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Bank Polski

Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 30 June 2020

Introduction

The Report "Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna as at 30 June 2020", hereinafter referred to as the "Report", was prepared in accordance with Article 111a, section 1 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 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, hereinafter referred to as the "CRR", taking into account the implementing acts under the CRR, the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management,[2] hereinafter referred to as the "Act on macroprudential supervision", as well as Recommendation M on operational risk management in banks, Recommendation P on liquidity risk management in banks, and Recommendation H on the internal control system in banks, issued by the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*), hereinafter referred to as the "PFSA").

The disclosures also reflect the requirements set out in Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to the disclosure of own funds requirements for institutions according to the CRR (Regulation 1423/2013), in Commission Implementing Regulation (EU) No 1030/2014 of 29 September 2014 laying down implementing technical standards with regard to the standard formats and date for the disclosure of values used to identify global systemically important institutions according to the CRR (Regulation 1030/2014), in Commission Delegated Regulation (EU) No 1222/2014 of 8 October 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards for specifying the methodology for identifying global systemically important institutions and for defining subcategories of global systemically important institutions (Regulation 1222/2014), in Commission Delegated Regulation (EU) 2015/1555 of 28 May 2015 supplementing the CRR with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440 (Regulation 2015/1555), in Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to the disclosure of the leverage ratio for institutions according to the CRR (Regulation 2016/200), in the guidelines no. EBA/GL/2016/01 of 29.02.2016 on the further specification of the indicators of global systemic importance and their disclosure (EBA/GL/2016/01 Guidelines), in the guidelines EBA/GL/2016/11 on disclosure requirements under Part Eight of the CRR (EBA/GL/2016/11 Guidelines), in the EBA/GL/2017/01 guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of the CRR (EBA/GL/2017/01 Guidelines), in the EBA/GL/2018/01 guidelines on uniform disclosures under Article 473a of the CRR as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01 Guidelines) in connection with the application of the transitional arrangements of the implementation of IFRS 9, in the guidelines EBA/GL/2018/10 of 17 December 2018 on the disclosure of non-performing and forborne exposures, and in the guidelines EBA/GL/2020/07 of 2 June 2020 on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 pandemic (EBA/GL/2020/07 Guidelines).

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

This Report should be analysed in conjunction with the document "Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna as at 31 December 2019", which is an integral part of this report.

The information in the Report has been prepared on the basis of the data for six-month period ended 30 June 2020 in accordance with the regulations in force as at 30 June 2020 and published on the Bank's website (www.pkobp.pl).

In accordance with Commission Delegated Regulation (EU) No 183/2014, the capital adequacy calculation includes adjustments recognized in profit or loss, which relate to credit risk, for the periods covered by Common Equity Tier 1 capital. Therefore, the Bank took into account specific credit risk adjustments as at 30 June 2019.

The Report presents the consolidated data[3] of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group, hereinafter referred to as the "Group". No factors have been identified, contributing to any significant changes in the presented amounts compared with the previous reporting period, other than the information presented in the Condensed interim consolidated financial statements of the Group for the six-month period ended 30 June 2020.

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.

This Report was subject to an internal verification by the Bank's internal audit function.

[1] Journal of Laws of 2019, item 2357, consolidated text
[2] Journal of Laws of 2019, item 483, consolidated text
[3] The data covers only the entities subject to prudential consolidation

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CAPITAL ADEQUACY AND OTHER INFORMATION SUBJECT TO DISCLOSURE OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP AS AT 30 JUNE 2020 (IN PLN MILLION)

1. Information on the Bank and the Group

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.

Pursuant to the CRR, for prudential consolidation purposes the Group comprises: PKO Bank Polski S.A., the PKO Leasing S.A. Group, PKO BP BANKOWY PTE S.A., PKO Towarzystwo Funduszy Inwestycyjnych S.A., the KREDOBANK S.A. Group, PKO Finance AB, PKO BP Finat sp. z o.o., PKO Bank Hipoteczny S.A., and the Bankowe Towarzystwo Kapitałowe S.A. Group.

Non-financial and insurance entities are not subject to prudential consolidation. Furthermore, on the basis of Article 19(1) of the CRR, ZenCard sp. z o.o. is not subject to consolidation. Table 1.1 presents the differences in the scope of the consolidation of the Group for the purposes of accounting and prudence regulations as at 30 June 2020.

Table 1.1. Differences in the accounting and regulatory scope of consolidation and mapping financial statement categories with regulatory risk categories [template EU LI1]

	30.06.2020	
	a)	b)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation
ASSETS		
Cash and balances with the Central Bank	3 687	3 686
Amounts due from banks	2 706	2 559
Hedging derivatives	1 453	1 453
Other derivative instruments	5 345	5 345
Securities	119 802	117 681
Reverse repo transactions	153	153
Loans and advances to customers	231 230	231 382
Receivables in respect of insurance activities	803	-
Property, plant and equipment transferred under operating lease	1 373	1 373
Property, plant and equipment	2 880	2 690
Non-current assets held for sale	13	13
Intangible assets	2 984	2 823
Investments in associates and joint ventures	292	1 339
Current income tax receivables	38	38
Deferred income tax assets	1 846	1 834
Other assets	2 591	2 743
TOTAL ASSETS	**377 196**	**375 112**
LIABILITIES		
Amounts due to banks	2 100	2 100
Hedging derivatives	1 034	1 034
Other derivative instruments	5 397	5 397
Amounts due to customers	281 841	280 929
Repo transactions	60	107
Liabilities in respect of insurance activities	1 729	-
Loans and advances received	2 533	2 478
Debt securities in issue	29 257	29 503
Subordinated liabilities	2 730	2 730
Other liabilities	5 340	5 407
Current income tax liabilities	113	105
Deferred income tax provision	350	337
Provisions	658	657
TOTAL LIABILITIES	**333 142**	**330 784**
Equity		
Share capital	1 250	1 250
Other capital and reserves	35 476	35 395
Retained earnings	6 034	6 369
Net profit or loss for the year	1 306	1 314
Capital and reserves attributable to equity holders of the parent	44 066	44 328
Non-controlling interests	(12)	-
TOTAL EQUITY	**44 054**	**44 328**
TOTAL LIABILITIES AND EQUITY	**377 196**	**375 112**

The carrying amounts shown under the regulatory model differ from the values recognized in the published financial statements as at 30 June 2020 due to the application of different scopes of consolidation.

2. The Risk 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 SA, including the Bank's foreign branches, and in the other entities in the 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 Group, in the changing macroeconomic and legal environment. The risk level is an important factor in the planning process.

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

The risk management system, including the principles of management of material risk types, are described in detail in the Report "Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 31 December 2019", the Condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for six-month period ended 30 June 2020, and the consolidated financial statements of the PKO Bank Polski SA Group as at and for the year ended 31 December 2019.

2.1. Credit risk, including counterparty risk

Credit risk is the risk of incurring losses as a result of a customer defaulting on his or her liabilities to the Group or the risk of a decrease in the economic value of the Group's receivables as a result of deterioration of a customer's ability to service his or her liabilities; credit risk also includes the risk of adjustment to the valuation of derivative instruments in respect of credit counterparty risk (CVA) which is the risk of incurring losses as a result of changes in market and credit factors (in particular as a result of changes in the probability of a counterparty's insolvency).

The objective of credit risk management is to reduce losses on the loan portfolio and losses due to changes in CVA 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.

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Credit quality of exposures

Tables 2.1, 2.2 oraz 2.3 present credit quality of exposures by class, by industry and by geographical area, respectively. The gross carrying amount includes on-balance sheet and off-balance sheet exposures as defined in the EBA/GL/2016/11 Guidelines.

