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Bank Polski

# Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 30 June 2021

# Introduction

The Report "Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 30 June 2021", 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 "Act on 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 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures 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 referred to as the "Regulation 2021/637") 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 (hereinafter referred to as the "EBA/GL/2020/07 Guidelines").

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

The information in the Report has been prepared on the basis of the data for the 6-month period ended 30 June 2021 in accordance with the regulations in force as at 30 June 2021 and published on the Bank's website (www.pkobp.pl).

The Report presents the consolidated data[3] of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, hereinafter called the "Bank's 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 Bank's Group for the six-month period ended 30 June 2021.

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.

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 Department.

[1] Journal of Laws of 2020, item 1896, as amended.
[2] Journal of Laws of 2017, item 1934, as amended.
[3] The data covers only the entities subject to prudential consolidation.

# Table of contents

1. Information on the Bank and the Bank's Group ..... 4
2. Management system ..... 4
2.1. Credit risk, including counterparty risk ..... 4
2.2. Market risk ..... 18
2.3. Liquidity risk, including financing risk ..... 19
2.4. Operational risk ..... 22
3. Own funds ..... 23
4. Own funds requirements ..... 28
5. Capital buffers ..... 31
6. Leverage ..... 32
7. Capital adequacy ..... 35
8. Variable remuneration components ..... 37
9. Retrospective recognition of the profit for 2019 ..... 38

# 1. Information on the Bank and the Bank's 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 enterprise.

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.

# 2. Management system

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

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

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

The risk management system, including the principles of management of material risk types, are described in detail in the Report "Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 31 December 2020", the consolidated financial statements of the PKO Bank Polski S.A. Group as at and for the year ended 31 December 2020, and the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six-month period ended 30 June 2021.

## 2.1. Credit risk, including counterparty risk

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

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

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

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

| PKO Bank Polski S.A. | | 30.06.2021 | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | Net exposure value | | | | | |
| | | On demand | <= 1 year | > 1 year <= 5 years | > 5 years | No stated maturity | Total |
| 1 | Loans and advances | 60 642 | 28 990 | 52 073 | 132 334 | 7 439 | 281 478 |
| 2 | Debt securities | - | 8 505 | 69 444 | 50 090 | - | 128 038 |
| 3 | Total | 60 642 | 37 495 | 121 517 | 182 424 | 7 439 | 409 516 |

* data are presented on an individual basis

## Use of credit risk mitigation techniques

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

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

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]

| | | 30.06.2021 | | | | |
|---|---|---|---|---|---|---|
| | | 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 | 74 707 | 163 277 | 163 103 | 173 | - |
| 2 | Debt securities | 135 736 | - | - | - | |
| 3 | Total | 210 443 | 163 277 | 163 103 | 173 | - |
| 4 | *Of which non-performing exposures* | 7 893 | 3 496 | 3 483 | 12 | - |
| EU-5 | *Of which defaulted* | 7 893 | 3 496 | | | |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

| | Exposure classes | 30.06.2021 | | | | | |
|---|---|---|---|---|---|---|---|
| | | 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 | 107 699 | 0 | 127 589 | 20 | 8 120 | 6,4% |
| 2 | Regional government or local authorities | 10 251 | 2 696 | 10 340 | 1 330 | 2 334 | 20,0% |
| 3 | Public sector entities | 524 | 2 702 | 497 | 1 263 | 880 | 50,0% |
| 4 | Multilateral development banks | 3 803 | - | 3 803 | - | - | 0,0% |
| 5 | International organisations | - | - | - | - | - | - |
| 6 | Institutions | 1 720 | 6 389 | 1 720 | 3 532 | 3 433 | 65,4% |
| 7 | Corporates | 56 809 | 40 347 | 38 850 | 11 135 | 49 881 | 99,8% |
| 8 | Retail | 66 269 | 16 769 | 63 028 | 4 260 | 46 749 | 69,5% |
| 9 | Secured by mortgages on immovable property | 105 040 | 2 562 | 104 800 | 764 | 58 894 | 55,8% |
| 10 | Exposures in default | 4 769 | 452 | 4 621 | 87 | 5 978 | 127,0% |
| 11 | Exposures associated with particularly high risk | 1 431 | 1 659 | 890 | 346 | 1 855 | 150,0% |
| 12 | Covered bonds | - | - | - | - | - | - |
| 13 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 14 | Collective investment undertakings | 456 | - | 456 | - | 729 | 159,8% |
| 15 | Equity | 614 | - | 614 | - | 1 499 | 244,4% |
| 16 | Other items | 21 551 | 9 | 21 551 | 5 | 8 474 | 39,3% |
| 17 | TOTAL | 380 935 | 73 584 | 378 758 | 22 741 | 188 825 | 47,0% |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

Table 2.4. Standardised approach [template EU CR5]

| | | 30.06.2021 | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exposure classes | Risk weight | | | | | | | | | | | | | | | Total | Of which unrated |
| | | 0% | 2% | 4% | 10% | 20% | 35% | 50% | 70% | 75% | 100% | 150% | 250% | 370% | 1250% | Others | | |
| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o | p | q |
| 1 | Central governments or central banks | 123 234 | - | - | - | 653 | - | - | - | - | 886 | - | 2 841 | - | - | - | 127 614 | - |
| 2 | Regional government or local authorities | - | - | - | - | 11 670 | - | - | - | - | - | - | - | - | - | - | 11 670 | 11 609 |
| 3 | Public sector entities | - | - | - | - | 2 | - | 1 759 | - | - | - | - | - | - | - | - | 1 760 | 1 760 |
| 4 | Multilateral development banks | 3 803 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3 803 | 3 803 |
| 5 | International organisations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Institutions | - | - | - | - | 2 834 | - | 5 381 | - | - | 171 | 3 | - | - | - | - | 8 389 | 3 380 |
| 7 | Corporates | - | - | - | - | 115 | - | 548 | - | - | 51 455 | - | - | - | - | - | 52 118 | 46 369 |
| 8 | Retail | - | - | - | - | - | - | - | - | 67 287 | - | - | - | - | - | - | 67 287 | 67 287 |
| 9 | Secured by mortgages on immovable property | - | - | - | - | - | 81 104 | 2 571 | - | 84 | 5 598 | 16 207 | - | - | - | - | 105 564 | 105 564 |
| 10 | Exposures in default | - | - | - | - | - | - | - | - | - | 2 168 | 2 540 | - | - | - | - | 4 708 | 4 708 |
| 11 | Exposures associated with particularly high risk | - | - | - | - | - | - | - | - | - | - | 1 236 | - | - | - | - | 1 236 | 1 236 |
| 12 | Covered bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 13 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Unit or shares in collective investment undertakings | - | - | - | - | - | - | - | - | - | 8 | 400 | 49 | - | - | - | 456 | 456 |
| 15 | Equity | - | - | - | - | - | - | - | - | - | 23 | - | 590 | - | - | - | 614 | 614 |
| 16 | Other items | 12 639 | - | - | - | 553 | - | 0 | - | - | 8 364 | - | - | - | - | - | 21 556 | 21 556 |
| 17 | TOTAL | 139 676 | - | - | - | 15 826 | 81 104 | 10 259 | - | 67 371 | 68 673 | 20 385 | 3 481 | - | - | - | 406 774 | 268 342 |

The table above presents the total amount of on-balance sheet and off-balance sheet exposures of the Bank's Group amounting to PLN 406 774 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 2021, 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 2021, 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 AT 30 JUNE 2021 (IN PLN MILLION)

## Counterparty credit risk exposure

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

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

| | | 30.06.2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 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) | 815 | 3 058 | | 1.4 | 8 457 | 5 422 | 5 274 | 3 408 |
| 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) | | | | | 87 | 2 | 2 | 2 |
| 5 | VaR for SFTs | | | | | - | - | - | - |
| 6 | Total | | | | | 8 544 | 5 424 | 5 276 | 3 410 |

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

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

| | | 30.06.2021 | |
|---|---|---|---|
| | | 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 | 3 866 | 513 |
| EU4 | Transactions subject to the Alternative approach (Based on the Original Exposure Method) | - | - |
| 5 | Total transactions subject to own funds requirements for CVA risk | 3 866 | 513 |

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

| | Exposure classes | 30.06.2021 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Risk weight | | | | | | | | | | | |
| | | a | b | c | d | e | f | g | h | i | j | k | l |
| | | 0% | 2% | 4% | 10% | 20% | 50% | 70% | 75% | 100% | 150% | Others | Total exposure value |
| 1 | Central governments or central banks | 1 | - | - | - | 4 | - | - | - | - | - | - | 5 |
| 2 | Regional government or local authorities | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | Public sector entities | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | International organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Institutions | - | - | - | - | 968 | 2 168 | - | - | 1 | - | - | 3 137 |
| 7 | Corporates | - | - | - | - | - | 7 | - | - | 2 127 | - | - | 2 134 |
| 8 | Retail | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | Other items | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | Total exposure value | 1 | - | - | - | 972 | 2 175 | - | - | 2 128 | - | - | 5 276 |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

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

| | Collateral type | 30.06.2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h |
| | | Collateral used in derivative transactions | | | | Collateral used in SFTs | | | |
| | | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | | Fair value of posted collateral | |
| | | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| 1 | Cash – domestic currency | 11 | 135 | 604 | 130 | - | - | - | - |
| 2 | Cash – other currencies | 29 | 1 815 | 34 | 1 144 | - | - | - | - |
| 3 | Domestic sovereign debt | - | - | - | - | - | - | - | - |
| 4 | Other sovereign debt | - | - | - | - | - | - | - | - |
| 5 | Government agency debt | - | - | - | - | - | - | - | - |
| 6 | Corporate bonds | - | - | - | - | - | - | - | - |
| 7 | Equity securities | - | - | - | - | - | - | - | - |
| 8 | Other collateral | - | - | - | - | - | - | - | - |
| 9 | Total | 40 | 1 950 | 638 | 1 274 | - | - | - | - |

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

| | | 30.06.2021 | |
|---|---|---|---|
| | | a | b |
| | | Exposure value | RWEA |
| 1 | Exposures to QCCPs (total) | | 25 |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | 323 | 6 |
| 3 | (i) OTC derivatives | 315 | 6 |
| 4 | (ii) Exchange-traded derivatives | 8 | 0 |
| 5 | (iii) SFTs | - | - |
| 6 | (iv) Netting sets where cross-product netting has been approved | - | - |
| 7 | Segregated initial margin | - | |
| 8 | Non-segregated initial margin | 874 | 18 |
| 9 | Prefunded default fund contributions | 33 | 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 2021, 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.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (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 2020 (Note 73 Information on securitization of the lease portfolio and package sale of receivables.

