities towards the financial sector	23,640,001	22,556,659
In current account	5,947,037	6,677,220
Fix term deposits	17,692,964	15,879,439
Liabilities towards the non-financial sector	1,058,213	1,110,206
Saving accounts, in this:	958,400	1,011,943
a) current	906,744	926,084
b) fix term	51,656	85,858
Other, including:	99,813	98,264
a) current	90,651	80,505
b) fix term	9,162	17,758
Liabilities towards the state treasury sector	57,340	168,041
Current	57,012	40,714
Fix term deposits	328	127,328
Liabilities under debt securities issuance	4,515	17,646
Other liabilities under financial instruments	507	250
Special funds and other payables	399,457	215,273
Special funds	676	557
Other payables	398,781	214,716
Accruals and deferred costs	9,367	7,457
Accruals	5,013	1,843
Other deferred costs	4,354	5,614
Provisions	115,142	85,966
Provisions under deferred income tax	73,750	70,382
Other reserve funds	41,391	15,584
Subordinated liabilities	238,992	281,826

Initial (share) capital	421,383	411,383
Supplementary capital	258,163	254,395
Revaluation reserve	41,030	55,600
Other reserve funds	54,734	50,966
Provision for the general banking risk	38,244	38,244
Other	16,490	12,722
Net profit (loss)	13,008	7,537
TOTAL LIABILITIES	26,311,851	25,223,205
SOLVENCY RATIO	16.20%	15.95%

Financial statements of SGB – Bank SA for 2021 in thousand PLN

Off balance sheet items

	31/12/2021	31/12/2020
Contingent liabilities granted and received	681,397	599,111
Liabilities granted:	666,933	574,553
a) financial	612,071	527,889
b) guarantees	54,861	46,664
Liabilities received:	14,464	24,558
a) financial	0	0
b) guarantees	14,464	24,558
Liabilities arising due to purchase/sale transactions	196,613	135,733
Other	18,300	4,500

Financial statements of SGB – Bank SA for 2021 in thousand PLN

Profit and loss account

	01/01-31/12/2021	01/01-31/12/2020
Income generated from the interest	345 284	437 199
Interest from the financial sector	4,817	5,364
from the non-financial sector	117,581	142,344
from the state treasury sector	11,258	16,301
Securities generating fixed amount of income	211,627	273,191
Cost of the interest	94,007	174,499
from the non-financial sector	67,805	141,571
Interest from the non-financial sector	1,167	3,800
from the state treasury sector	9	279
From the securities	25,025	28,849
cost of the issue of own securities	7,693	10,691
cost of [securities] premium	17,333	18,158
Financial result from the interest	251,277	262,700
Financial income from commission fees	57,718	54,827
Cost of commission fees	6,325	6,825
Financial result from commission fees	51,393	48,002
Income from shares, other securities and financial instruments of the floating income rate	949	714
from subsidiary entities	44	0
from other entities	905	714
Result of financial operations	-14,209	-10,160
Securities and other financial instruments	-14,209	-10,160
Foreign exchange result	21,238	23,469
Result of the banking operations	310,649	324,725
Other operating income	62,769	45,121
Other operating costs	53,929	38,463

Costs of the operations of the Bank	190 325	186 721
Remunerations	61,601	59,024
Insurance and other benefits	15,626	15,104
Other	113,097	112,593
Depreciation of fixed assets and amortisation of intangible assets	29,202	25,077
Write-offs to reserves and impairment write downs	318,368	308,230
Write offs to special purpose reserves	318,368	304,702
Impairment write downs	0	3,528
Release of reserves and impairment write downs	-239,639	-200,698
Release of special purpose reserve funds	-237,814	-200,698
Release of provisions for the impairment of assets	-1,825	0
Difference between the value of the reserve funds and the impairment value	78,729	107,532
Gross profit (loss)	21,233	12,053
Income tax	8,224	4,517
NET PROFIT	13,008	7,537