Table 2.1. Credit quality of exposures by exposure category and instrument [template EU CR1 A]

		30.06.2020						
		a)	b)	c)	d)	e)	f)	f)
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Central governments or central banks	0	88 022	4	0	0	0	88 018
2	Regional governments or local authorities	0	12 409	18	0	0	0	12 391
3	Public sector entities	0	3 234	3	0	0	0	3 231
4	Multilateral development banks	0	1 676	0	0	0	0	1 676
5	International organisations	0	0	0	0	0	0	0
6	Institutions	0	8 485	4	0	0	0	8 480
7	Corporates	0	99 213	389	0	0	0	98 824
8	*Of which: SMEs*	0	16 512	147	0	0	0	16 364
9	Retail	0	81 205	570	0	4	0	80 635
10	*Of which: SMEs*	0	25 745	266	0	1	0	25 478
11	Secured by mortgages on immovable property	0	111 812	654	0	-1	0	111 158
12	*Of which: SMEs*	0	5 563	110	0	0	0	5 453
13	Exposures in default	10 502	0	4 556	0	159	0	5 946
14	Items associated with particularly high risk	117	2 686	88	0	6	0	2 714
15	Covered bonds	0	0	0	0	0	0	0
16	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
17	Collective investments undertakings	0	3	0	0	0	0	3
18	Equity exposures	0	897	0	0	0	0	897
19	Other exposures	0	20 219	20	0	0	0	20 199
20	**Total standardised approach**	10 618	429 862	6 307	0	168	0	434 173
21	*Of which: Loans*	8 833	206 889	5 493	0	168	0	210 229
22	*Of which: Debt securities*	0	106 663	5	0	0	0	106 657
23	*Of which: Off-balance-sheet exposures*	563	65 970	121	0	0	0	66 412

*) The gross carrying amount includes on-balance sheet and off-balance sheet exposures as defined in the EBA/GL/2016/11 Guidelines.

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Table 2.2. Credit quality of exposures by industry [template EU CR1-B]

	30.06.2020					
	a)	b)	c)	d)	e)	f)
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net values (a+b-c-d)
	Defaulted exposures	Non-defaulted exposures				
Agriculture, forestry and fishing	68	518	53	0	1	533
Mining and quarrying	71	3 339	15	0	0	3 395
Manufacturing	1 888	25 957	649	0	12	27 196
Electricity, gas, steam and air conditioning supply	196	10 581	89	0	0	10 687
Water supply	20	1 125	21	0	0	1 124
Construction	637	7 241	493	0	22	7 384
Wholesale and retail trade	1 247	14 523	751	0	20	15 018
Transportation and storage	253	4 821	158	0	2	4 917
Accommodation and food service activities	666	2 124	323	0	4	2 467
Information and communication	31	6 311	38	0	0	6 304
Financial and insurance activities	47	52 897	52	0	0	52 891
Real estate activities	569	14 196	266	0	0	14 499
Professional, scientific and technical activities	94	4 159	71	0	1	4 182
Administrative and support service activities	79	1 083	42	0	1	1 120
Public administration and defence; compulsory social security	0	95 387	18	0	0	95 368
Education	25	339	16	0	0	348
Human health and social work activities	29	1 816	20	0	0	1 825
Arts, entertainment and recreation	22	785	20	0	0	788
Other activities	4 676	182 662	3 212	0	107	184 126
Total	10 618	429 862	6 307	0	168	434 173

The gross carrying amount includes: loans to customers, shares, money market bills, bonds, interbank deposits, derivatives, other assets and off-balance sheet items. The exposures are presented in the table by industry, without a further break-down by type of counterparty.

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Table 2.2a. Credit quality of exposures for the construction sector and the construction-related sector, such as developers, housing communities and cooperatives (according to the internal classification used by the Bank)

PKO Bank Polski SA	30.06.2020				
	a)	b)		c)	d)
	Defaulted exposures	Non-defaulted exposures		Specific credit risk adjustment	Net values
	Gross carrying values of	Gross carrying values of	Off-Balance Sheet Amount		(a+b-c)
Construction (including: motorways, streets, bridges, finishing works)	233	959	2 333	211	3 315
Developers	890	8 603	4 168	502	13 159
Housing cooperatives	60	5 338	523	23	5 897

The exposures to the construction sector totalling PLN 3 525 million include on-balance sheet exposures of PLN 1 192 million and off-balance sheet exposures of PLN 2 333 million.

Table 2.3. Credit quality of exposures by geographical area [template EU CR1-C]

		30.06.2020					
		a)	b)	c)	d)	e)	f)
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net values
		Defaulted exposures	Non-defaulted exposures				(a+b-c-d)
1	Poland	10 444	415 285	6 224	0	167	419 505
2	United Kingdom	13	769	2	0	0	780
3	France	1	358	2	0	0	357
4	South Korea	1	386	1	0	0	386
5	Netherlands	0	294	1	0	0	293
6	Germany	0	1 088	2	0	0	1 087
7	Sweden	0	947	0	0	0	947
8	Norway	0	585	2	0	0	583
9	Belgium	0	373	0	0	0	373
10	Czech Republic	0	397	1	0	0	396
11	Spain	0	708	0	0	0	708
12	Luksemburg	0	3 534	7	0	0	3 527
13	Ukraine	99	3 535	46	0	0	3 588
14	Other countries	59	1 603	17	0	1	1 644
15	**Total**	10 618	429 862	6 307	0	168	434 173

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Table 2.4. Changes in the stock of defaulted and impaired loans and debt securities [template EU CR2-B]

		30.06.2020
		Gross carrying value defaulted exposures
1	**Opening balance**	10 348
2	Loans and debt securities that have defaulted or impaired since the last reporting period	1 454
3	Returned to non-defaulted status	338
4	Amounts written off	-168
5	Other changes	-1 353
6	**Closing balance**	**10 618**

The table above presents changes in the gross amounts of defaulted and impaired loans and debt securities in the period after the last reporting period.

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 issues 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 2.5. CRM techniques – Overview [template EU CR3]

		30.06.2020				
		a)	b)	c)	d)	e)
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans*	237 305	20 026	2 853	17 173	0
2	Total debt securities	106 663	0	0	0	0
3	**Total exposures**	**343 967**	**20 026**	**2 853**	**17 173**	**0**
4	Of which defaulted	5 210	182	101	81	0

*Total loans represent total exposures net of total debt securities, which are presented in a separate line.

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Table 2.6. Standardized approach – Credit risk exposure (excluding derivatives) and CRM effect [template EU CR4]

		30.06.2020					
		a)	b)	c)	d)	e)	f)
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	87 988	0	104 842	98	5 915	5,6%
2	Regional government or local authorities	10 157	2 234	10 260	394	2 131	20,0%
3	Public sector entities	500	2 731	472	1 258	841	48,6%
4	Multilateral development banks	1 676	0	1 676	0	0	0,0%
5	International organisations	0	0	0	0	0	0,0%
6	Institutions	1 451	5 171	1 667	2 888	1 791	39,3%
7	Corporates	60 562	36 393	42 500	9 437	49 754	95,8%
8	Retail	64 599	16 024	63 029	4 009	46 492	69,4%
9	Secured by mortgages on immovable property	109 148	2 010	109 076	541	70 382	64,2%
10	Exposures in default	5 392	554	5 210	106	6 686	125,8%
11	Exposures associated with particularly high risk	1 422	1 292	1 311	267	2 367	150,0%
12	Covered bonds	0	0	0	0	0	0,0%
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0,0%
14	Collective investment undertakings	3	0	3	0	3	100,0%
15	Equity	897	0	897	0	2 210	246,2%
16	Other items	20 196	3	20 196	1	7 257	35,9%
17	**Total**	**363 993**	**66 412**	**361 140**	**18 999**	**195 827**	**51,5%**

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Table 2.7. Standardized approach – exposures by asset class and risk weight [template EU CR5]

