Bank Polski

Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 30 June 2019

Introduction

The Report "Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski S.A. Group as at 30 June 2019", hereinafter referred to as "the Report", was prepared in accordance with the provisions of Article 111a(1) of the Banking Law of 29 August 1997, hereinafter referred to as the "Banking Law",[1] 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 implementing acts under the CRR, the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system,[2] hereinafter referred to as the "Act on macroprudential supervision", as well as Recommendation M of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego, hereinafter referred to as the "PFSA") on the operational risk management in banks, Recommendation P on liquidity risk management in banks and Recommendation H on internal control systems at banks.

Furthermore, the Report was prepared in accordance with the provisions of the Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to the disclosure of own funds requirements for institutions according to CRR (Regulation 1423/2013), Commission Implementing Regulation (EU) No 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to CRR (hereinafter referred to as "Regulation 2016/200"), Guidelines EBA/GL/2016/11 on disclosure requirements under Part Eight of CRR (hereinafter referred to as "Guidelines EBA/GL/2016/11"), Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of CRR as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds (hereinafter referred to as "Guidelines EBA/GL/2018/01") in connection with applying the transitional arrangements for mitigating the impact of the introduction of IFRS 9 and Guidelines EBA/GL/2017/01 on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of CRR.

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

The Report should be analysed in conjunction with the document "Capital Adequacy and Other Information Subject to Disclosure of the Group of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna as at 31 December 2018", which forms an integral part of the Report.

Information included in the Report has been prepared on the basis of the data for six-month period ended 30 June 2019 and in accordance with the regulations applicable as at 30 June 2019 and published on the Bank's website (www.pkobp.pl)

According to the Commission Delegated Regulation (EU) No 183/2014, credit risk adjustments for determining the own funds requirements are limited to amounts that have reduced Common Equity Tier 1 capital (CET1), therefore specific credit risk adjustments as at 31 December 2018 have been applied for determining the own funds requirements.

The Report includes consolidated data[3] of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (hereinafter referred to as the "Group"). Some of the information contained in the Report refers specifically to individual data of PKO Bank Polski S.A., due to Bank's significant influence on the Group's risk profile. No factors which would have an impact on the material adjustments to the disclosed amounts compared with the previous reporting period were noted apart from the information presented in the Condensed interim consolidated financial statements of the Bank's Group for the six-month period ended 30 June 2019.

Unless otherwise stated, the figures presented in the Report have been expressed in PLN million. Any differences in the totals and proportions result from the rounding to PLN million and to one decimal place respectively.

This Report has been subject to internal verification by the Bank's internal audit.

[1] Journal of Laws of 2018, item 2187, as amended

[2] Journal of Laws of 2019, item 483

[3] The data covers only entities included in prudential consolidation.

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1. Information on the Bank and the Group

Pursuant to the CRR, the prudential consolidation is used for the purposes of capital adequacy, which unlike IAS-compliant consolidation, encompasses only subordinated entities that can be defined as institutions, financial institutions or ancillary services undertakings only.

In accordance with the CRR, for prudential consolidation purposes, the Group consists of: PKO Bank Polski S.A., Grupa Kapitałowa PKO Leasing S.A., PKO BP BANKOWY PTE S.A., PKO Towarzystwo Funduszy Inwestycyjnych S.A., Grupa Kapitałowa KREDOBANK SA, PKO Finance AB, PKO BP Finat Sp. z o.o., PKO Bank Hipoteczny S.A., Grupa Kapitałowa Bankowe Towarzystwo Kapitałowe S.A. and Operator Chmury Krajowej sp. z o.o.

Non-financial and insurance entities are not subject to prudential consolidation. In addition, pursuant to Article 19(1) of the CRR, ZenCard sp. z o.o. has been excluded from consolidation. Table 1.1 presents the differences in the scope of accounting and prudential consolidation of the Group entities as at 30 June 2019.

Table 1.1. Differences in accounting and regulatory consolidation and mapping of categories of financial statements to regulatory risk categories [template EU LI1]

	30.06.2019	
	a)	b)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation
ASSETS		
Cash and balances with the Central Bank	12 901	12 901
Amounts due from banks	3 267	3 107
Hedging derivatives	726	726
Other derivative instruments	2 500	2 500
Securities	71 185	68 762
Loans and advances to customers	224 794	224 947
Investments in subsidiaries, associates and joint ventures	332	1 276
Non-current assets held for sale	10	5
Intangible assets	3 130	2 972
Property, plant and equipment	4 462	4 259
Current income tax receivable	1	1
Deferred income tax assets	2 118	2 114
Other assets	3 566	2 765
TOTAL ASSETS	328 992	326 335
LIABILITIES		
Amounts due to the Central Bank	9	9
Amounts due to banks	3 057	3 057
Hedging derivatives	485	485
Other derivative instruments	3 226	3 226
Amounts due to customers	240 420	239 183
Liabilities in respect of insurance activities	1 471	
Debt securities in issue	29 654	29 688
Subordinated liabilities	2 730	2 730
Other liabilities	7 425	7 231
Current income tax liabilities	393	393
Deferred income tax provision	96	71
Provisions	402	400
TOTAL EQUITY		
Total equity	39 624	39 862
TOTAL LIABILITIES AND EQUITY	328 992	326 335

Carrying amounts shown according to the prudential consolidation differ from amounts included in the published financial statement as at 30 June 2019 due to differing scopes of 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 to the assessment of the banking activities conducted. The Bank's management system comprises the risk management and internal control systems.

