Bank Polski

Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 30 June 2023

Disclosure

Quarterly

Semi-annual

Annual

Table of contents

1 Introduction

The Report "Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Capital Group subject to disclosure as at 30 June 2023", hereinafter referred to as the "Report", was prepared in accordance with:

- Article 111a of the Act of 29 August 1997 – the Banking Law[1], hereinafter referred to as the "Banking Law",
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms, hereinafter referred to as the "CRR Regulation," or "CRR," taking into account the acts amending the CRR Regulation,
- Commission Implementing Regulation (EU) 2021/637 of March 15, 2021 laying down implementing technical standards as regards public disclosure by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council (hereinafter "Regulation 2021/637"), taking into account the acts amending Regulation 2021/637,
- Guidelines EBA/GL/2020/12 amending Guidelines EBA/GL/2018/01 dated August 4, 2017 on uniform disclosures under Article 473a of Regulation (EU) No. 575/2013 on transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the amendments to the CRR Regulation resulting from COVID-19.

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, hereinafter referred to as "PKO Bank Polski S.A." or the "Bank", which meets the definition of a large institution within the meaning of Article 4 (1) (146) of the CRR Regulation, in accordance with Article 13 (1) and Article 433a of the CRR Regulation, announces information on capital adequacy referred to in Part Eight of the CRR Regulation on an annual, semi-annual and quarterly basis 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 2023. 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.

[1] Data includes only entities included in prudential consolidation.

(IN PLN MILLION)

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 Capital Group as at 31 December 2022", the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2022, and the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2023.

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 their 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 their 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.

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

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

Bank's Group		30.06.2023				
		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	76 484	76 792	94 767	5 035	253 077
2	Debt securities	37 803	77 355	44 790	-	159 947
3	Total	114 287	154 147	139 557	5 035	413 025

2.1.2 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.

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]

		30.06.2023				
		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*	99 128	164 284	163 699	585	-
2	Debt securities	159 947	-	-	-	
3	Total	259 075	164 284	163 699	585	-
4	Of which non-performing exposures	1 397	2 504	2 482	22	-
EU-5	Of which defaulted					

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 2.3 Standardised approach -Credit risk exposure and CRM effects [Template EU CR4]

		30.06.2023					
Exposure classes		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	138 180	0	170 116	25	9 124	5,4%
2	Regional government or local authorities	15 382	2 750	15 809	1 676	3 497	20,0%
3	Public sector entities	547	3 499	362	1 628	993	49,9%
4	Multilateral development banks	4 766	-	4 766	-	-	0,0%
5	International organisations	-	-	-	-	-	-
6	Institutions	14 674	10 206	9 778	5 455	4 247	27,9%
7	Corporates	76 267	48 636	47 579	10 524	56 392	97,1%
8	Retail	71 712	15 779	67 198	3 888	49 278	69,3%
9	Secured by mortgages on immovable property	96 273	1 906	95 679	484	42 218	43,9%
10	Exposures in default	3 992	558	3 732	45	4 624	122,4%
11	Exposures associated with particularly high risk	871	1 326	743	150	1 339	150,0%
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investment undertakings	445	-	445	-	704	158,2%
15	Equity	590	-	590	-	1 440	244,3%
16	Other items	31 324	133	31 324	27	9 701	30,9%
17	TOTAL	455 023	84 793	448 121	23 902	183 558	38,9%

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 2.4 Standardised approach [Template EU CR5]

	30.06.2023																	
	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	164 156	-	1 770	-	334	-	-	-	-	7	706	3 168	-	-	-	170 141	-
2	Regional government or local authorities	-	-	-	-	17 486	-	-	-	-	-	-	-	-	-	-	17 486	13 197
3	Public sector entities	-	-	-	-	7	-	1 983	-	-	-	-	-	-	-	-	1 990	1 792
4	Multilateral development banks	4 766	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 766	3 549
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	1 487	-	-	11 506	-	649	-	-	1 592	-	-	-	-	-	15 233	3 630
7	Corporates	-	-	-	-	175	-	561	-	-	57 367	0	-	-	-	-	58 103	62 405
8	Retail	-	-	-	-	-	-	-	-	71 086	-	-	-	-	-	-	71 086	70 055
9	Secured by mortgages on immovable property	-	-	-	-	-	77 621	5 998	-	4 753	5 257	2 535	-	-	-	-	96 164	99 223
10	Exposures in default	-	-	-	-	-	-	-	-	-	2 085	1 693	-	-	-	-	3 777	4 163
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	893	-	-	-	-	893	1 084
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Unit or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	2	406	37	-	-	-	445	442
15	Equity	-	-	-	-	-	-	-	-	-	22	-	567	-	-	-	590	114
16	Other items	19 952	-	-	-	2 209	-	0	-	-	9 143	-	46	-	-	-	31 351	33 870
17	**Total**	**188 875**	**1 487**	**1 770**	**-**	**31 716**	**77 621**	**9 190**	**-**	**75 838**	**75 475**	**6 232**	**3 819**	**-**	**-**	**-**	**472 023**	**293 524**

The table above presents the total amount of on-balance sheet and off-balance sheet exposures of the Bank's Capital 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 2023, 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 2023, 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.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

2.1.3 Counterparty credit risk exposure

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

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

		30.06.2023							
		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)	1 863	3 054		1,4	8 308	6 884	6 426	4 779
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)					317	2	2	2
5	VaR for SFTs					-	-	-	-
6	**Total**					8 625	6 886	6 428	4 781

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.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

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

		30.06.2023	
		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	9 684	474
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**9 684**	**474**

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	30.06.2023											
		Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total exposure value
1	Central governments or central banks	12	-	-	-	-	-	-	-	-	-	-	12
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	0	-	-	-	-	-	-	0
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	213	-	-	639	2 230	-	-	0	-	-	3 082
7	Corporates	-	-	-	-	-	18	-	-	3 529	0	-	3 547
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**12**	**213**	**-**	**-**	**639**	**2 248**	**-**	**-**	**3 529**	**0**	**-**	**6 641**

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

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

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

		30.06.2023							
		a	b	c	d	e	f	g	h
Collateral type		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	-	9	2 780	215	-	-	-	-
2	Cash – other currencies	332	912	199	1 204	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	Total	332	921	2 980	1 419	-	-	-	-

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

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 2.9 Exposures to CCPs [Template EU CCR8]

		30.06.2023	
		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	213	4
3	(i) OTC derivatives	202	4
4	(ii) Exchange-traded derivatives	10	0
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	125	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	44	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 2023, 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.

(IN PLN MILLION)

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 2022 (Note 62 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]

		30.06.2023														
		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			of which SRT		STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT											
1	Total exposures	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Wholesale (total)	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-
8	loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	lease and receivables	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-
11	other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

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

		30.06.2023																
		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	-	-	-	-	2	-	-	-	2	-	-	-	- 2	-	-	-	-
2	Traditional transactions	-	-	-	-	2	-	-	-	2	-	-	-	- 2	-	-	-	-
3	Securitisation	-	-	-	-	2	-	-	-	2	-	-	-	- 2	-	-	-	-
4	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Wholesale	-	-	-	-	2	-	-	-	2	-	-	-	- 2	-	-	-	-
7	Of which STS	-	-	-	-	2	-	-	-	2	-	-	-	- 2	-	-	-	-
8	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

		30.06.2023		
		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	700	16	- 39
2	Retail (total)	-	-	-
3	residential mortgage	-	-	-
4	credit card	-	-	-
5	other retail exposures	-	-	-
6	re-securitisation	-	-	-
7	Wholesale (total)	700	16	- 39
8	loans to corporates	-	-	-
9	commercial mortgage	-	-	-
10	lease and receivables	700	16	- 39
11	other wholesale	-	-	-
12	re-securitisation	-	-	-

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Specialized lending exposures

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

Non-performing and forborne exposures

The Group's gross NPL[1] ratio is 3.64% as of June 30, 2023. Therefore, in accordance with Regulation 2021/637, the tables: EU CR2a, EU CQ2, EU CQ6, EU CQ8, EU CQ4 are not presented.
Tables containing quantitative information on non-serviced and restructured exposures are presented below.

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

		30.06.2023														
		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							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			Accumulated partial write-off	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**	10 336	10 336	-	-	-	-	- 2	- 2	-	-	-	-	-	-	-
010	**Loans and advances**	**253 859**	**215 013**	**35 815**	**9 384**	**77**	**8 871**	**- 4 623**	**- 1 061**	**- 3 592**	**- 5 542**	**- 26**	**- 5 511**	**- 2 024**	**161 780**	**2 504**
020	Central banks	1 424	1 424	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	5 050	4 455	568	40	-	40	- 59	- 19	- 40	- 1	-	- 1	- 0	542	39
040	Credit institutions	11 382	11 382	-	-	-	-	- 4	- 4	-	-	-	-	-	-	-
050	Other financial corporations	7 903	7 854	49	19	0	19	- 13	- 11	- 1	- 12	- 0	- 12	- 1	1 966	6
060	Non-financial corporations	84 371	64 358	20 006	4 331	8	4 224	- 2 083	- 443	- 1 640	- 2 357	- 0	- 2 354	- 708	50 518	1 721
070	Of which: SMEs	40 761	28 902	11 851	3 297	3	3 198	- 1 252	- 237	- 1 015	- 1 876	- 0	- 1 873	- 589	27 455	1 221
080	Households	143 728	125 540	15 192	4 994	69	4 589	- 2 464	- 583	- 1 911	- 3 172	- 26	- 3 144	- 1 314	108 753	739
090	**Debt Securities**	**159 986**	**158 600**	**1 072**	**59**	**-**	**13**	**- 97**	**- 63**	**- 34**	**- 0**	**-**	**-**	**- 4**	**-**	**-**
100	Central banks	19 975	19 975	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	110 138	109 053	790	-	-	-	- 64	- 47	- 16	-	-	-	-	-	-
120	Credit institutions	7 279	7 279	-	-	-	-	- 1	- 1	-	-	-	-	-	-	-
130	Other financial corporations	19 467	19 467	-	-	-	-	- 4	- 4	-	-	-	-	-	-	-
140	Non-financial corporations	3 126	2 825	282	59	-	13	- 29	- 11	- 18	- 0	-	-	- 4	-	-
150	**Off-balance sheet exposures**	**90 002**	**80 588**	**9 413**	**646**	**1**	**423**	**649**	**160**	**489**	**50**	**0**	**48**		**-**	**-**
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	6 186	6 032	154	-	-	-	19	11	8	-	-	-		-	-
180	Credit institutions	10 251	10 251	-	-	-	-	0	0	-	-	-	-		-	-
190	Other financial corporations	1 663	1 650	13	-	-	-	1	1	0	-	-	-		-	-
200	Non-financial corporations	56 791	49 533	7 258	620	0	398	449	106	343	41	0	40		-	-
210	Households	15 111	13 123	1 987	26	1	24	180	42	137	9	0	9		-	-
220	Total	514 182	464 537	46 299	10 089	78	9 307	- 5 371	- 1 285	- 4 115	- 5 592	- 26	- 5 560	- 2 028	161 780	2 504

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

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

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

		30.06.2023
		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	9 750
020	Inflows to non-performing portfolios	1 784
030	Outflows from non-performing portfolios	- 2 009
040	Outflows due to write-offs	- 182
050	Outflow due to other situations	- 1 828
060	**Final stock of non-performing loans and advances**	9 525