	Exposure classes	30.06.2020																	
		Risk weight																Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
1	Central governments or central banks	101 566	0	0	0	714	0	0	0	0	604	0	2 067	0	0	0	0	104 952	0
2	Regional government or local authoritiese	0	0	0	0	10 654	0	0	0	0	0	0	0	0	0	0	0	10 654	10 139
3	Public sector entities	0	0	0	0	81	0	1 649	0	0	0	0	0	0	0	0	0	1 730	1 730
4	Multilateral development banks	1 676	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1 676	1 676
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	0	0	0	0	2 522	0	3 216	0	0	164	15	0	0	0	0	0	5 918	0
7	Corporates	0	0	0	0	0	0	473	0	0	53 333	0	0	0	0	0	0	53 805	47 531
8	Retail	0	0	0	0	0	0	0	0	67 049	0	0	0	0	0	0	0	67 049	67 049
9	Secured by mortgages on immovable property	0	0	0	0	0	77 110	0	0	103	8 483	23 922	0	0	0	0	0	109 618	109 618
10	Exposures in default	0	0	0	0	0	0	0	0	0	2 577	2 739	0	0	0	0	0	5 316	5 316
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	1 578	0	0	0	0	0	1 578	1 578
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	3	3
15	Equity	0	0	0	0	0	0	0	0	0	22	0	875	0	0	0	0	897	897
16	Other items	12 317	0	0	0	780	0	0	0	0	7 101	0	0	0	0	0	0	20 198	20 198
17	**Total**	115 560	0	0	0	14 752	77 110	5 338	0	67 151	72 288	28 254	2 942	0	0	0	0	383 394	265 735

The table above presents the total amount of on-balance sheet and off-balance sheet exposures of the Group amounting to PLN 383 394 million, 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 2020, 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 2020, the Bank applied the effects of netting agreements for the purpose of the calculation of the on-balance sheet equivalent of derivatives, in accordance with Article 298 of the CRR. Such agreements are entered into primarily with institutional counterparties. The agreements allow the settlement of all the transactions covered by the agreement, even in the event of a default of one of the parties, with a single amount representing the total sum of the market values of individual transactions. The netting agreements applied meet the conditions of Articles 295–297 of the CRR.

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Counterparty credit risk exposure and CVA

Table 2.8. Analysis of exposures subject to the CCR framework (excluding capital requirements or exposures cleared by the central counterparty) [template EU CCR1]

		30.06.2020						
		a)	b)	c)	d)	e)	f)	g)
		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		1 228	2 643			3 235	2 361
2	Original exposure	0					0	0
3	Standardised approach		0			0	0	0
4	IMM (for derivatives and SFTs)				0	0	0	0
5	*Of which securities financing transactions*				0	0	0	0
6	*Of which derivatives and long settlement transactions*				0	0	0	0
7	*Of which from contractual cross-product netting*				0	0	0	0
8	Financial collateral simple method (for SFTs)						0	0
9	Financial collateral comprehensive method (for SFTs)						20	20
10	VaR for SFTsh						0	0
11	**Total**							**2 381**

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

Table 2.9. Composition of collateral for exposures to counterparty credit risk [template EU CCR5-B]

	30.06.2020					
	a)	b)	c)	d)	e)	f)
	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		
Total	521	0	968	0	153	110

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

As at 30 June 2020, 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.

Table 2.10. Standardized approach – CCR exposures by exposure category and risk weight [template EU CCR3]

	Exposure classes	30.06.2020												
		Risk weight											Total	Of which unrated
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1	Central governments or central banks	13	0	0	0	0	0	0	0	0	0	0	13	0
2	Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	0	0	0	0	659	653	0	0	51	0	0	1 362	0
7	Corporates	0	0	0	0	0	10	0	0	1 859	0	0	1 868	1 137
8	Retail	0	0	0	0	0	0	0	12	0	0	0	12	12
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Other items	0	0	0	0	0	0	0	0	0	0	0	0	0
11	**Total**	13	0	0	0	659	662	0	12	1 909	0	0	3 255	1 149

The table above 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.

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Table 2.11. Exposures to central counterparties [template EU CCR8]

		30.06.2020	
		a)	b)
		EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**		**949**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2 033	895
3	(i) OTC derivatives	1 981	895
4	(ii) Exchange-traded derivatives	52	0
5	(iii) SFTs	0	0
6	(iv) Netting sets where cross-product netting has been approved	0	0
7	Segregated initial margin	67	
8	Non-segregated initial margin	0	0
9	Prefunded default fund contributions	29	0
10	Alternative calculation of own funds requirements for exposures		53
11	**Exposures to non-QCCPs (total)**		0
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0	0
13	i) OTC derivatives	0	0
14	ii) Exchange-traded derivatives	0	0
15	(iii) SFTs	0	0
16	(iv) Netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	0	
18	Non-segregated initial margin	0	0
19	Prefunded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

The table above presents the breakdown of exposures to central counterparties used to calculate the own funds requirement for counterparty credit risk.

Table 2.12. Standardized approach - impact of netting and collateral established on exposure values [template EU CCR5-A]

		30.06.2020				
		a)	b)	c)	d)	e)
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	6 798	3 547	3 251	513	2 738
2	SFTs	263	0	263	256	7
3	Cross-product netting	0	0	0	0	0
4	**Total**	7 061	3 547	3 514	769	2 745

The table above presents the impact of netting and collateral established on the values of counterparty credit risk exposures.

Table 2.13. CVA capital charge [template EU CCR2]

		30.06.2020	
		a)	b)
		Exposure value	RWAs
1	Total portfolios subject to the advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) SVaR component (including the 3× multiplier)		0
4	All portfolios subject to the standardised method	1 471	360
EU4	Based on the original exposure method	0	0
5	Total subject to the CVA capital charge	0	0

The table above presents the value of exposures and the amount of risk exposure for transactions which are subject to the own funds requirement for CVA relating to derivatives, with regard to counterparty credit risk.

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Non-performing and forborne exposures

The tables below present detailed quantitative information on non-performing and forborne exposures[4] in accordance with the requirements set out in the EBA/GL/2018/10 Guidelines.
Three tables are presented:
1) Table 2.14. Credit quality of forborne exposures [Template 1];
2) Table 2.15. Credit quality of performing and non-performing exposures by past due days [Template 3];
3) Table 2.16. Performing and non-performing exposures and related provisions [Template 4].

As at 30 June 2020, the Group did not have any collateral obtained through foreclosure and enforcement proceedings, i.e. it did not have any collateral that required disclosing in the table according to Template 9 of the EBA/GL/2018/10 Guidelines

The Group's gross NPL ratio[5] amounted to 4.30% as at 30.06.2020.

Table 2.14. Credit quality of forborne exposures [Template 1]

		30.06.2020							
		a	b	c	d	e	f	g	h
		Gross carrying amount of forborne exposures / Nominal amount				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				
1	Loans and advances	994	2 177	757	2 111	-65	-891	1 934	1 098
2	Central banks	0	0	0	0	0	0	0	0
3	General governments	0	2	0	2	0	-1	1	1
4	Credit institutions	0	0	0	0	0	0	0	0
5	Other financial corporations	0	0	0	0	0	0	0	0
6	Non-financial corporations	336	1 192	517	1 192	-18	-378	1 045	784
7	Households	658	983	240	917	-47	-512	888	312
8	Debt Securities	0	636	166	470	0	-1	0	0
9	Loan commitments given	45	83	7	82	2	6	0	0
10	**Total**	**1 039**	**2 896**	**930**	**2 662**	**-63**	**-886**	**1 934**	**1 098**

[4] The definitions of non-performing and forborne exposures are specified in Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) of the European Parliament and of the Council No 575/2013.
[5] The definition of the NPL is specified in the EBA/GL/2018/10 Guidelines.