The risk management system is one of the most important internal processes at PKO Bank Polski S.A., including the Bank's foreign branches, as well as at other entities of the Group. Risk management is aimed at ensuring profitability of the business activities while monitoring the risk level, keeping the risks within the risk tolerances and limits adopted by the Bank and the Group, in a changing macroeconomic and legal environment. The level of risk is an important part of the planning processes.

Within the scope of prudential consolidation, risks to be managed have been identified in the Group. Some of these risks are considered significant: credit risk, the risk of foreign currency mortgage loans to households, currency 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 for managing significant types of risk, is described in detail in the Report on Capital Adequacy and Other Information Subject to Disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 31 December 2018, the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the six month period ended 30 June 2019 and in the consolidated financial statements of the PKO Bank Polski SA Group for the year ended 31 December 2018.

2.1. Credit risk, including counterparty risk

Credit risk is defined as the risk of losses being incurred as a result of customer's default or the risk of a decrease in the economic value of amounts due to the Group as a result of deterioration in a customer's ability to repay the customers' liabilities.

The objective of credit risk management is to minimize losses on the loan portfolio as well as to minimize the risk of occurrence of loans at risk of impairment, while maintaining the expected level of profitability and value of the loan portfolio.

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Credit quality of exposures

Tables 2.1, 2.2 and 2.3 present credit quality of exposures by exposure classes and instrument, by industry and by geography. Gross carrying amount includes on-balance sheet and off-balance sheet exposures as defined in Guidelines EBA/GL/2016/11.

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

		30.06.2019						
		a)	b)	c)	d)	e)	f)	f)
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
		Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
1	Central governments or central banks	0	64 296	1	0	0	0	64 295
2	Regional governments or local authorities	0	12 613	10	0	0	0	12 603
3	Public sector entities	0	3 154	3	0	0	0	3 151
4	Multilateral development banks	0	539	0	0	0	0	539
5	International organisations	0	0	0	0	0	0	0
6	Institutions	0	8 417	3	0	0	0	8 414
7	Corporates	0	92 690	480	0	0	0	92 210
8	*Of which: SMEs*	0	8 347	65	0	0	0	8 282
9	Retail	0	86 612	650	0	41	0	85 962
10	*Of which: SMEs*	0	29 536	271	0	1	0	29 265
11	Secured by mortgages on immovable property	0	95 395	503	0	0	0	94 892
12	*Of which: SMEs*	0	960	33	0	0	0	926
13	Exposures in default	11 078	0	5 184	0	516	0	5 894
14	Items associated with particularly high risk	0	793	0	0	0	0	793
15	Covered bonds	0	0	0	0	0	0	0
16	Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0
17	Collective investments undertakings	0	4	0	0	0	0	4
18	Equity exposures	0	832	0	0	0	0	832
19	Other exposures	0	15 209	3	0	0	0	15 206
20	**Total standardised approach**	11 078	380 555	6 837	0	557	0	384 796
21	*Of which: Loans*	9 736	197 103	5 863	0	557	0	200 975
22	*Of which: Debt securities*	0	57 410	2	0	0	0	57 408
23	*Of which: Off-balance-sheet exposures*	244	64 381	140	0	0	0	64 484

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

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

	30.06.2019					
	a)	b)	c)	d)	e)	f)
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net values
	Defaulted exposures	Non-defaulted exposures				(a+b-c-d)
Agriculture, forestry and fishing	98	1 114	67	0	4	1 144
Mining and quarrying	105	2 989	20	0	0	3 074
Manufacturing	1 553	26 741	743	0	24	27 551
Electricity, gas, steam and air conditioning supply	259	9 556	99	0	0	9 716
Water supply	34	1 411	25	0	1	1 420
Construction	860	9 946	575	0	53	10 231
Wholesale and retail trade	1 479	16 183	830	0	45	16 832
Transportation and storage	494	8 965	258	0	6	9 202
Accommodation and food service activities	771	1 430	298	0	37	1 904
Information and communication	74	4 756	64	0	0	4 765
Financial and insurance activities	135	82 463	104	0	2	82 494
Real estate activities	700	13 809	295	0	2	14 214
Professional, scientific and technical activities	249	10 638	170	0	128	10 718
Administrative and support service activities	88	1 651	56	0	2	1 682
Public administration and defence; compulsory social security	4	12 430	11	0	0	12 423
Education	44	923	24	0	0	942
Human health and social work activities	55	1 617	34	0	0	1 637
Arts, entertainment and recreation	43	900	25	0	0	917
Other activities	4 035	173 035	3 140	0	252	173 929
Total	11 078	380 555	6 837	0	557	384 796

