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Bank Polski

Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 30 June 2022

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1. Introduction

The Report "Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 30 June 2022", hereinafter referred to as the "Report", was prepared in accordance with Article 111a of the Act of 29 August 1997 – the Banking Law, hereinafter referred to as the "Banking Law", Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, hereinafter referred to as the "CRR", and taking into account the implementing acts under the CRR.

The disclosures also reflect the requirements set out in Commission Implementing Regulation (EU) No 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information (as amended) referred to in Titles II and III of Part Eight of the CRR (hereinafter referred to as "Regulation 2021/637") and in the guidelines EBA/GL/2020/12 amending the guidelines EBA/GL/2018/01 of 4 August 2017 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR "quick fix" in response to the COVID-19 pandemic.

Pursuant to Article 13(1) and Article 433a(1) of the CRR, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna hereinafter referred to as "PKO Bank Polski S.A." or the "Bank", being an EU parent institution and, within the meaning of Article 433a, a large institution, discloses the information regarding capital adequacy referred to in Part Eight of the CRR annually, semi-annually and quarterly, in a separate document.

This Report has been prepared in accordance with the Bank's internal regulations concerning the information policy of PKO Bank Polski S.A. regarding capital adequacy and other information subject to disclosure (hereinafter: the "Information Policy"), which is available on the Bank's website (www.pkobp.pl).

Unless otherwise stated, the figures presented in the Report are expressed in PLN million. Any differences in totals and percentages result from rounding amounts off to PLN million and rounding percentages off to one place after the decimal point.

The Report has been prepared taking into account all data available as at 30 June 2022. The Report addresses the requirements of the regulations described above insofar as they relate to the Bank and the Bank's Group. The lack of reference to a particular article means that the related disclosures are not applicable. This Report was subject to an internal verification by the Bank's Internal Audit Department.

Pursuant to the CRR, prudential consolidation is used for capital adequacy purposes, which, unlike consolidation in compliance with International Financial Reporting Standards, covers only subsidiaries which meet the definition of an institution, a financial institution or an ancillary services undertaking.

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2. Management system

The management system is a set of principles and mechanisms related to the decision-making processes taking place in the Bank, as well as the assessment of its banking activities. The Bank's management system comprises a risk management system and an internal control system.

The risk management system is one of the key internal processes both in PKO Bank Polski S.A., including the Bank's foreign branches, and in the other entities in the Bank's Group. The objective of risk management is to ensure the profitability of business activities, while ensuring control of the risk level and keeping it within the risk tolerance and the system of limits adopted by the Bank and the Bank's Group, in the changing macroeconomic and legal environment. The expected risk level is an important factor in the planning process.

As part of prudential consolidation, risks were identified in the Bank's Group, which are subject to management, and some of them are considered material: credit risk, the risk of foreign currency mortgage loans to households, foreign exchange risk, interest rate risk, liquidity risk, including financing risk, operational risk, business risk, macroeconomic risk and model risk.

The risk management system, including the principles of management of material risk types, are described in detail in the Report "Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 31 December 2021", the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2021, and the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2021.

2.1. Credit risk, including counterparty risk

Credit risk is understood as the risk of incurring losses as a result of a customer defaulting on his or her liabilities to the Bank's Group or the risk of a decrease in the economic value of the receivables of the Bank's Group as a result of a deterioration in a customer's ability to service his or her liabilities.

The objective of credit risk management is to reduce losses on the loan portfolio and changes in the economic value of the exposures in the wholesale market, as well as to minimize the risk of occurrence of non-performing loan exposures to an acceptable level, while maintaining the expected level of the profitability and value of the loan portfolio by shaping on-balance sheet and off-balance sheet items.

Credit risk and dilution risk, and the credit quality of exposures

Table 2.1. Maturity dates of exposures [Template EU CR1-A] *

PKO Bank Polski S.A.*		30.06.2022				
		a, b	c	d	e	f
		Net exposure value				
		On demand and <= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	62 934	84 758	81 164	3 708	232 565
2	Securities	9 204	67 286	49 450	342	126 282
3	Off-balance sheet items	46 443	24 462	13 537	3 886	88 329
4	Total	118 581	176 507	144 151	7 936	447 175

* data is presented on an individual basis

Use of credit risk mitigation techniques

In the process of calculating own funds requirements, the Bank uses credit assessments assigned by the following external credit assessment institutions (rating agencies):

1) Moody's Investors Service,
2) Standard and Poor's Ratings Services,
3) Fitch Ratings.

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The process of applying an assessment of an issuer and the issue to the non-trading book items for the calculation of the own funds requirements is consistent with the provisions of the CRR, Part III, Title II, Chapter 2.

Table 2.2. CRM techniques overview: Disclosure of the use of credit risk mitigation techniques [template EU CR3]

		30.06.2022				
		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances*	100 004	166 620	166 190	430	-
2	Debt securities	126 743	-	-	-	
3	Total	226 746	166 620	166 190	430	-
4	Of which non-performing exposures	7 266	2 719	2 702	17	-
EU-5	Of which defaulted					

* The 'Total loans and advances' line shows all exposures less debt securities which are contained in a separate line.

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Table 2.3. Credit risk exposure and CRM effects - standardised approach [template EU CR4]

	Exposure classes	30.06.2022					
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	105 929	-	125 944	20	8 310	6,6%
2	Regional government or local authorities	11 180	3 153	11 259	1 764	2 605	20,0%
3	Public sector entities	527	2 683	496	1 259	876	49,9%
4	Multilateral development banks	3 518	-	3 518	-	-	0,0%
5	International organisations	-	-	-	-	-	-
6	Institutions	5 468	6 674	5 468	3 547	1 993	22,1%
7	Corporates	64 081	46 044	47 095	12 514	57 237	96,0%
8	Retail	69 701	15 685	65 529	3 933	48 080	69,2%
9	Secured by mortgages on immovable property	104 195	2 590	103 898	736	50 208	48,0%
10	Exposures in default	4 191	540	4 059	104	5 304	127,4%
11	Exposures associated with particularly high risk	1 257	1 823	775	379	1 730	150,0%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	446	-	446	-	698	156,4%
15	Equity	21	-	21	-	21	100,0%
16	Other items	42 535	9	42 535	4	12 746	30,0%
17	TOTAL	413 048	79 200	411 043	24 261	189 808	43,6%

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Table 2.4. Standardised approach [template EU CR5]

	Exposure classes	30.06.2022																
		Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Inne		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	121 496	-	-	-	591	-	-	-	-	999	-	2 877	-	-	-	125 964	-
2	Regional government or local authorities	-	-	-	-	13 023	-	-	-	-	-	-	-	-	-	-	13 023	12 622
3	Public sector entities	-	-	-	-	6	-	1 749	-	-	-	-	-	-	-	-	1 756	1 756
4	Multilateral development banks	3 518	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 518	3 518
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1 535	-	-	6 547	-	561	-	-	373	-	-	-	-	-	9 015	2 009
7	Corporates	-	-	-	-	125	-	824	-	-	58 660	0	-	-	-	-	59 609	55 600
8	Retail	-	-	-	-	-	-	-	-	69 462	-	-	-	-	-	-	69 462	69 462
9	Secured by mortgages on immovable property	-	-	-	-	-	82 724	3 333	-	6 086	5 946	6 546	-	-	-	-	104 635	104 635
10	Exposures in default	-	-	-	-	-	-	-	-	-	1 881	2 282	-	-	-	-	4 163	4 163
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	1 153	-	-	-	-	1 153	1 153
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	6	409	31	-	-	-	446	446
15	Equity	-	-	-	-	-	-	-	-	-	21	-	0	-	-	-	21	21
16	Other items	28 601	-	-	-	1 506	-	0	-	-	12 423	-	9	-	-	-	42 539	42 539
17	TOTAL	153 615	1 535	-	-	21 798	82 724	6 467	-	75 548	80 309	10 391	2 917	-	-	-	435 304	297 924

The table above presents the total amount of on-balance sheet and off-balance sheet exposures of the Bank's Group, which is the total exposure after specific credit risk adjustments and impairment losses and after applying appropriate conversion factors for off-balance sheet exposures, i.e. after multiplying the amounts of off-balance exposures by the corresponding factors of 0%, 20%, 50% or 100%.

As at 30 June 2022, no netting of on- or off-balance sheet items pursuant to Article 205 of the CRR was applied, therefore, the provisions of Article 453(a) of the CRR concerning disclosures of the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off-balance sheet netting, are not applicable.

As at 30 June 2022, the Bank applied the effects of netting agreements for the purpose of calculation of on-balance sheet equivalent of derivatives, in accordance with Article 298 of the CRR. Such agreements are entered into primarily with institutional counterparties. The agreements allow the settlement of all the transactions covered by the agreement, even in the event of a default of one of the parties, with a single amount representing the total sum of the market values of individual transactions. The netting agreements applied meet the conditions of Articles 295-297 of the CRR.

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Counterparty credit risk exposure

The table below presents the methods used to calculate the own funds requirement for counterparty credit risk (excluding exposures cleared by the central counterparty).

Table 2.5. Analysis of CCR exposure by approach [template EU CCR1]

		30.06.2022							
		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	4 166	3 248		1.4	14 330	10 380	9 763	7 258
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	Of which securities financing transactions netting sets			-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
2c	Of which from contractual cross-product netting sets			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					83	-	-	-
5	VaR for SFTs					-	-	-	-
6	Total					14 413	10 380	9 763	7 258

The table below presents the exposure value and the risk exposure amount for transactions subject to the own funds requirement for derivative credit valuation adjustments in counterparty credit risk.

Table 2.6. Transactions subject to own funds requirements for CVA risk [template EU CCR2]

		30.06.2022	
		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	4 257	539
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	Total transactions subject to own funds requirements for CVA risk	4 257	539

The table below presents counterparty credit risk exposures by exposure class and risk weights applied to calculate the own funds requirement for counterparty credit risk according to the Standardized approach.

Table 2.7. Standardised approach – CCR exposures by regulatory exposure class and risk weights [template EU CCR3]

Exposure classes		30.06.2022											
		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Inne	Total exposure value
1	Central governments or central banks	-	-	-	-	4	-	-	-	-	-	-	4
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	212	-	-	1 783	2 114	-	-	-	-	-	4 110
7	Corporates	-	-	-	-	-	37	-	-	5 825	-	-	5 861
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	-	212	-	-	1 787	2 151	-	-	5 825	-	-	9 975

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The table below presents the types of collateral taken into account in the calculation of the own funds requirement for counterparty credit risk.

Table 2.8. Composition of collateral for CCR exposures [template EU CCR5]

	Collateral type	30.06.2022							
		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	16	200	7 927	157	-	-	-	-
2	Cash – other currencies	324	2 510	40	3 148	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	340	2 710	7 966	3 304	-	-	-	-

The table below presents the breakdown of exposures to central counterparties applied to calculate the own fund requirement for counterparty credit risk.