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Table 2.15. Credit quality of performing and non-performing exposures by past due days [Template 3]

		30.06.2020											
		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or Past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Przeterminowane > 180 dni ≤ 1 rokPast due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	W tym ekspozycje, Of which defaulted
1	**Loans and advances**	230 559	229 756	803	10 343	3 747	629	724	1 126	2 226	1 050	841	7 573
2	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
3	*General governments*	6 297	6 297	0	2	2	0	0	0	0	0	0	0
4	*Credit institutions*	1 180	1 180	0	0	0	0	0	0	0	0	0	0
5	*Other financial corporations*	3 859	3 856	2	32	23	1	2	3	2	0	0	19
6	*Non-financial corporations*	61 718	61 144	574	5 234	2 305	270	216	411	943	607	482	3 344
7	*Of which SMEs*	31 704	31 435	270	3 551	1 190	249	205	338	693	457	419	2 366
8	*Households*	157 505	157 278	227	5 075	1 418	358	505	711	1 281	443	358	4 209
9	**Debt Securities**	114 643	114 643	0	639	636	0	0	0	3	0	0	187
10	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0
11	*General governments*	94 721	94 721	0	0	0	0	0	0	0	0	0	0
12	*Credit institutions*	505	505	0	3	0	0	0	0	3	0	0	0
13	*Other financial corporations*	16 350	16 350	0	0	0	0	0	0	0	0	0	0
14	*Non-financial corporations*	3 067	3 067	0	636	636	0	0	0	0	0	0	187
15	**Off-balance sheet exposures**	66 112			635								35
16	*Central banks*	0			0								0
17	*General governments*	5 582			0								0
18	*Credit institutions*	4 450			0								0
19	*Other financial corporations*	148			0								0
20	*Non-financial corporations*	39 807			618								23
21	*Households*	16 125			16								11
22	**Total**	411 314	**344 399**	**803**	**11 617**	**4 383**	**629**	**724**	**1 126**	**2 230**	**1 050**	**841**	**7 794**

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Table 2.16. Performing and non-performing exposures and related provisions [Template 4]

		30.06.2020														
		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							OCollaterals 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 2	of which: stage 3		of which: stage 1	of which: stage 2			of which: stage 3			
1	**Loans and advances**	230 559	222 642	18 543	10 343	41	9 995	-2 073	-749	-1 341	-6 106	-4	-5 997	-1 837	166 506	3 224
2	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	*General governments*	6 297	6 195	7	2	0	2	-17	-17	0	-1	0	-1	0	870	1
4	*Credit institutions*	1 180	1 436	0	0	0	0	0	0	0	0	0	0	0	0	0
5	*Other financial corporations*	3 859	20 763	22	32	0	31	-17	-31	-1	-18	0	-18	0	1 945	14
6	*Non-financial corporations*	61 718	53 584	8 117	5 234	24	5 209	-658	-328	-330	-2 574	0	-2 573	-783	39 580	2 411
7	*Of which SMEs*	31 704	26 966	4 706	3 551	1	3 526	-416	-173	-243	-1 927	0	-1 919	-653	23 573	1 590
8	*Households*	157 505	140 663	10 397	5 075	17	4 754	-1 381	-373	-1 010	-3 514	-4	-3 406	-1 054	124 112	798
9	**Debt Securities**	114 643	113 918	51	639	0	473	-22	-24	0	-4	0	-3	-2	0	0
10	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	*General governments*	94 721	93 192	51	0	0	0	-20	-20	0	0	0	0	0	0	0
12	*Credit institutions*	505	505	0	3	0	3	0	0	0	-3	0	-3	0	0	0
13	*Other financial corporations*	16 350	17 168	0	0	0	0	0	-1	0	0	0	0	0	0	0
14	*Non-financial corporations*	3 067	3 053	0	636	0	470	-3	-3	0	-1	0	0	-2	0	0
15	**Off-balance sheet exposures**	66 112	67 460	4 955	635	8	627	250	143	108	121	0	120		4 535	127
16	*Central banks*	0	0	0	0	0	0	0	0	0	0	0	0		0	0
17	*General governments*	5 582	5 570	4	0	0	0	5	5	0	0	0	0		61	0
18	*Credit institutions*	4 450	6 196	0	0	0	0	0	1	0	0	0	0		0	0
19	*Other financial corporations*	148	5 420	2	0	0	0	1	1	0	0	0	0		5	0
20	*Non-financial corporations*	39 807	36 076	3 098	618	7	611	163	109	54	115	0	115		4 376	126
21	*Households*	16 125	14 197	1 851	16	1	15	81	27	54	6	0	5		93	1
22	**Total**	411 314	404 019	23 549	11 617	49	11 095	-1 845	-630	-1 232	-5 990	-4	-5 881		171 041	3 351

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

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

For better data transparency, Table 2.17 Loans and advances subject to moratoria consistent with the EBA guidelines (legislative and non-legislative) [template 1 COVID19] is divided into two tables: Table 2.17a (table columns a) to g)) and Table 2.17b (table columns h) to o)).

Table 2.17a. Loans and advances subject to legislative and non-legislative moratoria (table columns a) to g)) [template 1 COVID19]

		30.06.2020						
		a	b	c	d	e	f	g
		Gross carrying amount						
			Performing			Non performing		
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
1	Loans and advances subject to moratorium	25 164	24 747	0	4 199	417	0	3
2	of which: Households	12 202	12 144	0	1 740	58	0	1
3	of which: Collateralised by residential immovable property	7 882	7 865	0	1 113	17	0	0
4	of which: Non-financial corporations	12 711	12 353	0	2 459	358	0	2
5	of which: Small and Medium-sized Enterprises	9 394	9 070	0	2 253	324	0	127
6	of which: Collateralised by commercial immovable property	5 014	4 876	0	597	138	0	0

Table 2.17b. Loans and advances subject to legislative and non-legislative moratoria (table columns h) to o)) [template 1 COVID19]

		30.06.2020							
		h	i	j	k	l	m	n	o
		Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	515	418	0	287	97	0	30	0
2	of which: Households	246	228	0	179	18	0	0	0
3	of which: Collateralised by residential immovable property	114	109	0	107	5	0	0	0
4	of which: Non-financial corporations	268	189	0	107	79	0	30	0
5	of which: Small and Medium-sized Enterprises	218	140	0	99	78	0	30	0
6	of which: Collateralised by commercial immovable property	107	91	0	46	17	0	0	0

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Table 2.18. Breakdown of loans and advances subject to legislative and non-legislative moratoria by the residual maturity of the moratoria [template 2 COVID19]

		30.06.2020								
		a	b	c	d	e	f	g	h	i
		Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	113 319	25 164							
2	Loans and advances subject to moratorium (granted)	109 949	25 164	1	0	11 445	13 598	43	9	69
3	of which: Households		12 202	1	0	9 637	2 565	0	0	0
4	of which: Collateralised by residential immovable property		7 882	0	0	7 736	146	0	0	0
5	w of which: Non-financial corporations		12 711	0	0	1 750	10 840	43	9	69
6	w tof which: Small and Medium-sized Enterprises		9 394	0	0	1 469	7 805	43	8	69
7	of which: Collateralised by commercial immovable property		5 014	0	0	333	4 681	0	0	0

Table 2.19. Newly granted loans and advances under new public guarantee schemes introduced in connection with the COVID-19 crisis [template 3 COVID19]

		30.06.2020			
		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	1 210	0	968	0
2	of which: Households	0			0
3	w tof which: Collateralised by residential immovable property	0			0
4	of which: Non-financial corporations	1 210	0	968	0
5	of which: Small and Medium-sized Enterprises	877			0
6	of which: Collateralised by commercial immovable property	0			0

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2.2. Market risk

Interest rate risk is a risk of losses being incurred on the Group's on-balance sheet and off-balance sheet items sensitive to interest rate fluctuations, as a result of changes in market interest rates. The Bank is pro-actively managing the interest rate risk resulting from items in both the trading and non-trading portfolios.