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

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

	30.06.2019				
	a)	b)		c)	d)
	Defaulted exposures	Non-defaulted exposures		Specific credit risk adjustment	Net values
	Gross carrying values of	Gross carrying values of	Off-Balance Sheet Amount		(a+b-c)
Construction (including: motorways, streets, bridges, finishing works)	274	1 021	2 371	211	3 455
Developers	1 032	8 158	4 767	568	13 390
Housing cooperatives	78	5 283	767	16	6 112

Exposures to the construction sector in the total amount of PLN 3 666 million include balance sheet exposures of PLN 1 295 million and off-balance sheet exposures of PLN 2 371 million.

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

		30.06.2019					
		a)	b)	c)	d)	e)	f)
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net values
		Defaulted exposures	Non-defaulted exposures				(a+b-c-d)
1	Poland	10 929	368 681	6 744	0	551	372 866
2	Ukraine	71	2 856	33	0	0	2 893
3	Switzerland	3	701	2	0	0	701
4	Luksemburg	1	387	1	0	0	387
5	Austria	1	932	2	0	0	930
6	United Kingdom	0	440	1	0	0	439
7	Norway	0	258	1	0	0	257
8	Belgium	0	705	1	0	0	704
9	Spain	0	506	0	0	0	506
10	Finland	0	412	0	0	0	412
11	Germany	0	428	0	0	0	428
12	Netherlands	0	463	0	0	0	463
13	France	0	1 934	5	0	0	1 929
14	Other countries	72	1 852	46	0	6	1 878
15	**Total**	11 078	380 555	6 837	0	557	384 796

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Table 2.4. Ageing of past-due exposures [template EU CR1-D]

		30.06.2019					
		a)	b)	c)	d)	e)	f)
		Gross carrying values					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans	4 193	166	132	532	638	5 417
2	Debt securities	0	0	0	0	0	0
3	Total exposures	4 193	166	132	532	638	5 417

The table above presents past-due exposures (defaulted exposures) by the type of instrument.

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Table 2.5. Non-performing and forborne exposures [template EU CR1-E]

		30.06.2019												
		a)	b)	c)	d)	e)	f)	g)	h)	i)	j)	k)	l)	m)
		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
			Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On nonperforming exposures	Of which forborne exposures
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
010	Debt securities	57 410	0	0	0	0	0	0	0	0	0	0	0	0
020	Loans and advances	206 838	515	324	9 736	9 736	9 736	7 775	-56	-43	-4 588	-4 208	106	92
030	Off-balance-sheet exposures	64 624	21	1	244	244	244	244	0	0	-11	-5	37	1

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Table 2.6. Changes in the stock of defaulted and impaired loans and debt securities [template EU CR2-B]

		30.06.2019
		Gross carrying value defaulted exposures
1	**Opening balance**	11 965
2	Loans and debt securities that have defaulted or impaired since the last reporting period	1 292
3	Returned to non-defaulted status	218
4	Amounts written off	-557
5	Other changes	-1 840
6	**Closing balance**	**11 078**

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

Use of credit risk mitigation techniques

In the process of calculating its 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 purpose of calculation of the own funds requirements is consistent with the provisions of the CRR, Part III, Title II, Chapter 2.

Table 2.7. CRM techniques - Overview [template EU CR3]

		30.06.2019				
		a)	b)	c)	d)	e)
		Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans*	254 065	5 012	3 746	1 267	0
2	Total debt securities	57 410	0	0	0	0
3	**Total exposures**	**311 475**	**5 012**	**3 746**	**1 267**	**0**
4	Of which defaulted	5 539	122	32	90	0

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

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Table 2.8. Standardized approach – Credit risk exposure (excluding derivatives) and CRM effect [template EU CR4]

		30.06.2019					
		a)	b)	c)	d)	e)	f)
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	64 255	34	65 245	45	6 323	9,7%
2	Regional government or local authorities	10 743	1 860	10 829	441	2 254	20,0%
3	Public sector entities	444	2 707	358	87	201	45,2%
4	Multilateral development banks	526	0	526	0	0	0,0%
5	International organisations	0	0	0	0	0	0,0%
6	Institutions	2 505	3 539	2 505	1 974	1 509	33,7%
7	Corporates	51 576	39 201	47 685	6 702	53 024	97,5%
8	Retail	69 329	16 631	68 690	2 897	49 116	68,6%
9	Secured by mortgages on immovable property	94 625	267	94 542	36	61 963	65,5%
10	Exposures in default	5 662	233	5 539	56	6 681	119,4%
11	Exposures associated with particularly high risk	793	0	793	0	1 189	150,0%
12	Covered bonds	0	0	0	0	0	0,0%
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0,0%
14	Collective investment undertakings	4	0	4	0	4	100,0%
15	Equity	832	0	832	0	2 068	248,4%
16	Other items	15 193	13	15 193	7	4 691	30,9%
17	**Total**	**316 487**	**64 484**	**312 742**	**12 245**	**189 022**	**58,2%**