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

		30.06.2023							
		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			On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	733	1 736	1 638	1 619	- 56	- 770	1 323	774
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	1	1	1	-	- 0	1	1
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	0	0	0	0	- 0	0	0	0
060	Non-financial corporations	383	1 032	992	1 017	- 22	- 416	933	592
070	Households	350	702	645	601	- 34	- 353	389	181
080	Debt Securities	-	59	59	14	-	- 0	-	-
090	Loan commitments given	5	45	45	45	0	9	-	-
100	Total	738	1 840	1 742	1 678	- 57	- 779	1 323	774

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

As at 30 June 2023, 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 by industry [Template EU CQ5]

		30.06.2023					
		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			
10	Agriculture, forestry and fishing	1 907	94	94	1 907	- 113	-
20	Mining and quarrying	981	13	10	981	- 12	-
30	Manufacturing	23 461	1 021	1 020	23 457	- 1 328	- 2
40	Electricity, gas, steam and air conditioning supply	4 684	4	4	4 684	- 61	-
50	Water supply	1 685	15	15	1 685	- 23	-
60	Construction	4 208	497	497	4 207	- 492	-
70	Wholesale and retail trade	16 391	794	792	16 389	- 679	-
80	Transport and storage	10 101	361	361	10 101	- 356	-
90	Accommodation and food service activities	1 818	588	588	1 818	- 346	-
100	Information and communication	5 038	40	40	5 038	- 48	-
110	Financial and insurance actvities	1 798	9	9	1 797	- 15	-
120	Real estate activities	8 787	572	572	8 787	- 636	-
130	Professional, scientific and technical activities	2 310	95	95	2 309	- 83	-
140	Administrative and support service activities	3 339	88	88	3 339	- 87	-
150	Public administration and defense, compulsory social security	23	-	-	23	- 0	-
160	Education	212	24	24	212	- 19	-
170	Human health services and social work activities	1 362	58	58	1 362	- 52	-
180	Arts, entertainment and recreation	450	19	19	450	- 39	-
190	Other services	148	39	38	148	- 49	-
200	**Total**	**88 702**	**4 331**	**4 322**	**88 692**	**-4 437**	**-2**

(IN PLN MILLION)

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

		30.06.2023	
		a	b
		Collateral obtained by taking possession accumulated	
		Value at initial recognition	Accumulated negative changes
10	**Property Plant and Equipment (PP&E)**	-	-
20	**Other than Property Plant and Equipment**	62	- 4
30	Residential immovable property	27	-
40	Commercial Immovable property	35	- 4
50	Movable property (auto, shipping, etc.)	-	-
60	Equity and debt instruments	-	-
70	Other	-	-
80	Total	62	- 4

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 non-trading 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).

Interest rate risk in the non-trading book

In addition, the Group (in accordance with Article 98 (5) of Directive 2013/36/EU) conducts a sensitivity analysis of economic value under six shock scenarios for supervisory purposes, as well as a sensitivity analysis of interest income calculated under two shock scenarios.

The results as of June 30, 2023 and as of December 31, 2022 were as follows:

Table 2.18 Quantitative information on interest rate risk in the non-trading book [Template IRRBB1]

Supervisory shock scenarios[1]	30.06.2023	31.12.2022	30.06.2023	31.12.2022
	Changes of the economic value of equity		Changes of the net interest income[2]	
Parallel up	- 2 581	- 2 055	675	543
Parallel down	1 148	1 048	- 1 664	- 1 341
Steepener	853	450		
Flattener	- 2 267	- 1 307		
Short rates up	- 2 907	- 1 926		
Short rates down	1 536	977		

1) The results of the stress-test analysis are presented only for currencies representing at least 5% of total financial assets in the non-trading book. Stress-tests are presented in accordance with the EBA's IRRBB guidelines.

2) For the interest income sensitivity measure, a parallel increase/decrease shock is presented in accordance with the EBA's IRRBB guidelines (including for 31/12/2022).

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 2.20 below:

Table 2.19 VaR measure in the Bank's trading book

Measure name	30.06.2023	31.12.2022
10-day VaR with a 99% confidence level (PLN million)[1]		
Average value	72	37
Maximum value	133	86
Value at the end of the year	83	56

[1] Due to the nature of the Group companies' operations, the VaR 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 2023, 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 2023 and as at 31 December 2022:

Table 2.20 Sensitivity of financial assets exposed to foreign exchange risk

Measure name[1]	30.06.2023	31.12.2022
10-day VaR with a 99% confidence level (PLN million)[2]	57	128
Change in CHF/PLN exchange rate by 10% (stress-test)[3]	- 100	- 162
Change in EUR/PLN exchange rate by 10% (stress-test)[3]	- 46	12
Change in all foreign exchange rates against PLN by 10% (stress test)	- 61	- 104

[1] The items do not include structural positions in UAH (PLN 556,8 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.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

2.2.3 Own funds requirements for market risk

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

Table 2.21 Market risk under the standardized approach [Template EU MR1]

		30.06.2023
		a
Outright products		**RWEAs**
1	Interest rate risk (general and specific)	1 947
2	Equity risk (general and specific)	13
3	Foreign exchange risk	869
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus approach	0
7	Scenario approach	142
8	Securitisation (specific risk)	-
9	Total	2 971

The total foreign currency position of the own funds of the Bank's Group exceed 2%, so the own funds requirement for foreign exchange risk was calculated

As at 30 June 2023, 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 in Table 2.23.

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.

As of June 30, 2023, the LCR ratio as of June 30, 2023, was approximately 221.6%, remaining at a high level, well above the supervisory limit and internal limits and thresholds. Compared to December 31, 2022, the value of the ratio increased by about 52.5 p.p., mainly as a result of an increase in retail deposits and the issuance of own bonds, with a decrease in corporate and financial deposits and an increase in gross loans.

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 2023, outflows under derivative instruments as determined in accordance with the CRR Regulation amounted to PLN 1.3 billion, whereas the impact of an adverse market conditions scenario on derivatives, financing transactions and other agreements accounted for 0.5% of the total unweighted value of outflows recognized in the coverage ratio of net outflows.

As at the end of June 2023, 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 2022 (Note 64 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).

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 2.22 Quantitative information of LCR [Template EU LIQ1]

		a	b	c	d	e	f	g	h
		Total unweighted value (avg)				Total weighted vaLue (avg)			
EU 1a	Quarter ending on	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2023	31.03.2023	31.12.2022	30.09.2022
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)					115 038	107 117	105 952	107 757
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	248 059	236 064	228 793	223 865	19 011	17 958	17 136	16 416
3	Stable deposits	174 759	167 732	163 906	162 012	8 738	8 387	8 195	8 101
4	Less stable deposits	73 270	68 300	64 855	61 820	10 244	9 541	8 909	8 283
5	Unsecured wholesale funding	99 836	103 671	105 411	103 310	35 199	37 542	38 593	38 116
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	26 920	27 339	28 309	27 586	6 444	6 553	6 802	6 631
7	Non-operational deposits (all counterparties)	71 895	75 090	75 795	74 284	27 734	29 746	30 484	30 045
8	Unsecured debt	1 021	1 243	1 307	1 440	1 021	1 243	1 307	1 440
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	80 225	77 614	75 419	73 975	16 313	16 159	16 011	15 615
11	Outflows related to derivative exposures and other collateral requirements	7 032	7 226	7 405	7 300	7 032	7 226	7 405	7 300
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	73 193	70 387	68 014	66 676	9 281	8 933	8 606	8 316
14	Other contractual funding obligations	5 148	6 170	7 203	7 202	4 156	4 723	5 707	5 651
15	Other contingent funding obligations	5 523	4 408	3 232	4 131	2 667	2 227	1 842	1 669
16	TOTAL CASH OUTFLOWS					77 346	78 610	79 289	77 469
CASH-INFLOWS									
17	Secured lending (e.g. reverse repos)	1 281	456	297	625	79	27	6	11
18	Inflows from fully performing exposures	12 646	11 661	10 390	8 999	11 186	10 203	8 928	7 407
19	Other cash inflows	2 316	3 096	4 035	4 555	2 316	3 096	4 035	4 511
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	16 243	15 213	14 722	14 180	13 580	13 326	12 969	11 928
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	16 243	15 213	14 722	14 180	13 580	13 326	12 969	11 928
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					115 038	107 117	105 952	107 757
22	TOTAL NET CASH OUTFLOWS					63 766	65 284	66 320	65 541
23	LIQUIDITY COVERAGE RATIO					181,4%	165,2%	161,0%	166,4%

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 2.23 Net Stable Funding Ratio [Template EU LIQ2]

	(in currency amount)	30.06.2023 a Unweighted value by residual maturity No maturity	b < 6 months	c 6 months to < 1 year	d ≥ 1 year	e Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	46 025	-	-	2 352	48 376
2	Own funds	46 025	-	-	2 352	48 376
3	Other capital instruments		-	-	-	-
4	Retail deposits		276 550	-	-	258 594
5	Stable deposits		193 986	-	-	184 287
6	Less stable deposits		82 564	-	-	74 307
7	Wholesale funding:		95 719	3 517	11 103	57 460
8	Operational deposits		26 300	-	-	13 150
9	Other wholesale funding		69 419	3 517	11 103	44 310
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	15 721	595	5 960	6 258
12	NSFR derivative liabilities	-				
13	All other liabilities and capital instruments not included in the above categories		15 721	595	5 960	6 258
14	Total available stable funding (ASF)					370 688
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					1 755
EU-15a	Assets encumbered for more than 12m in cover pool		138	105	6 865	6 042
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		25 035	16 951	212 947	209 883
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		7 310	1 764	7	1 620
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		13 971	9 091	114 312	119 845
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		549	332	24 261	17 948
22	Performing residential mortgages, of which:		3 054	3 042	85 870	73 803
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		930	805	49 316	36 615
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		700	3 055	12 758	14 615
25	Interdependent assets		-	-	-	-
26	Other assets:		23 272	353	18 790	25 463
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	1 126	957
29	NSFR derivative assets		-			-
30	NSFR derivative liabilities before deduction of variation margin posted		6 944			347
31	All other assets not included in the above categories		16 328	353	17 664	24 158
32	Off-balance sheet items		17 910	23 289	53 045	5 381
33	**Total RSF**					248 525
34	**Net Stable Funding Ratio (%)**					149,2%

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, unfavorable 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.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

3 Capital adequacy

Capital adequacy is a process aimed at ensuring that the level of risk that the Bank and the Bank Group undertake in connection with the development of business activities can be covered by the capital held, taking into account the specified risk tolerance level and time horizon. The process of managing capital adequacy includes, in particular, compliance with the applicable regulations of supervisory and control authorities, as well as the risk tolerance level set at the Bank and the Bank Group, and the capital planning process, including the policy on sources of capital.

According to Article 92 of the CRR Regulation, the minimum level of capital ratios maintained by the Bank Group is:
1) total capital ratio (TCR) - 8.0%,
2) Tier 1 capital ratio (T1) - 6.0%,
3) Common Equity Tier 1 (CET1) capital ratio - 4.5%.

In accordance with the CRR Regulation and the Law on Macroprudential Supervision, the Bank Group is required to maintain a combined buffer requirement, which is the sum of the applicable buffers. Detailed information on capital buffers is presented in Section 3**Błąd! Nie można odnaleźć źródła odwołania.**3 of this Report.