The purpose of interest rate risk management is to reduce the potential losses resulting from fluctuations in market interest rate to an acceptable level by properly shaping the structure of on-balance sheet and off-balance sheet items.

Table 2.20. Market risk under the standardized approach [template EU MR1]

		30.06.2020	
		a)	b)
		RWAs	Capital requirements
Outright products			
1	Interest rate risk (general and specific)	4 673	374
2	Equity risk (general and specific)	283	23
3	Foreign exchange risk	0	0
4	Commodity risk	0	0
Options			
5	Simplified approach	0	0
6	Delta-plus method	0	0
7	Scenario approach	1	0
8	Securitisation (specific risk)	0	0
9	**Total**	4 957	397

The table above presents the own funds requirements for market risk in the Group.

The own funds requirement for currency risk was zero due to the fact that the total currency position did not exceed 2% of the Group's own funds.

As at 30 June 2020, the Group did not have an open position for commodity price risk, so the respective own funds requirement was zero.

Since the Group does not use internal models for the purpose of the calculation of 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 the absence of liquid assets. A lack of liquidity may be due to an 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 table below presents supervisory liquidity measures as at 30 June 2020 and as at 31 December 2019.

Table 2.21. Supervisory liquidity measures

PKO Bank Polski SA		
Measure	**30.06.2020**	**31.12.2019**
M3	14,13	14,92
M4	1,35	1,25

Bank subsidiaries		
Measure	**30.06.2020**	**31.12.2019**
LCR	194,0%	146,3%
NSFR	132,7%	123,1%

In the periods ended 31 December 2019 and 30 June 2020, the supervisory liquidity measures remained above their respective supervisory limits. The LCR and NSFR ratios in the table show the values for the Group, and the M3-M4 ratios are the values for the Bank.

Table 2.22. Liquidity Coverage Ratio

Currency and units (PLN million)		Total weighted value (avg)	
Quarter ending on (DD Month YYY)		30.06.2020	31.03.2020
Number of data points used in the calculation of averages		12	12
		Total adjusted value	
21	Liquidity buffer	75 398	64 132
22	Total net cash outflows	47 964	44 620
23	Liquidity coverage ratio (%)	155,8%	143,6%

The net liquidity coverage ratio is determined individually for each entity in the Group subject to the requirement to determine this ratio and on a consolidated basis for the Group. The list of companies included in the consolidation is determined in accordance with the scope of prudential consolidation.

As at 30 June 2020, the Group had two currencies for which the ratio of liabilities in a given currency to total liabilities in all currencies amounted at least to 5%: PLN and EUR.

2.4. Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events; it includes legal risk, but excludes reputation risk and business risk.

The objective of operational risk management is to enhance the security of the operating activities pursued by the Bank by improving the effective mechanisms of identification, assessment, measurement, control, monitoring, reduction and reporting of operational risk, tailored to the profile and the scale of the operations.

3. Own funds

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

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

Common Equity Tier 1 capital comprises:

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 Shareholders' Meeting (hereinafter referred to as the "GSM") and earmarked exclusively for offsetting accounting losses which may arise;
4) other accumulated 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 GSM and earmarked for unidentified banking risks;
6) retained earnings (unappropriated profits);
7) 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 GM or, before being approved by the GM, the PFSA's consent to its recognition in own funds is obtained.

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 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 the own funds.

Common Equity Tier 1 capital is reduced by the following items:

1) losses for the current financial year;
2) intangible assets stated at their carrying amounts, net of the related deferred income tax provision; the deducted amount includes goodwill taken into account in the valuation of significant investments;
3) additional adjustments to assets measured at fair value, which result from compliance with the requirements for prudential valuation;
4) deferred income tax assets based on future profitability and not resulting from temporary differences;
5) additional fair value adjustments to liabilities and derivative instruments constituting liabilities, resulting from the Bank's own credit risk;
6) deferred income tax assets based on future profitability and resulting from temporary differences, exceeding 10% of the Common Equity Tier 1 capital of the Group (after the deductions described in items 1-5 and 7);
7) direct and indirect capital exposures to financial sector entities if the 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 Group (after the deductions described in items 1-5);
8) direct and indirect capital exposures to financial sector entities if the 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 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 Group (after the deductions described in items 1-5 and 7), and
   b) direct and indirect capital exposures to financial sector entities if the 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 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 Group (less all the amounts specified in items 1-7); the amount below the threshold (17.65%) is recognized in risk-weighted exposures;
10) the applicable amount of insufficient coverage for non-performing exposures, calculated in accordance with Article 47c of the CRR, except for the amount of insufficient coverage relating to exposures which arose before 26 April 2019, provided that the terms and conditions of these exposures have not been amended in a manner which increases the Bank's exposure to a debtor.

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

Tier 2 capital is reduced by the following items:

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.

Pursuant to Commission Implementing Regulation 1423/2013, 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 2020.

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Table 3.1. Reconciliation of the items in the statement of financial position used to calculate own funds to regulatory own funds

	30.06.2020				
	IFRS compliant financial report	De-consolidation of entities not subject to prudential consolidation	Prudential consolidation/CRR compliant financial report	Items not recognized in the regulatory own funds	Items recognized in the regulatory own funds
Assets					
Intangible assets	2 984	-161	2 823	-185	**2 638**
Liabilities					
Subordinated liabilities	2 730	0	2 730	-30	**2 700**
Capital					
Share capital	1 250	0	1 250	0	**1 250**
Supplementary capital	29 519	27	29 546	0	**29 546**
Other reserves	1 070	0	1 070	0	**1 070**
General banking risk reserve	3 245	-105	3 140	0	**3 140**
Other income	1 642	-3	1 639	-739	**900**
Fair value of financial assets measured at fair value through other comprehensive income	-13	1	-12	0	**-12**
Cash flow hedges	1 151	-1	1 150	0	**1 150**
Exchange differences	737	0	737	-737	**0**
Actuarial gains / losses	-15	-1	-16	0	**-16**
Share in other comprehensive income of an associated entity	-218	-4	-222	0	**-222**
Net profit for the current period	1 306	8	1 314	-1 314	**0**
Previous years' result	6 034	335	6 369	-2 914	**3 455**
Non-Controlling Interest	-12	12	0	0	**0**
Total own funds	**44 054**	**272**	**44 326**	**-4 965**	**39 361**
Additional adjustments					**570**
Additional adjustments of assets measured at fair value					**-14**
Deferred tax assets reliant on future profitability excluding those arising from temporary differences					**-194**
Adjustments due to IFRS9 in transitional period					**848**
Securitization					**-70**
Own funds total used for calculation of capital adequacy ratio					**39 993**

Pursuant to Commission Implementing Regulation 1423/2013, Table 3.2 presents information on the nature and amounts of individual own funds used to calculate a Total Capital ratio as at 30 June 2020. The rows with values equal to 0 were left out.