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Table 2.9. Standardized approach – exposures by asset class and risk weight [template EU CR5]

	Exposure classes	30.06.2019																	
		Risk weight																Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
1	Central governments or central banks	62 250	0	0	161	72	0	0	0	0	496	0	2 318	0	0	0	0	65 297	62 250
2	Regional government or local authoritiese	0	0	0	0	11 270	0	0	0	0	0	0	0	0	0	0	0	11 270	11 270
3	Public sector entities	0	0	0	0	72	0	373	0	0	0	0	0	0	0	0	0	445	445
4	Multilateral development banks	539	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	539	539
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	825	0	0	0	3 123	0	2 369	0	0	116	3	0	0	0	0	0	6 436	825
7	Corporates	0	0	0	0	1	0	669	0	0	55 150	0	0	0	0	0	0	55 819	2 274
8	Retail	0	0	0	0	0	0	0	0	71 590	0	0	0	0	0	0	0	71 590	71 590
9	Secured by mortgages on immovable property	0	0	0	0	0	68 586	0	0	100	1 632	24 261	0	0	0	0	0	94 578	94 578
10	Exposures in default	0	0	0	0	0	0	0	0	0	3 425	2 170	0	0	0	0	0	5 595	5 595
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	793	0	0	0	0	0	793	793
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Collective investment undertakings	0	0	0	0	0	0	0	0	0	4	0	0	0	0	0	0	4	4
15	Equity	0	0	0	0	0	0	0	0	0	9	0	823	0	0	0	0	832	832
16	Other items	10 037	0	0	0	590	0	0	0	0	4 573	0	0	0	0	0	0	15 200	15 200
17	**Total**	73 651	0	0	161	15 126	68 586	3 411	0	71 689	65 406	27 227	3 142	0	0	0	0	328 399	266 195

The table above presents the total amount of balance sheet and off-balance sheet exposures of the Group amounting to PLN 328 451 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 2019, 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 2018, the Bank applied the effects of netting agreements for the purpose of calculation of on-balance sheet equivalent of derivatives, in accordance with Article 298 of the CRR. Such agreements are entered into primarily with institutional counterparties. The agreements allow the settlement of all the transactions covered by the agreement, even in the event of a default of one of the parties, with a single amount representing the total sum of the market values of individual transactions. The netting agreements applied meet the conditions of Articles 295–297 of the CRR.

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Counterparty credit risk exposure and CVA

Table 2.10. Analysis of exposures subject to the CCR framework (excluding capital requirements or exposures cleared by the central counterparty) [template EU CCR1]

		30.06.2019						
		a)	b)	c)	d)	e)	f)	g)
		Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
1	Mark to market		704	2 514			3 339	1 779
2	Original exposure	0					0	0
3	Standardised approach		0			0	0	0
4	IMM (for derivatives and SFTs)				0	0	0	0
5	*Of which securities financing transactions*				0	0	0	0
6	*Of which derivatives and long settlement transactions*				0	0	0	0
7	*Of which from contractual cross-product netting*				0	0	0	0
8	Financial collateral simple method (for SFTs)						0	0
9	Financial collateral comprehensive method (for SFTs)						74	74
10	VaR for SFTsh						0	0
11	**Total**							1 853

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

Table 2.11. Composition of collateral for exposures to counterparty credit risk [template CCR5-B]

	30.06.2019					
	a)	b)	c)	d)	e)	f)
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Total	465	0	492	0	1 883	50

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

As at 30 June 2019 the Bank did not have any credit derivatives, i.e. instruments which would require disclosing in a table in accordance with the template EU CCR6.

Table 2.12. Standardized approach – CCR exposures by regulatory portfolio and risk [template EU CCR3]

	Exposure classes	30.06.2019												
		Risk weight											Total	Of which unrated
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Inne kwestie		
1	Central governments or central banks	7	0	0	0	0	0	0	0	0	0	0	7	0
2	Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Multilateral development banks	13	0	0	0	0	0	0	0	0	0	0	13	13
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	824	0	0	0	487	645	0	0	1	0	0	1 958	0
7	Corporates	0	0	0	0	0	6	0	0	1 427	0	0	1 433	923
8	Retail	0	0	0	0	0	0	0	3	0	0	0	3	3
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Other items	0	0	0	0	0	0	0	0	0	0	0	0	0
11	**Total**	844	0	0	0	487	651	0	3	1 428	0	0	3 412	939