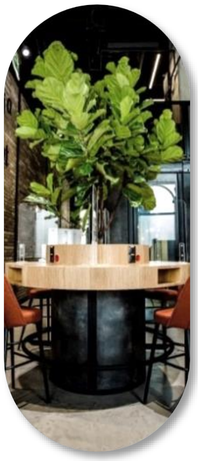
Table 3.1 Key metrics template [Template EU KM1]

		a	b		c	d
		30.06.2023	31.03.2023	31.12.2022	31.12.2022	30.09.2022
Available own funds (amounts)				transformed*	published	
1	Common Equity Tier 1 (CET1) capital	40 621	37 327	38 255	38 139	37 579
2	Tier 1 capital	40 621	37 327	38 255	38 139	37 579
3	Total capital	42 973	39 813	40 839	40 723	40 216
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	216 690	214 229	229 507	229 095	234 653
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	18,75%	17,42%	16,67%	16,65%	16,01%
6	Tier 1 ratio (%)	18,75%	17,42%	16,67%	16,65%	16,01%
7	Total capital ratio (%)	19,83%	18,58%	17,79%	17,78%	17,14%
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 (%)	0,00%	0,00%	0,00%	0,00%	0,11%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%	0,06%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%	0,08%
EU 7d	Total SREP own funds requirements (%)	8,00%	8,00%	8,00%	8,00%	8,11%
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 (%)	0,03%	0,02%	0,02%	0,02%	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	2,00%	2,00%	2,00%	2,00%	1,00%
11	Combined buffer requirement (%)	4,53%	4,52%	4,52%	4,52%	3,51%
EU 11a	Overall capital requirements (%)	12,53%	12,52%	12,52%	12,52%	11,62%
12	CET1 available after meeting the total SREP own funds requirements (%)	11,83%	10,58%	9,78%	9,78%	9,04%
Leverage ratio						
13	Leverage ratio total exposure measure	492 072	471 988	454 588	454 373	461 082
14	Leverage ratio	8,26%	7,91%	8,42%	8,39%	8,15%
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 (%)	3,00%	3,00%	3,00%	3,00%	3,00%
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 (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	115 038	107 117	105 952	105 952	107 757
EU 16a	Cash outflows - Total weighted value	77 346	78 610	79 289	79 289	77 469
EU 16b	Cash inflows - Total weighted value	13 580	13 326	12 969	12 969	11 928
16	Total net cash outflows (adjusted value)	63 766	65 284	66 320	66 320	65 541
17	Liquidity coverage ratio (%)	181,4%	165,2%	161,0%	161,0%	166,4%
Net Stable Funding Ratio						
18	Total available stable funding	370 688	352 594	341 616	341 500	339 087
19	Total required stable funding	248 525	255 040	259 678	259 678	263 805
20	NSFR ratio (%)	149,2%	138,3%	131,6%	131,5%	128,5%

3.1 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.

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 Group's own creditrisk;
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 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 shortfall in the coverage of non-performing exposures, calculated in accordance with Article 47c of the CRR, except for the shortfall amount related to exposures arising before April 26, 2019, unless the terms of these exposures have been changed in a way that increases the Bank's exposure to the debtor;
11) securitization items[4].

[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%.

[4] The Group excludes securitized receivables from risk exposure and applies a reduction of own funds by the value of the junior tranche and the cash reserve, taking into account specific risk adjustments for the underlying exposures covered by the securitization, in accordance with the requirements of the CRR Regulation.

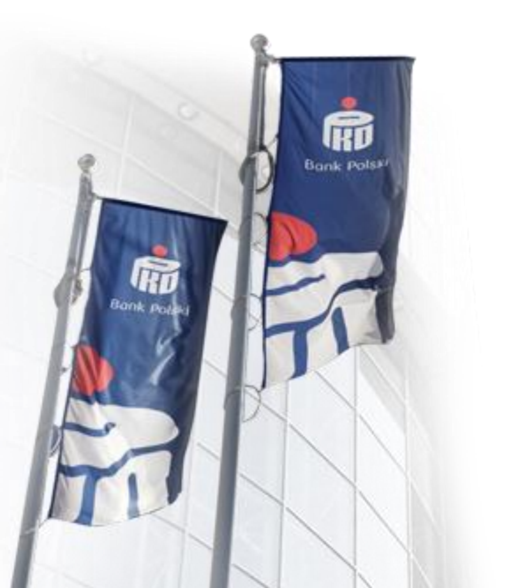
Tier 2 capital includes subordinated liabilities, understood as liabilities for the Bank's acceptance, in the amount and on the terms set out in the decision of the Polish Financial Supervision Authority issued at the Bank's request, of cash that meets the conditions set out in Article 63 of the CRR Regulation. The full value of instruments with a residual maturity of more than five years is treated as subordinated liabilities included in Tier 2 capital. During the last five years to maturity, Tier 2 capital takes into account the amortized value of liabilities calculated by multiplying the carrying amount of the instruments on the first day of the last five-year period of their contractual maturity divided by the number of days in that period times the number of remaining days of the instruments' contractual maturity.

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) 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 2023.



CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 3.2 Composition of regulatory own funds [Template EU CC1]

		30.06.2023	
		(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 37.
	of which: Series A - ordinary registered shares	313	note 37.
	of which: Series A - ordinary bearer shares	198	note 37.
	of which: Series B - ordinary bearer shares	105	note 37.
	of which: Series C - ordinary bearer shares	385	note 37.
	of which: Series D - ordinary bearer shares	250	note 37.
2	Retained earnings	11 247	
3	Accumulated other comprehensive income (and other reserves)	25 625	
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**	39 192	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	- 323	
8	Intangible assets (net of related tax liability) (negative amount)	- 2 387	
9	Empty set in the EU	Not applicable	
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	3 164	
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	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	- 2	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	- 2	
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)	-	
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)	977	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	1 429	
29	**Common Equity Tier 1 (CET1) capital**	40 621	note 44.

(IN PLN MILLION)

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)**	40 621	note 44.
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	2 352	
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**	2 352	
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**	2 352	note 44.
59	**Total capital (TC = T1 + T2)**	42 973	note 44.
60	**Total risk exposure amount**	216 690	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18,75%	note 44.
62	Tier 1 (as a percentage of total risk exposure amount)	18,75%	note 44.
63	Total capital (as a percentage of total risk exposure amount)	19,83%	note 44.
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)	9,03%	
65	of which: capital conservation buffer requirement	2,50%	note 44.
66	of which: countercyclical buffer requirement	0,03%	note 44.
67	of which: systemic risk buffer requirement	0,00%	note 44.
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2,00%	note 44.
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,00%	
68	**Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)**	11,83%	

(IN PLN MILLION)

National minima (if different from Basel III)		
69	Not applicable	Not applicable
70	Not applicable	Not applicable
71	Not applicable	Not applicable
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)	206
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)	1 253
74	not applicable	Not applicable
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)	3 915
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 2023.

Pursuant to Commission Implementing Regulation 2021/637 table 3.1. [Template EU CC1], 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 2023. Rows were omitted only if their value was 0.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 3.3 Reconciliation of regulatory own funds to balance sheet in the audited financial statements [Template EU CC2]

	30.06.2023		
	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	13 886	13 886	note 22.
Amounts due from banks	14 132	13 966	note 23.
Hedging derivatives	771	771	note 24.
Other derivative instruments	10 737	10 737	note 24.
Securities	163 463	161 112	note 25.
Reverse repo transactions	5 138	5 143	
Loans and advances to customers	236 054	235 120	note 26.
Receivables in respect of insurance activities	99	-	note 30.
Property, plant and equipment transferred under operating lease	1 912	1 912	note 31.
Property, plant and equipment	2 928	2 749	note 31.
Non-current assets held for sale	11	11	
Intangible assets	3 686	3 490	note 31.
Investments in associates and joint ventures	272	1 763	
Current income tax receivables	29	29	
Deferred income tax assets	5 066	4 455	
Other assets	2 658	2 637	note 32.
TOTAL ASSETS	**460 842**	**457 781**	
LIABILITIES - Breakdown by liability clases according to the balance sheet in the published financial statements			
Amounts due to the Central Bank	42	42	
Amounts due to banks	2 882	2 882	note 27.
Hedging derivatives	4 725	4 725	note 24.
Other derivative instruments	10 700	10 700	note 24.
Amounts due to customers	366 053	366 045	note 28.
Repo transactions	-	100	
Liabilities in respect of insurance activities	2 861	-	note 30.
Loans and advances received	1 979	1 978	note 29.
Debt securities in issue	16 760	17 022	note 29.
Subordinated liabilities	2 777	2 777	note 29.
Other liabilities	7 160	7 167	note 33.
Current income tax liabilities	448	443	
Deferred income tax provision	642	8	
Provisions	2 688	2 680	note 34.
TOTAL LIABILITIES	**419 717**	**416 569**	
EQIUTY			
Share capital	1 250	1 250	
Other capital and reserves	27 067	26 695	
Retained earnings	10 780	11 247	
Net profit or loss for the year	2 041	2 020	
Capital and reserves attributable to equity holders of the parent	41 138	41 212	
Non-controlling interests	- 13	-	
TOTAL EQUITY	**41 125**	**41 212**	

* 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 2023.

The carrying amounts shown under the regulatory model differ from the values recognized in the published financial statements as at 30 June 2023 due to the application of different scopes of consolidation.

3.2 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 and Czech Republic 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 Part IV of the CRR;

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

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

The table below presents the value of risk-weighted assets and capital requirements for individual types of risk, while the values of individual capital ratios are presented in Table 3.4 [template EU KM1].

(IN PLN MILLION)

Table 3.4 Overview of total risk exposure amounts [Template EU OV1]

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.06.2023	31.03.2023	30.06.2023
1	Credit risk (excluding CCR)	183 558	186 744	14 685
2	Of which the standardised approach	183 558	186 744	14 685
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	5 261	4 605	421
7	Of which the standardised approach	4 779	3 954	382
8	Of which internal model method (IMM)	-	-	-
EU-8a	Of which exposures to a CCP	5	2	0
EU-8b	Of which credit valuation adjustment - CVA	474	609	38
9	Of which other CCR	2	40	0
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 %	2	9	-
20	Position, foreign exchange and commodities risks (Market risk)	2 971	2 366	238
21	Of which the standardised approach	2 971	2 366	238
22	Of which IMA	-	-	-
EU-22a	Large exposures	-	-	-
23	Operational risk	24 901	20 514	1 992
EU-23a	Of which basic indicator approach	4 044	4 038	324
EU-23b	Of which standardised approach	-	-	-
EU-23c	Of which advanced measurement approach	20 856	16 475	1 668
24	Amounts below the thresholds for deduction (subjectto 250% risk weight) (For information)	12 922	12 288	1 034
29	**Total**	**216 690**	**214 229**	**17 335**

3.3 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),
2) Tier 1 capital ratio (T1),
3) Common Equity Tier 1 capital ratio (CET1).

The combined buffer requirement is the sum of all applicable buffers, i.e., the conservation buffer, the countercyclical buffer, the buffer for identifying the Bank as a systemically important institution. These buffers must be backed by Common Equity Tier 1 capital.

A conservation buffer of 2.5% applies to all banks.

The countercyclical buffer is imposed in order to limit the systemic risk resulting from the credit cycle. It is introduced by the minister responsible for financial institutions in periods of excessive lending growth and terminated when it slows down. As at June 30, 2023, the countercyclical buffer rate was 0% for credit exposures in Poland.

In addition, the Bank's Capital Group calculates the countercyclical buffer rate specific for a given institution, taking into account in the calculations the value of all credit exposures in other countries and the value of the countercyclical buffer appropriate for these countries. As at 30 June 2023, the countercyclical buffer specific to the Bank's Group was 0.03%.