Table 2.9. Exposures of central counterparties (CCPs) [template EU CCR8]

		30.06.2022	
		a	b
		Exposure value	RWEA
1	Exposures to QCCPs (total)		5
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	65	1
3	(i) OTC derivatives	56	1
4	(ii) Exchange-traded derivatives	8	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	147	3
9	Prefunded default fund contributions	50	1
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

As at 30 June 2022, the Bank did not have any credit derivatives, i.e. instruments which would require disclosing in a table in accordance with the template EU CCR6.

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Securitization

In September 2019, PKO Leasing SA carried out securitization of lease receivables with a value of PLN 2 500 million. On 26 September 2019, the Company sold lease receivables to the special-purpose vehicle Polish Lease Prime 1 Designated Activity Company (Polish Lease Prime 1 DAC) with its registered office in Dublin (Ireland). The objective of and benefit from selling these receivables to the SPV was to obtain and diversify sources of long-term financing.

Detailed information on securitization is presented in the Consolidated financial statements of the Bank's Group as at and for the year ended 31 December 2021 (Note 73 Information on securitization of the lease portfolio and package sale of receivables.

The Bank's Group does not have securitization positions in the trading book and therefore the EU SEC 2 table is not presented. PKO Leasing S.A., a subsidiary of Bank PKO BP S.A., is the originator of the securitization process. Neither PKO Leasing S.A. nor any other entity of the Bank's Group is an investor in the securitization process, therefore the Bank does not present the EU SEC 4 table.

Table 2.10 Securitisation exposures in the non-trading book [Template EU SEC1]

		30.06.2022														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT		of which SRT									
1	**Total exposures**	27	27	-	-	-	-	-	-	-	-	-	-	-	-	-
2	**Retail (total)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	**Wholesale (total)**	27	27	-	-	-	-	-	-	-	-	-	-	-	-	-
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	27	27	-	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 2.11. Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor [Wzór EU SEC3]

		30.06.2022																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	EU-p	EU-q
		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
1	**Total exposures**	-	-	-	-	27	-	-	-	27	-	-	-	-27	-	-	-	-
2	**Traditional transactions**	-	-	-	-	27	-	-	-	27	-	-	-	-27	-	-	-	-
3	**Securitisation**	-	-	-	-	27	-	-	-	27	-	-	-	-27	-	-	-	-
4	**Retail underlying**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	**Wholesale**	-	-	-	-	27	-	-	-	27	-	-	-	-27	-	-	-	-
7	Of which STS	-	-	-	-	27	-	-	-	27	-	-	-	-27	-	-	-	-
8	**Re-securitisation**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	**Synthetic transactions**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	**Securitisation**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Retail underlying**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	**Wholesale**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	**Re-securitisation**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Table 2.12. Exposures securitised by the institution - Exposures in default and specific credit risk adjustments [template EU SEC5]

		30.06.2022		
		a	b	c
		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
1	**Total exposures**	1 565	10	- 34
2	**Retail (total)**	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	**Wholesale (total)**	1 565	10	- 34
8	loans to corporates	-	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	1 565	10	- 34
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

Specialised lending exposures

The Bank's Group does not apply the IRB approach to calculate own funds requirements for credit risk.

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Non-performing and forborne exposures

The Group's gross NPL ratio[1] amounted to 3.85% as at 30.06.2022. Therefore, pursuant to Regulation 2021/637 tables containing quantitative information concerning non-performing and forborne exposures are presented below:

1) Table 2.13. Performing and non-performing exposures and related provisions [Template EU CR1],
2) Table 2.14. Changes in the stock of non-performing loans and advances [template EU CR2],
3) Table 2.15. Credit quality of forborne exposures [template EU CQ1],
4) Table 2.16. Credit quality of loans and advances to non-financial corporations by industry [template EU CQ5],
5) Table 2.17. Collateral obtained by taking possession and execution processes [template EU CQ7].

Table 2.13. Performing and non-performing exposures and related provisions [template EU CR1]

		30.06.2022														
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			of which: stage 1	of which: stage 2		of which: stage 1	of which: stage 2		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
005	Cash balances at central banks and other demand deposits	8 281	8 281	-	-	-	-	-2	-2	-	-	-	-	-	-	-
010	Loans and advances	248 829	204 139	40 802	9 514	162	8 979	-3 633	-744	-2 889	-5 670	-50	-5 606	-1 519	163 901	2 719
020	Central banks	130	130	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	5 154	4 215	898	49	-	49	-70	-14	-56	-2	-	-2	-	701	47
040	Credit institutions	14 079	14 078	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	2 952	2 911	41	23	-	23	-14	-12	-1	-13	-	-13	-1	1 968	8
060	Non-financial corporations	74 074	56 366	17 674	4 670	10	4 629	-1 455	-319	-1 136	-2 564	-1	-2 554	-600	43 079	1 834
070	Of which: SMEs	36 247	25 719	10 493	3 522	10	3 482	-909	-181	-728	-2 025	-1	-2 015	-540	25 203	1 271
080	Households	152 440	126 440	22 188	4 771	152	4 278	-2 094	-399	-1 695	-3 091	-49	-3 036	-918	118 153	830
090	Debt Securities	126 271	125 646	288	471	-	16	-79	-57	-21	19	-	-	-3	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	98 849	98 526	2	-	-	-	-47	-47	-	-	-	-	-	-	-
120	Credit institutions	7 040	7 040	-	-	-	-	-4	-4	-	-	-	-	-	-	-
130	Other financial corporations	17 680	17 680	-	-	-	-	-2	-2	-	-	-	-	-	-	-
140	Non-financial corporations	2 701	2 398	286	471	-	16	-26	-4	-21	19	-	-	-3	-	-
150	Off-balance sheet exposures	79 680	71 086	8 593	749	2	482	509	152	357	205	-	200		-	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	5 151	4 984	168	-	-	-	14	4	10	-	-	-		-	-
180	Credit institutions	6 733	6 733	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	2 206	2 186	20	-	-	-	7	7	-	-	-	-		-	-
200	Non-financial corporations	49 186	42 845	6 341	712	-	448	313	108	205	192	-	187		-	-
210	Households	16 403	14 338	2 065	37	2	34	174	33	141	14	-	13		-	-
220	Total	463 061	409 152	49 683	10 734	163	9 477	-4 223	-955	-3 268	-5 856	-51	-5 806	-1 522	163 901	2 719

[1] The NPL ratio is the ratio of the gross carrying amount of loans and advances subject to the provisions of Article 47a(3) of Regulation (EU) No 575/2013 to the total gross carrying amount of loans and advances subject to the provisions of Article 47a(1) of Regulation (EU) No 575/2013.

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Table 2.14. Changes in the stock of non-performing loans and advances [template EU CR2]

		30.06.2022
		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	9 810
020	Inflows to non-performing portfolios	2 006
030	Outflows from non-performing portfolios	-2 293
040	Outflows due to write-offs	572
050	Outflow due to other situations	-579
060	**Final stock of non-performing loans and advances**	9 514

Table 2.15. Credit quality of forborne exposures [template EU CQ1]

		30.06.2022							
		a	b	c	d	e	f	g	h
		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	746	2 176	2 055	2 055	-65	-1 087	1 469	880
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	2	2	2	0	-1	1	1
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	312	1 225	1 198	1 215	-17	-547	943	650
070	Households	434	950	855	838	-48	-539	525	229
080	Debt Securities	-	471	471	425	-	19	-	-
090	Loan commitments given	17	20	19	19	1	13	-	-
100	Total	763	2 667	2 545	2 499	-66	-1 080	1 469	880

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As at 30 June 2022, the Bank did not have foreign primary exposures in all "external" countries in all exposure categories equal to or greater than 10% of the total primary exposures (domestic and foreign) therefore the data is not disclosed in accordance with the EU CQ4 template.

Table 2.16. Credit quality of loans and advances to non-financial corporations by industry [template EU CQ5]

		30.06.2022					
		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			of which: non-performing		of which: loans and advances subject to impairment		
				of which: defaulted			
010	Agriculture, forestry and fishing	1 906	88	75	1 905	-129	-
020	Mining and quarrying	1 120	16	16	1 120	-18	-
030	Manufacturing	21 183	1 265	1 251	21 177	-1 100	-2
040	Electricity, gas, steam and air conditioning supply	3 767	8	8	3 767	-63	-
050	Water supply	1 227	8	8	1 227	-15	-
060	Construction	3 875	487	477	3 869	-410	-
070	Wholesale and retail trade	15 629	700	690	15 620	-607	-
080	Transport and storage	8 653	432	429	8 648	-330	-
090	Accommodation and food service activities	1 896	679	679	1 895	-396	-
100	Information and communication	4 379	47	47	4 378	-43	-
110	Financial and insurance actvities	1 058	7	7	1 057	-11	-
120	Real estate activities	7 977	613	613	7 976	-589	-
130	Professional, scientific and technical activities	1 521	81	81	1 518	-60	-
140	Administrative and support service activities	2 285	93	91	2 284	-86	-
150	Public administration and defense, compulsory social security	31	1	1	31	0	-
160	Education	199	21	21	198	-17	-
170	Human health services and social work activities	1 379	51	51	1 378	-49	-
180	Arts, entertainment and recreation	447	28	28	446	-46	-
190	Other services	214	44	44	212	-47	-
200	Total	78 744	4 670	4 620	78 706	-4 016	-2

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Table 2.17. Collateral obtained by taking possession and execution processes [template EU CQ7]

		30.06.2022	
		a	b
		Collateral obtained by taking possession accumulated	
		Value at initial recognition	Accumulated negative changes
010	**Property Plant and Equipment (PP&E)**	-	-
020	**Other than Property Plant and Equipment**	32	-3
030	Residential immovable property	0	-
040	Commercial Immovable property	32	-3
050	Movable property (auto, shipping, etc.)	-	-
060	Equity and debt instruments	-	-
070	Other	-	-
080	**Total**	32	-3

Information on exposures subject to measures applied in response to the COVID-19 pandemic

The tables below present information on exposures subject to the EBA/GL/2020/07 Guidelines of 2 June 2020 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis and on newly originated exposures subject to public guarantee schemes, in accordance with the templates set out in Annex 3 to these Guidelines.

For better data transparency, Table 2.18 Loans and advances subject to moratoria consistent with the EBA guidelines (legislative and non-legislative) [template 1 COVID19] is divided into two tables: Table 2.18a (columns a) to g)) and Table 2.18b (columns h) to o)).