Financial statements of SGB – Bank SA for 2021 in thousand PLN

Changes in equity

	01/01-31/12/2021	01/01-31/12/2020
Equity capital at the opening balance	779,880	762,070
Share capital at the opening balance	411,383	411,383
Changes in the share capital	10,000	0
increases due to:	10,000	0
issuance of shares	10,000	0
Share capital at the closing balance	421,383	411,383
Supplementary capital at the opening balance	254,395	241,672
Changes in the supplementary capital	3,768	12,722
increases due to:	3,768	12,722
distribution of profit	3,768	12,722
Supplementary capital at the closing balance	258,163	254,395
Revaluation capital at the opening balance	55,600	45,327
Changes in revaluation reserve	-14,570	10,273
increases due to:	0	10,273
pricing of the assets available for sale	0	10,273
reductions due to:	14,570	0
pricing of the assets available for sale	14,570	0
Revaluation capital at the closing balance	41,030	55,600
General banking risk reserve fund at the opening balance	38,244	38,244
Changes in the general banking risk reserve fund	0	0
General banking risk reserve fund at the opening balance	38,244	38,244

Other reserve funds at the opening balance	12,722	0
Changes in other reserve funds	3,768	12,722
increases due to:	3,768	12,722
distribution of profit	3,768	12,722
reductions due to:	0	0
coverage of losses	0	0
Other reserve funds at the closing balance	16,490	12,722
Profit (loss) brought forward at the opening balance	7,537	25,444
Profit brought forward at the opening balance	7,537	25,444
Change in the previous years' profit	-7,537	-25,444
reductions due to:	7,537	25,444
allocation to the supplementary capital	3,768	12,722
allocation to the reserve capital	3,768	12,722
Profit brought forward at the closing balance	0	0
Loss brought forward at the opening balance	0	0
Loss brought forward at the closing balance	0	0
Profit (loss) brought forward at the closing balance	0	0
Nett result	13,008	7,537
a) net profit	13,008	7,537
b) net loss	0	0
Equity capital at the closing balance	788,317	779,880
Equity capital after the proposed distribution of profit	788,317	779,880

Financial statements of SGB – Bank SA for 2021 in thousand PLN

Cash flow statement

Cash flows from operating activities	01/01-31/12/2021	01/01-31/12/2020
Net profit (loss)	13,008	7,537
Total adjustments.	314,301	-872,631
Depreciation and amortisation	29,202	25,077
Interest and share in the dividend	949	-714
Profit (loss) on investment activities	-6,115	-1,949
Change in the reserves	29,176	-7,676
Change in the debt securities	-693,907	-2,246,861
Change in the receivables from the financial sector	-281,765	-263,497
Change in the receivables from the non-financial sector and state treasury sector	161,415	89,161
Change in shares, other securities and financial assets	475	776
Change in the liabilities towards the financial sector	1,083,343	1,139,557
Change in the liabilities towards the non-financial sector and state treasury sector	-162,694	263,481
Change in other liabilities	184,440	146,211
Change in accruals and prepayments	-1,085	-6,496
Change in future income	-1,260	2,091
Other adjustments	-27,872	-11,791
Net cash flows from operating activities	327,309	-865,095
Cash flows from investment activities		
Inflows	52,020	40,816
Sale of shares in other entities, other securities and financial assets	22,307	1,033
Sale of intangible assets and fixed tangible assets	29,259	29,112
Other investment income	454	10,671

Expenses	42,416	45,091
Purchase of shares in subsidiary entities	0	100
Purchase of shares in other entities, other securities and financial assets	0	2,468
Purchase of intangible assets and tangible fixed assets	42,416	42,522
Net cash flows from investment activities	9,604	-4,274
Cash flows from financial activities		
Inflows	10,000	134,240
Other financial income	0	134,240
Net inflows from the issue of shares and additional contributions towards the share capital	10,000	0
Expenses	55,966	37,188
Reduction in subordinate liabilities	55,966	37,188
Net cash flows from financial activities	-45,966	97,052
Net cash flows in total	290,947	-772,317
Balance sheet change in cash	290,947	-772,317
including the change in cash due to exchange differences	0	0
Cash opening balance	1,150,854	1,923,171
Cash funds at the closing balance	1,441,801	1,150,854
of limited disposability	0	0