The Bank 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 x.x Securitisation exposures in the non-trading book [Template EU SEC1]

| | | 30.06.2021 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
| | | Institution acts as originator | | | | | | | Institution acts as sponsor | | | | Institution acts as investor | | | |
| | | Traditional | | | | Synthetic | | Sub-total | Traditional | | Synthetic | Sub-total | Traditional | | Synthetic | Sub-total |
| | | STS | | Non-STS | | | | | STS | Non-STS | | | STS | Non-STS | | |
| | | | of which SRT | | of which SRT | | of which SRT | | | | | | | | | |
| 1 | **Total exposures** | 53 | 53 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 | **Retail (total)** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 3 | residential mortgage | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | credit card | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | other retail exposures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | re-securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 7 | **Wholesale (total)** | 53 | 53 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8 | loans to corporates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | commercial mortgage | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | lease and receivables | 53 | 53 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | other wholesale | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12 | re-securitisation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

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

| | | 30.06.2021 | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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** | - | - | - | - | 53 | - | - | - | 53 | - | - | - | -53 | - | - | - | - |
| 2 | **Traditional transactions** | - | - | - | - | 53 | - | - | - | 53 | - | - | - | -53 | - | - | - | - |
| 3 | **Securitisation** | - | - | - | - | 53 | - | - | - | 53 | - | - | - | -53 | - | - | - | - |
| 4 | **Retail underlying** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | Of which STS | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | **Wholesale** | - | - | - | - | 53 | - | - | - | 53 | - | - | - | -53 | - | - | - | - |
| 7 | Of which STS | - | - | - | - | 53 | - | - | - | 53 | - | - | - | -53 | - | - | - | - |
| 8 | **Re-securitisation** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | **Synthetic transactions** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 10 | **Securitisation** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11 | **Retail underlying** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 12 | **Wholesale** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 13 | **Re-securitisation** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

The table below presents data on securitization positions for which RWAs are not calculated, as the Bank deducts securitization positions from own funds.

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

| | | 30.06.2021 | | |
|---|---|---|---|---|
| | | 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** | 2 500 | 14 | 31 |
| 2 | **Retail (total)** | - | - | - |
| 3 | residential mortgage | - | - | - |
| 4 | credit card | - | - | - |
| 5 | other retail exposures | - | - | - |
| 6 | re-securitisation | - | - | - |
| 7 | **Wholesale (total)** | 2 500 | 14 | 31 |
| 8 | loans to corporates | - | - | - |
| 9 | commercial mortgage | - | - | - |
| 10 | lease and receivables | 2 500 | 14 | 31 |
| 11 | other wholesale | - | - | - |
| 12 | re-securitisation | - | - | - |

## Specialised lending exposures

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

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

## Non-performing and forborne exposures

The Group's gross NPL ratio[4] amounted to 4.53% as at 30.06.2021. Therefore, pursuant to Regulation 2021/637 tables containing quantitative information concerning non-performing and forborne exposures are presented below:

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

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

| | | 30.06.2021 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o |
| | | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-off | Collaterals and financial guarantees received | |
| | | Performing exposures | | | Non-performing exposures | | | Performing exposures - Accumulated impairment and provisions | | | Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | On performing exposures | On non-performing exposures |
| | | | of which: stage 1 | of which: stage 2 | | of which: stage 1 | of which: stage 2 | | of which: stage 1 | of which: stage 2 | | of which: stage 1 | of which: stage 2 | | | |
| 005 | Cash balances at central banks and other demand deposits | 2 180 | 2 180 | - | - | - | - | 0 | 0 | - | - | - | - | - | - | - |
| 010 | Loans and advances | 225 005 | 186 240 | 33 772 | 10 798 | 111 | 10 166 | -2 764 | -680 | -2 085 | -6 181 | -29 | -6 060 | -1 701 | 159 781 | 3 496 |
| 020 | *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 030 | *General governments* | 5 928 | 5 670 | 197 | 57 | - | 57 | -23 | -20 | -3 | -2 | - | -2 | 0 | 750 | 55 |
| 040 | *Credit institutions* | 1 989 | 1 989 | - | - | - | - | 0 | 0 | - | - | - | - | 0 | - | - |
| 050 | *Other financial corporations* | 2 745 | 2 713 | 32 | 30 | - | 30 | -19 | -18 | -1 | -16 | 0 | -16 | 0 | 216 | 12 |
| 060 | *Non-financial corporations* | 60 710 | 47 310 | 13 367 | 5 344 | 6 | 5 176 | -1 100 | -286 | -814 | -2 624 | 0 | -2 552 | -681 | 39 109 | 2 430 |
| 070 | *Of which: SMEs* | 32 322 | 23 039 | 9 250 | 3 903 | 6 | 3 825 | -741 | -130 | -611 | -2 002 | 0 | -1 970 | -606 | 24 987 | 1 681 |
| 080 | *Households* | 153 634 | 128 559 | 20 176 | 5 367 | 105 | 4 902 | -1 622 | -355 | -1 267 | -3 539 | -29 | -3 490 | -1 019 | 119 706 | 998 |
| 090 | Debt Securities | 135 145 | 134 318 | 356 | 591 | 0 | 19 | -61 | -42 | -18 | 0 | 0 | 0 | -3 | - | - |
| 100 | *Central banks* | 425 | 425 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 110 | *General governments* | 105 976 | 105 390 | 136 | - | - | - | -29 | -28 | -1 | - | - | - | - | - | - |
| 120 | *Credit institutions* | 6 794 | 6 794 | - | - | - | - | -3 | -3 | - | - | - | - | - | - | - |
| 130 | *Other financial corporations* | 19 105 | 19 105 | - | - | - | - | -1 | -1 | - | - | - | - | - | - | - |
| 140 | *Non-financial corporations* | 2 846 | 2 604 | 220 | 591 | - | 19 | -27 | -10 | -18 | 0 | 0 | 0 | -3 | - | - |
| 150 | Off-balance sheet exposures | 73 901 | 66 273 | 7 627 | 643 | 2 | 614 | 386 | 104 | 281 | 196 | 0 | 195 | | - | - |
| 160 | *Central banks* | - | - | - | - | - | - | - | - | - | - | - | - | | - | - |
| 170 | *General governments* | 4 859 | 4 817 | 42 | - | - | - | 6 | 5 | 1 | - | - | - | | - | - |
| 180 | *Credit institutions* | 7 391 | 7 391 | - | - | - | - | 0 | 0 | - | - | - | - | | - | - |
| 190 | *Other financial corporations* | 653 | 653 | 0 | - | - | - | 5 | 5 | 0 | - | - | - | | - | - |
| 200 | *Non-financial corporations* | 44 217 | 38 460 | 5 757 | 606 | 0 | 580 | 288 | 68 | 220 | 183 | 0 | 183 | | - | - |
| 210 | *Households* | 16 782 | 14 953 | 1 829 | 37 | 2 | 34 | 87 | 26 | 60 | 13 | 0 | 12 | | - | - |
| 220 | Total | 434 051 | 386 832 | 41 754 | 12 032 | 112 | 10 798 | -2 439 | -617 | -1 822 | -5 984 | -29 | -5 864 | -1 704 | 159 781 | 3 496 |

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

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

| | | 30.06.2021 |
|---|---|---|
| | | a |
| | | Gross carrying amount |
| **010** | **Initial stock of non-performing loans and advances** | 10 274 |
| 020 | Inflows to non-performing portfolios | 1 841 |
| 030 | Outflows from non-performing portfolios | -557 |
| 040 | Outflows due to write-offs | -342 |
| 050 | Outflow due to other situations | -418 |
| **060** | **Final stock of non-performing loans and advances** | 10 798 |

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

| | | 30.06.2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 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 | 762 | 2 257 | 2 130 | 2 132 | -61 | -997 | 1 705 | 1 070 |
| 020 | *Central banks* | - | - | - | - | - | - | - | - |
| 030 | *General governments* | - | 2 | 2 | 2 | - | -1 | 1 | 1 |
| 040 | *Credit institutions* | - | - | - | - | - | - | - | - |
| 050 | *Other financial corporations* | - | - | - | - | - | - | - | - |
| 060 | *Non-financial corporations* | 333 | 1 251 | 1 183 | 1 233 | -24 | -479 | 1 065 | 757 |
| 070 | *Households* | 429 | 1 005 | 945 | 897 | -36 | -517 | 640 | 312 |
| 080 | Debt Securities | - | 591 | 591 | 19 | - | 0 | - | - |
| 090 | Loan commitments given | 44 | 35 | 33 | 33 | 1 | 3 | - | - |
| 100 | Total | 806 | 2 883 | 2 754 | 2 184 | - 60 | - 993 | 1 705 | 1 070 |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

As at 30 June 2021, the Bank did not have foreign primary exposures in all "external" countries in all exposure categories equal to or greater than 10% of the total primary exposures (domestic and foreign) therefore the data is not disclosed in accordance with the EU CQ4 template.