Tables 3.5 and 3.6 present information on the geographical distribution of relevant credit exposures and the amount of the countercyclical buffer specific to the Bank's Capital Group.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 3.5 Geographical distribution of relevant credit exposures for the calculation of the countercyclical buffer [Template EU CCyB1]

	30.06.203												
	a	b	c	d	e	f	g	h	i	j	K	l	m
	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
Breakdown by country:	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	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
Poland	257 064	-	409	-	-	257 473	12 887	33	-	12 921	161 506	95,20%	0,00%
Ukraine	1 638	-	-	-	-	1 638	99	-	-	99	1 235	0,73%	0,00%
Netherlands	904	-	-	-	-	904	67	-	-	67	843	0,50%	1,00%
Germany	794	-	-	-	-	794	64	-	-	64	795	0,47%	0,75%
Luxembourg	722	-	-	-	-	722	58	-	-	58	722	0,43%	0,50%
Czech Republic	721	-	-	-	-	721	58	-	-	58	721	0,43%	2,50%
Ireland	503	-	-	-	-	503	40	-	-	40	503	0,30%	0,50%
Austria	501	-	-	-	-	501	40	-	-	40	501	0,30%	0,00%
France	354	-	-	-	-	354	28	-	-	28	356	0,21%	0,50%
Great Britain	327	-	-	-	-	327	25	-	-	25	318	0,19%	1,00%
United States of America	292	-	-	-	-	292	11	-	-	11	133	0,08%	0,00%
Hungary	246	-	-	-	-	246	20	-	-	20	246	0,14%	0,00%
Cyprus	245	-	-	-	-	245	20	-	-	20	246	0,14%	0,00%
Norway	238	-	-	-	-	238	19	-	-	19	238	0,14%	2,50%
Malta	221	-	-	-	-	221	18	-	-	18	221	0,13%	0,00%
Denmark	210	-	-	-	-	210	13	-	-	13	161	0,10%	2,50%
Lithuania	186	-	-	-	-	186	15	-	-	15	186	0,11%	0,00%
Singapore	179	-	-	-	-	179	14	-	-	14	179	0,11%	0,00%
Bahamas	173	-	-	-	-	173	14	-	-	14	173	0,10%	0,00%
Spain	134	-	-	-	-	134	11	-	-	11	134	0,08%	0,00%
Slovakia	92	-	-	-	-	92	7	-	-	7	91	0,05%	1,00%
Belgium	65	-	-	-	-	65	1	-	-	1	15	0,01%	0,00%
Switzerland	40	-	-	-	-	40	3	-	-	3	40	0,02%	0,00%
Japan	37	-	-	-	-	37	1	-	-	1	19	0,01%	0,00%
Finland	34	-	-	-	-	34	3	-	-	3	34	0,02%	0,00%
Romania	18	-	-	-	-	18	1	-	-	1	18	0,01%	0,50%
Sweden	8	-	-	-	-	8	1	-	-	1	9	0,01%	2,00%
Georgia	1	-	-	-	-	1	0	-	-	0	1	0,00%	0,00%
Belarus	1	-	-	-	-	1	0	-	-	0	1	0,00%	0,00%
Italy	1	-	-	-	-	1	0	-	-	0	1	0,00%	0,00%
Ecuador	1	-	-	-	-	1	0	-	-	0	1	0,00%	0,00%
Australia	1	-	-	-	-	1	0	-	-	0	1	0,00%	1,00%
Other	4	-	-	-	-	4	0	-	-	0	4	0,00%	-
Total	**265 954**	**0**	**409**	**0**	**0**	**266 362**	**13 539**	**33**	**0**	**13 572**	**169 649**	**-**	

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 3.6 Amount of institution-specific countercyclical capital buffer [Template EU CCyB2]

		30.06.2023
		(a)
1	Total risk exposure amount	216 690
2	Institution specific countercyclical capital buffer rate	0,03%
3	Institution specific countercyclical capital buffer requirement	70

The O-SII buffer is an additional requirement for institutions that may create systemic risk. The bank was identified as other systemically important institution, based on the decision of the Polish Financial Supervision Authority of October 10, 2016. Pursuant to the decision of the Polish Financial Supervision Authority of December 20, 2022, the Bank is obliged to maintain the buffer level of the other systemically important institution (O-SII) in the amount equivalent to 2.00% of the total risk exposure amount, calculated in accordance with Article 92(3) of the CRR Regulation. The buffer must be maintained both on a stand-alone and consolidated basis.

On November 7, 2022, the Bank received the decision of the Polish Financial Supervision Authority, in which the Commission stated that the decision on recommending the Bank to comply with the additional requirement for own funds to cover the additional capital requirement in order to hedge the risk arising from foreign currency mortgage loans for households had expired.

On November 24, 2022, the Bank received the decision of the Polish Financial Supervision Authority, in which the Commission stated that the decision on recommending the Bank, at the consolidated level, to comply with the additional capital requirement in order to hedge the risk arising from mortgage-secured foreign currency loans and advances to households, above the value resulting from the requirements calculated in accordance with applicable law.

In connection with the above, the capital ratios for the Bank's Capital Group as at June 30, 2023 should be at a level not lower than:
1) TCR - 12.53%,
2) T1 - 10.53%,
3) CET1 - 9.03%.

In the letter of December 23, 2022, the KNF recommended the Bank to reduce the risk in the Bank's operations by maintaining own funds to cover the additional capital charge under Pillar II in order to absorb potential losses resulting from the occurrence of stress conditions, in the amount of 0.72 p.p. at the unit level and 0.66 p.p. at the consolidated level above the value of the total capital ratio.

3.4 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 2023, the leverage ratio remained above the internal and external limits as well as above the minimum levels recommended by the PFSA.

Table 3.7 Summary reconciliation of accounting assets and leverage ratio exposures [Template EU LR1 - LRSum]

		30.06.2023
		a
		Applicable amount
1	Total assets as per published financial statements	418 071
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	39 845
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	308
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)	25 361
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	8 487
13	Leverage ratio total exposure measure	492 072

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 3.8 Leverage ratio common disclosure [Template EU LR2 - LRCom]

		CRR leverage ratio exposures	
		30.06.2023	31.12.2022
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	456 706	423 373
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)*	- 1 300	- 1 003
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)	- 2 821	- 3 287
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	452 586	419 083
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	2 754	2 751
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	6 225	6 764
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)	-	-
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	8 978	9 515
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	5 147	7
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	- 4	- 0
16	Counterparty credit risk exposure for SFT assets	4	0
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	5 147	7
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	85 392	84 765
20	Off-balance sheet exposures at gross notional amount	- 60 031	- 58 880
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	25 361	25 885
Excluded exposures			
EU-22k	Total exempted exposures)	-	-
Capital and total exposure measure			
23	Tier 1 capital	40 621	38 139
24	Total exposure measure	492 072	454 490
Leverage ratio			
25	Leverage ratio (%)	8,26%	8,39%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8,26%	8,39%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8,26%	8,39%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
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

(IN PLN MILLION)

Table 3.9 Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) [Template EU LR3 – LRSpl]

		30.06.2023
		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**456 706**
EU-2	Trading book exposures	1 683
EU-3	Banking book exposures, of which:	455 023
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	142 947
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	15 928
EU-7	Institutions	14 674
EU-8	Secured by mortgages of immovable properties	96 273
EU-9	Retail exposures	71 712
EU-10	Corporate	76 267
EU-11	Exposures in default	3 992
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	33 230

3.5 Impact of transitional arrangements on capital adequacy

PKO Bank Polski S.A. Capital Group applies a transitional adjustment in the calculation of own funds regarding minimizing the impact of the implementation of IFRS 9 on own funds, in accordance with Article 473a of the CRR Regulation.

From 1 January 2018, the accounting standard IFRS 9 Financial Instruments has been in force, which replaced IAS 39 Financial Instruments. The classification and valuation of financial instruments, recognition and calculation of their impairment and hedge accounting have changed.

The impact of the implementation of IFRS 9 on own funds and capital adequacy measures is regulated by Article. 473a of the CRR Regulation. Pursuant to this regulation, banks may apply transitional provisions regarding own funds until the end of 2024 and increase Common Equity Tier 1 capital related to the implementation of the new impairment model, with the adjustment factor decreasing from period to period.

The bank decided, in the light of Article. 473a(7a) CRR, on the use of the option according to which the adjustment mitigating the impact of the introduction of IFRS 9 on own funds is assigned a risk weight of 100% and the obtained value is added to the total exposure measure, which allowed the impact of adjustments due to the implementation of IFRS 9 to be spread over time for own funds and capital adequacy measures.

Until the end of 2022, the Capital Group applied, in accordance with Article. 468 of the CRR Regulation, temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in connection with the COVID-19 pandemic. This approach made it possible to exclude from the calculation of the Bank's share capital a part of unrealized gains and losses accumulated since December 31, 2019, recognized in the balance sheet under "changes in the fair value of debt instruments measured at fair value through other comprehensive income", corresponding to exposures to central governments, regional governments or local authorities, and towards public sector entities, excluding those financial assets that are impaired due to credit risk.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 3.10 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]

		30.06.2023	31.03.2023	31.12.2022*	31.12.2022	30.09.2022**
Available capital (amounts)				transformed	published	
1	Common Equity Tier 1 capital (CET1)	40 621	37 327	38 255	38 139	37 579
2	Common Equity Tier 1 (CET1) capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	39 419	36 348	36 439	36 414	35 989
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	40 621	37 327	36 757	36 661	36 030
3	Tier 1 capital (T1)	40 621	37 327	38 255	38 139	37 579
4	Tier 1 capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	39 419	36 348	36 439	36 414	35 989
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	40 621	37 327	36 757	36 661	36 030
5	Total capital	42 973	39 813	40 839	40 723	40 216
6	Total capital, if the IFRS 9 transitional or similar expected loan losses were not applied	41 771	38 834	39 023	38 998	38 626
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	42 973	39 813	39 341	39 245	38 667
RWAs (amounts)						
7	Total RWAs	216 690	214 229	229 507	229 095	234 653
8	Total RWAs if the IFRS 9 transitional or similar expected credit losses were not applied	215 500	213 158	227 449	227 037	232 587
Capital ratios						
9	Common Equity Tier 1 capital (as a percentage of the risk exposure amount)	18,75%	17,42%	16,67%	16,65%	16,01%
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	18,29%	17,05%	16,02%	16,04%	15,47%
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	18,75%	17,42%	16,04%	16,03%	15,38%
11	Tier 1 capital (as a percentage of the risk exposure amount)	18,75%	17,42%	16,67%	16,65%	16,01%
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	18,29%	17,05%	16,02%	16,04%	15,47%
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	18,75%	17,42%	16,04%	16,03%	15,38%
13	Total capital (as a percentage of the risk exposure amount)	19,83%	18,58%	17,79%	17,78%	17,14%
14	Total capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional or similar expected credit losses were not applied	19,38%	18,22%	17,16%	17,18%	16,61%
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	19,83%	18,58%	17,17%	17,16%	16,51%
Leverage ratio						
15	The leverage ratio total exposure measure	492 072	471 988	454 588	454 373	461 082
16	Leverage ratio	8,26%	7,91%	8,42%	8,39%	8,15%
17	The leverage ratio if the IFRS 9 transitional arrangements or similar expected credit losses were not applied	8,03%	7,72%	8,05%	8,05%	7,84%
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	8,26%	7,91%	8,09%	8,07%	7,82%

* impact of IFRS 17 included
** the change compared to the published data concerns the exclusion from Tier 2 instruments of bonds held by PKO Towarzystwo Ubezpieczeń SA and PKO Życie Towarzystwo Ubezpieczeń SA

4 Disclosure of environmental, social and governance risks (ESG risks)

The obligation to disclose information on environmental, social and governance risks (ESG risks) is imposed on the PKO Bank Polski Group by Article 449a of the CRR Regulation.