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Table 2.18a. Information on loans and advances subject to legislative and non-legislative moratoria (table columns a) - g) [template 1 COVID19]

		30.06.2022						
		a	b	c	d	e	f	g
		Gross carrying amount						
			Performing			Non performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	**Loans and advances subject to moratorium of compliance with EBA requ**	226	167	49	84	59	31	25
2	of which: Households	67	40	39	1	27	16	10
3	of which: Collateralised by residential immovable property	34	28	28	-	6	5	1
4	of which: Non-financial corporations	159	126	9	83	33	15	15
5	of which: SMEs	60	51	9	24	9	5	4
6	of which: Collateralised by commercial immovable property	56	56	-	56	-	-	-

Table 2.18b. Information on loans and advances subject to legislative and non-legislative moratoria (table columns h) - o) [template 1 COVID19]

		30.06.2022							
		h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	**Loans and advances subject to moratorium of compliance with EBA requ**	-36	-6	-4	-	-30	-19	-12	-
2	of which: Households	-24	-4	-4	-	-20	-12	-8	-
3	of which: Collateralised by residential immovable property	-5	-2	-2	-	-3	-2	-1	-
4	of which: Non-financial corporations	-12	-2	-	-	-10	-7	-4	-
5	of which: SMEs	-4	-1	-	-	-3	-2	-1	-
6	of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-

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Table 2.19. Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria [template 2 COVID19]

		30.06.2022								
		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	151 984	23 917							
2	Loans and advances subject to moratorium of compliance with EBA requirements (granted)	148 185	23 016	64	22 790	113	3	4	5	100
3	of which: Households		15 277	64	15 210	67	-	-	-	-
4	of which: Collateralised by residential immovable property		12 897	49	12 863	34	-	-	-	-
5	of which: Non-financial corporations		7 739	-	7 580	47	3	4	5	100
6	of which: SMEs		3 600	-	3 540	19	3	2	1	35
7	of which: Collateralised by commercial immovable property		4 149	-	4 093	1	-	-	-	55

Table 2.20. Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis [Template 3 COVID19]

		30.06.2022			
		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	8 327	81	6 631	-
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	8 327	81	6 631	-
5	of which: SMEs	6 355			-
6	of which: Collateralised by commercial immovable property	-			-

2.2. Market risk

2.2.1. Interest rate risk

Interest rate risk is the risk of losses being incurred on the on-balance sheet and off-balance sheet items of the Bank's Group, sensitive to interest rate fluctuations, as a result of changes in market interest rates.

The Bank's Group categorizes its portfolios from the perspective of interest rate risk management:

- the banking book – comprises on-balance sheet and off-balance sheet items not included in the trading book, in particular items resulting from the Bank's core activities, transactions concluded for investment and liquidity purposes and their hedging transactions;
- the trading book – comprises transactions concluded in financial instruments as part of activities conducted on its own account and on behalf of the customers.

The Bank pro-actively manages the interest rate risk arising from items in both the trading and non-trading books.

The purpose of interest rate risk management is to reduce the potential losses resulting from fluctuations in market interest rates to an acceptable level by properly shaping the structure of on-balance sheet and off-balance sheet items. In particular, the Bank's Group aims to reduce the sensitivity of both interest income and economic value sensitivity to an acceptable level, defined in the form of strategic tolerance limits (risk appetite).

2.2.1.1. Interest rate risk in the banking book

Table 2.21. Qualitative information on interest rate risk in the banking book [Template EU IRRBBA]

Legal basis	Scope of information	Qualitative information
Article 448(1)(e)	Description of how the institution defines IRRBB for the purposes of risk control and management	Interest rate risk in the banking book is the risk of losses being incurred on the on-balance sheet and off-balance sheet items of the Bank's Group / banking book, sensitive to interest rate fluctuations, as a result of changes in market interest rates. The main types of interest rate risk identified by the Group are: a) repricing risk; b) yield curve risk; c) base risk; d) customer option risk, and e) credit spread risk arising from non-trading book activities (CSRBB).
Article 448(1)(f)	Description of the institution's overall strategies for managing and mitigating IRRBB	The interest rate risk management process is supervised by the Supervisory Board which regularly receives information on the risk profile of the Bank and the Bank's Group as well as information on the key measures taken in the area of interest rate risk management. The Supervisory Board also approves reports confirming the compatibility of the interest rate risk profile with the tolerance for interest rate risk defined at the level of the Bank and the Bank's Group. The Management Board is responsible for managing the Bank's interest rate risk, including supervising and monitoring the measures taken by the Bank to manage interest rate risk. The Management Board adopts internal regulations on interest rate risk management. The Risk Management Strategy of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group defines an acceptable level of interest rate risk both in the Bank and the Bank's Group and lays down the principles for interest rate risk management in the Bank's Group. Additionally, the Strategy for managing interest rate risk in the banking book of PKO Bank Polski S.A. defines the approach to managing interest rate risk in this portfolio. The assignment of transactions to business models according to IFRS 9 and the division into the trading book and the banking book are determined by the Bank's Investment Policy relating to financial instruments. The Bank supervises the functioning of interest rate risk management in the individual subsidiaries in the Bank's Group. As part of the supervision, the Bank influences the interest rate risk management methods in these entities and supports their development. The Bank also takes into account the level of interest rate risk in the operations of the individual entities as part of the interest rate risk monitoring and reporting system at the Bank's Group level. The interest rate risk generated by the Bank's core activities is transferred using a transfer pricing system in order to manage this risk in a centralized manner. The Bank's business model assumes managing interest rate risk in an active manner by shaping its product mix appropriately and using the available financial instruments within the limits and thresholds for interest rate risk adopted at the Bank. In order to mitigate the level of interest rate risk in the banking book, the Group uses limits and thresholds, an interest income sensitivity measure, economic value sensitivity measure, value-at-risk model (VaR), shock analyses (including historical and hypothetical shocks and reverse stress tests) and repricing gaps.
Article 448(1)(e) points (i) and (v) Article 448(2)	Frequency of calculation of the institution's IRRBB measures and description of specific measures which the institution	The measures used to measure interest rate risk in the Group's banking book are primarily: • The sensitivity of interest income to an abrupt shift of the yield curve defines the potential financial effect of that shift, expressed as a change in the amount of interest income in a given time horizon. This change is the result of the mismatch of the repricing dates of assets, liabilities and off-balance sheet liabilities granted and received (in particular derivative instruments) which are sensitive to changes in interest rates; the Bank calculates interest income sensitivity on a daily basis.

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Legal basis	Scope of information	Qualitative information
	uses to measure its sensitivity to IRRBB	• The economic value sensitivity reflects a change in the fair value of items in the banking book caused by a parallel shift of the yield curves. The Bank calculates economic value sensitivity on a daily basis. • The IR VaR measure is the potential loss which may occur in normal market conditions over a specific period of time (i.e. a horizon) and with an assumed probability level due to changes in interest rate curves. For market risk management purposes, VaR is calculated with a 99% confidence level and 10-day position holding. Interest rate risk is managed using, among other things, VaR determined for individual financial instruments and for the Bank's portfolios, and by type of business activities of the Bank. The Bank calculates VaR on a daily basis. • Shock analyses (stress tests, crash tests) are used to estimate potential losses resulting from the maintained structure of the balance sheet and off-balance sheet items, where a market situation occurs which is not described in a standard manner, using statistical measures. Additionally, the Bank uses shock analyses in the form of reverse stress tests of interest rate risk. The Bank calculates the results of shock analyses on a daily basis (in the case of reverse stress tests – on a monthly basis). • The repricing gap is the difference between the current value of assets and liabilities exposed to interest rate risk, repriced in a given time bracket, with the said items being recognized as at the transaction date. The Bank calculates the interest rate gap on a daily basis.
Article 448(1)(e) point (iii); Article 448(2)	Description of the interest rate shock scenarios and stress scenarios which the institution uses to estimate changes in the revalued carrying amount of equity and in net interest income (where appropriate)	The following types of scenarios are used at the Bank to estimate economic value sensitivity: • hypothetical stress tests – in which interest rate fluctuations are assumed arbitrarily: a parallel shift of the interest rate curves for the individual currencies by ±50 bps, ±100 bps, ±200 bps, values over 200 bps and nonparallel deflection of yield curves scenarios; • historical stress tests – in which interest rate fluctuations are assumed on the basis of movements in interest rates observed in the past, including: the biggest historical change, deflection of the yield curve, taking into account portfolio positions, the biggest historical nonparallel shift of interest rate curves for securities and for derivatives hedging those securities; • crash tests – in which interest rate fluctuations are assumed on the basis of movements in interest rates observed in the past in such a manner as to maximize the Bank's potential loss; • reverse stress tests – which are aimed at finding such scenarios relating to: – the shift of yield curves; – a change in the average repricing date of individuals' current accounts, and – an increase in the frequency of termination of deposits bearing fixed interest rates subject to a strategy for hedging against interest rate fluctuations, which cause a specific change in the Bank's profit or loss, • Supervisory Stress Testing in accordance with the EBA Guidelines on IRRBB presented in Table EU IRRBB1. The scenarios used to calculate an interest income sensitivity measure comprise a change in interest rates of +/-25 bps, +/-100 bps and +/-200 bps. Interest income sensitivity is calculated in a horizon of 1 year, 2 years and 3 years.
Article 448(1)(e) point (ii); Article 448(2)	Description of key assumptions for modelling purposes and parametrical assumptions other than the assumptions used for the purposes of disclosure of information in Template EU IRRBB1 (where appropriate)	As part of calculating an economic value sensitivity measure, the Bank uses the assumptions which were set out in the EBA guidelines (EBA/GL/2018/02), however, for the Bank's internal scenarios no lower limits on interest rate levels are assumed. Such limitation applies to the EBA's scenarios whose results are presented in Table EU IRRBB1. The assumptions for calculating an interest income sensitivity measure are identical to those for an economic value sensitivity measure, however, a lack of flexibility of the current accounts of retail customers and a lack of possibility of the occurrence of negative interest rates for retail customers are assumed.
Article 448(1)(e) point (ii); Article 448(2)	General description of how the institution hedges against IRRBB, as well as the related accounting approach (where appropriate)	Bearing in mind a specific interest rate risk management objective, the Bank's Group reduces both interest income sensitivity and economic value sensitivity to an acceptable level, defined in the form of strategic tolerance limits (risk appetite). In order to hedge against interest rate risk in the banking book, the Bank produces a forecast for its balance sheet and risk measures on a regular basis, taking into account changes in the market and regulatory environment, as well as new activities. In the process, hedging transactions are planned, bearing in mind the adopted risk appetite and a possible impact on the individual income statement lines.