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

| | | 30.06.2021 | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | Gross carrying amount | | | | Accumulated impairment | Accumulated negative changes in fair value due to credit risk on non-performing exposures |
| | | | of which: non-performing | | of which: loans and advances subject to impairment | | |
| | | | | of which: defaulted | | | |
| 010 | Agriculture, forestry and fishing | 1 741 | 85 | 85 | 1 740 | -44 | - |
| 020 | Mining and quarrying | 1 101 | 19 | 19 | 1 101 | -21 | - |
| 030 | Manufacturing | 17 354 | 1 530 | 1 526 | 17 348 | -988 | -2 |
| 040 | Electricity, gas, steam and air conditioning supply | 2 063 | 10 | 10 | 2 063 | -56 | - |
| 050 | Water supply | 955 | 16 | 16 | 955 | -19 | - |
| 060 | Construction | 3 666 | 526 | 526 | 3 660 | -423 | - |
| 070 | Wholesale and retail trade | 12 401 | 856 | 856 | 12 393 | -650 | - |
| 080 | Transport and storage | 7 002 | 512 | 511 | 6 997 | -306 | - |
| 090 | Accommodation and food service activities | 1 955 | 705 | 703 | 1 954 | -290 | - |
| 100 | Information and communication | 3 380 | 76 | 76 | 3 379 | -64 | - |
| 110 | Financial and insurance actvities | 23 | 6 | 6 | 23 | -5 | - |
| 120 | Real estate activities | 8 239 | 598 | 598 | 8 238 | -538 | - |
| 130 | Professional, scientific and technical activities | 1 689 | 96 | 96 | 1 686 | -65 | - |
| 140 | Administrative and support service activities | 1 732 | 135 | 135 | 1 731 | -102 | - |
| 150 | Public administration and defense, compulsory social security | 27 | 0 | 0 | 27 | 0 | - |
| 160 | Education | 191 | 21 | 21 | 190 | -10 | - |
| 170 | Human health services and social work activities | 1 227 | 57 | 57 | 1 226 | -27 | - |
| 180 | Arts, entertainment and recreation | 487 | 34 | 34 | 486 | -47 | - |
| 190 | Other services | 822 | 61 | 61 | 820 | -66 | - |
| 200 | Total | 66 054 | 5 344 | 5 336 | 66 016 | -3 721 | -2 |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

| | | 30.06.2021 | |
|---|---|---|---|
| | | a | b |
| | | Collateral obtained by taking possession accumulated | |
| | | Value at initial recognition | Accumulated negative changes |
| 010 | Property Plant and Equipment (PP&E) | - | - |
| 020 | Other than Property Plant and Equipment | 31 | -3 |
| 030 | *Residential immovable property* | 1 | - |
| 040 | *Commercial Immovable property* | 30 | -3 |
| 050 | *Movable property (auto, shipping, etc.)* | - | - |
| 060 | *Equity and debt instruments* | - | - |
| 070 | *Other* | - | - |
| 080 | Total | 31 | -3 |

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

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

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

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

| | | 30.06.2021 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g |
| | | Gross carrying amount | | | | | | |
| | | | Performing | | | Non performing | | |
| | | | | Of which: exposures with forbearance measures | Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days |
| 1 | Loans and advances subject to moratorium of compliance with EBA requirement | 499 | 407 | - | 107 | 92 | 0 | 75 |
| 2 | of which: Households | 78 | 44 | - | 4 | 33 | 0 | 21 |
| 3 | of which: Collateralised by residential immovable property | 23 | 9 | - | 0 | 14 | 0 | 13 |
| 4 | of which: Non-financial corporations | 421 | 363 | - | 103 | 58 | - | 54 |
| 5 | of which: SMEs | 153 | 116 | - | 63 | 37 | - | 35 |
| 6 | of which: Collateralised by commercial immovable property | 102 | 102 | - | 15 | 0 | - | 0 |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

| | | 30.06.2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | h | i | j | k | l | m | n | o |
| | | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | | | | | Gross carrying amount |
| | | | Performing | | | Non performing | | | |
| | | | | Of which: exposures with forbearance measures | Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days | Inflows to non-performing exposures |
| 1 | **Loans and advances subject to moratorium of compliance with EBA requirement** | -50 | -9 | - | -6 | -41 | - 0 | -30 | - |
| 2 | of which: Households | -16 | -2 | - | -1 | -14 | - 0 | -6 | - |
| 3 | of which: Collateralised by residential immovable property | -3 | 0 | - | 0 | -3 | - 0 | -3 | - |
| 4 | of which: Non-financial corporations | -34 | -7 | - | -5 | -27 | - | -24 | - |
| 5 | of which: SMEs | -17 | -2 | - | -2 | -15 | - | -14 | - |
| 6 | of which: Collateralised by commercial immovable property | -1 | -1 | - | 0 | 0 | - | 0 | - |

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

| | | 30.06.2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | 188 253 | 30 062 | | | | | | | |
| 2 | Loans and advances subject to moratorium of compliance with EBA requirements (granted) | 184 597 | 28 934 | 90 | 28 435 | 322 | 20 | 13 | 20 | 124 |
| 3 | of which: Households | | 18 093 | 90 | 18 015 | 70 | 2 | 0 | 5 | 0 |
| 4 | of which: Collateralised by residential immovable property | | 14 501 | 62 | 14 478 | 22 | 0 | - | - | - |
| 5 | of which: Non-financial corporations | | 10 841 | - | 10 420 | 252 | 18 | 13 | 14 | 124 |
| 6 | of which: SMEs | | 5 479 | - | 5 325 | 78 | 12 | 10 | 4 | 49 |
| 7 | of which: Collateralised by commercial immovable property | | 5 162 | - | 5 060 | 37 | 0 | 4 | - | 61 |

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

| | | 30.06.2021 | | | |
|---|---|---|---|---|---|
| | | 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 | 5 721 | - | 4 566 | - |
| 2 | of which: Households | - | | | - |
| 3 | of which: Collateralised by residential immovable property | - | | | - |
| 4 | of which: Non-financial corporations | 5 721 | - | 4 566 | - |
| 5 | of which: SMEs | 1 068 | | | - |
| 6 | of which: Collateralised by commercial immovable property | - | | | - |

## 2.2. Market 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, which are sensitive to interest rate changes as a result of interest rate changes on the market.

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 shaping the structure of on-balance sheet and off-balance sheet items properly.

The Bank's Group applies the division into portfolios from the perspective of interest rate risk management:
- the banking book – which 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 related hedging transactions;
- the trading book – which comprises transactions in financial instruments carried out as part of the activities on its own account and customers' activities.

The Bank manages the interest rate risk arising both from the items in the trading book and the banking book in an active manner.

The Bank uses a measure of interest income sensitivity, a measure of economic value sensitivity, a value-at-risk (VaR) model, shock analyses and repricing gaps to determine the level of interest rate risk.

The sensitivity of interest income to sudden shifts in the yield curve is determined by a potential financial effect of such a shift reflected in a changed amount of interest income in a given time horizon. The change results from the mismatch between revaluation dates of assets, liabilities and off-balance sheet liabilities granted and received (in particular derivative instruments) sensitive to interest rate fluctuations.

Table 2.21. The sensitivity of interest income in the Group's banking book

| Measure name | 30.06.2021 | 31.12.2020 |
|---|---|---|
| Sensitivity of interest income (PLN million) | -496 | -527 |

Sensitivity of economic value reflects the fair value changes of items in the portfolio arising from the parallel shift of the yield curves by 100 bps. up or down (the most unfavourable of the scenarios mentioned).

Table 2.22. The economic value sensitivity measure of the Group's banking book

| Measure name | 30.06.2021 | 31.12.2020 |
|---|---|---|
| Sensitivity of economic value (in PLN million) | -1 542 | -443 |

In addition, the Group performs an economic value sensitivity analysis under the two standard scenarios used for supervisory purposes and under the six supervisory scenarios referred to in Article 98(5) of Directive 2013/36/EU, and an interest income sensitivity analysis under the two standard scenarios used for supervisory purposes referred to in Article 98(5) of Directive 2013/36/EU.

Table 2.23. A stress test analysis of the Group's exposure to interest rate risk

| Measure name * | 30.06.2021 | 31.12.2020 | 30.06.2021 | 31.12.2020 |
|---|---|---|---|---|
| | The economic value sensitivity measure | | The interest income value sensivity measure | |
| Parallel shift of the interest rate curves by +200 bps | -2 913 | -776 | 1 203 | 1 371 |
| Parallel shift of the interest rate curves by -200 bps | 2 108 | 644 | -831 | -726 |
| Parallel shift of the interest rate curves by a given increase for each currency | -3 609 | -976 | | |
| Parallel shift of the interest rate curves by a given decrease for each currency | 2 225 | 644 | | |
| Increase in long-term rates | 191 | 717 | | |
| Decrease in long-term rates | -725 | -1 089 | | |
| Sudden shock of interest rates | -1 993 | -1 389 | | |
| Moderate interest rate shock | 1 326 | 824 | | |

* The results of the stress-test analysis are presented for the Bank only, for currencies representing at least 5% of the total financial assets in the banking book. Stress-tests are presented in accordance with EBA guidelines on IRRBB.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

Table 2.24. Market risk under the standardised approach [template EU MR1]

| | | 30.06.2021 |
|---|---|---|
| | | a |
| **Outright products** | | **RWEAs** |
| 1 | Interest rate risk (general and specific) | 3 733 |
| 2 | Equity risk (general and specific) | 12 |
| 3 | Foreign exchange risk | - |
| 4 | Commodity risk | - |
| Options | | |
| 5 | Simplified approach | - |
| 6 | Delta-plus approach | 0 |
| 7 | Scenario approach | 18 |
| 8 | **Securitisation (specific risk)** | - |
| 9 | **Total** | 3 763 |

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

As at 30 June 2021, the Bank's Group did not have an open position for commodity price risk, so the respective own funds requirement was zero.