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Table 3.2. Own funds used to calculate capital ratios on a consolidated basis

	Common Equity Tier I capital: Instruments and reserves	(A) 30.06.2020	(B) References CRR
1	Capital instruments and the related share premium accounts	1 250	Art. 26 item 1(a)(b)
	of which: A-series registered shares	313	-
	of which: A-series common bearer shares	198	-
	of which: B-series common bearer shares	105	-
	of which: C-series common bearer shares	385	-
	of which: D-series common bearer shares	250	-
2	Retained earnings, of which:	4 303	Art. 26 item 1(c), Art. 28
	retained earnings	3 455	
	adjustment resulting from transitional solutions to mitigate impact of IFRS 9 adoption on equity	848	
3	Accumulated other comprehensive income	34 325	Art. 26 item 1(d) (e)
3a	Funds for general banking risk	1 070	Art. 26 item 1(f)
6	**Common Equity Tier I prior to regulatory adjustments**	**40 948**	Art. 26
	Common Equity Tier I capital: regulatory adjustments		
7	Additional value adjustment (negative value)	-194	Art. 34
8	Intangible assets (net of related deferred tax liabilities) (negative value)	-2 638	Art. 36 item 1(b)
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)		Art. 36 item 1(c), Art. 38 Art. 472 item 5
11	Fair value reserves related to gains or losses resulting from cash flow headging instruments	-739	Art. 33 item 1(a)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-14	Art. 33 item 1(c)
20c	Of which: securitization	-70	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 i 468;		Art. 467, Art. 468
	Of which: ...filter for unrealised loss 1		Art. 467
	Of which: ...filter for unrealised loss 2		Art. 467
	Of which: ...filter for unrealised loss 3		Art. 467
	Of which: ...filter for unrealised gain 1		Art. 468
	Of which: ...filter for unrealised gain 2		Art. 468
	Of which: ...filter for unrealised gain 3		Art. 468

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28	**Total regulatory adjustments to Common equity Tier I**	-3 655	-
29	**Common Equity Tier I capital**	**37 293**	Art. 50
Additional Tier I: regulatory adjustments			
45	**Tier I capital (Tier I = Common Equity Tier I + Additional Tier I capital)**	**37 293**	Art. 25
Tier II capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	2 700	Art. 62 lit. a), Art. 63
51	**Tier II capital before regulatory adjustments**	**2 700**	Art. 62
Tier II Capital: regulatory adjustments			-
58	**Tier II capital**	2 700	Art. 71
59	**Total capital (Tier I + Tier II capital)**	39 993	Art. 72
60	**RWAs**	219 623	-
Capital ratios and buffers			
61	**Common Equity Tier 1 capital (expressed as a percentage of the total risk exposure amount)**	16,98%	Art. 92 item 1(a)
62	**Tier 1 capital (expressed as a percentage of the total risk exposure amount)**	16,98%	Art. 92 item 1(b)
63	**Total capital (expressed as a percentage of the total risk exposure amount)**	18,21%	Art. 92 item 1(c)
64	**Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)**	3,51%	-
65	of which: capital conservation buffer requirement	2,50%	-
66	of which: countercyclical buffer requirement	0,01%	-
67	of which: systemic risk buffer requirement		-
67a	of which: Global Systemically Important Institution (G-SII) or other Systemically Important Institution (O-SII) buffer	1,00%	-
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	8,98%	-
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investement in those entities (amount below 10% threshold and net of eligible short	405	Art. 36 item 1(h), Art. 46 item 4
73	Direct and indirect holdings by the institiution of the CET1 instruments of financial sector entities where the institution has a significant investement in those entities (amount below 10% threshold and net of eligible short positions)	874	Art. 36 item 1(i), Art. 48 item 1, Art. 470

On 30 June 2020, pursuant to Article 48 of the CRR, the capital exposures to financial sector entities did not exceed 10% of Common Equity Tier 1 capital, therefore, they do not constitute deductions from the equity of the Bank and the Group, and were recognized in risk-weighted assets.

A description of the main features of the instruments issued by the Bank and recognized in Common Equity Tier 1 capital and Tier 2 instruments is presented in Table 3.3. (the data is presented in PLN). The rows not related to the Group were left out.

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Table 3.3. Main features of equity instruments (in PLN)

	30.06.2019							
Capital instruments'		Name I	Name II	Name III	Name IV	Name V	Name VI	Name VII
1	Issuer	PKO BP	PKO BP	PKO BP	PKO BP	PKO BP	PKO BP	PKO BP
2	Unique identifier (eg. CUSIP or Bloomberg identifier for private placement)	PLPKO0000016	PLPKO0000016	PLPKO0000016	PLPKO0000016	PLPKO0000016	PLPKO0000099	PLPKO0000107
3	Governing law(s) of the instrument	Polish law	Polish law	Polish law	Polish law	Polish law	Polish law	Polish law
4	Transitional CRR rules	Common Equity Tier I	Common Equity Tier I	Common Equity Tier I	Common Equity Tier I	Common Equity Tier I	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier I	Common Equity Tier I	Common Equity Tier I	Common Equity Tier I	Common Equity Tier I	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated / solo and (sub-) consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Common stock	Common stock	Common stock	Common stock	Common stock	Bonds	Bonds
8	Amount recognised in regulatory capital (PLN, as of most recent reporting date)	312 500 000	197 500 000	105 000 000	385 000 000	250 000 000	1 700 000 000	1 000 000 000
9	Nominal amount of instrument	312 500 000	197 500 000	105 000 000	385 000 000	250 000 000	1 700 000 000	1 000 000 000
9a	Issue price	312 500 000	197 500 000	105 000 000	385 000 000	250 000 000	-	-
11	Original issue date	-	-	-	-	-	28.08.2017	05.03.2018
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	No maturity	No maturity	No maturity	No maturity	No maturity	28.08.2027	06.03.2028
17	Fixed or floating dividend / coupon	Floating dividend	Floating dividend	Floating dividend	Floating dividend	Floating dividend	Floating coupon	Floating coupon
30	Write-down features	No	No	No	No	No	No	No
36	Non-compliant transitional features	No	No	No	No	No	No	No

4. Own funds requirements

Pursuant to the CRR, the 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), using the following formulas in respect of:
   a) on-balance sheet exposures – the product of a carrying amount (taking into account the value of adjustments for specific credit risk), the risk weight assigned to the exposure under the standardized method of calculation of the own funds requirement for credit risk and 8% (taking into account eligible collateral);
   b) off-balance sheet liabilities granted – the product of the amount of a liability (taking into account the value of adjustments for specific credit risk), the risk weight of a product, the risk weight assigned to an off-balance sheet exposure under the standardized method of calculation of the own funds requirement for credit risk and 8% (taking into account eligible collateral);
   c) off-balance sheet transactions (derivative instruments) – the product of the risk weight assigned to an off-balance sheet transaction under the standardized method of calculation of the own funds requirement for credit risk, the on-balance sheet equivalent of the off-balance sheet transactions and 8% (the value of the on-balance sheet equivalent is calculated using the mark-to-market method);
2) operational risk:
   a) under the AMA – in respect of the Bank's operations, including the operations of the Bank's branch in the Federal Republic of Germany and excluding the operations of the Bank's branch in the Czech Republic;
   b) under the BIA (pursuant to Part III, Title III of the CRR) – in respect of the operations of the Bank's branch in the Czech Republic and in respect of the operations of the Group entities, 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 Title V, Part III of the CRR;
   b) counterparty credit risk – calculated using the mark-to-market method specified in Chapter 6, Title II, Part III of the CRR;
   c) credit valuation adjustment risk (CVA) – calculated under the standardized approach specified in Title VI, Part III of the CRR;
   d) large exposures limit risk – calculated under the approach specified in Articles 395-401 of the CRR;
   e) for exposures to a central counterparty, an own funds requirement for trade exposures and an own funds requirement for pre-funded contributions to the default fund of a qualifying central counterparty are calculated (using the method specified in Part III, Title II, Chapter 6, Section 9 of the CRR).

The total own funds requirement for the 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).

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Information on the own funds requirements of the Group is contained in Table 4.1.