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

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Table 2.13. Exposures to central counterparties [template EU CCR8]

		30.06.2019	
		a)	b)
		EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**		382
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	956	346
3	(i) OTC derivatives	950	346
4	(ii) Exchange-traded derivatives	6	0
5	(iii) SFTs	0	0
6	(iv) Netting sets where cross-product netting has been approved	0	0
7	Segregated initial margin	55	
8	Non-segregated initial margin	0	0
9	Prefunded default fund contributions	19	0
10	Alternative calculation of own funds requirements for exposures		36
11	**Exposures to non-QCCPs (total)**		0
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	0	0
13	i) OTC derivatives	0	0
14	ii) Exchange-traded derivatives	0	0
15	(iii) SFTs	0	0
16	(iv) Netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	0	
18	Non-segregated initial margin	0	0
19	Prefunded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

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

Table 2.14. Standardized approach - impact of netting and collateral held on exposure values [template EU CCR5-A]

		30.06.2019				
		a)	b)	c)	d)	e)
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	3 226	1 558	1 668	449	1 219
2	SFTs	1 934	0	1 934	1 926	7
3	Cross-product netting	0	0	0	0	0
4	**Total**	5 160	1 558	3 602	2 375	1 226

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

Table 2.15. CVA capital charge [template EU CCR2]

		30.06.2019	
		a)	b)
		Exposure value	RWAs
1	Total portfolios subject to the advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) SVaR component (including the 3× multiplier)		0
4	All portfolios subject to the standardised method	1 209	313
EU4	Based on the original exposure method	0	0
5	Total subject to the CVA capital charge	0	0

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

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2.2. Market risk

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

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

Table 2.16. Standardized approach - the Group's own funds requirement for market risk [template EU MR1]

		30.06.2019	
		a)	b)
		RWAs	Capital requirements
Outright products			
1	Interest rate risk (general and specific)	5 379	430
2	Equity risk (general and specific)	216	17
3	Foreign exchange risk	0	0
4	Commodity risk	0	0
Options			
5	Simplified approach	0	0
6	Delta-plus method	0	0
7	Scenario approach	6	0
8	Securitisation (specific risk)	0	0
9	**Total**	5 600	448

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

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

As at 30 June 2019, the Group did not have an open position for commodity price risk, so the respective own funds requirement was zero.

Since the Group does not use internal models for the purpose of 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 inability to settle liabilities as they become due because of an absence of liquid assets. A lack of liquidity may be due to inappropriate structure of the balance sheet, a mismatch of cash flows, customers' 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) as they become due, 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 statement of financial position and off-balance sheet liabilities.

The table below presents regulatory liquidity measures as at 30 June 2019 and as at 31 December 2018.

Table 2.17. Supervisory liquidity measures

PKO Bank Polski SA		
Measure	30.06.2019	31.12.2018
M3	13,25	17,44
M4	1,19	1,22

Bank subsidiaries		
Measure	30.06.2019	31.12.2018
LCR	135,5%	132,0%
NSFR	119,1%	117,7%

In the periods ended 31 December 2018 and 30 June 2019, regulatory liquidity measures remained above their respective supervisory limits. The LCR and NSFR ratios in the table show the values of the Group, and M3-M4 ratios are the values for the Bank.

Table 2.18. Liquidity Coverage Ratio for the Group

Currency and units (PLN million)		Total weighted value (avg)	
Quarter ending on (DD Month YYY)		30.06.2019	31.03.2019
Number of data points used in the calculation of averages		12	12
		Total adjusted value	
21	Liquidity buffer	52 112	49 633
22	Total net cash outflows	37 302	35 868
23	Liquidity coverage ratio (%)	139,9%	138,5%

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

As at 30 June 2019, the Group had three currencies for which the ratio of liabilities in a given currency to total liabilities in all currencies amounted to at least 5%: PLN, EUR and CHF.

2.4. Operational risk

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

The objective of operational risk management is to enhance collateral of the operational activity pursued by the Bank by improving the efficient, tailored to the profile and the scale of operations mechanisms of identification, assessment and measurement, controlling, monitoring reduction and reporting of operational risk.

3. Own funds

Own funds for the purposes of capital adequacy are calculated in accordance with the Banking Law, Part Two of the CRR and CRR implementing regulations.

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

Common Equity Tier 1 capital comprises:

1) share capital, reported at nominal value in accordance with the Articles of Association and the Register of Businesses;
2) supplementary capital, accumulated from amounts set aside annually from the net profit to absorb balance sheet losses which may result from the Group's operations;
3) other reserve capital, established independently from supplementary capital, from amounts set aside from the net profit in accordance with resolutions of the General Shareholders' Meeting (hereinafter referred to as "GSM"), assigned to absorb balance sheet losses exclusively;
4) other accumulated comprehensive income (excluding gains and losses on cash flow hedges);
5) general risk reserve created from the net profits in the amount defined by the GSM, assigned to absorb unidentified risk in the banking activities;
6) retained earnings;
7) net profit or loss before approval and the net profit or loss for the current reporting period – calculated in accordance with the applicable accounting principles, less any expected charges and dividends, in amounts not exceeding the net profit audited by a registered auditor; the net profit may be included in own funds if approved by the GSM or, prior to such approval, subject to consent by the PSFA.