The Bank's Group does not use internal models for the purpose of 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 an absence of liquid assets. A lack of liquidity may be due to th 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.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

Table 2.25. Quantitative information of LCR [template EU LIQ1]

| | | a | b | c | d | e | f | g | h |
|---|---|---|---|---|---|---|---|---|---|
| | | **Total unweighted value (avg)** | | | | **Total weighted vlaue (avg)** | | | |
| EU 1a | Quarter ending on (DD Month YYY) | **30.06.2021** | **31.03.2021** | **31.12.2020** | **30.09.2020** | **30.06.2021** | **31.03.2021** | **31.12.2020** | **30.09.2020** |
| 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) | | | | | 113 373 | 108 471 | 97 420 | 86 442 |
| **CASH - OUTFLOWS** | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 206 466 | 201 408 | 195 424 | 175 823 | 14 766 | 14 587 | 14 416 | 14 263 |
| 3 | *Stable deposits* | 149 397 | 143 934 | 137 114 | 121 501 | 7 470 | 7 197 | 6 856 | 6 508 |
| 4 | *Less stable deposits* | 57 069 | 57 474 | 58 310 | 54 308 | 7 296 | 7 390 | 7 560 | 7 750 |
| 5 | Unsecured wholesale funding | 80 856 | 82 920 | 82 641 | 77 258 | 27 885 | 29 288 | 29 457 | 29 399 |
| 6 | *Operational deposits (all counterparties) and deposits in networks of cooperative banks* | 29 954 | 28 868 | 26 585 | 26 003 | 7 274 | 7 025 | 6 479 | 6 030 |
| 7 | *Non-operational deposits (all counterparties)* | 49 922 | 53 384 | 55 496 | 50 510 | 19 631 | 21 595 | 22 417 | 22 713 |
| 8 | *Unsecured debt* | 979 | 668 | 561 | 745 | 979 | 668 | 561 | 657 |
| 9 | Secured wholesale funding | | | | | - | - | - | - |
| 10 | Additional requirements | 59 793 | 58 387 | 57 614 | 52 583 | 8 552 | 8 191 | 8 050 | 8 000 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 2 134 | 2 032 | 2 008 | 2 486 | 2 134 | 2 032 | 2 008 | 2 094 |
| 12 | *Outflows related to loss of funding on debt products* | - | - | - | - | - | - | - | - |
| 13 | *Credit and liquidity facilities* | 57 659 | 56 355 | 55 607 | 50 096 | 6 418 | 6 159 | 6 042 | 5 906 |
| 14 | Other contractual funding obligations | 2 183 | 2 184 | 2 398 | 2 384 | 1 456 | 1 446 | 1 665 | 1 719 |
| 15 | Other contingent funding obligations | 17 525 | 17 295 | 17 885 | 18 264 | 3 449 | 3 492 | 3 657 | 3 781 |
| 16 | **TOTAL CASH OUTFLOWS** | | | | | 56 107 | 57 004 | 57 244 | 57 162 |
| **CASH-INFLOWS** | | | | | | | | | |
| 17 | Secured lending (e.g. reverse repos) | 312 | 117 | 470 | 1 013 | 3 | 1 | 1 | 1 |
| 18 | Inflows from fully performing exposures | 7 262 | 7 542 | 8 780 | 10 970 | 5 030 | 5 191 | 6 140 | 6 857 |
| 19 | Other cash inflows | 1 550 | 1 540 | 1 465 | 1 668 | 902 | 903 | 893 | 791 |
| 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** | 9 123 | 9 199 | 10 714 | 13 651 | 5 935 | 6 095 | 7 035 | 7 650 |
| EU-20a | Fully exempt inflows | - | - | - | - | - | - | - | - |
| EU-20b | Inflows subject to 90% cap | - | - | - | - | - | - | - | - |
| EU-20c | Inflows subject to 75% cap | 9 123 | 9 199 | 10 714 | 13 651 | 5 935 | 6 095 | 7 035 | 7 650 |
| **TOTAL ADJUSTED VALUE** | | | | | | | | | |
| EU-21 | LIQUIDITY BUFFER | | | | | 113 373 | 108 471 | 97 420 | 86 442 |
| 22 | TOTAL NET CASH OUTFLOWS | | | | | 50 172 | 50 908 | 50 210 | 49 512 |
| 23 | LIQUIDITY COVERAGE RATIO | | | | | 226% | 214% | 194% | 173% |

The coverage ratio of net outflows is determined on a stand-alone basis by each entity of the Bank's Group required to determine this ratio and on a consolidated level.

The LCR as at 30 June 2021 remains at a high level, well above the supervisory limit and internal limits and thresholds. Compared to 31 December 2020, the ratio decreased by approximately 9 percentage points mainly due to the inclusion of maturing issue outflows in net outflows. The Group's liquid assets increased by approximately PLN 12 billion during the period.

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 2021, outflows under derivative instruments as determined in accordance with the CRR Regulation amounted to PLN 1.6 billion, whereas the impact of an adverse market conditions scenario on derivatives, financing transactions and other agreements accounted for 0.2% of the total unweighted value of outflows recognized in the coverage ratio of net outflows.

As at the end of June 2021, 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 2020 (Note 68. 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, CHF, 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 AT 30 JUNE 2021 (IN PLN MILLION)

Table 2.26. Net Stable Funding Ratio [template EU LIQ2]

| | (in currency amount) | 30.06.2021 | | | | |
|---|---|---|---|---|---|---|
| | | a | b | c | d | e |
| | | Unweighted value by residual maturity | | | | Weighted value |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| **Available stable funding (ASF) Items** | | | | | | |
| 1 | Capital items and instruments | 40 258 | - | - | 2 700 | 42 958 |
| 2 | *Own funds* | 40 258 | - | - | 2 700 | 42 958 |
| 3 | *Other capital instruments* | | - | - | - | - |
| 4 | Retail deposits | | 215 755 | - | - | 202 076 |
| 5 | *Stable deposits* | | 157 936 | - | - | 150 039 |
| 6 | *Less stable deposits* | | 57 819 | - | - | 52 037 |
| 7 | Wholesale funding: | | 89 095 | 1 775 | 6 789 | 45 844 |
| 8 | *Operational deposits* | | 29 653 | - | - | 14 827 |
| 9 | *Other wholesale funding* | | 59 442 | 1 775 | 6 789 | 16 191 |
| 10 | Interdependent liabilities | | 2 983 | 3 315 | 9 649 | - |
| 11 | Other liabilities: | 1 125 | 20 963 | - | - | - |
| 12 | *NSFR derivative liabilities* | 1 125 | | | | |
| 13 | *All other liabilities and capital instruments not included in the above categories* | | 20 963 | - | - | - |
| **14** | **Total available stable funding (ASF)** | | | | | 290 879 |
| **Required stable funding (RSF) Items** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) | | | | | |
| EU-15a | Assets encumbered for more than 12m in cover pool | | 41 | 40 | 1 794 | 1 594 |
| 16 | Deposits held at other financial institutions for operational purposes | | - | - | - | - |
| 17 | Performing loans and securities: | | 15 761 | 14 175 | 194 974 | 188 281 |
| 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* | | 1 809 | 336 | 1 001 | 1 350 |
| 20 | *Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:* | | 10 625 | 10 348 | 107 529 | 107 050 |
| 21 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 580 | 475 | 13 050 | 7 642 |
| 22 | *Performing residential mortgages, of which:* | | 2 592 | 2 495 | 74 732 | 67 315 |
| 23 | *With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk* | | 1 364 | 1 282 | 46 036 | 38 266 |
| 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* | | 735 | 994 | 11 712 | 12 566 |
| 25 | Interdependent assets | | 400 | 377 | 15 170 | - |
| 26 | Other assets: | | | | | |
| 27 | *Physical traded commodities* | | | | - | - |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | | 662 | - | - | 562 |
| 29 | *NSFR derivative assets* | | - | - | - | - |
| 30 | *NSFR derivative liabilities before deduction of variation margin posted* | | 5 283 | - | - | 264 |
| 31 | *All other assets not included in the above categories* | | 1 714 | 313 | 24 373 | 26 399 |
| 32 | Off-balance sheet items | | 11 967 | 177 | 431 | 1 169 |
| **33** | **Total RSF** | | | | | 219 475 |
| **34** | **Net Stable Funding Ratio (%)** | | | | | 132,5% |

## 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 includes legal risk (the risk of incurring losses resulting from the ignorance, misunderstanding and non-application of legal and accounting standards, inability to enforce contractual provisions, unfavourable interpretations or decisions of courts or public administration authorities), but does not include reputation risk or business risk.

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

# 3. Own funds

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

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

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

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

   exceeds an equivalent of 17.65% of the Common Equity Tier 1 capital of the Bank's Group (less all the amounts specified in items 1-7); the amount below the threshold (17.65%) is recognized in risk-weighted exposures;

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.

The amount below the threshold of 17.65% referred to in item 9) is included in risk-weighted assets.

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

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

[5] 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.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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 July 2021.