This information has been prepared in accordance with Commission Implementing Regulation (EU) 2022/2453 of 30 November, 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks.

In accordance with the CRR Regulation, prudential consolidation is used for Pillar III disclosures on ESG risks.

The gross carrying number of exposures is expressed in EUR million at the average exchange rate of the National Bank of Poland of PLN 4.4503 as of June 30, 2023.

4.1 Qualitative information on environmental, social and governance risks

4.1.1 Qualitative information on environmental risks

Business strategy and processes

In December 2022, the Bank's Management Board adopted the "Strategy of PKO Bank Polski for the years 2023-2025 – "Ready for the challenges, focused on the future".

One of the goals of the new strategy is to take a place as a leader in ESG transformation in the Polish banking sector, both in aspects related to sustainable financing and reducing own emissions.

PKO Bank Polski intends to implement unique energy transition financing solutions to support the competitiveness of Polish companies in the face of high energy prices and business as well as regulatory requirements.

In addition, the Bank plans to:
1) achieve climate neutrality in Scopes 1 and 2 by 2030,
2) reduce its own CO_2 emissions by modernizing branches and office buildings and electrifying its fleet - modernizing 70 branches annually,
3) to start calculating Scope 3 emissions in preparation of a reduction trajectory based on a scientific approach,
4) designation of priority sectors and customers for decarbonization support.

The Bank Group is implementing projects related to investment targets aimed at environmental goals and further alignment with the EU Taxonomy, including:
1) financing the energy transition,
2) issuing green bonds,
3) adjustment of the portfolio of products supporting sustainable development.

PKO Bank Hipoteczny plans to issue green covered bonds based on the Green Covered Bond Framework incorporating standards developed by the Climate Bonds Initiative (CBI) for residential real estate.

The Group is in the process of developing assumptions for issuing its own bonds in a green format, currently based on the Green Bond Principles (2021), published by the International Capital Market Association (ICMA), and ultimately based on the EU Green Bond Standard.

In the area of risk, the Bank plans to:
- to develop methods for assessing ESG factors at the lending and monitoring stage - initially qualitative/scenario-based, and later analytical methods,
- implementation of the Taxonomy criteria and marking the entire credit portfolio of business entities in this regard,
- building an internal knowledge center for new green technologies and financing, in accordance with the principles of sustainable development, including building mechanisms for obtaining and analyzing data on the Bank's customers in the field of ESG,
- based on the collected data on the impact of climate risk (transition risk and physical risk), for customers in the Bank's portfolio to conduct climate stress tests and incorporate the results into the Bank's credit policy.

One of the environmental risk management tools in the credit risk framework for selected industries/sectors are credit policies. In the corporate segment, the Bank has the following policies: Renewable Energy Sources, High-Carbon Energy Sector, Chemicals-Oil-Gas, Revenue Real Estate, Construction and Building Materials, Automobile Dealers and CFM Companies, Public Health Care, Trade, Local Government Unit.

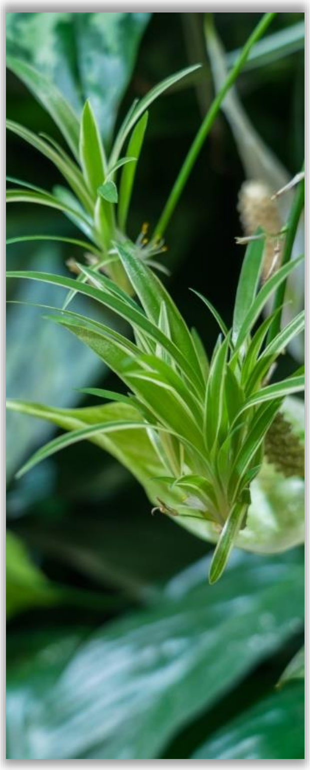
In addition to the above-mentioned policies, the Bank's corporate segment keeps abreast of market changes and trends in various industries/sectors, publishes internal materials (e.g., industry leaflets outlining current market trends) and holds industry meetings. These activities are aimed at gradually changing the structure of the loan portfolio by successively reducing exposure to high-carbon entities and building a green loan portfolio most closely aligned with sustainable financing and meeting environmental goals. The policies are described in the Statement on Non-Financial Information, which is part of the PKO Bank Polski Group Director's Report.

Governance

The Bank's Management Board defines the risk framework, oversees the implementation of the set goals, strategies and policies, and determines their management in the context of ESG risk management. The coordination and management of individual ESG risk factors and their impact on the risk of the Bank's operations are the responsibility of the units, according to their competencies. Committees operating in the Bank in the scope of their tasks and competencies in decision-making take into account studies and opinions on ESG risk-related activities.

At the beginning of July 2023, the Bank established a Sustainability Committee, the purpose of which is to make decisions necessary for the implementation of the Bank's and the Bank Group's strategic objectives in the area of sustainable development and to supervise the management of the impact of ESG factors on the Bank and the Bank Group. The Committee is composed of all members of the Management Board and directors of most areas. The work of the Committee is chaired by the Chairman of the Management Board or the Vice Chairman of the Management Board in charge of the Bank's Management Board, with the Vice Chairman of the Management Board overseeing the Risk Management Area as his deputy.

In order to fulfil the commitment in the Strategy to become a leader in new financing for sustainable and transformational projects, the Bank has established a new department that will develop new products to mitigate ESG risks and support the sale of existing ones.



The Bank manages ESG risk at three independent, complementary levels:
1) the first level refers to identifying ESG risks at an early stage, conducting ESG risk assessments when establishing a relationship with a customer or during a periodic review, dialoguing with the customer to discuss ESG risk topics, evaluating the customer's risk mitigation measures and strategies, and creating and implementing ESG risk mitigation products,
2) the second level refers to an independent and expert assessment of the area in question, in which ESG risk credit policies have been developed and the tasks carried out at the first level of ESG risk assessment of transactions are actively supported. The Bank plans to develop tools for identifying and assessing ESG risks, develop stress testing capabilities and pursue integration with other regulatory processes, such as ICAAP,
3) The third level relates to independent assessments of the Bank's management system activities, including the management of ESG risks, by the internal audit function. The internal audit plan includes audits that cover ESG topics, including, among others, verification of the Bank's compliance with its obligations under ESG regulations in the areas of: lending, implementation of disclosures under the CRR, remuneration policy or security of key IT infrastructure. Information on identified irregularities, including assessments of their materiality, and the results of monitoring actions taken to eliminate them, is presented to the Management Board and Supervisory Board.

Environmental impact issues are monitored on an ongoing basis and disclosed semi-annually in this report and annually in the Statement on Non-Financial Information, which is part of the PKO Bank Polski Group Director's Report.

The remuneration policy ensures a consistent remuneration system by, among other things, ensuring compliance with the strategy with regard to environmental, social and governance risks. The variable remuneration of the members of the Bank's Management Board depends on the achievement of the ESG objectives included in the Bank's Strategy, including: placing the Bank as a leader in ESG transformation in the Polish banking sector.

Risk management

The Bank manages ESG risk as part of its management of other risks, because due to the nature of ESG risk, it is not a separate risk, but a cross-cutting risk that can affect the materialization of the Bank's various risks, particularly credit risk.

The Bank applies the principle of "double materiality" by taking into account the perspective of:
- the impact of ESG factors on the Bank's operations, financial results and development,
- the impact of the Bank's operations on society and the environment.

The Bank reviews and evaluates in terms of the level of risk generated and compliance with sustainable development (taking into account ESG risks in the short, medium and long term) financial, capital and strategic plans.

Strategic definitions of ESG are included in the "Risk Management Strategy at PKO Bank Polski S.A. and PKO Bank Polski S.A. Capital Group." These are:
- ESG factors - environmental, social and governance factors that may have a positive or negative impact on customers and counterparties or the Bank's balance sheet items; ESG factors with a negative impact are referred to as ESG risk factors,
- ESG risk - the risk of negative financial consequences for the Bank as a consequence of the current or future impact of ESG risk factors on the Bank's customers and counterparties or balance sheet items.

The Bank assesses the impact of environmental, social and governance factors on the customer's creditworthiness each time in the credit process for clients in the corporate segment and clients in the company and enterprise segments assessed using the rating method. The Bank also examines the impact of credit transactions on ESG issues and classifies them into four categories, starting with transactions with a positive impact on ESG issues and ending with those with a significantly negative impact. In assessing ESG factors, the Bank considers, among other things, the risk of climate change and the impact on the customer's business, the customer's possible impact on climate change, factors related to human capital or health and safety, and factors related to aspects of governance (including organizational culture and internal oversight).

With regard to LGU activities and credit transactions with LGUs, the Bank has established the principle that their environmental, social and governance impacts are neutral, unless the Bank has information personalized to a specific customer or transaction, in which case the assessment of the customer and transaction reflects the assessment of this information.

ESG risk assessment in the lending process is also implemented through the credit policies for industries/sectors described in the Statement on Non-Financial Information, which is part of the PKO Bank Polski Group Management Report.

An element of environmental risk management is a strategic ESG risk tolerance limit. The measure of tolerance for this risk is the quotient of the value of loans to customers in carbon-intensive industries and the value of the Bank's total assets. As of June 30, 2023, the share of loans to customers in carbon-intensive industries was 0.19% with a tolerance limit for the Bank ≤ 1.6% and the Bank Group ≤ 1.6% against the value at the end of 2022 of 0.38%. The tolerance limit was increased by 0.8 p.p. for the Bank and the Bank Group to enable the financing of the country's energy transition. This limit is monitored quarterly and reported to the Bank's Management Board. The Bank has decided to increase financing in the heating sector and selectively finance energy security transactions (coal purchases) on a transitional basis in view of the war in Ukraine and the increase in energy commodity prices and the need to secure coal supplies from alternative directions to Russia, realizing the social responsibility dimension.

The Bank is in the process of operationalizing the full implementation of the EU Taxonomy. The process requires adaptation of the data infrastructure, portfolio monitoring course and reporting resulting from the EU Taxonomy.

Currently, at the Bank, a "green credit product" means financing renewable energy sources, measures taken to improve energy efficiency, reduce environmental pollution and overexploitation of natural resources, combat climate change, and support ongoing activities of entities pursuing sustainable development goals.

The Bank is working toward a definition of sustainable products for all business segments.

ESG risk management requires systemic and sector-specific solutions. A key challenge is the availability of information to assess ESG risks. The Bank is working to expand information systems for collecting, aggregating and managing sustainability data. The Bank is continually analyzing opportunities to obtain the data necessary for ESG risk management and prudential information reporting.

All banks face the key challenge of developing a systemic solution for acquiring ESG data. This includes:

a) physical risks (lack of data to determine in a uniform way for the financial sector the impact of floods, droughts, heat waves, hurricanes, etc. on the non-trading book),
b) the level of customer issuance in Scope 1, 2 and 3.

The Bank is involved in the development of systemic solutions to enable the disclosure of ESG information in a transparent and comparable manner for all financial market participants.

In the first half of 2023, the Bank carried out work related to the identification of ESG risk factors in the operational risk management process. Factor E (environmental protection) occurs in cases where:

a) The environment affects the Bank, customers, counterparties, i.e., if an operational event occurs due to the negative effects of the materialization of so-called physical risks, i.e., extreme/emergent events in the environment (e.g., storms, floods, fires or heat waves),
b) the Bank, customers, counterparties negatively impact the environment, i.e., if an operational event occurs due to a failure to participate in the energy transition process (e.g., financing mines/investments/firms with adverse environmental impacts if the Bank's internal laws or policies prohibit it), or if an operational event itself causes a negative impact on the environment (e.g., pollution by the Bank).