Due to the fact that the Group applies transitional arrangements relating to the impact of IFRS 9 on capital adequacy (as described further in the Report), an adjustment resulting from transitional solutions to mitigate the impact of IFRS 9 adoption on own funds was recognized.

The following items are deducted from Common Equity Tier 1 capital:

1) losses for the current reporting period;
2) intangible assets measured at carrying amounts less the related deferred tax provision, including goodwill taken into account in the measurement of significant investments;
3) additional adjustments for assets measured at fair value resulting from the requirements for prudent valuation;
4) deferred tax assets based on future profitability and not resulting from temporary timing differences;
5) additional adjustments to the fair values of liabilities and derivative instruments representing liabilities which result from the Bank's own credit risk;
6) deferred tax assets based on future profitability and resulting from temporary timing differences, in an amount exceeding 10% of the Group's Common Equity Tier 1 capital (after the deductions described in items 1-5 and 7);
7) direct and indirect equity exposures of the Group to financial sector entities, if the Group's investments in these entities are not significant, in the form of shares or other instruments of Common Equity Tier 1 or Tier 2 capital of said entities, provided that their sum exceeds 10% of Common Equity Tier 1 capital of the Group (after the deductions described in items 1-5);
8) direct and indirect equity exposures of the Group to financial sector entities, if the Group's investments in these entities are significant, in the form of shares or other instruments of Common Equity Tier 1 capital of said entities, where their sum exceeds 10% of Common Equity Tier 1 capital of the Group (after the deductions described in items 1-5);
9) the amount by which the sum of:
    a) deferred tax assets based on future profitability and resulting from temporary timing differences, up to 10% of the Group's Common Equity Tier 1 capital (after the deductions described in items 1-5 and 7);
    b) direct and indirect equity exposures of the Group to financial sector entities, if the Group's investments in these entities are significant, in the form of shares or other instruments of Common Equity Tier 1 capital of said entities, up to 10% of Common Equity Tier 1 capital of the Group (after the deductions described in items 1-5);

   exceeds the equivalent of 17.65% of the Group's Common Equity Tier 1 capital (calculated taking into account all the deductions referred to in items 1-7); the amount below the threshold (17.65%) is taken into account in risk-weighted assets;

The Tier 2 capital comprises subordinated liabilities i.e. funds acquired by the Bank - in the amount and according to principles determined by PFSA in a decision issued in response to the Bank's request – which meet the conditions laid out in Article 63 of the CRR.

The following items are deducted from Tier 2 capital:

1) direct and indirect capital exposure to financial sector entities in which the institution has significant investments, in the form of instruments of Tier 2 capital of said entities;
2) direct and indirect equity exposures to financial sector entities, if the institution's investments in these entities is not significant, in the form of shares or other instruments of Tier 2 capital of said entities, where the total sum of these exposures exceeds 10% of Common Equity Tier 1 capital of the Bank;
3) if the deductions described in points 1 and 2 above would result in a negative value of Tier 2 capital, the remaining value of said deductions is used to reduce Common Equity Tier 1 capital.

In accordance with the requirements of the Implementing Regulation 1423/2013, table 3.1. presents a reconciliation of items in the statement of financial position used to calculate own funds with regulatory own funds as at 30 June 2019.

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

	30.06.2019				
	IFRS compliant financial report	De-consolidation of entities not subject to prudential consolidation	Prudential consolidation/CRR compliant financial report	Items not recognized in the regulatory own funds	Items recognized in the regulatory own funds
Assets					
Intangible assets	3 130	-158	2 972	-208	**2 764**
Liabilities					
Subordinated liabilities	2 730	0	2 730	-30	**2 700**
Capital					
Share capital	1 250	0	1 250	0	**1 250**
Supplementary capital	29 429	-1	29 428	0	**29 428**
Other reserves	3 238	-78	3 160	0	**3 160**
General banking risk reserve	1 070	0	1 070	0	**1 070**
Other income	467	-2	465	-289	**177**
Fair value of financial assets measured at fair value through other comprehensive income	429	1	430	0	**430**
Cash flow hedges	289	0	289	-289	**0**
Exchange differences	-230	-3	-233	0	**-233**
Actuarial gains / losses	-10	-1	-11	0	**-11**
Share in other comprehensive income of an associated entity	-11	1	-10	0	**-10**
Net profit for the current period	2 079	-7	2 072	-2 072	**0**
Previous years' result	2 101	316	2 417	0	**2 417**
Non-Controlling Interest	-10	10	0	0	**0**
Total own funds	**39 624**	**238**	**39 862**	**-2 361**	**37 502**
Additional adjustments					**905**
Additional adjustments of assets measured at fair value					**-69**
Deferred tax assets reliant on future profitability excluding those arising from temporary differences					**0**
Adjustments due to IFRS9 in transitional period					**975**
Own funds total used for calculation of capital adequacy ratio					**38 343**

In accordance with the requirements of the Implementing Regulation 1423/2013, table 3.2. presents information on the nature and amounts of own funds items used to calculate the total capital ratio as at 30 June 2019. Rows in the table were omitted only if the respective items amounted to 0.