Legal basis	Scope of information	Qualitative information
Article 448(1)(c); Article 448(2)	Description of key assumptions for modelling purposes and parametrical assumptions used for IRRBB measures in Template EU IRRBB1 (where appropriate)	As part of calculating the measures presented in Table EU IRRBB1, the Bank uses the assumptions which were set out in the EBA guidelines (EBA/GL/2018/02).
Article 448(1)(d)	Explanation of the meaning of IRRBB measures and significant changes therein since the previous disclosure of information	As at the end of the first half of 2022, the Group recorded a significantly lower value of economic value sensitivity compared with the end of 2022. The lower sensitivity is mainly due to the lower sensitivity (lower duration) of the debt instrument portfolio.
Article 448(1)(g)	Disclosure of information on the average and longest maturities after repricing, assigned to deposits with indefinite maturity dates	(table below)

Product	30.06.2022 Average maturity (in years)	30.06.2022 Maximum maturity (in years)
Current accounts of retail customers	3,35	10
Saving accounts of retail customers	0,71	10
SME current accounts	1,63	4
Current accounts of corporate clients	0,55	3

Table 2.22. Quantitative information on interest rate risk in the banking book [Template EU IRRBB1]

MEASURE NAME[1)]	30.06.2022	31.12.2021	30.06.2022	31.12.2021
	Changes in the revalued carrying amount of equity		Changes in net interest income[2)]	
Parallel shock up	-2 404	-3 000	451	951
Parallel shock down	1 080	1 762	-1 186	-1 523
Short rates down and long rates up (steepener)	377	211		
Short rates up and long rates down (flattener)	-1 233	-1 038		
Short rates up	-1 976	-2 040		
Short rates down	954	1 047		

1) The results of the stress test analysis are presented only for currencies representing at least 5% of the total financial assets in the banking book. Stress tests are presented in accordance with the EBA guidelines on IRRBB.
2) In the case of the interest income sensitivity measure, a standard shock assuming an increase and a fall in interest rates of 200 bps is presented.

2.2.1.2. Interest rate risk in the trading book

In order to monitor interest rate risk in the trading book, the Bank uses, among other things, the value-at-risk (VaR) measure.

The IR VaR in the Bank's trading book is presented in Table 2.23 below:

Table 2.23. VaR measure in the Bank's trading book

MEASURE NAME	30.06.2022	31.12.2021
10-day VaR with a 99% confidence level (PLN million)[1]:		
Average value	28	17
Maximum value	53	34
Value at the end of the period	46	31

[1] Due to the nature of the activities of the Group companies, the value-at-risk measure is presented for the Bank's trading book.

2.2.2. Foreign exchange risk

Foreign exchange risk is the risk of losses being incurred due to fluctuations in foreign exchange rates, generated by maintaining open currency positions.

The purpose of foreign exchange risk management is to mitigate possible losses resulting from fluctuations in foreign exchange rates to an acceptable level by shaping the currency structure of on-balance sheet and off-balance sheet items properly. The acceptable level of risk for both the Bank and the Bank's Group is determined as part of the Risk Management Strategy of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group, implemented by the Management Board and approved by the Supervisory Board.

In order to determine the level of foreign exchange risk, the Bank uses the value-at-risk (VaR) model and shock analyses.

In the first half of 2022, the foreign exchange risk of the Bank's Group was low because the Bank, as a rule, follows the policy of limiting its positions in the main currencies, i.e. EUR, USD, CHF and GBP.

The VaR and stress test analysis of the financial assets of the Bank and the Bank's Group (in total for all currencies) exposed to foreign exchange risk were as follows as at 30 June 2022 and as at 31 December 2021:

Table 2.24. Sensitivity of financial assets exposed to foreign exchange risk

FOREIGN EXCHANGE RISK MEASURE[1]	30.06.2022	31.12.2021
10-day VaR with a 99% confidence level (PLN million)[2]	29	3
Change in the CHF/PLN exchange rate by 10% (stress test)[3]	48	4
Change in the EUR/PLN exchange rate by 10% (stress test)[3]	20	25
Change in all foreign exchange rates against PLN by 10% (stress test)	25	25

[1] The items do not include structural positions in UAH (PLN 1 072,3 million) which the Bank is permitted to exclude from determination of foreign exchange positions based on a consent received from the PFSA.

[2] Due to the dominant scale of the Bank's activities in relation to the companies in the Bank's Group, the value-at-risk measure is presented for the Bank only.

[3] Stress test scenarios assume the appreciation or depreciation of PLN against individual foreign currencies; depending on which change generates a bigger loss.

2.2.3. Own funds requirements for market risk

The table below presents the own funds requirements for market risk in the Bank's Group.

Table 2.25. Market risk under the standardized approach [Template EU MR1]

		30.06.2022
		a
Outright products		RWEAs
1	Interest rate risk (general and specific)	1 706
2	Equity risk (general and specific)	11
3	Foreign exchange risk	-
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus approach	0
7	Scenario approach	10
8	**Securitisation (specific risk)**	-
9	**Total**	**1 727**

The own funds requirement for foreign exchange risk was zero because the total foreign currency position did not exceed 2% of the own funds of the Bank's Group.

As at 30 June 2022, the Bank's Group did not have an open position for commodities risk, therefore, the respective own funds requirement was zero.

The Bank's Group does not use any internal models for calculating own funds requirements for market risk (Article 455 of the CRR "Use of Internal Market Risk Models" does not apply).

2.3. Liquidity risk, including financing risk

Liquidity risk is the risk of the inability to settle liabilities as they become due because of an absence of liquid assets. A lack of liquidity may be due to the inappropriate structure of the balance sheet, a mismatch of cash flows, counterparties failing to settle their liabilities, a sudden withdrawal of funds by customers or other market developments.

The purpose of liquidity risk management is to ensure the necessary level of funds needed to settle current and future liabilities (also potential ones), taking into account the nature of the activities conducted and the needs which may arise due to changes in the market environment, by appropriately shaping the structure of the balance sheet and off-balance sheet liabilities.

The quantitative information presenting the liquidity risk profile of the Bank's Group, whose disclosure is required by external regulations, in particular Regulation 2021/637, is presented below.

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Table 2.26. Quantitative information of LCR [template EU LIQ1]

		a	b	c	d	e	f	g	h
		Total unweighted value (avg)				Total weighted vlaue (avg)			
EU 1a	Quarter ending on (DD Month YYY)	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2022	31.03.2022	31.12.2021	30.09.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					111 875	116 149	117 683	116 954
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	221 718	219 463	216 101	211 198	15 976	15 595	15 294	15 001
3	Stable deposits	161 409	160 251	157 968	153 865	8 070	8 013	7 898	7 693
4	Less stable deposits	60 276	59 182	58 111	57 320	7 873	7 553	7 373	7 294
5	Unsecured wholesale funding	96 530	89 776	83 926	80 834	35 167	31 860	29 304	27 855
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	28 542	28 983	29 003	29 487	6 876	6 992	7 006	7 140
7	Non-operational deposits (all counterparties)	66 433	59 143	53 301	50 141	26 736	23 217	20 676	19 510
8	Unsecured debt	1 555	1 650	1 622	1 206	1 555	1 650	1 622	1 206
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	70 992	67 775	63 950	60 321	14 277	12 831	10 970	9 267
11	Outflows related to derivative exposures and other collateral requirements	6 315	5 261	3 850	2 588	6 315	5 261	3 850	2 588
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	64 677	62 514	60 100	57 733	7 963	7 570	7 120	6 679
14	Other contractual funding obligations	5 548	3 764	2 580	2 256	4 252	2 935	1 797	1 509
15	Other contingent funding obligations	8 302	12 293	15 965	18 242	2 039	2 712	3 238	3 580
16	TOTAL CASH OUTFLOWS					71 712	65 932	60 602	57 212
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	639	830	604	270	11	13	7	3
18	Inflows from fully performing exposures	7 721	7 565	7 567	7 245	5 940	5 525	5 354	5 027
19	Other cash inflows	4 208	3 396	2 304	1 641	4 043	3 113	1 909	1 101
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	12 568	11 790	10 474	9 156	9 994	8 650	7 270	6 131
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	12 568	11 790	10 474	9 156	9 994	8 650	7 270	6 131
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					111 875	116 149	117 683	116 954
22	TOTAL NET CASH OUTFLOWS					61 718	57 282	53 332	51 081
23	LIQUIDITY COVERAGE RATIO					184%	206%	222%	229%

The Liquidity Coverage Ratio (LCR) is determined on a stand-alone basis by each entity of the Bank's Group required to determine this ratio and on a consolidated level.

As at 30 June 2022, the LCR amounted to approx. 151,5%, it remained high, significantly above the supervisory limit and internal limits and thresholds. Compared with 31 December 2021, the ratio fell by approx. 41,8 p.p., mainly due to an increase in the mandatory reserve rate required by the NBP, the lower valuation of liquid securities, an increase in the cost of selling corporate and municipal securities included in liquid assets, and an increase in outflows in the scenario of the impact of unfavourable market conditions on derivatives, financing transactions and other agreements.

The Bank maintains a high, safe level of unencumbered, high-quality liquid assets, which serve as a buffer in the event of liquidity stress scenarios (excess liquidity). Easily marketable assets include: cash (less the minimum balance held at ATMs and branches of the Bank), funds in nostro accounts (excluding the average mandatory reserve), interbank deposits placed with other banks and liquid securities.

As at the end of June 2022, outflows under derivative instruments as determined in accordance with the CRR Regulation amounted to PLN 1.5 billion, whereas the impact of an adverse market conditions scenario on derivatives, financing transactions and other agreements accounted for 1.4% of the total unweighted value of outflows recognized in the coverage ratio of net outflows.

As at the end of June 2022, the Bank's Group had two currencies for which the ratio of the value of liabilities in a given currency to the total value of liabilities in all currencies was at least 5%: PLN and EUR. The Bank's Group had an LCR ratio above 100% for all currencies combined and for PLN.

The structure of the Bank's sources of financing was described in the Bank's annual financial statements as at and for the year ended 31 December 2021 (Note 71. Liquidity risk management). The Bank follows a strategy which consists of using the stable part of the deposit base as the basic source of financing in all currencies. Issues of bonds denominated in EUR, PLN and USD as well as mortgage covered bonds denominated in EUR and PLN also constitute a significant part of financing for the Bank and the Bank's Group (especially in the case of foreign currencies). Surplus funds obtained on the market in a given currency (issues of securities) are used to manage the Bank's foreign currency liquidity needs, using derivative transactions (mainly CIRS and FX swaps).