Table 4.1 Mapping ESG risks to traditional risks:

Type of bank risk	Impact of physical risk	Impact of transition risk
Credit risk	Physical risk through transmission channels (increased costs, decreased revenues, decreased collateral value) can negatively affect borrowers and reduce their ability to service debt or reduce the value of loan collateral	EU or national regulations could adversely affect the debt servicing capacity of entities operating in high-carbon sectors: energy, oil, transportation and logistics
Market risk	major physical events can lead to changes in market expectations and may cause sudden overvaluation, higher volatility and losses in asset values in certain markets	transition risk factors may result in sudden overvaluation of securities and derivatives, for example, for products related to industries affected by stranded assets
Liquidity risk	climate change, including natural disasters and sudden weather events, may cause a sudden increase in demand for cash	transformation risk factors may affect the profitability of certain business lines and lead to the risk of reduced repayment proceeds from customers who fail to implement solutions, or a reduction in the volumes of funds deposited by these customers with the Bank; a sudden revaluation of securities, e.g. due to stranded assets, may reduce the value of the Bank's high-quality liquid assets, thus affecting liquidity buffers; a downgrade of the Bank's ESG rating may affect financing risk by making it more difficult to attract new investors and increasing the cost of financing.
Operational risk	extreme/unexpected environmental events (floods, fires) or long-term effects of environmental changes (e.g., temperature change) may affect the inability or impediment of business operations at the Bank's branches, among others	an energy transition operational event (e.g., financing mines/investments/companies that negatively impact the environment if the Bank's internal laws or policies prohibit it) could result in penalties for exceeding guidelines, standards, legal costs (lawsuits from customers or market participants)
Reputational risk	may result from the materialization of the above risks	continued financing of high-carbon sectors negatively perceived by regulators, stakeholders, market participants and rating agencies may translate into the Bank's image, and consequently loss of profits or decrease in market capitalization

4.1.2 Qualitative information on social risk

Business strategy and processes

In the Strategy of PKO Bank Polski for the years 2023-2025 – "Ready for the challenges, focused on the future"", the Bank has defined its goals in the social dimension of the ESG area. The Bank wants to become a leader in the financial education of young people and the digitization of seniors, and in particular wants to support social mobility and counter exclusion.

The Bank intends to continue to engage in pro-social activities and support diversity and equal treatment of employees, regardless of their age, gender and background.

The Bank implements social projects that integrate business goals with activities for all stakeholder groups, conducting them nationwide and locally, focusing on the following areas:
- **sports** - encouraging activity, promoting mass sports, including: soccer through the Bank's partnership with Ekstraklasa and running (often combined with charity actions) as part of the program "PKO Biegajmy razem",
- **culture and art** - protection of Polish cultural heritage, popularization of high culture,
- **science and education** - promoting science, caring for the education of young Poles, supporting educational projects that promote digital solutions in the field of finance,
- **innovation** - supporting projects in the area of innovative solutions in the field of IT and new technologies,
- **business** - supporting Polish entrepreneurs, promoting Polish business on foreign markets, developing entrepreneurship.

The Bank and the PKO Bank Polski Foundation carry out projects jointly or separately. The Foundation is involved in social welfare, life and health protection and ecology. The Foundation's philanthropic activities in 2022 were largely directed to help victims of the armed conflict in Ukraine.

In-kind donations to NGOs are also made through the Foundation.

In addition, the Bank plans that by 2025:
a) key managerial positions will be held by at least 40% of female employees,
b) Material Risk Taker positions will be held by at least 30% of female employees,
c) the gender wage gap is close to 0%,
d) the employment rate of people with disabilities was at least 2%,
e) the rate of total employee turnover was no higher than 14%,
f) the voluntary departure rate was no higher than 7%.

The Bank applies the "Code of Ethics for Suppliers or Bidders Cooperating with PKO Bank Polski S.A. as part of Purchasing Proceedings" implemented in April 2022. The Code of Ethics organizes the requirements in the Bank-supplier/bidder-external environment relationship with regard to corporate social responsibility in the areas of information security, prevention of corruption and conflicts of interest, environmental protection and supply chain relations, among others. Suppliers/Bidders should analyze their activities with due diligence in the area of environmental protection (including CO_2 emissions, wastewater management, waste disposal, noise reduction, biodiversity protection). In accordance with the aforementioned Code of Ethics, the Bank does not accept any form or manifestation of forced labor, unauthorized child labor or labor that does not comply with health and safety regulations. The substantive unit in charge of purchasing goods and services at the Bank is required to report annually to the substantive unit in charge of ESG, information on the application of the Code of Ethics for Suppliers or Bidders, covering the previous year.

Following the "Code of Ethics for Suppliers or Bidders Cooperating with PKO Bank Polski S.A. as part of Purchasing Proceedings" introduced in April 2022, the Bank has introduced criteria for all ESG areas to be used in evaluating suppliers in purchasing processes in all procurement proceedings.

Currently, the Bank is working with Bank Group companies to standardize requirements for the purchase of goods and services in the Bank Group, including the implementation of the Code of Ethics for Suppliers or Bidders in the companies.

The Bank holds the Procurement Excellence certificate awarded by the world's largest purchasing organization, CIPS (Chartered Institute of Procurement and Supply). The Bank has scheduled the completion of the CIPS certification renewal process for the third quarter of 2023. Accordingly, the implementation of the Bank's purchasing processes will continue with alignment with the best market standards.

As part of its credit risk assessment of customers, the Bank also evaluates social and labor issues and issues of respect for human rights. The financial activities and ventures undertaken by the client represent an investment in human capital or communities, and are assessed in terms of their impact on inequality risks, on social cohesion and inclusion, and on labor relations.

Governance

The Management Board's responsibility in the area of social risk relates to management and supervisory activities in shaping the Bank's internal regulations and operating strategies, taking into account, among other things:
a) observance of human and labor rights, defining appropriate attitudes and behavior, countering ethical violations, countering mobbing and discrimination,
b) cooperation with the Bank's contractors on principles consistent with corporate social responsibility,
c) as well as monitoring the implementation of the adopted principles in the field of social risk management, among others, within the framework of established mechanisms: control and reporting.

Social risk issues are monitored and reported on an ongoing basis, and internal reporting in this regard is multifaceted. The most important issues in this regard relate to monitoring and reporting on compliance with ethical standards, including violations of employee rights, as well as assessing the functioning of the compensation policy. Members of the Management Board are informed on a quarterly basis of employee complaints in the areas they supervise and how the matter was concluded, and in addition the CEO is informed on a quarterly basis of all employee complaints.

Verification of compliance with the Bank's ethics rules, including monitoring the risk of violations, taking into account a comprehensive view of:
a) ethics of the Bank's employees and other persons performing activities for the Bank,
b) ethics in relations with customers,
c) ethics in business activities,
d) ethics in the Bank's relations with the environment

is the subject of annual evaluation by the Management Board. The Supervisory Board, at least once a year, is informed of the results of the Board's evaluation. The evaluation of the functioning of the Bank's remuneration policy in terms of its compliance with the "Governance Principles for Supervised Institutions" issued by the KNF and other regulatory requirements as part of the Bank's corporate governance review is carried out annually. The report is adopted by the Supervisory Board and then presented to the General Meeting.

The Bank Group has a "Remuneration Policy for Employees of the Bank and the Bank Group," which takes into account social risks and ensures a consistent remuneration system by, among other things, shaping the level of remuneration based on market trends, valuing jobs, ensuring gender-neutrality of remuneration practices for Bank Group employees, and ensuring compliance with the strategy in terms of environmental, social and governance risks.

Risk management

Social risk management uses accepted guidelines from national and European regulators, GPW good practices and recommended benchmarks, as well as market standards that provide for:
a) striving to achieve a balance in gender representation in the composition of bodies, and at least achieving a minimum gender minority share of 30%,
b) maintaining the level of participation of women in managerial positions at a minimum of 40% of the total number of managers.

As part of social risk management in terms of equal pay for women and men, the method developed by the financial market for determining the ratio of the average remuneration of women to men in the Bank is applied, based on the weighted average of total remuneration paid in a given year. On an ongoing basis, the Bank monitors the level of employees' base salaries, in terms of ensuring their compliance with:
a) universally applicable laws determining the amount of minimum wages, taking into account the equality of wages between men and women,
b) the Bank's internal regulations on non-discrimination and determining the level of remuneration in the Bank.

In socially sensitive aspects (diversity of employment, level of employee satisfaction resulting from implemented standards and working conditions, employee rights, anti-bullying and anti-discrimination), the Bank monitors employee satisfaction on an ongoing basis, employee turnover rate, including the rate of voluntary departures, the level of employment of women and men in key managerial positions, and periodically, at least once a year, reviews salaries taking into account position valuation, and sets appropriate action strategies in this regard.

Social risks may materialize in the form of:
a) operational risk, which takes into account the impact of socially damaging events, including, but not limited to, unequal treatment of a group of employees or unethical actions by employees, which may result in financial losses for the Bank Group resulting from lawsuits or penalties imposed by regulatory authorities,
b) reputational risk, which, as a risk arising, among other things, from non-compliance with generally applicable laws and regulations, including non-compliance with human rights and labor laws, and the conduct of activities that are inconsistent with supervisory recommendations, good practices, and the adopted strategy and declared values, may lead to a loss of public and stakeholder confidence in the Bank Group and, as a result, result in a loss of profits or a decline in market value.

In the first half of 2023, the Bank carried out work related to the identification of ESG risk factors in the operational risk management process. Factor S (social policy) occurs when an operational event results from the Bank's lack of care in taking into account the public interest in its operations, particularly concerning employees, customers and counterparties.

4.1.3 Qualitative information on governance risks

Governance

In credit risk assessment, the Bank evaluates factors related to counterparty governance, including but not limited to issues of organizational structure and management, risk management compliance, organizational culture and supervision, transparency and management reporting.

Conflict of interest management is aimed at limiting their negative impact on the Bank's operations and the Bank's and key position holders' relationships with customers and others. Activities that may cause conflicts of interest are avoided, including by establishing control mechanisms to eliminate conflicts of interest and minimize the risk of their occurrence.

Risk management

As part of compliance and conduct risk management, each product, related marketing communications, and the way in which product sales are conducted are evaluated.

The Bank makes every effort to ensure that, among other things:
- products are appropriate to the needs of customers,
- the manner and form of proposing the acquisition of products are adequate to their nature,
- to the extent provided by law and market practice, reliable, transparent, comprehensive and truthful information about the product is provided to customers prior to and during the execution of the contract, which eliminates the potential risk of greenwashing.

The Bank records instances of non-compliance, the causes and consequences of their occurrence. In addition, the Bank has a system of anonymous reporting of violations, which ensures that employees who make reports are protected from negative consequences in the form of repressive, discriminatory actions or other manifestations of unfair treatment.

The Bank requires its employees and those acting on its behalf to adhere to ethical attitudes such as honesty, integrity and professionalism, as defined in the "Code of Ethics of PKO Bank Polski SA" and the "Code of Banking Ethics (Principles of Good Banking Practice) of the Association of Polish Banks."

In the first half of 2023, the Bank conducted work related to the identification of ESG risk factors in the operational risk management process. Factor G (governance) occurs when an operational event results from poor management, such as the business model, organizational culture, information policy, information transparency, ethics, remuneration policy, internal control systems, anti-corruption, fraud and money laundering, or through unethical business operations.