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Bank Polski

Table 3.2. Own funds used to calculate capital ratios (consolidated basis)

Common Equity Tier I capital: Instruments and reserves		(A) 30.06.2019	(B) References CRR
1	Capital instruments and the related share premium accounts	1 250	Art. 26 item 1(a)(b)
	of which: A-series registered shares	313	-
	of which: A-series common bearer shares	198	-
	of which: B-series common bearer shares	105	-
	of which: C-series common bearer shares	385	-
	of which: D-series common bearer shares	250	-
2	Retained earnings, of which:	3 392	Art. 26 item 1(c), Art. 28
	retained earnings	2 417	
	adjustment resulting from transitional solutions to mitigate impact of IFRS 9 adoption on equity	975	
3	Accumulated other comprehensive income	33 053	Art. 26 item 1(d) (e)
3a	Funds for general banking risk	1 070	Art. 26 item 1(f)
6	**Common Equity Tier I prior to regulatory adjustments**	**38 765**	Art. 26
Common Equity Tier I capital: regulatory adjustments			
7	Additional value adjustment (negative value)	-65	Art. 34
8	Intangible assets (net of related deferred tax liabilities) (negative value)	-2 764	Art. 36 item 1(b)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	Art. 36 item 1(c), Art. 38 Art. 472 item 5
11	Fair value reserves related to gains or losses resulting from cash flow headging instruments	-288	Art. 33 item 1(a)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-5	Art. 33 item 1(c)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amonts subject to pre-CRR treatment	0	Art. 469 item 1(a)(b), Art. 472 item 5, Art. 468 item 4, Art. 472 item 2, Art. 478
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 i 468;	0	Art. 467, Art. 468
	Of which: ...filter for unrealised loss 1	0	Art. 467
	Of which: ...filter for unrealised loss 2	0	Art. 467
	Of which: ...filter for unrealised loss 3	0	Art. 467
	Of which: ...filter for unrealised gain 1	0	Art. 468
	Of which: ...filter for unrealised gain 2	0	Art. 468
	Of which: ...filter for unrealised gain 3	0	Art. 468

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28	Total regulatory adjustments to Common equity Tier I	-3 122	-
29	Common Equity Tier I capital	**35 643**	Art. 50
Additional Tier I: regulatory adjustments			
45	Tier I capital (Tier I = Common Equity Tier I + Additional Tier I capital)	**35 643**	Art. 25
Tier II capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	2 700	Art. 62 lit. a), Art. 63
51	Tier II capital before regulatory adjustments	**2 700**	Art. 62
Tier II Capital: regulatory adjustments			-
58	Tier II capital	2 700	Art. 71
59	Total capital (Tier I + Tier II capital)	38 343	Art. 72
60	RWAs	206 459	-
Capital ratios and buffers			
61	Common Equity Tier 1 capital (expressed as a percentage of the total risk exposure amount)	17,26%	Art. 92 item 1(a)
62	Tier 1 capital (expressed as a percentage of the total risk exposure amount)	17,26%	Art. 92 item 1(b)
63	Total capital (expressed as a percentage of the total risk exposure amount)	18,57%	Art. 92 item 1(c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	6,41%	-
65	of which: capital conservation buffer requirement	2,50%	-
66	of which: countercyclical buffer requirement	0,01%	-
67	of which: systemic risk buffer requirement	2,90%	-
67a	of which: Global Systemically Important Institution (G-SII) or other Systemically Important Institution (O-SII) buffer	1,00%	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9,26%	-
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investement in those entities (amount below 10% threshold and net of eligible short	0	Art. 36 item 1(h), Art. 46 item 4
73	Direct and indirect holdings by the instituition of the CET1 instruments of financial sector entities where the institution has a significant investement in those entities (amount below 10% threshold and net of eligible short positions)	810	Art. 36 item 1(i), Art. 48 item 1, Art. 470
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	2 326	Art. 36 ust. 1(c), Art. 48 item 1, Art. 470

As at 30 June 2019, capital exposures to the financial sector entities, according to Article 48 of the CRR, did not exceed 10% of Common Equity Tier 1 capital, and therefore they were not deducted from own funds of the Bank and the Group, and were taken into account in risk weighted assets.