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Table 2.27. Net Stable Funding Ratio [template EU LIQ2]

(in currency amount)		30.06.2022				
		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) Items						
1	Capital items and instruments	44 369	-	-	2 700	47 069
2	Own funds	44 369	-	-	2 700	47 069
3	Other capital instruments		-	-	-	-
4	Retail deposits		223 479	-	-	209 166
5	Stable deposits		160 699	-	-	152 664
6	Less stable deposits		62 780	-	-	56 502
7	Wholesale funding:		113 899	3 664	8 998	46 332
8	Operational deposits		25 916	-	-	12 958
9	Other wholesale funding		87 982	3 664	8 998	33 374
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	5 818	550	9 588	9 864
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		5 818	550	9 588	9 864
14	**Total available stable funding (ASF)**					325 389
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					1 391
EU-15a	Assets encumbered for more than 12m in cover pool		146	117	7 236	6 374
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		20 266	12 983	211 342	201 915
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		4 270	25	9	449
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		12 901	9 845	110 098	114 486
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		697	463	17 131	13 175
22	Performing residential mortgages, of which:		2 724	3 065	89 435	74 980
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1 153	944	52 317	38 269
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		371	48	11 800	12 001
25	Interdependent assets		-	-	-	-
26	Other assets:					
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	1 362	1 157
29	NSFR derivative assets		631			631
30	NSFR derivative liabilities before deduction of variation margin posted		14 964			748
31	All other assets not included in the above categories		11 549	448	33 487	38 457
32	Off-balance sheet items		18 672	17 800	46 432	4 799
33	**Total RSF**					255 474
34	**Net Stable Funding Ratio (%)**					127.4%

2.4. Operational risk

Operational risk is understood as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk does not include reputation risk or business risk, but it includes legal risk and cyber security risk:

- legal risk – the risk of incurring losses resulting from the ignorance, misunderstanding and non-application of legal and accounting standards, inability to enforce contractual provisions, unfavourable interpretations or decisions of courts or public administration authorities;
- cybersecurity risk – the degree of vulnerability due to potential negative ICT-related cyber security risk factors that could cause a financial loss to the organization by compromising the availability, integrity, confidentiality or accountability of the information processed on SIB resources.

The purpose of operational risk management is to ensure operating and cost effectiveness as well as security of the activities by reducing the occurrence of operational events and their negative consequences.

3. Own funds

For capital adequacy purposes, own funds are calculated in accordance with the provisions of the Banking Law, Part Two of the CRR and the secondary legislation relating to the CRR.

The own funds of the Bank's Group include Common Equity Tier 1 capital and Tier 2 capital. No items classified as Additional Tier 1 capital have been identified in the Bank's Group.

Common Equity Tier 1 capital includes:
1) share capital presented in accordance with the Articles of Association and the entry in the Commercial Register, at nominal value;
2) supplementary capital created as a result of the annual appropriation of net profit and earmarked for offsetting accounting losses which may arise in connection with the Group's operations;
3) reserve capital created independently of the supplementary capital as a result of the annual appropriation of net profit, in an amount determined in a resolution adopted by the General Meeting (hereinafter called the "GM") and earmarked solely for offsetting possible accounting losses;
4) other cumulative comprehensive income (excluding gains and losses relating to cash flow hedges);
5) general risk reserve created by appropriating net profit, in an amount determined in a resolution adopted by the GM and earmarked for unidentified banking risks;
6) retained earnings (unappropriated profits);
7) the net profit (loss) in the course of being approved and the net profit (loss) for the current reporting period, calculated in accordance with the applicable accounting policies, less any expected charges and dividends, in amounts no higher than the profit amounts verified by a registered auditor; a net profit (loss) may be recognized in own funds on condition that it is approved by the General Meeting or, before being approved by the GM, the PFSA's consent to its recognition in own funds is obtained. Once the aforementioned formal requirements have been met, the Bank makes retrospective adjustments to own funds[2].

Due to the application of the transitional arrangements as regards the impact of IFRS 9 on capital adequacy (described further on in the Report) by the Bank's Group, an adjustment resulting from the application of the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds is recognized in own funds.

The Bank's Group also applies the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic, according to Article 468 of the CRR (described further on in the report). This approach enables excluding a portion of the unrealized gains and losses recognized in other accumulated comprehensive income from the calculation of the Bank's common equity position.

Common Equity Tier 1 capital is reduced by:
1) losses for the current financial year;
2) intangible assets stated at their carrying amounts, net of the related deferred income tax provision; the amount being deducted includes goodwill taken into account in the valuation of significant investments, software assets subject to prudential valuation are not deducted[3];
3) additional adjustments to assets measured at fair value, which result from compliance with the requirements for prudential valuation;
4) deferred income tax assets based on future profitability and not resulting from temporary differences;
5) additional fair value adjustments to liabilities and derivative instruments constituting liabilities, resulting from the Bank's own credit risk;
6) deferred income tax assets based on future profitability and resulting from temporary differences, exceeding 10% of the Common Equity Tier 1 capital of the Bank's Group (after the deductions described in items 1-5 and 7);
7) direct and indirect capital exposures to financial sector entities if the Bank's Group has not made significant investments in these entities, in the form of shares held or other Common Equity Tier 1 capital instruments or Tier 2 instruments of these entities, provided that their total exceeds 10% of the Common Equity Tier 1 capital of the Bank's Group (after the deductions described in items 1-5);
8) direct and indirect capital exposures to financial sector entities if the Bank's Group has made significant investments in these entities, in the form of shares held or other Common Equity Tier 1 capital instruments of these entities, whose total exceeds 10% of the Common Equity Tier 1 capital of the Bank's Group (after the deductions described in items 1-5 and 7);
9) the amount by which the total of:
   a) deferred income tax assets based on future profitability and resulting from temporary differences, up to 10% of the Common Equity Tier 1 capital of the Bank's Group (after the deductions described in items 1-5 and 7), and
   b) direct and indirect capital exposures to financial sector entities if the Bank's Group has made significant investments in these entities, in the form of shares held or Common Equity Tier 1 capital instruments of these entities, up to 10% of the Common Equity Tier 1 capital of the Bank's Group (after the deductions described in items 1-5 and 7),

   exceeds an equivalent of 17.65% of the Common Equity Tier 1 capital of the Bank's Group (less all the amounts specified in items 1-7); the amount below the threshold (17.65%) is recognized in risk-weighted exposures;
10) the applicable amount of insufficient coverage for non-performing exposures, calculated in accordance with Article 47c of the CRR, except for the amount of insufficient coverage relating to exposures which arose before 26 April 2019, provided that the terms and conditions of these exposures have not been amended in a manner which increases the Bank's exposure to a debtor.

Tier 2 capital comprises subordinated liabilities understood as liabilities in respect of funds acquired by the Bank, in the amount and in accordance with the rules laid down in the PFSA's decision issued at the Bank's request, which meet the conditions set out in Article 63 of the CRR.

Tier 2 capital is reduced by:
1) direct and indirect capital exposures to financial sector entities in the form of Tier 2 capital instruments of these entities if the institution has made significant investments in these entities;

[2] In May 2020, the European Banking Authority (EBA) published, in a single rulebook Q&A, its position on the timing of recognition of year-end and interim profits in the capital adequacy data (Q&A 2018_3822 and Q&A 2018_4085). According to this position, once the Bank or the Group has formally met the criteria for including its profit for a given period in the Tier 1 capital, this profit should be included retrospectively (as at the date of the profit, and not the date of meeting the criteria), and own funds should be adjusted accordingly as at the date to which the profit relates.

[3] As regards software, the amount deductible from own funds is determined on the basis of accumulated prudential amortization of software assets, calculated as from the date on which software assets are available for use and begin to be amortized for accounting purposes. The remaining amount of software is included in risk-weighted assets with a weighting of 100%.

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2) direct and indirect capital exposures to financial sector entities if the institution has not made significant investments in these entities, in the form of shares held or other Tier 2 capital instruments, provided that the total of these exposures exceeds 10% of the Bank's Common Equity Tier 1 capital.

If the value of the deductions referred to in items 1 and 2 above should reduce the value of Tier 2 capital to less than zero, the value of the excess of these deductions over the value of Tier 2 capital is deducted from Common Equity Tier 1 capital.

Table 3.1 presents the reconciliation of the items in the statement of financial position used to calculate own funds to regulatory own funds as at 30 June 2022.

Table 3.1. Composition of regulatory own funds [template EU CC1]

		30.06.2022	
		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation *
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1 250	note 33.
	of which: Series A - ordinary registered shares	313	note 33.
	of which: Series A - ordinary bearer shares	198	note 33.
	of which: Series B - ordinary bearer shares	105	note 33.
	of which: Series C - ordinary bearer shares	385	note 33.
	of which: Series D - ordinary bearer shares	250	note 33.
2	Retained earnings	9 156	-
3	Accumulated other comprehensive income (and other reserves)	17 894	-
EU-3a	Funds for general banking risk	1 070	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	-
5	Minority interests (amount allowed in consolidated CET1)	-	-
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	29 371	-
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-480	-
8	Intangible assets (net of related tax liability) (negative amount)	-2 327	-
9	Empty set in the EU	N/A	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	-
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	7 456	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-
15	Defined-benefit pension fund assets (negative amount)	-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20	Empty set in the EU	-	-

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EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-27	-
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-
EU-20c	of which: securitisation positions (negative amount)	-27	-
EU-20d	of which: free deliveries (negative amount)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	- 155	-
22	Amount exceeding the 17,65% threshold (negative amount)	-	-
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-
24	Empty set in the EU	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
EU-25a	Losses for the current financial year (negative amount)	-	-
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-
26	Empty set in the EU	-	-
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-
27a	Other regulatory adjusments (including IFRS 9 transitional adjustments when relevant)	2 566	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	7 033	-
29	**Common Equity Tier 1 (CET1) capital**	36 403	note 41.
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-
31	of which: classified as equity under applicable accounting standards	-	-
32	of which: classified as liabilities under applicable accounting standards	-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	-	-
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	-	-
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-
35	of which: instruments issued by subsidiaries subject to phase out	-	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	-
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
41	Empty set in the EU	-	-
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-
42a	Other regulatory adjustments to AT1 capital	-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	-
44	**Additional Tier 1 (AT1) capital**	-	-
45	**Tier 1 capital (T1 = Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital)**	36 403	note 41.

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Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	2 700	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	-	-
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	-	-
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	of which: instruments issued by subsidiaries subject to phase out	-	-
50	Credit risk adjustments	-	-
51	**Tier 2 (T2) capital before regulatory adjustments**	2 700	note 41.
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
54a	Empty set in the EU	-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
56	Empty set in the EU	-	-
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-
56b	Other regulatory adjusments to T2 capital	-	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	-
58	**Tier 2 (T2) capital**	2 700	note 41.
59	**Total capital (TC = T1 + T2)**	39 103	note 41.
60	**Total risk exposure amount**	226 000	-
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16,11%	note 41.
62	Tier 1 (as a percentage of total risk exposure amount)	16,11%	note 41.
63	Total capital (as a percentage of total risk exposure amount)	17,30%	note 41.
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	8,07%	-
65	of which: capital conservation buffer requirement	2,50%	note 41.
66	of which: countercyclical buffer requirement	0,01%	note 41.
67	of which: systemic risk buffer requirement	0,00%	note 41.
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1,00%	note 41.
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,06%	-
68	**Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)**	9,19%	-
National minima (if different from Basel III)			
69	Not applicable	N/A	-
70	Not applicable	N/A	-
71	Not applicable	N/A	-
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	227	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	892	-
74	not applicable	N/A	-
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	3 656	-
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

* Column (b) shows note numbers from the Condensed Interim Consolidated Financial Statements of PKO Bank Polski S.A. Group for the six months ended 30 June 2022.