4.2 Quantitative information on transition risk and physical risk related to climate change

The Bank Group has developed a policy of disclosing information on transition risk and physical risk related to climate change, in accordance with the applicable regulation on implementing technical standards (ITS). The limited availability of certain data (e.g., actual information on energy efficiency, exact coordinates of the business location) forces the use of expert estimates for some of the data disclosed in the formulas below.

Table 4.2 Non-trading book - Indicators of potential climate change transition risk: credit quality of exposures by sector, emissions and residual maturity [Template 1]

	30.06.2023	Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
1	Exposures towards sectors that highly contribute to climate change*	20 086	702	-	4 518	1 066	1 099	404	590	-	-	-	15 454	3 038	1 578	16	3,76
2	A - Agriculture, forestry and fishing	431	-	-	119	26	28	12	14	-	-	-	298	124	9	-	4,29
3	B - Mining and quarrying	222	17	-	18	2	3	0	2	-	-	-	202	20	0	-	1,66
4	B.05 - Mining of coal and lignite	13	13	-	0	0	0	-	0	-	-	-	1	12	-	-	7,27
5	B.06 - Extraction of crude petroleum and natural gas	0	0	-	-	-	-	-	-	-	-	-	0	-	-	-	2,19
6	B.07 - Mining of metal ores	138	-	-	-	-	0	-	-	-	-	-	138	-	-	-	0,51
7	B.08 - Other mining and quarrying	67	-	-	17	2	2	0	2	-	-	-	60	7	0	-	2,95
8	B.09 - Mining support service activities	4	4	-	1	0	0	0	0	-	-	-	4	0	-	-	2,20
9	C - Manufacturing	6 063	133	-	1 772	242	322	157	141	-	-	-	4 865	1 114	84	-	3,06
10	C.10 - Manufacture of food products	1 115	-	-	225	30	49	21	23	-	-	-	944	164	7	-	2,85
11	C.11 - Manufacture of beverages	98	-	-	7	1	3	1	1	-	-	-	70	28	-	-	2,82
12	C.12 - Manufacture of tobacco products	3	-	-	0	-	0	-	-	-	-	-	3	-	-	-	0,83
13	C.13 - Manufacture of textiles	37	-	-	5	2	2	0	1	-	-	-	32	2	3	-	2,83
14	C.14 - Manufacture of wearing apparel	26	-	-	6	2	2	0	1	-	-	-	22	2	2	-	2,97
15	C.15 - Manufacture of leather and related products	13	-	-	7	1	1	0	1	-	-	-	12	1	0	-	1,61
16	C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	256	-	-	109	17	22	11	10	-	-	-	202	50	4	-	3,00
17	C.17 - Manufacture of pulp, paper and paperboard	187	-	-	19	2	3	1	1	-	-	-	151	28	8	-	3,13
18	C.18 - Printing and service activities related to printing	83	-	-	13	6	6	1	5	-	-	-	66	14	3	-	3,75
19	C.19 - Manufacture of coke oven products	149	133	-	0	0	2	-	0	-	-	-	78	71	-	-	5,24
20	C.20 - Production of chemicals	662	-	-	288	1	26	23	1	-	-	-	611	50	0	-	2,55
21	C.21 - Manufacture of pharmaceutical preparations	49	-	-	2	0	0	0	0	-	-	-	43	5	1	-	2,70
22	C.22 - Manufacture of rubber products	579	-	-	213	10	28	22	5	-	-	-	347	224	8	-	3,94
23	C.23 - Manufacture of other non-metallic mineral products	248	-	-	98	9	17	11	5	-	-	-	211	31	6	-	3,39
24	C.24 - Manufacture of basic metals	106	-	-	24	4	4	1	3	-	-	-	95	10	1	-	1,90
25	C.25 - Manufacture of fabricated metal products, except machinery and equipment	847	-	-	186	50	53	17	32	-	-	-	614	215	18	-	3,36
26	C.26 - Manufacture of computer, electronic and optical products	98	-	-	3	1	1	0	0	-	-	-	86	12	0	-	2,83
27	C.27 - Manufacture of electrical equipment	291	-	-	119	2	13	12	0	-	-	-	235	54	1	-	2,61
28	C.28 - Manufacture of machinery and equipment n.e.c.	235	-	-	36	11	9	1	6	-	-	-	190	38	7	-	2,94

	30.06.2023	Gross carrying amount (Mln EUR)					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
	Sector/subsector		Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
29	C.29 - Manufacture of motor vehicles, trailers and semi-trailers	345	-	-	152	2	14	11	1	-	-	-	302	40	3	-	2,52
30	C.30 - Manufacture of other transport equipment	174	-	-	65	78	39	5	34	-	-	-	166	8	-	-	2,32
31	C.31 - Manufacture of furniture	283	-	-	163	9	22	17	5	-	-	-	227	50	6	-	3,64
32	C.32 - Other manufacturing	77	-	-	8	1	2	1	1	-	-	-	63	11	3	-	2,84
33	C.33 - Repair and installation of machinery and equipment	103	-	-	24	4	5	1	3	-	-	-	94	5	4	-	2,68
34	D - Electricity, gas, steam and air conditioning supply	1 120	57	-	62	1	14	4	1	-	-	-	775	86	259	-	5,39
35	D35.1 - Electric power generation, transmission and distribution	1 018	53	-	22	1	11	1	1	-	-	-	715	55	249	-	5,35
36	D35.11 - Production of electricity	375	53	-	22	1	6	1	0	-	-	-	72	55	249	-	12,35
37	D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	5	5	-	1	-	0	0	-	-	-	-	4	1	-	-	2,44
38	D35.3 - Steam and air conditioning supply	97	-	-	39	0	3	3	-	-	-	-	57	30	10	-	5,94
39	E - Water supply; sewerage, waste management and remediation activities	448	-	-	42	5	7	1	3	-	-	-	290	83	63	12	5,14
40	F - Construction	1 265	-	-	382	146	153	42	104	-	-	-	1 172	60	32	-	2,42
41	F.41 - Construction of buildings	566	-	-	137	78	80	15	62	-	-	-	520	27	19	-	2,34
42	F.42 - Civil engineering	225	-	-	75	19	21	8	12	-	-	-	212	8	4	-	2,31
43	F.43 - Specialised construction activities	474	-	-	170	49	52	19	30	-	-	-	440	25	9	-	2,57
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	4 423	267	-	684	246	213	49	141	-	-	-	3 855	489	79	0	2,37
45	H - Transportation and storage	2 551	228	-	515	110	103	30	57	-	-	-	1 905	512	135	0	4,04
46	H.49 - Land transport and transport via pipelines	2 030	228	-	444	79	76	26	37	-	-	-	1 595	317	117	0	3,95
47	H.50 - Water transport	32	-	-	17	7	7	1	6	-	-	-	16	16	-	-	3,80
48	H.51 - Air transport	15	-	-	11	0	0	0	0	-	-	-	14	0	-	-	1,93
49	H.52 - Warehousing and support activities for transportation	388	-	-	37	21	18	3	13	-	-	-	194	177	17	-	4,92
50	H.53 - Postal and courier activities	87	-	-	6	3	2	0	1	-	-	-	84	2	1	-	2,55
51	I - Accommodation and food service activities	521	-	-	182	150	92	18	73	-	-	-	385	75	60	0	4,16
52	L - Real estate activities	3 043	-	-	743	138	164	90	56	-	-	-	1 706	478	855	4	6,60
53	**Exposures towards sectors other than those that highly contribute to climate change***	7 484	-	-	748	132	137	40	67				4 249	1 909	1 319	6	5,57
54	K - Financial and insurance activities	498	-	-	46	6	8	2	4				440	56	2	-	2,52
55	Exposures to other sectors (NACE codes J, M - U)	6 986	-	-	702	126	129	38	63				3 809	1 853	1 317	6	5,77
56	TOTAL	27 570	702	-	5 266	1 198	1 235	444	657	-	-	-	19 703	4 948	2 896	23	4,25

* In accordance with Commission Delegated Regulation (EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regard to minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks - Regulation on standards for climate benchmarks - recital 6: sectors listed in Sections A-H and Section L of Annex I to Regulation (EC) No. 1893/2006

Table 4.2 reveals exposures that are more susceptible to the transition risks associated with the transition to a low-carbon and climate-resilient economy to non-financial corporations, broken down by sectors that are major contributors to climate change (NACE codes: A, B, C, D, E, F, G, H, I, L) and exposures to non-financial corporations operating in sectors other than those that are major contributors to climate change (NACE codes: K, J, M-U).

The Bank Group is in the course of a project to operationalize the technical criteria of the EU Taxonomy. The administrators of the EU benchmarks aligned with the Paris Agreement have not yet released a list of entities that significantly harm at least one environmental goal, and therefore, the Bank does not identify exposure to such entities as part of this disclosure. Disclosure is made only to entities that meet the criteria under Article 12 (1)(d)-(g) of Commission Delegated Regulation (EU)2020/1818 of July 17, 2020 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks. The identification of exposures to these entities was based on an expert review of the portfolio of non-financial companies, which consisted of assigning clients to groups of companies operating in the fossil fuels, oil fuels, natural gas and electricity generation industries.

Due to the current status of the Polish energy sector, a conservative assumption has been made that electricity production companies (other than those producing energy solely from RES) qualify as companies that derive at least 50% of their revenues from electricity production, whose greenhouse gas emission intensity is above 100g CO_2e/kWh (according to the emission factors for electricity published by the KOBiZE, which show that the average CO_2 emission intensity for 2021 of electricity produced in fuel combustion facilities is 745g CO_2/kWh of energy [not including non-CO_2 greenhouse gases]).

The Bank Group is currently analyzing the possibility of obtaining external sources of data on the greenhouse gas emissions of its customers and is in the process of preparing plans to implement a methodology for estimating and disclosing this information.

Table 4.3 Non-trading - Indicators of potential climate change transition risk: loans collateralized by immovable property energy efficiency of the collateral [Template 2].

	30.06.2023	Total gross carrying amount amount (in MEUR)						
		Level of energy efficiency (EP score in kWh/m² of collateral)						
	Counterparty sector	0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	
		a	b	c	d	e	f	g
1	**Total EU area**	**28 303**	**9 459**	**9 257**	**7 185**	**757**	**156**	**653**
2	Of which Loans collateralised by commercial immovable property	486	26	340	94	17	4	5
3	Of which Loans collateralised by residential immovable property	1 788	1 298	446	29	8	3	3
4	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	26 030	8 136	8 471	7 062	733	148	645
6	**Total non-EU area**	-	-	-	-	-	-	-
7	Of which Loans collateralised by commercial immovable property	-	-	-	-	-	-	-
8	Of which Loans collateralised by residential immovable property	-	-	-	-	-	-	-
9	Of which Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-
10	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	-	-	-	-	-	-	-

Table 4.3 discloses all exposures tied to collateral in the form of developed real estate. Expert, conservative estimates of the EP ratio, i.e., the level of energy efficiency (unit consumption of non-renewable primary energy in kWh/m2 of real estate per year) for all types of real estate based on the year of construction, if known, were used. For some of the exposures, the actual values of the EP indicator were disclosed - currently, the Bank Group has obtained data on energy certificates from the Central Register of Energy Performance of Buildings and successively updates the data in its internal systems.