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

| | | 30.06.2021 | |
|---|---|---|---|
| | | (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 32. |
| | of which: Series A - ordinary registered shares | 313 | note 32. |
| | of which: Series A - ordinary bearer shares | 198 | note 32. |
| | of which: Series B - ordinary bearer shares | 105 | note 32. |
| | of which: Series C - ordinary bearer shares | 385 | note 32. |
| | of which: Series D - ordinary bearer shares | 250 | note 32. |
| 2 | Retained earnings | 6 717 | |
| 3 | Accumulated other comprehensive income (and other reserves) | 29 888 | |
| 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** | 38 925 | |
| **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) | -2 291 | |
| 9 | Empty set in the EU | N/A | |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | - | |
| 11 | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value | 342 | |
| 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 | -53 | |
| EU-20b | of which: qualifying holdings outside the financial sector (negative amount) | - | |
| EU-20c | of which: securitisation positions (negative amount) | -53 | |
| EU-20d | of which: free deliveries (negative amount) | - | |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

| | | | |
|---|---|---|---|
| 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) | 1 417 | |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | -908 | |
| **29** | **Common Equity Tier 1 (CET1) capital** | 38 016 | note 45. |
| **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)** | 38 016 | note 45. |
| **Tier 2 (T2) capital: instruments** | | | |
| 46 | Capital instruments and the related share premium accounts | 2 700 | |
| 47 | Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR | - | |
| EU-47a | Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2 | - | |
| EU-47b | Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2 | - | |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties | - | |
| 49 | of which: instruments issued by subsidiaries subject to phase out | - | |
| 50 | Credit risk adjustments | - | |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | 2 700 | |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

| | | | |
|---|---|---|---|
| **Tier 2 (T2) capital: regulatory adjustments** | | | |
| 52 | Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount) | - | |
| 53 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | |
| 54 | Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | |
| 54a | Empty set in the EU | - | |
| 55 | Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | - | |
| 56 | Empty set in the EU | - | |
| EU-56a | Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount) | - | |
| 56b | Other regulatory adjusments to T2 capital | - | |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | - | |
| **58** | **Tier 2 (T2) capital** | 2 700 | note 45. |
| **59** | **Total capital (TC = T1 + T2)** | 40 716 | note 45. |
| **60** | **Total risk exposure amount** | 215 780 | |
| **Capital ratios and buffers** | | | |
| 61 | Common Equity Tier 1 (as a percentage of total risk exposure amount) | 17,62% | note 45. |
| 62 | Tier 1 (as a percentage of total risk exposure amount) | 17,62% | note 45. |
| 63 | Total capital (as a percentage of total risk exposure amount) | 18,87% | note 45. |
| 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) | 8,15% | note 45. |
| 65 | of which: capital conservation buffer requirement | 2,50% | note 45. |
| 66 | of which: countercyclical buffer requirement | 0,01% | note 45. |
| 67 | of which: systemic risk buffer requirement | 0,00% | note 45. |
| EU-67a | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | 1,00% | note 45. |
| EU-67b | of which: additional own funds requirements to address the risks other than the risk of excessive leverage | 12,98% | note 45. |
| **68** | **Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)** | 0,00% | note 45. |
| **National minima (if different from Basel III)** | | | |
| 69 | not applicable | N/A | |
| 70 | not applicable | N/A | |
| 71 | not applicable | N/A | |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | |
| 72 | Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 343 | |
| 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) | 859 | |
| 74 | not applicable | N/A | |
| 75 | Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met) | - | |
| **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 2021.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

Pursuant to Commission Implementing Regulation 2021/637 table 3.2. [Template EU CC2], the above table presents the reconciliation of the items in the statement of financial position used to calculate own funds to regulatory own funds as at 30 June 2021.

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

| | 30.06.2021 | | |
|---|---|---|---|
| | a) | b) | c) |
| | Balance sheet as in published financial statements<br>As at period end | Under regulatory scope of consolidation<br>As at period end | Reference* |
| **ASSETS - Breakdown by asset clases according to the balance sheet in the published financial statements** | | | |
| Cash and balances with the Central Bank | 3 945 | 3 945 | |
| Amounts due from banks | 3 480 | 3 423 | note 20. |
| Hedging derivatives | 620 | 620 | note 21. |
| Other derivative instruments | 6 341 | 6 341 | note 22. |
| Securities | 138 970 | 136 741 | note 23. |
| Reverse repo transactions | 77 | 77 | |
| Loans and advances to customers | 224 624 | 224 776 | note 24. |
| Receivables in respect of insurance activities | 847 | - | |
| Property, plant and equipment transferred under operating lease | 1 263 | 1 325 | note 25. |
| Property, plant and equipment | 3 097 | 2 854 | note 25. |
| Non-current assets held for sale | 13 | 13 | |
| Intangible assets | 3 253 | 3 090 | note 25. |
| Investments in associates and joint ventures | 263 | 1 324 | |
| Current income tax receivables | 25 | 8 | |
| Deferred income tax assets | 2 862 | 2 849 | |
| Other assets | 2 942 | 2 903 | note 26. |
| TOTAL ASSETS | 392 622 | 390 288 | |
| **LIABILITIES - Breakdown by liability clases according to the balance sheet in the published financial statements** | | | |
| Amounts due to the Central Bank | 8 | 8 | |
| Amounts due to banks | 4 407 | 4 407 | note 27. |
| Hedging derivatives | 837 | 837 | note 21. |
| Other derivative instruments | 6 460 | 6 460 | note 22. |
| Amounts due to customers | 293 784 | 292 838 | note 28. |
| Repo transactions | 57 | 105 | |
| Liabilities in respect of insurance activities | 1 847 | - | |
| Loans and advances received | 2 097 | 2 097 | note 29. |
| Debt securities in issue | 31 244 | 31 517 | note 29. |
| Subordinated liabilities | 2 716 | 2 716 | note 29. |
| Other liabilities | 6 010 | 5 940 | note 30. |
| Current income tax liabilities | 149 | 147 | |
| Deferred income tax provision | 365 | 329 | |
| Provisions | 1 580 | 1 573 | note 31. |
| TOTAL LIABILITIES | 351 561 | 348 975 | |
| EQUITY | | | |
| Share capital | 1 250 | 1 250 | |
| Other capital and reserves | 31 140 | 30 958 | |
| Retained earnings | 6 272 | 6 717 | |
| Net profit or loss for the year | 2 413 | 2 389 | |
| Capital and reserves attributable to equity holders of the parent | 41 075 | 41 313 | |
| Non-controlling interests | (14) | (0) | |
| TOTAL EQUITY | 41 061 | 41 313 | |

* 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 2021.

The carrying amounts shown under the regulatory model differ from the values recognized in the published financial statements as at 30 June 2021 due to the application of different scopes of consolidation.

# 4. Own funds requirements

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

1) credit risk – under the standardized approach (pursuant to Part III, Title II, Chapter 2 of the CRR):
2) operational risk:
   a) under the AMA – in respect of the Bank's operations, including the operations of the foreign branch in in the Federal Republic of Germany [6] and Czech Republic[7] 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 V, Title V of the CRR;
   b) counterparty credit risk – calculated under the standardized approach specified in Part III, Title II, Chapter 6 of the CRR;
   c) credit valuation adjustment risk (CVA) – calculated under the approach specified in Part III, Title VI of the CRR;
   d) large exposures limit risk – calculated under the approach specified in Articles 395-401 of the CRR;
   e) for exposures to a central counterparty – calculated under the approach specified in Part III, Title II, Chapter 6, Section 9 of the CRR.

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

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

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

[7] Effective 1 January 2019, the Bank introduced the extension of the AMA to include the Branch in the Czech Republic in line with the requirement allocation criteria being developed for own funds for operational risk in accordance with the AMA approach for the Branch in the Czech Republic.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

Table 4.1. Overview of total risk exposure amounts [Template 3  EU OV1]

| | | Total risk exposure amounts (TREA) | | Total own funds requirements |
|---|---|---|---|---|
| | | a | b | c |
| | | 30.06.2021 | 31.12.2020 | 30.06.2021 |
| 1 | Credit risk (excluding CCR) | 185 416 | 184 760 | 14 833 |
| 2 | Of which the standardised approach | 185 416 | 184 760 | 14 833 |
| 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 | 3947 | 2 907 | 316 |
| 7 | Of which the standardised approach | 3408 | 2 444 | 273 |
| 8 | Of which internal model method (IMM) | - | - | - |
| EU-8a | Of which exposures to a CCP | 25 | 113 | 2 |
| EU-8b | Of which credit valuation adjustment - CVA | 513 | 350 | 41 |
| 9 | Of which other CCR | 2 | 0 | 0 |
| 10 | Not applicable | N/A | N/A | N/A |
| 11 | Not applicable | N/A | N/A | N/A |
| 12 | Not applicable | N/A | N/A | N/A |
| 13 | Not applicable | N/A | N/A | N/A |
| 14 | Not applicable | N/A | N/A | N/A |
| 15 | Settlement risk | - | - | - |
| 16 | Securitisation exposures in the non-trading book (after the cap) | - | - | - |
| 17 | Of which SEC-IRBA approach | - | - | - |
| 18 | Of which SEC-ERBA (including IAA) | - | - | - |
| 19 | Of which SEC-SA approach | - | - | - |
| EU-19a | Of which 1 250 % / deduction * | 53 | 67 | - |
| 20 | Position, foreign exchange and commodities risks (Market risk) | 3 763 | 20 383 | 301 |
| 21 | Of which the standardised approach | 3 763 | 20 383 | 301 |
| 22 | Of which IMA | - | - | - |
| EU-22a | Large exposures | - | - | - |
| 23 | Operational risk | 22 654 | 20 363 | 1 812 |
| EU-23a | Of which basic indicator approach | 3 783 | 3 631 | 303 |
| EU-23b | Of which standardised approach | - | - | - |
| EU-23c | Of which advanced measurement approach | 18 871 | 16 732 | 1 510 |
| 24 | Amounts below the thresholds for deduction (subject to 250 % risk weight) | 9 683 | 8 998 | 775 |
| 25 | Not applicable | N/A | N/A | N/A |
| 26 | Not applicable | N/A | N/A | N/A |
| 27 | Not applicable | N/A | N/A | N/A |
| 28 | Not applicable | N/A | N/A | N/A |
| 29 | Total | 215 780 | 228 413 | 17 262 |

* In row EU-19a the own funds requirement for securitization exposures in the banking book is presented with application of own funds deduction according to part three, title II, chapter 5 of the CRR. The amount of the requirement reduces the Bank's funds, hence risk weighted assets are not calculated (with a risk weight of 1250%).