Pursuant to Commission Implementing Regulation 2021/637 table 3.1. [Template EU CC1, the above table presents the reconciliation of the items in the statement of financial position used to calculate own funds to regulatory own funds as at 30 June 2022. Rows were omitted only if their value was 0.

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Table 3.2. Reconciliation of regulatory own funds to balance sheet in the audited financial statements [template EU CC2]

	30.06.2022		
	a)	b)	c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference*
	As at period end	As at period end	
ASSETS - Breakdown by asset clases according to the balance sheet in the published financial statements			
Cash and balances with the Central Bank	10 588	10 588	-
Amounts due from banks	16 412	16 312	note 21.
Hedging derivatives	1 440	1 440	note 22.
Other derivative instruments	19 129	19 129	note 23.
Securities	129 589	127 445	note 24.
Reverse repo transactions	40	40	-
Loans and advances to customers	234 590	234 743	note 25.
Receivables in respect of insurance activities	704	-	-
Property, plant and equipment transferred under operating lease	1 632	1 632	note 26.
Property, plant and equipment	2 933	2 758	note 26.
Non-current assets held for sale	11	11	-
Intangible assets	3 432	3 247	note 26.
Investments in associates and joint ventures	276	1 339	-
Current income tax receivables	4	4	-
Deferred income tax assets	5 427	5 387	-
Other assets	2 635	2 625	note 27.
TOTAL ASSETS	428 843	426 701	-
LIABILITIES - Breakdown by liability clases according to the balance sheet in the published financial statements			
Amounts due to the Central Bank	9	9	-
Amounts due to banks	4 931	4 931	note 28.
Hedging derivatives	9 865	9 865	note 22.
Other derivative instruments	18 787	18 787	note 23.
Amounts due to customers	326 315	325 535	note 29.
Repo transactions	-	49	-
Liabilities in respect of insurance activities	1 811	-	-
Loans and advances received	2 516	2 515	note 30.
Debt securities in issue	18 577	18 812	note 30.
Subordinated liabilities	2 717	2 750	note 30.
Other liabilities	10 068	9 984	note 31.
Current income tax liabilities	186	152	-
Deferred income tax provision	264	258	-
Provisions	1 857	1 850	note 32.
TOTAL LIABILITIES	397 903	395 498	-
EQUITY	-	-	-
Share capital	1 250	1 250	-
Other capital and reserves	19 221	18 964	-
Retained earnings	8 646	9 156	-
Net profit or loss for the year	1 838	1 833	-
Capital and reserves attributable to equity holders of the parent	30 955	31 203	-
Non-controlling interests	-15	0	-
TOTAL EQUITY	30 940	31 203	-

* Column (c) shows note numbers from the Condensed Interim Consolidated Financial Statements of PKO Bank Polski S.A. Group for the six months ended 30 June 2022.

The carrying amounts shown under the regulatory model differ from the values recognized in the published financial statements as at 30 June 2022 due to the application of different scopes of consolidation.

4. Own funds requirements

Pursuant to the CRR, the Bank's Group calculates own funds requirements for the following types of risk:

1) credit risk – under the standardized approach (pursuant to Part III, Title II, Chapter 2 of the CRR):
2) operational risk:
   a) under the AMA – in respect of the Bank's operations, including the operations of the foreign branch in in the Federal Republic of Germany[4] and Czech Republic[5] and excluding the foreign branch in the Slovak Republic;
   b) under the BIA (pursuant to Part III, Title III of the CRR) – in respect of the operations of the foreign branch in the Slovak Republic and in respect of the operations of the entities in the Bank's Group, subject to prudential consolidation;
3) market risk (pursuant to Part III, Title IV, Chapters 2-4 of the CRR):
   a) foreign exchange risk – calculated under the basic approach;
   b) commodity price risk – calculated under the simplified approach;
   c) equity instrument risk – calculated under the simplified approach;
   d) specific debt instrument risk – calculated under the basic approach;
   e) general debt instrument risk – calculated under the duration-based approach;
   f) other risks other than delta risk (non-delta risk) – calculated under the scenario approach for options for which the Bank uses its own valuation models, and under the delta plus approach for other options;
4) other risks:
   a) settlement/delivery risk – calculated under the approach specified in Part III, Title V of the CRR;
   b) counterparty credit risk – calculated under the standardized approach specified in Part III, Title II, Chapter 6 of the CRR;
   c) credit valuation adjustment risk (CVA) – calculated under the approach specified in Part III, Title VI of the CRR;
   d) large exposures limit risk – calculated under the approach specified in Articles 395-401 of the CRR;
   e) for exposures to a central counterparty – calculated under the approach specified in Part III, Title II, Chapter 6, Section 9 of the CRR.

The total own funds requirement for the Bank's Group comprises all of the above own funds requirements for individual types or risk.

In calculating the own funds requirement for counterparty credit risk, the Bank uses contractual netting pursuant to the CRR (Articles 295-298).

[4] As from 1 January 2019, the Bank extended the AMA to cover the Branch in Germany in accordance with the developed criteria for the allocation of the own funds requirement for operational risk under the AMA for the Branch in Germany.

[5] Effective 1 January 2021, the Bank introduced the extension of the AMA to include the Branch in the Czech Republic in line with the requirement allocation criteria being developed for own funds for operational risk in accordance with the AMA approach for the Branch in the Czech Republic.

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The following table 4.1. [template EU OV1] presents the value of risk-weighted assets and capital requirements for individual risks, while the values of individual capital ratios are presented in Table 4.2. [template EU KM1].

Table 4.1. Overview of total risk exposure amounts [Template EU OV1]

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.06.2022	31.12.2021	30.06.2022
1	Credit risk (excluding CCR)	189 808	196 186	15 185
2	Of which the standardised approach	189 808	196 186	15 185
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU-4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	7 802	5 287	624
7	Of which the standardised approach	7 257	4 732	581
8	Of which internal model method (IMM)	-	-	-
EU-8a	Of which exposures to a CCP	5	5	0
EU-8b	Of which credit valuation adjustment - CVA	539	518	43
9	Of which other CCR	-	33	0
10	Not applicable	N/A	N/A	N/A
11	Not applicable	N/A	N/A	N/A
12	Not applicable	N/A	N/A	N/A
13	Not applicable	N/A	N/A	N/A
14	Not applicable	N/A	N/A	N/A
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU-19a	Of which 1 250 % / deduction *	27	54	-
20	Position, foreign exchange and commodities risks (Market risk)	1 727	2 288	138
21	Of which the standardised approach	1 727	2 288	138
22	Of which IMA	-	-	-
EU-22a	Large exposures	-	0	0
23	Operational risk	26 663	22 404	2 133
EU-23a	Of which basic indicator approach	3 943	3 783	316
EU-23b	Of which standardised approach	-	-	-
EU-23c	Of which advanced measurement approach	22 720	18 622	1 818
24	Amounts below the thresholds for deduction (subject to 250 % risk weight)	11 370	10 740	-
25	Not applicable	N/A	N/A	N/A
26	Not applicable	N/A	N/A	N/A
27	Not applicable	N/A	N/A	N/A
28	Not applicable	N/A	N/A	N/A
29	**Total**	**226 000**	**226 166**	**18 080**

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Table 4.2. Key Ratios [template EU KM1]

		a	b	c	d	e
		30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	36 403	36 644	38 524	39 715	38 016
2	Tier 1 capital	36 403	36 644	38 524	39 715	38 016
3	Total capital	39 103	39 344	41 224	42 415	40 716
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	226 000	224 487	226 166	223 614	215 780
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	16,11%	16,32%	17,03%	17,76%	17,62%
6	Tier 1 ratio (%)	16,11%	16,32%	17,03%	17,76%	17,62%
7	Total capital ratio (%)	17,30%	17,53%	18,23%	18,97%	18,87%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,11%	0,11%	0,11%	0,24%	0,24%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,06%	0,06%	0,06%	0,14%	0,14%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0,08%	0,08%	0,08%	0,18%	0,18%
EU 7d	Total SREP own funds requirements (%)	8,11%	8,11%	8,11%	8,24%	8,24%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer	1,00%	1,00%	1,00%	1,00%	1,00%
11	Combined buffer requirement (%)	3,51%	3,51%	3,50%	3,51%	3,51%
EU 11a	Overall capital requirements (%)	11,62%	11,62%	11,61%	11,75%	11,75%
12	CET1 available after meeting the total SREP own funds requirements (%)	9,19%	9,42%	10,12%	10,73%	10,63%
Leverage ratio						
13	Leverage ratio total exposure measure	450 922	439 933	439 933	431 594	418 209
14	Leverage ratio (%)	8,07%	8,76%	8,76%	9,20%	9,09%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14c	Total SREP leverage ratio requirements (%)	0,00%	0,00%	0,00%	0,00%	0,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14e	Overall leverage ratio requirement (%)	0,00%	0,00%	0,00%	0,00%	0,00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	111 875	116 149	117 683	116 954	113 373
EU 16a	Cash outflows - Total weighted value	71 712	65 932	60 602	57 212	56 107
EU 16b	Cash inflows - Total weighted value	9 994	8 650	7 270	6 131	5 935
16	Total net cash outflows (adjusted value)	61 718	57 282	53 332	51 081	50 172
17	Liquidity coverage ratio (%)	184%	206%	222%	229%	226%
Net Stable Funding Ratio						
18	Total available stable funding	325 389	320 553	319 317	294 100	290 874
19	Total required stable funding	255 474	249 944	247 567	228 994	219 461
20	NSFR ratio (%)	127%	128%	129%	128%	133%

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5. Capital buffers

Pursuant to the CRR and the Act on macroprudential supervision, financial institutions are required to maintain a combined buffer requirement above the minimum levels set out in the CRR for:

1) total capital ratio (TCR) – 8.0%;
2) Tier 1 capital ratio (T1) – 6.0%;
3) Common Equity Tier 1 capital ratio (CET1) – 4.5%.

Pursuant to the CRR and the Act on macroprudential supervision, the Bank's Group is required to maintain a combined buffer requirement. The combined buffer requirement is the total of all the applicable buffers, i.e. the capital conservation buffer (2.5%), specific countercyclical buffer (0,01%), the OSII buffer imposed on the Bank (1%), and an individual add-on in respect of the risk of foreign currency mortgage loans for each ratio for the Bank and for the Bank's Group. These buffers must be covered with Common Equity Tier 1 capital.