Table 4.1 Risk-weighted assets [template EU OV1]

Referencje CRR			RWAs					Minimum capital requirements
			30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019	30.06.2020
	1	Credit risk (excluding CCR)	195 827	202 151	195 614	194 999	189 022	15 666
art. 438 lit. c) i d)	2	Of which the standardised approach	195 827	202 151	195 614	194 999	189 022	15 666
art. 107 art. 438 lit. c) i d)	6	CCR	3 690	3 874	2 610	2 891	2 548	296
art. 438 lit. c) i d)	7	Of which mark to market	2 381	2 726	1 917	2 129	1 853	191
art. 438 lit. c) i d)	8	Of which original exposure	0	0	0	0	0	0
	9	Of which the standardised approach	0	0	0	0	0	0
	10	Of which internal model method (IMM)	0	0	0	0	0	0
art. 438 lit. c) i d)	11	Of which risk exposure amount for contributions to the default fund of a CCP and other exposures to the central counterparty	949	761	403	412	382	76
art. 438 lit. c) i d)	12	Of which CVA	360	387	290	350	313	29
art. 438 lit. e)	13	Settlement risk	0				1	0
art. 438 lit. e)	19	Market risk	4 957	5 111	5 241	5 793	5 600	397
	20	Of which the standardised approach	4 957	5 111	5 241	5 793	5 600	397
	21	Of which IMA	0		0	0	0	0
art. 438 lit. e)	22	Large exposures	0		0	0	0	0
art. 438 lit. f)	23	Operational risk	15 149	14 721	10 540	9 849	9 287	1 212
	24	Of which basic indicator approach	3 631	3 631	3 277	3 277	3 277	290
	25	Of which standardised approach	0					0
	26	Of which advanced measurement approach	11 518	11 090	7 263	6 572	6 010	921
art. 437 ust. 2) i art. 48 i art. 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	7 438	8 466	8 375	7 872	7 840	0
art. 500	28	Floor adjustment	0		0	0	0	0
	29	**Total**	219 623	225 857	214 006	213 532	206 458	17 571

5. Capital buffers

Pursuant to the Act on macroprudential supervision, the Group is obliged to maintain a combined buffer requirement above the minima set out in Article 92 of the CRR, which is the total of the applicable buffers, i.e.:

1) the capital conservation buffer which amounts to 2.5% as from 1 January 2019 (the final buffer level);
2) the specific countercyclical buffer which amounts to 0% for the loan exposures in Poland, whereas for the Group it amounts to 0.01%;
3) the systemic risk buffer which amounts to 0% as from 18 March 2020 (previously, the systemic risk buffer for the exposures in Poland amounted to 3%, whereas for the Group it amounted to 2.9% due to the fact that the Group also operates abroad);
4) the Other Systemically Important Institution (O-SII) buffer of 1%.

Table 5.1. Amount of the countercyclical buffer specific to the Group

		30.06.2020	31.12.2019
010	Total risk exposure amount	219 623	214 006
020	Institution specific countercyclical capital buffer rate (%)	0,01	0,01
030	Institution specific countercyclical capital buffer rate requirement	14	18

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6. Leverage

The 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.

For the purposes of measuring leverage risk, a leverage ratio is expressed as a percentage calculated as Tier I capital divided by total exposure. As at 30 June 2020, a leverage ratio was calculated by reference to the temporary definition of Tier 1 capital (within the meaning of the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds). The Group also discloses (in chapter 7 of this Report) the value the leverage ratio would have if the transitional arrangements regarding IFRS 9 were not applied.

As at 30 June 2020, the leverage ratio remained above the internal and external limits as well as above the minimum levels recommended by the PFSA.

Table 6.1. Reconciliation of the assets disclosed in the audited financial statements and the exposures to the leverage ratio calculation [template LR Sum]

		CRR Leverage ratio exposures	
		30.06.2020	31.12.2019
1	Total assets as per published financial state	377 196	348 044
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-2 084	-2 624
4	Adjustments for derivative financial instruments	2 691	2 581
5	Adjustments for securities financing transactions (SFTs)	7	7
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	20 483	18 374
7	Other adjustments	-5 398	-1 764
8	Total leverage ratio exposure measure	392 894	364 618

Table 6.2. Leverage ratio. Exposure for calculating the leverage ratio within the meaning of the CRR [template LR Com]

		CRR Leverage ratio exposures	
		30.06.2020	31.12.2019
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	372 805	345 932
2	Asset amounts deducted in determining Tier 1 capital	-3 656	-3 144
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	369 150	342 788
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1 057	1 242
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2 691	2 581
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-513	-421
11	**Total derivatives exposures (sum of lines 4 to 10)**	3 235	3 402
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	20	47
14	Counterparty credit risk exposure for SFT assets	7	7
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	27	54
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	66 533	66 749
18	(Adjustments for conversion to credit equivalent amounts)	-46 050	-48 375
19	Other off-balance sheet exposures (sum of lines 17 and 18)	20 483	18 374
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		0	0
Capital and total exposure mesure		0	0
20	Tier 1 capital	37 292	36 718
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	392 894	364 618
Leverage ratio			
22	Leverage ratio	9,49%	10,07%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional

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Table 6.3. On-balance sheet exposures [template LRSpl]

		CRR leverage ratio exposures	
		30.06.2020	31.12.2019
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	372 805	345 932
EU-2	Trading book exposures	8 813	10 144
EU-3	Banking book exposures, of which:	363 993	335 788
EU-4	Covered bonds	0	0
EU-5	Exposures treated as sovereigns	87 988	74 970
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	12 333	11 885
EU-7	Institutions	1 451	3 117
EU-8	Secured by mortgages of immovable properties	109 148	105 396
EU-9	Retail exposures	64 599	68 603
EU-10	Corporate	60 562	47 330
EU-11	Exposures in default	5 392	5 740
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	22 519	18 746

The following factors affected the value of the leverage ratio as at 30 June 2020:
1) an increase in the exposures to the State;
2) an increase in the exposures as a result of an increase in the value of loans to customers (the enterprise sector).

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7. Capital adequacy

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

Pursuant to Article 92 of the CRR, the minimum capital ratio levels maintained by the Group are as follows:
- total capital ratio (TCR) – 8.0%;
- Tier 1 capital ratio (T1) – 6.0%;
- Common Equity Tier 1 capital ratio (CET1) – 4.5%.

Pursuant to the Act on macroprudential supervision, the Group is obliged to maintain a combined buffer requirement above the minima set out in Article 92 of the CRR, which is the total of the applicable buffers. Detailed information on capital buffers is presented in chapter 5 of this Report.

Moreover, the Bank and the Group are obliged to maintain own funds to cover an additional capital requirement concerning the risk arising from mortgage-secured foreign currency loans and advances to households, the so-called add-on:
- for a total capital ratio: 0.40% for the Bank and 0.36% for the Group;
- for a Tier 1 capital ratio: 0.30% for the Bank and 0.27% for the Group, and
- for a Common Equity Tier 1 capital ratio: 0.23% for the Bank and 0.20% for the Group.

Table 7.1. Capital ratios

Capital ratios	**30.06.2020**	**31.12.2019**
Total amount of risk exposure	219 623	214 006
Common Equity Tier 1 (CET1)	37 293	36 717
Tier 2 (T2) capital	2 700	2 700
Total capital (TC=T1+T2)	39 993	39 417
CET1 ratio (%)	**16,98%**	**17,16%**
T1 ratio (%)	**16,98%**	**17,16%**
TCR (%)	**18,21%**	**18,42%**

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Impact of IFRS 9 on capital adequacy

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

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

The Group decided to apply the transitional provisions in full and to spread the impact of the adjustments for the implementation of IFRS 9 on own funds and capital adequacy measures over time.

On 27 June 2020, Regulation 2020/873 of the European Parliament and of the Council[7] came into force. This regulation allows the impact of the impairment losses recognized as from 1 January 2020 on Common Equity Tier 1 capital to be mitigated. Such solution may be applied up until 2024 inclusive, however, the scaling factor assigned to this value will go down from period to period. Moreover, the Bank decided, in the light of Article 473a(7a) of the CRR introduced by the above Regulation, to exercise the option according to which a risk weight of 100% is assigned to an adjustment mitigating the introduction of IFRS 9 on own funds, and the value arrived at is added to the total exposure measure. For the prior period data, the specific risk adjustments for which the value of exposures is reduced were adjusted using a factor calculated according to the provisions of Article 473a(7b) of the CRR.