Where there was a need to estimate the value of the EP indicator, the document entitled "Long-term Strategy for Renovation of Buildings - Supporting Renovation of the National Building Stock," which is an appendix to Resolution No. 23/2022 of the Council of Ministers dated February 9, 2022 was used.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

Table 4.4 Non-trading book - Indicators of potential climate change transition risks: alignment metrics[Template 3]

	30.06.2023 sector	NACE Sectors (a minima)	Portfolio gross carrying amount (Mn EUR)
	a	b	c
1	Power	Mapping of NACE codes to PKD sectors in accordance with EU regulations	1 151
2	Fossil fuel combustion		351
3	Automotive		350
4	Aviation		89
5	Maritime transport		307
6	Cement, clinker and lime production		154
7	Iron and steel, coke, and metal ore production		476
8	Chemicals		463
9	... potential additions relavant to the business model of the institution		-

Table 4.4 discloses the Bank's exposures (excluding credit exposures to the Central Bank and the Treasury) by Sectors that have a significant impact on Scope 3 greenhouse gas emissions. The NACE codes of each business sector are assigned to the PKD numbers. Ultimately - no later than June 30, 2024 - the Bank will report a sectoral indicator for adjusting its financing provided to the scenario defined by the International Energy Agency (IEA) for the carbon performance of its portfolio.

The Bank Group is developing a methodology for estimating the adjustment indicator for Scope 3 emissions. The detailed provisions of the methodology will depend on the availability and quality of the data obtained.

The Bank Group does not finance the world's largest carbon-intensive companies included in the list published by the Carbon Majors Database 2018 Data Set Released December 2020 and Thomson Reuters (Data Reference 2014, Published 2016), therefore, indicators of potential transition risk related to climate change are not presented: exposures to the top 20 carbon-intensive firms.

Table 4.5 Banking book - Indicators of potential climate change physical risk: exposures subject to physical risk [Template 5].

	30.06.2023	Gross carrying amount (Mln EUR)													
			of which exposures sensitive to impact from climate change physical events												
	Variable: Geographical area subject to climate change physical risk - acute and chronic events		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
			<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
1	A - Agriculture, forestry and fishing	341	224	115	3	-	5	0	0	-	64	22	19	4	12
2	B - Mining and quarrying	220	201	19	-	-	2	-	0	-	17	2	2	0	2
3	C - Manufacturing	4 212	3 599	610	3	-	3	1	159	-	1 079	93	156	86	52
4	D - Electricity, gas, steam and air conditioning supply	1 101	768	83	249	-	5	-	0	-	59	1	14	4	1
5	E - Water supply; sewerage, waste management and remediation activities	359	257	55	41	6	5	-	0	-	29	4	5	1	2
6	F - Construction	1 022	991	26	5	-	2	1	11	-	327	106	112	34	72
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	3 406	3 144	256	5	0	2	1	7	-	540	178	159	36	103
8	H - Transportation and storage	2 428	1 857	453	119	-	4	0	2	-	502	91	88	29	44
9	L - Real estate activities	1 679	630	311	736	2	9	2	25	-	193	18	41	18	13
10	Loans collateralised by residential immovable property	23 151	475	1 362	8 515	12 798	20	-	272	-	2 193	358	480	203	256
11	Loans collateralised by commercial immovable property	5 144	3 435	1 192	502	14	4	-	114	-	1 575	565	488	178	289
12	Repossessed colalterals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Other relevant sectors (breakdown below where relevant)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 4.5 reveals exposures in the Bank's portfolio sensitive to the impact of prolonged and violent physical events related to climate change by NACE sector and geographic location of the customer's business or the location of the real estate collateral. The Bank assumed the accuracy of the occurrence of a physical event at the municipal level. In terms of mortgage collateral, the Bank categorized residential and commercial real estate by maturity, degree of sensitivity (long-term and violent climate change events), STAGE baskets with an indication of cumulative impairment. Climate models (KLIMADA 2.0 project) published by the Institute of Environmental Protection National Research Institute were used.

The disclosure relates to long-term physical risk, i.e., drought, and sudden physical risk, i.e., flooding and floods and hurricanes (winds above 30 m/s).

The Bank has defined a variable that determines the risk of a long-term and violent physical event in a geographic location at the municipal level. In its analysis, the Bank assumed the use of the RCP8.5 scenario (maintaining the current rate of growth of greenhouse gas emissions, under the "business as usual" formula, the Earth's average temperature will increase by 4.5°C relative to the pre-industrial era) for the decadal periods 2021-2030; 2031-2040; 2041-2050 (taking into account the maturity of the Bank's loan portfolio). The Bank used a physical exposure risk scale from 1 to 5 (1 - low, 5 - very high).

In terms of the presentation of information in Template No. 5, the Bank Group discloses the occurrence of physical risk in all geographic locations for which the risk of a prolonged and violent physical event is defined as very high.

The Bank Group does not disclose exposures to businesses in the construction, service, transportation and sales network industries by the impact of climatic events due to the assumption of a low impact of physical risk on the overall operations of these entities, which is due to the strong dispersion of their operations.

Table 4.6 Other climate change mitigating actions that are not covered in Regulatio (UE) 2020/852 [Template 10]

	30.06.2023 Type of financial instrument	Type of counterparty	Gross carrying amount (million EUR)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
	a	b	c	d	e	f
1	Bonds (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	0	n/a	n/a	As at June 30, 2023, there were no active bonds of the type indicated in column a.
2		Non-financial corporations	0	n/a	n/a	as above
3		Of which Loans collateralised by commercial immovable property	0	n/a	n/a	as above
4		Other counterparties	0	n/a	n/a	as above
5	Loans (e.g. green, sustainable, sustainability-linked under standards other than the EU standards)	Financial corporations	0	n/a	n/a	n/a
6		Non-financial corporations	1937	Risks to be mitigated: -Increase in the price of energy generated from fossil fuels, -increase in prices of fossil fuels, -increase in fertilizer prices, -increase in the price of CO2 emission allowances, -increase in the cost of complying with regulatory requirements (increased energy efficiency standards may result in significant costs to make the necessary adaptations or diversifications and consequently lower profitability for companies in certain business models, increasing the likelihood of default (PD) and reducing the value of accepted collateral), -change in counterparty preferences and loss of the Group's reputation (potentially negative stakeholder perceptions of the Group in the event of more environmentally friendly competition).	Physical risks (droughts, floods, hurricanes, heat waves) significantly increase the probability of losing an asset critical to generating revenue streams, generate the risk of a decrease in the value of collateral, an increase in costs, and thus affect the increased probability of default (PD) and loss given default (LGD) of exposures in sectors or geographic regions susceptible to the risk. Materialization of the risk may result in the withdrawal of deposits by the Group's customers and the allocation of funds for rehabilitation or restoration of lost assets in the first place, which may affect delays in servicing credit exposures.	The assessment of all ESG risks is synthetic in nature, carried out as part of the overall ESG risk measurement, with limited opportunities to fully assess the compliance of actions taken with the EU Taxonomy due to the shortcomings and delays of delegated acts regarding the EU Taxonomy in terms of technical criteria for qualifying business activities as environmentally sustainable. Risk Factors E (Environmental) are defined in terms of potential negative financial consequences for the PKO Bank Polski SA Group that may affect customers and counterparties or the Group's balance sheet items. As of the reporting date, the distinction between physical risk and transformation risk has not been implemented. In future periods, the Capital Group will work to incorporate EU Taxonomy compliance criteria into its business strategy, product design processes, and rules for working with customers and counterparties by analysing regulations and gaps that need to be closed in the implementation of the EU Taxonomy. The Group collects data and builds mechanisms to assess the compliance of actions taken with the EU Taxonomy. Financing of environmentally friendly investments (renewable energy sources, electromobility, closed-loop economy, real estate thermal upgrading), is a necessary adaptation of certain models and business lines towards an environmentally sustainable economy with an acceptable level of physical and transformation risk. The application of credit policies for selected industries/sectors helps reduce the risk of negative stakeholder perceptions of the Group in terms of ESG risks. Management of the aforementioned risks is carried out through credit policies for selected sectors (e.g., successive reduction of exposure to clients and transactions based on coal as an energy carrier - alignment with European climate policy and the drive towards zero-carbon in 2050) and consideration of these factors in the assessment of client financing risks from selected segments.
7		Of which Loans collateralised by commercial immovable property	308	as above	as above	as above
8		Households	124	as above	as above	A discount on the housing loan margin offered to households after the delivery of a real estate energy performance certificate that meets certain conditions is a promotion of real estate with better energy efficiency. More favorable financing conditions for electromobility and photovoltaic devices support households in reducing their carbon footprint and reducing electricity expenses.
9		Of which Loans collateralised by residential immovable property	68	as above	as above	as above
10		Of which building renovation loans	1	as above	as above	as above
11		Other counterparties	0	n/a	n/a	n/a

“Green products” as defined by the Bank Group, as of June 30, 2023, which are not fully aligned with the Taxonomy, subject to disclosure:

- **Green mortgage** - based on the energy performance certificate for the property, customers can receive a lower margin on the "Własny Kąt" mortgage loan;
- **Thermomodernization loan for multifamily buildings with BGK bonus** - implementation of projects financed with an investor loan
- **"Nasz remont"** with BGK bonus helps reduce energy demand;
- **Green loans** - investment loans that have been earmarked among other things, for RES financing;
- **BIZNESMAX guarantees from BGK** - an opportunity to secure loans intended for so-called "pro-environmental" investments, including closed-loop economy, electromobility, renewable energy sources;
- **Ekopożyczka**, a loan for the purchase and installation of photovoltaic panels and other ecological equipment and vehicles;
- **Leasing or loan to finance photovoltaic equipment**;
- **Leasing of electric vehicles.**

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AS AT 30 JUNE 2023 (IN PLN MILLION)

5 Variable remuneration components

The table below presents a supplement to the quantitative data presented in the Report as at December 31, 2022 in table 6.1 regarding remuneration awarded for 2022.

Table 5.1 Remuneration awarded for a given financial year [template EU REM1]

			30.06.2023			
			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	47	101
2		Total fixed remuneration	1,89	9,88	30,11	36,75
3		Of which: cash-based	1,89	9,40	29,38	35,34
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	-	0,48	0,73	1,41
8		(Not applicable in the EU)				
9	Variable remuneration*	Number of identified staff	11	8	47	101
10		Total variable remuneration	-	10,80	22,88	27,59
11		Of which: cash-based	-	6,10	14,26	16,56
12		Of which: deferred	-	2,15	3,51	4,42
EU-13a		Of which: shares or equivalent ownership interests	-	-	1,16	-
EU-14a		Of which: deferred	-	-	0,52	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	4,70	5,45	9,38
EU-14b		Of which: deferred	-	2,15	2,21	3,75
EU-14x		Of which: other instruments	-	-	2,01	1,66
EU-14y		Of which: deferred	-	-	0,81	0,67
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		1,89	20,68	52,99	64,34

In relation to the “Capital adequacy and other information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Capital Group subject to disclosure as at 31 December 2022” presented in the Report, the data on fixed remuneration for 2022 has been verified at the consolidation level.

Representation 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 has been prepared in compliance with the internal control processes;
- declares that, to the best of its knowledge, the adequacy of risk management arrangements at PKO Bank Polski S.A. ensures that the risk management systems used are appropriate to the risk profile and strategy of the Bank and the Bank's Group;
- approves this Report "Capital Adequacy and other information subject to publication of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 30 June 2023", which includes information on risk, discusses the overall risk profile of the Bank and the Bank's Group related to the business strategy and includes key indicators and figures that provide external stakeholders with a holistic view of the risk management of PKO Bank Polski S.A. and the PKO Bank Polski S.A. Group, including interactions between the Bank's risk profile and risk tolerance expressed in the form of strategic tolerance limits determined by the Management Board and approved by the Supervisory Board.

Management Board of PKO Bank Polski S.A.

on the original, the relevant signatures