The Bank and the Bank's Group are required to maintain own funds to cover an additional capital requirement in order to hedge the risk arising from mortgage-secured foreign currency loans and advances to households (an individual add-on in respect of the risk of foreign currency mortgage loans, the so-called capital add-on) at:

1) for the total capital ratio: 0.12% for the Bank and 0.11% for the Bank's Group;
2) for the Tier 1 capital ratio: 0.09% for the Bank and 0.08% for the Bank's Group, and
3) for the Common Equity Tier 1 ratio: 0.07% for the Bank and 0.06% for the Bank's Group.

Therefore, as at 30.06.2022 the capital ratios should be no lower than:

1) TCR – 11.63% for the Bank and 11.62% for the Bank's Group;
2) T1 – 9.60% for the Bank and 9.59% for the Bank's Group;
3) CET1 – 8.08% for the Bank and 8.07% for the Bank's Group.

By letter of 10 February 2022, the PFSA recommended that the Bank should maintain, both at the stand-alone and consolidated levels, own funds to cover the capital add-on at 0.29 p.p. above the value of the total capital ratio in order to absorb potential losses resulting from the occurrence of stress conditions (a supplementary capital add-on under Pillar II – P2G). This add-on should be made up of Common Equity Tier 1 capital only.

The P2G has two components:

1) primary capital add-on, which is based on the supervisory stress tests carried out by the PFSA in 2021 – in the amount of 0.17 p.p., and
2) supplementary capital add-on, which is based on the analysis of the impact of interest rate increases on credit risk, adjusted for the assessment of the internal capital model in terms of taking into account credit risk related to the increase in interest rates, carried out by the PFSA in 2021 – in the amount of 0.12 p.p.

Tables 5.1. and 5.2 present information concerning the geographical distribution of related credit exposures and the amount of the countercyclical buffer specific to the Bank's Group

Table 5.1. Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer [template EU CCyB1]

	30.06.2022												
	a	b	c	d	e	f	g	h	i	j	k	l	m
	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Breakdown by country:	a	b	c	d	e	f	g	h	i	j	k	l	m
Poland	280 512	0	321	0	0	280 834	13 979	19	0	13 997	174 967	95,00%	0,00%
Luxembourg	1 745	0	0	0	0	1 745	140	0	0	140	1 745	0,95%	0,50%
the Netherlands	833	0	0	0	0	833	67	0	0	67	833	0,45%	0,00%
Spain	552	0	0	0	0	552	44	0	0	44	552	0,30%	0,00%
Germany	522	0	0	0	0	522	42	0	0	42	523	0,28%	0,00%
France	376	0	0	0	0	376	30	0	0	30	378	0,21%	0,00%
Great Britain	373	0	0	0	0	373	31	0	0	31	387	0,21%	0,00%
Austria	367	0	0	0	0	367	29	0	0	29	367	0,20%	0,00%
The czech republic	345	0	0	0	0	345	28	0	0	28	345	0,19%	0,50%
Denmark	343	0	0	0	0	343	23	0	0	23	291	0,16%	0,00%
Norway	317	0	0	0	0	317	25	0	0	25	317	0,17%	1,00%
Cyprus	284	0	0	0	0	284	23	0	0	23	285	0,15%	0,00%
Hungary	267	0	0	0	0	267	21	0	0	21	267	0,15%	0,00%
Bahamas	197	0	0	0	0	197	15	0	0	15	184	0,10%	0,00%
Singapore	187	0	0	0	0	187	15	0	0	15	187	0,10%	0,00%
Malta	135	0	0	0	0	135	11	0	0	11	135	0,07%	0,00%
Switzerland	66	0	0	0	0	66	5	0	0	5	64	0,03%	0,00%
Japan	41	0	0	0	0	41	2	0	0	2	20	0,01%	0,00%
Finland	36	0	0	0	0	36	3	0	0	3	36	0,02%	0,00%
Estonia	20	0	0	0	0	20	2	0	0	2	20	0,01%	0,00%
Sweden	18	0	0	0	0	18	1	0	0	1	18	0,01%	0,00%
Slovakia	18	0	0	0	0	18	1	0	0	1	17	0,01%	1,00%
Ireland	5	0	0	0	0	5	0	0	0	0	5	0,00%	0,00%
Belgium	3	0	0	0	0	3	0	0	0	0	2	0,00%	0,00%
Italy	2	0	0	0	0	2	0	0	0	0	2	0,00%	0,00%
Australia	1	0	0	0	0	1	0	0	0	0	1	0,00%	0,00%
Ecuador	1	0	0	0	0	1	0	0	0	0	1	0,00%	0,00%
Georgia	1	0	0	0	0	1	0	0	0	0	1	0,00%	0,00%
Belarus	1	0	0	0	0	1	0	0	0	0	1	0,00%	0,00%
Other countries together	0	0	0	0	0	0	0	0	0	0	0	0,00%	0
Total	**287 571**	**0**	**321**	**0**	**0**	**287 892**	**14 538**	**19**	**0**	**14 734**	**184 169**	**100%**	

Table 5.2. Amount of institution-specific countercyclical capital buffer [template EU CCyB2]

		30.06.2022
		a
1	Total risk exposure amount	226 000
2	Institution specific countercyclical capital buffer rate	0,01%
3	Institution specific countercyclical capital buffer requirement	17

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6. Leverage

The Bank's Group calculates the leverage ratio as one of the capital adequacy measures.

The objective of leverage risk management is to ensure a proper relation between the amount of Common Equity Tier 1 capital and the total balance sheet assets and off-balance sheet liabilities granted of the Bank and the Bank's Group.

As at 30 June 2022, the leverage ratio remained above the internal and external limits as well as above the minimum levels recommended by the PFSA.

Table 6.1. Summary reconciliation of accounting assets and leverage ratio exposures[template EU LR1 – LRSum]

		30.06.2022
		a
		Applicable amount
1	Total assets as per published financial statements	428 875
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-2 142
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-2 382
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	25 657
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	915
13	**Leverage ratio total exposure measure**	450 922

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Table 6.2. Leverage ratio common disclosure [template EU LR2 – LRCom]

		CRR leverage ratio exposures	
		30.06.2022	31.12.2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	416 377	408 150
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)*	-875	-384
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-3 236	-2 967
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	412 266	404 798
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	6 248	3 697
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	6 712	5 980
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	-1
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	12 959	9 677
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	40	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	40	-
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	79 778	79 869
20	Off-balance sheet exposures at gross notional amount	-54 122	-54 411
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	25 657	25 458
Excluded exposures		-	-
EU-22a	Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	36 404	38 524
24	Total exposure measure	450 922	439 933
Leverage ratio			
25	Leverage ratio (%)	8,07%	8,76%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8,07%	8,76%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8,07%	8,76%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	0
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	Not applicable	Not applicable
EU-26b	of which: to be made up of CET1 capital	Not applicable	Not applicable
27	Leverage ratio buffer requirement (%)	Not applicable	Not applicable
EU-27a	Overall leverage ratio requirement (%)	3,00%	3,00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional

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Table 6.3. Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) [template EU LR3 – LRSpl]

		30.06.2022
		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	416 377
EU-2	Trading book exposures	3 329
EU-3	Banking book exposures, of which:	413 048
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	109 447
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	11 707
EU-7	Institutions	5 468
EU-8	Secured by mortgages of immovable properties	104 195
EU-9	Retail exposures	69 701
EU-10	Corporate	64 081
EU-11	Exposures in default	4 191
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	44 259

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7. Capital adequacy

Capital adequacy is a process aimed at ensuring that the level of the risk which the Bank and the Bank's Group take on in connection with the development of their business operations may be covered with the available capital, taking into account a specific risk tolerance level and time horizon. The capital adequacy management process covers, in particular, complying with the applicable regulations of the supervisory and control authorities, as well as with the risk tolerance level defined in the Bank and the Bank's Group and the capital planning process, including the policy for raising capital.

The capital ratios as at 30.06.2022 are as follows:

1) TCR – 18.20% for the Bank and 17.30% for the Bank's Group;
2) T1 – 16.83% for the Bank and 16.11% for the Bank's Group;

Table 7.1. Capital ratios

Capital ratios	**30.06.2022**	**31.12.2021**
Total risk exposure amount	226 000	226 166
Common Equity Tier 1 (CET1)	36 403	38 524
Tier 2 (T2) capital	2 700	2 700
Total capital (TC=T1+T2)	39 103	41 224
CET1 ratio (%)	**16,11%**	**17,03%**
T1 ratio (%)	**16,11%**	**17,03%**
TCR (%)	**17,30%**	**18,23%**

8. Impact of transitional arrangements on capital adequacy

The PKO Bank Polski S.A. Group applies the following transitional solutions in the calculation of own funds:

- transitional adjustment to minimize the impact of implementing IFRS 9 on own funds, in accordance with Article 473a of the CRR;
- provisional treatment of unrealized gains and losses on securities measured at fair value through OCI in connection with the COVID-19 pandemic (according to Article 468 of the CRR).

8.1. Impact of IFRS 9 on capital adequacy

On 1 January 2018, IFRS 9 "Financial Instruments", which replaced IAS 39 "Financial Instruments", entered into force. Changes were made to the classification and measurement of financial instruments, recognition and calculation of their impairment, and hedge accounting.

The impact of the implementation of IFRS 9 on own funds and capital adequacy measures is governed in Regulation 2017/2395[6] of the European Parliament and of the Council. According to this regulation, banks may apply transitional provisions as regards own funds and increase Common Equity Tier 1 capital related to the implementation of the new impairment model over the next 5 years as from 1 January 2018, with the scaling factor decreasing from period to period.

Moreover, on 27 June 2020 Regulation 2020/873[7] of the European Parliament and of the Council entered into force. This provision makes it possible to mitigate the effect of the impairment losses recognized as from 1 January 2020 on Tier 1 capital. Such arrangement may be used until 2024 inclusive, with the scaling factor assigned to this value decreasing from period to period.

In the light of Article 473a (7a) of the CRR introduced by means of the above Regulation, the Bank's Group decided to use the option according to which the adjustment mitigating the effect of the introduction of IFRS 9 on own funds is assigned a 100% risk weight, and the value obtained is added to the total exposure measure. For the data for December 2019, a scaling factor for adjusting the specific risk for which the exposure value is reduced, calculated in accordance with the provisions of Article 473a (7) of the CRR, was used.

The Bank's Group decided to fully apply the transitional provisions and to spread over time the impact of adjustments resulting from the implementation of IFRS 9 on own funds and capital adequacy measures.

8.2. Provisional treatment of unrealized gains and losses on securities measured at fair value through OCI

According to Article 468 of the CRR (as amended by the aforementioned Regulation 2020/873), banks may apply the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic. This approach enables excluding, from the calculation of the Bank's common equity position, the portion of the unrealized gains and losses accumulated from 31 December 2019, included in the balance sheet under "changes in the fair value of debt instruments measured at fair value through OCI", corresponding to exposures to central governments, regional governments or local authorities, and to public sector entities, excluding those financial assets that are impaired due to credit risk. The Bank's Group has decided to apply the above provisional treatment starting from the December 2021 data onwards and has notified the Polish Financial Supervision Authority of its decision.