Table 7.2. Comparison of the own funds of institutions, the capital ratio and the leverage ratio, taking into account and without taking into account the application of the transitional arrangements concerning IFRS 9 and similar expected losses on loans [template IFRS 9-FL]

		30.06.2020	31.03.2020
Available capital (amounts)			
1	Common Equity Tier 1 (CET1) capital	37 293	36 473
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	36 445	35 625
3	Tier 1 capital	37 293	36 473
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	36 445	35 625
5	Total capital	39 993	39 173
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	39 145	38 325
Risk-weighted assets (amounts)			
7	Total risk-weighted assets	219 623	225 887
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	218 775	225 081
Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16,98%	16,15%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,66%	15,83%
11	Tier 1 (as a percentage of risk exposure amount)	16,98%	16,15%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,66%	15,83%
13	Total capital (as a percentage of risk exposure amount)	18,21%	17,34%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,89%	17,03%
Leverage ratio			
15	Leverage ratio total exposure measure	392 894	376 535
16	Leverage ratio	9,49%	9,69%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,30%	9,48%

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

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

8. Variable remuneration components

Quantitative data on variable components of remuneration -years 2015 – 2019 are presented in the tables below

Table 8.1 Collective quantitative information on the amount of remuneration by business areas- 2019 year

Areas	Retail Banking Area	Corporate and Investment Banking Area	Area of International and Transactin Banking and Cooperation with Local Governments and Government Agencies	Other aeas	Including Management Board Members	Subsidiaries	Total
Amount of remuneration (fixed and variable remuneratiion) in mln PLN	4,83	18,81	6,39	36,96	12,95	28,47	95,45

Table 8.2 Collective quantitative information on the amount of remuneration divided into regular and variable part - 2019 year

Specification	Management Board													
	President of the Management Board Area	Area of Corporate banking and Analysis	IT Area	Finance and Accounting Area	Risk Management Area	Operations Area	Retail Banking Area	Corporate and Investment Banking Area	Area of International and Transaction Banking and Cooperation with Local Governments and Goverments Agencies	Employees reporting directly to Management Board Members (inclding chief accountant and directors of corporate regions)	Employees performing internal control functions	Other employees	Subsidiaries	Total
Number of employees	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**31**	**9**	**32**	**53**	**134**
Fixed remuneration paid for 2019 (in mln PLN)	0,79	0,70	0,70	0,70	0,75	0,70	0,70	0,70	0,70	13,89	2,91	10,84	20,00	**54,11**
Varable remuneration for 2019 (w mln PLN), of which:	**0,79**	**0,70**	**0,70**	**0,70**	**0,75**	**0,70**	**0,70**	**0,70**	**0,70**	**13,70**	**2,63**	**10,06**	**8,47**	**41,34**
granted non-deferred component of the amount (in mln PLN), including:	**0,32**	**0,28**	**0,28**	**0,28**	**0,30**	**0,28**	**0,28**	**0,28**	**0,28**	**4,88**	**0,89**	**3,43**	**3,06**	**14,84**
cash (40% of non-deferred component) in mln PLN	*0,13*	*0,11*	*0,11*	*0,11*	*0,12*	*0,11*	*0,11*	*0,11*	*0,11*	*1,95*	*0,36*	*1,37*	*1,20*	**5,91**
financial instrument (60% of non-deferred component) - amount in mln PLN	*0,19*	*0,17*	*0,17*	*0,17*	*0,18*	*0,17*	*0,17*	*0,17*	*0,17*	*2,93*	*0,53*	*2,06*	*1,86*	**8,93**
granted deferred component for following years (in mln PLN), including:	**0,48**	**0,42**	**0,42**	**0,42**	**0,45**	**0,42**	**0,42**	**0,42**	**0,42**	**7,31**	**1,34**	**5,14**	**4,58**	**22,26**
cash (40% of non-deferred component) in mln PLN	*0,19*	*0,17*	*0,17*	*0,17*	*0,18*	*0,17*	*0,17*	*0,17*	*0,17*	*2,93*	*0,53*	*2,06*	*1,79*	**8,86**
financial instrument (60% of non-deferred component) - amount in mln PLN	*0,29*	*0,25*	*0,25*	*0,25*	*0,27*	*0,25*	*0,25*	*0,25*	*0,25*	*4,39*	*0,80*	*3,09*	*2,79*	**13,39**

Table 8.3 Collective quantitative information on the amount of the deferred part of variable remuneration for 2015 - 2018

Specification	Menagement Board Members	Employees reporting directly to Manegement Board Members (including chief accountant and directors of corporate regions)	Employees performing internal control functions	Other employees	Subsidiaries	Total
value of deferred remuneration concerning previous years granted in the given financial year and subject to reduction as part of the adjustment related to results	3,67	4,26	1,08	2,08	2,62	13,71
deferred component - cash in mln PLN	*1,61*	*1,86*	*0,47*	*0,92*	*1,26*	**6,13**
financial instrument - number of shares converted into cash	*2,06*	*2,40*	*0,61*	*1,15*	*1,36*	**7,58**
value of deferred remuneration granted in the given financial year and reduced due to an adjustment related to results (in mln PLN)	0	0	0	0	0	0
calculated and not yet due deferred component for following years granted in previous years (in mln PLN), including:	5,89	8,15	1,80	4,59	5,63	26,06
deferred component - cash in mln PLN	2,95	4,07	0,90	2,29	2,54	**12,75**
deferred component - financial instrument in mln PLN	2,95	4,07	0,90	2,29	3,10	**13,31**

Table 8.4 Collective information on remuneration connected with starting the contract of employment and severance payments in 2019

Specification	Menagement Board Members	Employees reporting directly to Manegement Board Members (including chief accountant and directors of corporate regions)	Employees performing internal control functions	Other employees	Subsidiaries	Total
payments related to taking up employment (in mln PLN)	0	0	0	0	0	0
number of persons receiving such payments						
the highest payment (in mln PLN)						
payments related to the termination of employment - severance payment (in mln PLN)*	0,17	0	0	0,11	0,15	**0,43**
number of persons receiving such payments	1			1	2	**4**
the highest payment (in mln PLN)	0,17			0,11	0,11	0,17
amount paid in 2019	0,17			0,06	0,06	**0,29**
the deferred amount for the following years	0			0,04	0,09	**0,13**
* Severance payments are not included in the total amount of the employee's variable remuneration						
Number of employees who received salaries of at least EUR 1 million in a given financial year: for salaries between EUR 1 million and EUR 5 million - divided into salary brackets of EUR 500,000 and for salaries above EUR 5 millions - divided into salary brackets of EUR 1 million	0	0	0	0	0	**0**

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

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

- declares that, to the best of its knowledge, the information disclosed under Part Eight of the CRR has been prepared in compliance with the internal control processes;
- declares that, to the best of its knowledge, the adequacy of the arrangements concerning the management of risk, in particular liquidity risk, at PKO Bank Polski S.A., ensures that the risk management systems in place are appropriate from the perspective of the risk profile and the strategy of the Bank and the Group;
- approves this Report "Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna as at 30 June 2020", in which information on risk, including liquidity risk, is placed, the overall risk profile of the Bank and the Group relating to the operating strategy is discussed, and the key indicators and figures are contained, which ensure the external interested parties a comprehensive view of the management of risk by PKO Bank Polski S.A. and the Group, including the interaction between the Bank's risk profile and risk tolerance expressed in the form of strategic tolerance limits, determined by the Management Board and accepted by the Supervisory Board.

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