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

Table 4.2. Key Ratios [template EU KM1]

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | 30.06.2021 | 31.03.2021 | 31.12.2020 | 30.09.2020 | 30.06.2020 |
| **Available own funds (amounts)** | | | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 38 016 | 38 524 | 38 817 | 41 460 | 41 463 |
| 2 | Tier 1 capital | 38 016 | 38 524 | 38 817 | 41 460 | 41 463 |
| 3 | Total capital | 40 716 | 41 224 | 41 517 | 44 160 | 44 163 |
| **Risk-weighted exposure amounts** | | | | | | |
| 4 | Total risk-weighted exposure amount | 215 780 | 227 775 | 228 413 | 218 726 | 219 622 |
| **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 17,62% | 16,91% | 16,99% | 18,96% | 18,88% |
| 6 | Tier 1 ratio (%) | 17,62% | 16,91% | 16,99% | 18,96% | 18,88% |
| 7 | Total capital ratio (%) | 18,87% | 18,10% | 18,18% | 20,19% | 20,11% |
| **Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)** | | | | | | |
| EU 7a | Additional CET1 SREP requirements (%) | 0,14% | 0,14% | 0,14% | 0,20% | 0,20% |
| EU 7b | Additional AT1 SREP requirements (%) | 0,04% | 0,04% | 0,04% | 0,07% | 0,07% |
| EU 7c | Additional T2 SREP requirements (%) | 0,06% | 0,06% | 0,06% | 0,09% | 0,09% |
| EU 7d | Total SREP own funds requirements (%) | 8,24% | 8,24% | 8,24% | 8,36% | 8,36% |
| **Combined buffer requirement (as a percentage of risk-weighted exposure amount)** | | | | | | |
| 8 | Capital conservation buffer (%) | 2,50% | 2,50% | 2,50% | 2,50% | 2,50% |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% |
| 9 | Institution specific countercyclical capital buffer (%) | 0,01% | 0,01% | 0,01% | 0,00% | 0,01% |
| EU 9a | Systemic risk buffer (%) | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% |
| 10 | Global Systemically Important Institution buffer (%) | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% |
| EU 10a | Other Systemically Important Institution buffer | 1,00% | 1,00% | 1,00% | 1,00% | 1,00% |
| 11 | Combined buffer requirement (%) | 3,51% | 3,51% | 3,51% | 3,50% | 3,51% |
| EU 11a | Overall capital requirements (%) | 11,75% | 11,75% | 11,75% | 11,86% | 11,87% |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 12 666,30 | 11 760,08 | 11 987,05 | 15 508,18 | 15 402,15 |
| **Leverage ratio** | | | | | | |
| 13 | Leverage ratio total exposure measure | 418 209,28 | 402 805,40 | 394 467,91 | 394 245,49 | 391 153,24 |
| 14 | Leverage ratio | 9,09% | 9,56% | 9,84% | 10,52% | 10,60% |
| **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 (%) | - | - | - | - | - |
| EU 14b | Additional own funds requirements to address the risk of excessive leverage (%) | - | - | - | - | - |
| EU 14c | Additional own funds requirements to address the risk of excessive leverage (%) | - | - | - | - | - |
| **Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)** | | | | | | |
| EU 14d | Leverage ratio buffer requirement (%) | - | - | - | - | - |
| EU 14e | Overall leverage ratio requirement (%) | 3,00% | - | - | - | - |
| **Liquidity Coverage Ratio** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value - average) | 123 222 | 118 162 | 111 239 | 107 600 | 105 303 |
| EU 16a | Cash outflows - Total weighted value | 62 238 | 54 531 | 54 134 | 55 798 | 60 018 |
| EU 16b | Cash inflows - Total weighted value | 5 811 | 5 563 | 5 255 | 6 089 | 5 740 |
| 16 | Total net cash outflows (adjusted value) | 56 428 | 48 968 | 48 879 | 49 937 | 54 278 |
| 17 | Liquidity coverage ratio (%) | 218% | 241% | 228% | 215% | 194% |
| **Net Stable Funding Ratio** | | | | | | |
| 18 | Total available stable funding | 290 874 | - | - | - | - |
| 19 | Total required stable funding | 219 461 | - | - | - | - |
| 20 | NSFR ratio (%) | 133% | - | - | - | - |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

# 5. Capital buffers

Pursuant to the CRR and the Act on macroprudential supervision, financial institutions are required to maintain a combined buffer requirement above the minimum levels set out in the CRR for:
1) total capital ratio (TCR) – 8.0%;
2) Tier 1 capital ratio (T1) – 6.0%;
3) Common Equity Tier 1 capital ratio (CET1) – 4.5%.

The combined buffer requirement is the total of all applicable buffers, i.e. the capital conservation buffer (2.5%), specific countercyclical buffer (0.01%), OSII buffer imposed on the Bank (1%) and an individual add-on in respect of the risk of foreign currency mortgage loans for each ratio for the Bank and for the Bank's Group. These buffers must be covered with Common Equity Tier 1 capital.

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

1) for a total capital ratio: 0.27% for the Bank and 0.24% for the Bank's Group;
2) for a Tier 1 capital ratio: 0.20% for the Bank and 0.18% for the Bank's Group, and
3) for a Common Equity Tier 1 capital ratio: 0.15% for the Bank and 0.14% for the Bank's Group.

Therefore, as at 30.06.2021 the capital ratios should be no lower than:
1) TCR – 11.78% for the Bank and 11.75% for the Bank's Group;
2) T1 – 9.71% for the Bank and 9.69% for the Bank's Group;
3) CET1 – 8.16% for the Bank and 8.15% for the Bank's Group.

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

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

| | 30.06.2021 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | a | b | c | d | e | f | g | h | i | j | k | l | m |
| | General credit exposures | | Relevant credit exposures – Market risk | | Securitisation exposures Exposure value for non-trading book | Total exposure value | Own fund requirements | | | | Risk-weighted exposure amounts | Own fund requirements weights (%) | Countercyclical buffer rate (%) |
| | Exposure value under the standardised approach | Exposure value under the IRB approach | Sum of long and short positions of trading book exposures for SA | Value of trading book exposures for internal models | | | Relevant credit risk exposures - Credit risk | Relevant credit exposures – Market risk | Relevant credit exposures – Securitisation positions in the non-trading book | Total | | | |
| Poland | 244 615 | - | 2 103 | - | - | 246 718 | 13 258 | 158 | - | 13 416 | 167 702 | 95,27% | 0,00% |
| Ukraine | 2 544 | - | - | - | - | 2 544 | 159 | - | - | 159 | 1 986 | 1,13% | 0,00% |
| Luxembourg | 2 004 | - | - | - | - | 2 004 | 160 | - | - | 160 | 2 003 | 1,14% | 0,50% |
| Germany | 717 | - | - | - | - | 717 | 58 | - | - | 58 | 719 | 0,41% | 0,00% |
| Great Britain | 609 | - | - | - | - | 609 | 50 | - | - | 50 | 631 | 0,36% | 0,00% |
| France | 587 | - | - | - | - | 587 | 47 | - | - | 47 | 589 | 0,33% | 0,00% |
| Spain | 571 | - | - | - | - | 571 | 46 | - | - | 46 | 572 | 0,33% | 0,00% |
| Norway | 343 | - | - | - | - | 343 | 28 | - | - | 28 | 344 | 0,20% | 1,00% |
| Denmark | 328 | - | - | - | - | 328 | 22 | - | - | 22 | 278 | 0,16% | 0,00% |
| Hungary | 300 | - | - | - | - | 300 | 24 | - | - | 24 | 300 | 0,17% | 0,00% |
| Bahamas | 217 | - | - | - | - | 217 | 17 | - | - | 17 | 217 | 0,12% | 0,00% |
| Netherlands | 162 | - | - | - | - | 162 | 12 | - | - | 12 | 152 | 0,09% | 0,00% |
| Czech Republic | 142 | - | - | - | - | 142 | 11 | - | - | 11 | 142 | 0,08% | 0,50% |
| Cyprus | 128 | - | - | - | - | 128 | 10 | - | - | 10 | 128 | 0,07% | 0,00% |
| Switzerland | 100 | - | - | - | - | 100 | 8 | - | - | 8 | 99 | 0,06% | 0,00% |
| Sweden | 88 | - | - | - | - | 88 | 7 | - | - | 7 | 89 | 0,05% | 0,00% |
| Finland | 35 | - | - | - | - | 35 | 3 | - | - | 3 | 35 | 0,02% | 0,00% |
| Liberia | 16 | - | - | - | - | 16 | 1 | - | - | 1 | 16 | 0,01% | 0,00% |
| Estonia | 6 | - | - | - | - | 6 | 0 | - | - | 0 | 6 | 0,00% | 0,00% |
| Ireland | 5 | - | - | - | - | 5 | 0 | - | - | 0 | 6 | 0,00% | 0,00% |
| Belgium | 3 | - | - | - | - | 3 | 0 | - | - | 0 | 3 | 0,00% | 0,00% |
| USA | 3 | - | - | - | - | 3 | 0 | - | - | 0 | 3 | 0,00% | 0,00% |
| Matla | 3 | - | - | - | - | 3 | 0 | - | - | 0 | 3 | 0,00% | 0,00% |
| Slovakia | 2 | - | - | - | - | 2 | 0 | - | - | 0 | 2 | 0,00% | 1,00% |
| Italy | 2 | - | - | - | - | 2 | 0 | - | - | 0 | 2 | 0,00% | 0,00% |
| Australia | 1 | - | - | - | - | 1 | 0 | - | - | 0 | 2 | 0,00% | 0,00% |
| Ecuador | 1 | - | - | - | - | 1 | 0 | - | - | 0 | 1 | 0,00% | 0,00% |
| South Korea | 1 | - | - | - | - | 1 | 0 | - | - | 0 | 1 | 0,00% | 0,00% |
| Belarus | 1 | - | - | - | - | 1 | 0 | - | - | 0 | 0 | 0,00% | 0,00% |
| Other | 5 | - | - | - | - | 5 | 0 | - | - | 0 | 6 | 0,00% | - |
| Total | 253 539 | - | 2 103 | - | - | 255 643 | 13 925 | 158 | - | 14 083 | 176 036 | 100,00% | |