[6] Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State

[7] Regulation 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic.

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Table 8.1. Comparison of the institution's own funds and capital ratio and leverage ratio with and without the application of IFRS 9 transitional arrangements and corresponding expected credit losses and with and without the transitional treatment pursuant to Article 468 of the CRR [template MSSF 9]

		30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021
Available capital (amounts)						
1	Common Equity Tier 1 capital (CET1)	36 403	36 644	38 524	39 715	38 016
2	Common Equity Tier 1 (CET1) capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	35 098	35 573	37 042	38 233	36 582
2a	Common Equity Tier 1 capital (CET1) if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive according to Article 468 of the CRR	34 610	35 273	37 289	39 715	38 016
3	Tier 1 capital (T1)	36 403	36 644	38 524	39 715	38 016
4	Tier 1 capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	35 098	35 573	37 042	38 233	36 582
4a	Tier 1 capital if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income according to Article 468 of the CRR	34 610	35 273	37 289	39 715	38 016
5	Total capital	39 103	39 344	41 224	42 415	40 716
6	Total capital, if the IFRS 9 transitional or similar expected loan losses were not applied	37 798	38 273	39 742	40 933	39 282
6a	Total capital, if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income according to Article 468 of the CRR	37 310	37 973	39 989	42 415	40 716
RWAs (amounts)						
7	Total RWAs	226 000	224 487	226 166	223 614	215 780
8	Total RWAs if the IFRS 9 transitional or similar expected credit losses were not applied	224 518	223 274	224 684	222 132	214 345
Capital ratios						
9	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	16,11%	16,32%	17,03%	17,76%	17,62%
10	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	15,63%	15,93%	16,49%	17,21%	17,07%
10a	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Art. 468 of the CRR	15,34%	15,73%	16,49%	17,76%	17,62%
11	Tier 1 capital (as a percentage of the risk exposure amount)	16,11%	16,32%	17,03%	17,76%	17,62%
12	Tier 1 capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	15,63%	15,93%	16,49%	17,21%	17,07%
12a	Tier 1 capital (as a percentage of the risk exposure amount) if there was no provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	15,34%	15,73%	16,49%	17,76%	17,62%
13	Total capital (as a percentage of the risk exposure amount)	17,30%	17,53%	18,23%	18,97%	18,87%
14	Total capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional or similar expected credit losses were not applied	16,84%	17,14%	17,69%	18,43%	18,33%
14a	Total capital (as a percentage of the risk exposure amount), if there was no provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	16,54%	16,94%	17,68%	18,97%	18,87%
Leverage ratio						
15	The leverage ratio total exposure measure	450 922	444 043	439 933	431 594	418 209
16	Leverage ratio	8,07%	8,25%	8,76%	9,20%	9,09%
17	The leverage ratio if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	7,81%	8,03%	8,45%	8,89%	8,78%
17a	The leverage ratio if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	7,68%	7,95%	8,48%	9,20%	9,09%

If the transitional arrangements concerning the partial reversal of the impact of IFRS 9 pursuant to Article 473a of the CRR were not applied, the Bank's Tier 1 Capital would amount to PLN 31 879 million, its Total Capital would be PLN 34 579 million, its Tier 1 capital ratio – 16.33%, its total capital ratio – 17.71%, and its leverage ratio – 7.74%.

If the provisional treatment of the unrealized gains and losses measured at fair value through OCI pursuant to Article 468 of the CRR was not applied, the Bank's Tier 1 Capital would amount to PLN 31 189 million, its Total Capital would be PLN 33 889 million, its Tier 1 capital ratio – 15.91%, its total capital ratio – 17.29%, and its leverage ratio – 7.55%.

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9. Variable remuneration components

The table below shows quantitative information on the amount of remuneration awarded for 2021.

Table 9.1. The awarded remuneration for 2021 [template EU REM1]

			31.12.2021			
			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	11	8	61	95
2		Total fixed remuneration	1,30	6,66	29,65	28,53
3		Of which: cash-based	1,30	6,66	29,65	28,53
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	-	8	60	93
10		Total variable remuneration	-	7,74	20,23	20,18
11		Of which: cash-based	-	3,87	10,80	12,19
12		Of which: deferred	-	1,59	3,85	3,20
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	3,87	8,49	7,45
EU-14b		Of which: deferred	-	1,59	3,46	2,98
EU-14x		Of which: other instruments	-	-	0,94	0,54
EU-14y		Of which: deferred	-	-	0,38	0,22
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		1,30	14,40	49,88	48,71

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10. Retrospective recognition of the profit for 2021

According to Article 26(2) of the CRR, institutions may include interim or year-end profits in Common Equity Tier 1 capital after the Bank's Group has taken a formal decision confirming the final profit or loss of the Bank's Group for the year or, before taking the above-mentioned formal decision, with the prior permission of the competent authority. In May 2020, the European Banking Authority (EBA) published, in a single rulebook Q&A, its position regarding the moment of recognition of year-end and interim profits in the capital adequacy data (Q&A 2018_3822 and Q&A 2018_4085). According to this position, once the Bank's Group has formally met the criteria for including their profit for a given period in the Tier 1 capital, this profit should be included retrospectively (as at the date of the profit, and not the date of meeting the criteria), and own funds should be adjusted accordingly as at the date of the profit.

Therefore, restated data on the values of own funds, capital requirements and capital ratios for the periods ending 31 March 2022 and 31 December 2021 is presented below.

The restated data presents values including, in own funds, the profit of the Bank's Group for 2021 (less expected dividends) of PLN 2 575 million (in the light of Resolution No. 8/2022 of the Annual Shareholders' Meeting of the Bank of 12 May 2022 on the appropriation of PKO Bank Polski S.A.'s profit earned in 2021, in which the AGM decided to retain approx. 50% of the profit for 2021 in the Bank's equity, and the resolutions of the AGMs of the companies, concerning the appropriation of profit), with a part of that amount (PLN 1 975 million) being already included in the data published as at 31.12.2021 and as at 31.03.2022 due to the fact that the Bank's Group obtained permission to include a part of the profit for the first half of 2021, less expected charges, in own funds.

Due to the change of the date of including the profit in own funds in those periods, there were small changes in the values of the insufficient coverage of NPEs and the transitional adjustment relating to the impact of IFRS 9 on own funds.

In addition, as a result of the application of the above EBA guidelines, as at 31.03.2022 and 31.12.2021 there was a fall in the value of the capital requirement for credit risk of PLN 95 million as at the end of March and PLN 103 million as at the end of December respectively and, in consequence, there was an increase in the total capital ratio of 0.46 p.p. as at the end of March and 0.5 p.p. as at the end of December as well as the Tier 1 capital ratio of 0.45 and 0.49 p.p., respectively.

Table 10.1. Key capital ratios including retrospective recognition of the profit for 2021 according to data for 31.03.2022 and 31.12.2021.

		30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021
Available capital (amounts)						
1	Common Equity Tier 1 capital (CET1)	36 403	37 457	39 412	39 715	38 016
2	Common Equity Tier 1 (CET1) capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	35 098	36 236	37 649	38 233	36 582
2a	Common Equity Tier 1 capital (CET1) if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive according to Article 468 of the CRR	34 610	36 167	38 174	39 715	38 016
3	Tier 1 capital (T1)	36 403	37 457	39 412	39 715	38 016
4	Tier 1 capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	35 098	36 236	37 649	38 233	36 582
4a	Tier 1 capital if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income according to Article 468 of the CRR	34 610	36 167	38 174	39 715	38 016
5	Total capital	39 103	40 157	42 112	42 415	40 716
6	Total capital, if the IFRS 9 transitional or similar expected loan losses were not applied	37 798	38 936	40 349	40 933	39 282
6a	Total capital, if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income according to Article 468 of the CRR	37 310	38 867	40 874	42 415	40 716
RWAs (amounts)						
7	Total RWAs	226 000	223 300	224 875	223 614	215 780
8	Total RWAs if the IFRS 9 transitional or similar expected credit losses were not applied	224 518	222 026	223 112	222 132	214 345
Capital ratios						
9	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	16,11%	16,77%	17,53%	17,76%	17,62%
10	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	15,63%	16,32%	16,87%	17,21%	17,07%
10a	Common Equity Tier 1 capital (as a percentage of the risk exposure amount) if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Art. 468 of the CRR	15,34%	16,20%	16,98%	17,76%	17,62%
11	Tier 1 capital (as a percentage of the risk exposure amount)	16,11%	16,77%	17,53%	17,76%	17,62%
12	Tier 1 capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	15,63%	16,32%	16,87%	17,21%	17,07%
12a	Tier 1 capital (as a percentage of the risk exposure amount) if there was no provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	15,34%	16,20%	16,98%	17,76%	17,62%
13	Total capital (as a percentage of the risk exposure amount)	17,30%	17,98%	18,73%	18,97%	18,87%
14	Total capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional or similar expected credit losses were not applied	16,84%	17,54%	18,08%	18,43%	18,33%
14a	Total capital (as a percentage of the risk exposure amount), if there was no provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	16,54%	17,41%	18,18%	18,97%	18,87%
Leverage ratio						
15	The leverage ratio total exposure measure	450 922	442 969	436 860	431 594	418 209
16	Leverage ratio	8,07%	8,46%	9,02%	9,20%	9,09%
17	The leverage ratio if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	7,81%	8,20%	8,65%	8,89%	8,78%
17a	The leverage ratio if the provisional treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to Article 468 of the CRR	7,68%	8,17%	8,74%	9,20%	9,09%

Representations of the Management Board of PKO Bank Polski S.A.

The Management Board of PKO Bank Polski S.A.:

- declares that, to the best of its knowledge, the information disclosed under Part Eight of the CRR has been prepared in compliance with the internal control processes;
- declares that, to the best of its knowledge, the adequacy of the arrangements concerning the management of risk, in particular liquidity risk, at PKO Bank Polski S.A., ensures that the risk management systems in place are appropriate from the perspective of the risk profile and the strategy of the Bank and the Bank's Group;
- approves this Report "Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 30 June 2022", in which information on risk, including liquidity risk, is placed, the overall risk profile of the Bank and the Bank's Group relating to the operating strategy is discussed, and the key indicators and figures are contained, which ensure the external interested parties a comprehensive view of the management of risk by PKO Bank Polski S.A. and the Bank's Group, including the interaction between the Bank's risk profile and risk tolerance expressed in the form of strategic tolerance limits, determined by the Management Board and accepted by the Supervisory Board.

Management Board of PKO Bank Polski S.A.
on the original, the relevant signatures