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

| | | 30.06.2021 |
|---|---|---|
| | | a |
| 1 | Total risk exposure amount | 215 780 |
| 2 | Institution specific countercyclical capital buffer rate | 0,01% |
| 3 | Institution specific countercyclical capital buffer requirement | 17 |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

# 6. Leverage

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

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

As at 30 June 2021, the leverage ratio remained above the internal and external limits as well as above the minimum levels recommended by the PFSA.

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

| | | 30.06.2021 |
|---|---|---|
| | | a |
| | | Applicable amount |
| 1 | Total assets as per published financial statements | 392 623 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | -2 334 |
| 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 | 503 |
| 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) | 24 081 |
| 11 | (Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital) | -323 |
| 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 | 3 660 |
| 13 | Leverage ratio total exposure measure | 418 209 |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

Table 6.2. Leverage ratio common disclosure [template LRCom]

| | | CRR leverage ratio exposures | |
|---|---|---|---|
| | | 30.06.2021 | 31.12.2020 |
| **On-balance sheet exposures (excluding derivatives and SFTs)** | | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs, but including collateral) | 388 828 | 371 481 |
| 3 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions)* | -373 | -408 |
| 6 | (Asset amounts deducted in determining Tier 1 capital) | -2 343 | -3 043 |
| 7 | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | 386 112 | 368 029 |
| **Derivative exposures** | | | |
| 8 | Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin) | 2 381 | 1 098 |
| 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 | 5 592 | 2 699 |
| 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) | -1 | - |
| EU-10a | (Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach) | - | - |
| EU-10b | (Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method) | - | - |
| 11 | Adjusted effective notional amount of written credit derivatives | - | - |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | - | - |
| 13 | **Total derivatives exposures** | 7 972 | 3 797 |
| **Securities financing transaction (SFT) exposures** | | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions | 44 | 15 |
| 16 | Counterparty credit risk exposure for SFT assets | - | 7 |
| 18 | **Total securities financing transaction exposures** | 44 | 22 |
| **Other off-balance sheet exposures** | | | |
| 19 | Off-balance sheet exposures at gross notional amount | 74 128 | 72 651 |
| 20 | Off-balance sheet exposures at gross notional amount | -50 047 | -50 031 |
| 21 | (General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures) | - | - |
| 22 | Off-balance sheet exposures | 24 081 | 22 619 |
| **Excluded exposures** | | - | - |
| EU-22a | Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR) | - | - |
| EU-22b | (Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet)) | - | - |
| EU-22c | (Excluded exposures of public development banks (or units) - Public sector investments) | - | - |
| EU-22d | (Excluded exposures of public development banks (or units) - Promotional loans) | - | - |
| EU-22e | (Excluded passing-through promotional loan exposures by non-public development banks (or units)) | - | - |
| EU-22f | (Excluded guaranteed parts of exposures arising from export credits) | - | - |
| EU-22g | Excluded excess collateral deposited at triparty agents) | - | - |
| EU-22h | (Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR) | - | - |
| EU-22i | (Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR) | - | - |
| EU-22j | (Reduction of the exposure value of pre-financing or intermediate loans) | - | - |
| EU-22k | Total exempted exposures) | - | - |
| **Capital and total exposure measure** | | | |
| 23 | Tier 1 capital | 38 016 | 38 817 |
| 24 | Total exposure measure | 418 209 | 394 468 |
| **Leverage ratio** | | | |
| 25 | Leverage ratio (%) | 9,09% | 9,84% |
| EU-25 | Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%) | 9,09% | 9,84% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%) | 9,09% | 9,84% |
| 26 | Regulatory minimum leverage ratio requirement (%) | 3,00% | N/A |
| EU-26a | Additional own funds requirements to address the risk of excessive leverage (%) | N/A | N/A |
| EU-26b | of which: to be made up of CET1 capital | N/A | N/A |
| 27 | Leverage ratio buffer requirement (%) | N/A | N/A |
| EU-27a | Overall leverage ratio requirement (%) | 3,00% | N/A |
| **Choice on transitional arrangements and relevant exposures** | | | |
| EU-27b | Choice on transitional arrangements for the definition of the capital measure | Transitional | Transitional |

* Data for 2020 has been restated due to the change in the reporting requirements specified in Regulation 2021/637 (item 3 in the table “Deduction of debt assets in respect of variation margin in cash provided in derivatives transactions” was included as at 31/12/2020 in “Derivatives exposure”, while as at 30/06/2021 it is included in “Balance sheet exposures (excluding derivatives and SFT)”.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

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

| | | 30.06.2021 |
|---|---|---|
| | | a |
| | | CRR leverage ratio exposures |
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | 387 846 |
| EU-2 | Trading book exposures | 6 911 |
| EU-3 | Banking book exposures, of which: | 380 935 |
| EU-4 | Covered bonds | 0 |
| EU-5 | Exposures treated as sovereigns | 107 699 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns | 14 578 |
| EU-7 | Institutions | 1 720 |
| EU-8 | Secured by mortgages of immovable properties | 105 040 |
| EU-9 | Retail exposures | 66 269 |
| EU-10 | Corporate | 56 809 |
| EU-11 | Exposures in default | 4 769 |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 24 052 |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

# 7. Capital adequacy

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

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

Pursuant to the CRR and the Act on macroprudential supervision, the Bank's Group is obliged to maintain a combined buffer requirement which is the total of the applicable buffers. Detailed information on capital buffers is presented in Chapter 6 of this Report.

Therefore, as at 30.06.2021 the capital ratios are as follows:
1) TCR – 20.52% for the Bank and 18.87% for the Bank's Group;
2) T1 – 19.10% for the Bank and 17.62% for the Bank's Group;

Table 7.1. Capital ratios

| Capital ratios | 30.06.2021 | 31.12.2020 |
|---|---|---|
| Total amount of risk exposure | 215 780 | 228 413 |
| Common Equity Tier 1 (CET1) | 38 016 | 38 816 |
| Tier 2 (T2) capital | 2 700 | 2 700 |
| Total capital (TC=T1+T2) | 40 716 | 41 516 |
| **CET1 ratio (%)** | **17,62%** | **16,99%** |
| **T1 ratio (%)** | **17,62%** | **16,99%** |
| **TCR (%)** | **18,87%** | **18,18%** |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

## Impact of IFRS 9 on capital adequacy

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

The impact of the implementation of IFRS 9 on own funds and capital adequacy measures is governed in Regulation 2017/2395[8] of the European Parliament and of the Council. According to this regulation, banks may apply transitional provisions as regards own funds and increase Common Equity Tier 1 capital related to the implementation of the new impairment model over the next 5 years as from 1 January 2018, with the scaling factor decreasing from period to period.

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

Moreover, on 27 June 2020 Regulation 2020/873[9] of the European Parliament and of the Council entered into force. This provision makes it possible to mitigate the effect of the impairment losses recognized as from 1 January 2020 on Tier 1 capital. Such arrangement may be used until 2024 inclusive, with the scaling factor assigned to this value decreasing from period to period.

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

Table 7.2. 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 [template MSSF 9-FL]

| | | 30.06.2021 | 31.03.2021 | 31.12.2020 | 30.09.2020 | 30.06.2020 |
|---|---|---|---|---|---|---|
| **Available capital (amounts)** | | | | | | |
| 1 | Common Equity Tier 1 capital (CET1) | 38 016 | 38 523 | 38 816 | 40 120 | 37 293 |
| 2 | Common Equity Tier 1 (CET1) capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied | 36 582 | 37 089 | 37 164 | 39 355 | 36 445 |
| 3 | Tier 1 capital (T1) | 38 016 | 38 523 | 38 816 | 40 120 | 37 293 |
| 4 | Tier 1 capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied | 36 582 | 37 089 | 37 164 | 39 355 | 36 445 |
| 5 | Total capital | 40 716 | 41 223 | 41 516 | 42 820 | 39 993 |
| 6 | Total capital, if the IFRS 9 transitional or similar expected loan losses were not applied | 39 282 | 39 789 | 39 864 | 42 055 | 39 145 |
| **RWAs (amounts)** | | | | | | |
| 7 | Total RWAs | 215 780 | 227 774 | 228 413 | 218 725 | 219 623 |
| 8 | Total RWAs if the IFRS 9 transitional or similar expected credit losses were not applied | 214 345 | 226 340 | 226 767 | 217 960 | 218 775 |
| **Capital ratios** | | | | | | |
| 9 | Common Equity Tier 1 capital (as a percentage of the risk exposure amount) | 17,62% | 16,91% | 16,99% | 18,34% | 16,98% |
| 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 | 17,07% | 16,39% | 16,39% | 18,06% | 16,66% |
| 11 | Tier 1 capital (as a percentage of the risk exposure amount) | 17,62% | 16,91% | 16,99% | 18,34% | 16,98% |
| 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 | 17,07% | 16,39% | 16,39% | 18,06% | 16,66% |
| 13 | Total capital (as a percentage of the risk exposure amount) | 18,87% | 18,10% | 18,18% | 19,58% | 18,21% |
| 14 | Total capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional or similar expected credit losses were not applied | 18,33% | 17,58% | 17,58% | 19,29% | 17,89% |
| **Leverage ratio** | | | | | | |
| 15 | The leverage ratio total exposure measure | 418 209 | 402 805 | 394 468 | 395 233 | 392 894 |
| 16 | Leverage ratio | 9,09% | 9,56% | 9,84% | 10,15% | 9,49% |
| 17 | The leverage ratio if the IFRS 9 transitional arrangements or similar expected credit losses were not applied | 8,78% | 9,24% | 9,46% | 9,98% | 9,30% |

[8] 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

[9] 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.

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

# 8. Variable remuneration components

In view of the persistence of the COVID-19 outbreak in the country, and the possible economic consequences of this outbreak and their impact on the banking sector, bearing in mind the announcements of the EBA and the UKNF, decisions were taken to limit the amount of funds for variable remuneration for members of the Management Board and Material Risk Takers. In accordance with these regulations, the non-deferred variable remuneration for 2020 for members of the Management Board and the aforementioned employees was reduced by 21%.

The table below shows the awarded variable remuneration for 2020.

Table 8.1. Summary quantitative information on the amount of remuneration awarded for 2020

| Description | Variable remuneration awarded | Not deferred remuneration | | Deferred remuneration | |
|---|---|---|---|---|---|
| | | In the form of cash | In the form of a financial instrument - the amount of cash to be converted into a financial instrument | In the form of cash | In the form of a financial instrument - the amount of cash to be converted into a financial instrument |
| Management Board members | 5,76 | 1,53 | 1,53 | 1,35 | 1,35 |
| Senior management executives | 6,99 | 2,43 | 1,68 | 1,44 | 1,44 |
| Persons performing the internal control function | 2,40 | 0,91 | 0,56 | 0,47 | 0,47 |
| Other persons affecting the risk profile | 13,05 | 5,22 | 2,92 | 2,46 | 2,46 |
| Subsidiaries | 11,55 | 4,71 | 2,52 | 2,16 | 2,16 |
| Total | 39,76 | 14,79 | 9,21 | 7,88 | 7,88 |

CAPITAL ADEQUACY AND OTHER INFORMATION OF THE POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI SPÓŁKA AKCYJNA GROUP SUBJECT TO DISCLOSURE AT 30 JUNE 2021 (IN PLN MILLION)

# 9. Retrospective recognition of the profit for 2019

Pursuant to Art. 26 (2) of CRR, institutions may include interim or year-end profits in CET1 after the Bank's Group has taken a formal decision confirming the final profit or loss of the Group for the year, or before it has taken the formal decision, only with the competent authority's prior permission. In May 2020, the European Banking Authority (EBA) published, in a single rulebook Q&A, its position regarding the moment of recognition of annual and interim profits in the capital adequacy data (Q&A 2018_3822 and Q&A 2018_4085). According to this position, once the Bank 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 of the profit.

Accordingly, presented below is the restated data in terms of equity, capital requirements and capital ratios for the periods ending 30 June 2020 and 30 September 2020.

The data for 30 June 2020 includes the full amount of the Bank's Group's profit for 2019 in the amount of PLN 4,050 million presented in own funds (in the light of Resolution No. 7/2020 of the Annual General Meeting of 26 August 2020 on the distribution of profit of PKO Bank Polski S.A. achieved in 2019 and covering the loss from previous years, in which the AGM decided to retain the entire profit for 2019 in the Bank's capital), with part of this amount (in the amount of PLN 1,038 million) already included in the data published as at 30/06/2020 due to the Bank's Group obtaining approval to include a part of the profit for the first half of 2019, net of expected charges, in its own funds. Additionally, the data as at the end of June 2020 includes part of the Group's profit for the first half of 2020, net of expected charges, in the amount of PLN 1,019 million, for which the Group obtained permission from the Polish Financial Supervision Authority. Recognition of the above-mentioned profits as own funds increased the value of own funds by PLN 4,171 million (including an increase in recognized results by PLN 3,933 million and an increase in value of transition adjustment related to minimizing the impact of IFRS9 by PLN 238 million).

Additionally, as a result of applying the above-mentioned EBA guidelines as at 30/06/2020, the capital requirement for credit risk decreased by PLN 178 million and consequently the total capital ratio increased by 2.1 p.p. and the Tier 1 capital ratio by 2.09 pp.

The data for 30 September 2020 includes part of the Group's profit for the first half of 2020, net of expected charges, in the amount of PLN 1,019 million, for which the Group obtained permission from the Polish Financial Supervision Authority. As a result, the value of the Group's funds increased by PLN 1,340 million, including an increase in the value of the transition adjustment related to minimising the impact of IFRS 9 by PLN 321 million.

As a result of applying the above-mentioned EBA guidelines for the data as at 30 September 2020, the capital requirement for credit risk decreased by PLN 102 million and consequently the total capital ratio increased by 0.73 pp. and the Tier 1 capital ratio by 0.72 pp.

Table 9.1.Key capital ratios including retrospective recognition of the profit for 2019

| | | 30.06.2021 | 31.03.2021 | 31.12.2020 | 30.09.2020 | 30.06.2020 |
|---|---|---|---|---|---|---|
| **Available capital (amounts)** | | | | | Restated | Restated |
| 1 | Common Equity Tier 1 capital (CET1) | 38 016 | 38 523 | 38 816 | 41 460 | 41 464 |
| 2 | Common Equity Tier 1 (CET1) capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied | 36 582 | 37 089 | 37 164 | 40 374 | 40 378 |
| 3 | Tier 1 capital (T1) | 38 016 | 38 523 | 38 816 | 41 460 | 41 464 |
| 4 | Tier 1 capital if the IFRS 9 transitional arrangements or similar expected credit losses were not applied | 36 582 | 37 089 | 37 164 | 40 374 | 40 378 |
| 5 | Total capital | 40 716 | 41 223 | 41 516 | 44 160 | 44 164 |
| 6 | Total capital, if the IFRS 9 transitional or similar expected loan losses were not applied | 39 282 | 39 789 | 39 864 | 43 074 | 43 078 |
| **RWAs (amounts)** | | | | | | |
| 7 | Total RWAs | 215 780 | 227 774 | 228 413 | 217 450 | 217 413 |
| 8 | Total RWAs if the IFRS 9 transitional or similar expected credit losses were not applied | 214 345 | 226 340 | 226 767 | 216 364 | 216 327 |
| **Capital ratios** | | | | | | |
| 9 | Common Equity Tier 1 capital (as a percentage of the risk exposure amount) | 17,62% | 16,91% | 16,99% | 19,07% | 19,07% |
| 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 | 17,07% | 16,39% | 16,39% | 18,66% | 18,67% |
| 11 | Tier 1 capital (as a percentage of the risk exposure amount) | 17,62% | 16,91% | 16,99% | 19,07% | 19,07% |
| 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 | 17,07% | 16,39% | 16,39% | 18,66% | 18,67% |
| 13 | Total capital (as a percentage of the risk exposure amount) | 18,87% | 18,10% | 18,18% | 20,31% | 20,31% |
| 14 | Total capital (as a percentage of the risk exposure amount) if the IFRS 9 transitional or similar expected credit losses were not applied | 18,33% | 17,58% | 17,58% | 19,91% | 19,91% |
| **Leverage ratio** | | | | | | |
| 15 | The leverage ratio total exposure measure | 418 209 | 402 805 | 394 468 | 394 245 | 391 153 |
| 16 | Leverage ratio | 9,09% | 9,56% | 9,84% | 10,52% | 10,60% |
| 17 | The leverage ratio if the IFRS 9 transitional arrangements or similar expected credit losses were not applied | 8,78% | 9,24% | 9,46% | 10,27% | 10,35% |

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

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

- declares that, to the best of its knowledge, the information disclosed under Part Eight of the CRR has been prepared in compliance with the internal control processes;
- declares that, to the best of its knowledge, the adequacy of the arrangements concerning the management of risk, in particular liquidity risk, at PKO Bank Polski S.A., ensures that the risk management systems in place are appropriate from the perspective of the risk profile and the strategy of the Bank and the Bank's Group;
- approves this Report "Capital Adequacy and Other Information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group Subject to Disclosure as at 30 June 2021", in which information on risk, including liquidity risk, is placed, the overall risk profile of the Bank and the Bank's Group relating to the operating strategy is discussed, and the key indicators and figures are contained, which ensure the external interested parties a comprehensive view of the management of risk by PKO Bank Polski S.A. and the Bank's Group, including the interaction between the Bank's risk profile and risk tolerance expressed in the form of strategic tolerance limits, determined by the Management Board and accepted by the Supervisory Board.

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