A description of the main features of instruments issued by the Bank and classified as Common Equity Tier 1 capital and Tier 2 instruments are resented in Table 3.3. (data presented in PLN). Rows in the table were omitted solely when they do not apply to the Group.

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

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

4. Own funds requirements

The Group calculates own funds requirements, in accordance with the CRR, for the following types of risk:

1) credit risk – using the standardized approach (in accordance with the CRR, Part 3, Title 2, Chapter 2), using the following formulas:
    a) balance sheet exposures - a product of a carrying amount (taking into consideration the amount of adjustments for specific credit risk), a risk weight of the exposure calculated according to the standardized method of calculating the credit risk requirement as regards own funds and 8% (considering recognized collateral);
    b) off-balance sheet liabilities granted - a product of the value of liability (taking into consideration the amount of adjustments for specific credit risk), a risk weight of the product, a risk weight assigned to an off-balance sheet exposure calculated according to the standardized method of calculating the credit risk requirement for own funds and 8% (taking into consideration recognized collateral);
    c) off-balance sheet transactions (derivative instruments) - a product of the risk weight of an off-balance sheet transaction calculated according to the standardised method of calculating the credit risk requirement for own funds, equivalent in the statement of financial position of off-balance sheet transaction and 8% (the value of the equivalent in the statement of financial position is calculated in accordance with the mark-to-market method).
2) operational risk:
    a) in accordance with the AMA approach - with regard to operations conducted by the Bank, taking into account the operations of the Bank's foreign branch in the Federal Republic of Germany and excluding the operations of the Bank's foreign branch in the Czech Republic;
    b) In accordance with the BIA approach (under the CRR, Part 3, Title 3) - with regard to the operations of the Bank's foreign branch in the Czech Republic and the operations of the Group covered by prudential consolidation.
3) market risk (in accordance with the CRR, Part 3, Title 4, Chapters 2-4):
    a) currency risk - calculated under the basic approach;
    b) commodity risk - calculated under the simplified approach;
    c) equity instruments risk - calculated under the simplified approach;
    d) specific risk of debt instruments - calculated under the basic approach;
    e) general risk of debt instruments - calculated under the duration-based approach;
    f) other types of risk, other than delta risk (non-delta risk) calculated under the scenario approach in the case of options for which the Bank uses its own valuation models and under the delta plus approach for other options,
4) other risks:
    a) settlement risk and delivery risk – calculated using the method set out in Title 5, Part 3 of the CRR;
    b) counterparty credit risk – calculated using the mark-to-market method set out in Chapter 6, Title 2, Part 3 of the CRR;
    c) credit valuation adjustment (CVA) risk – calculated using the standardized method set out in Title 4, Part 3 of the CRR;
    d) exceeding the large exposures limit – calculated under the approach set out in Articles 395-401 of the CRR;
    e) for exposures to a central counterparty, the requirements are calculated for the risk of default in respect of transactions and for contributions to the fund of a qualifying central counterparty (determined in accordance with the method set out in Part 3, Title 2, Chapter 6, Section 9 of the CRR).

The total own funds requirement for the Group is the sum of the own funds requirements for specific risks as specified above.

When calculating the own funds requirement for counterparty credit risk, the Bank uses contractual netting in accordance with the CRR (Articles 295-298).

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Information on own funds requirements for the Group is presented in table 4.1.

Table 4.1. Overview of RWAs of the Group [template EU OV1]

Referencje CRR			RWAs					Minimum capital requirements
			30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	30.06.2019
	1	Credit risk (excluding CCR)	189 022	187 741	184 709	184 613	188 607	15 122
art. 438 lit. c) i d)	2	Of which the standardised approach	189 022	187 741	184 709	184 613	188 607	15 122
art. 107 art. 438 lit. c) i d)	6	CCR	2 549	2 266	1 767	2 039	2 391	204
art. 438 lit. c) i d)	7	Of which mark to market	1 854	1 615	1 416	1 448	1 771	148
art. 438 lit. c) i d)	8	Of which original exposure	0	0	0	0	0	0
	9	Of which the standardised approach	0	0	0	0	0	0
	10	Of which internal model method (IMM)	0	0	0	0	0	0
art. 438 lit. c) i d)	11	Of which risk exposure amount for contributions to the default fund of a CCP and other exposures to the central counterparty	382	327	43	50	40	31
art. 438 lit. c) i d)	12	Of which CVA	313	324	308	542	579	25
art. 438 lit. e)	13	Settlement risk	1	0	0	0	0	0
art. 438 lit. e)	19	Market risk	5 600	5 728	5 900	6 512	6 399	448
	20	Of which the standardised approach	5 600	5 728	5 900	6 512	6 399	448
	21	Of which IMA	0	0	0	0	0	0
art. 438 lit. e)	22	Large exposures	0	0	0	0	0	0
art. 438 lit. f)	23	Operational risk	9 287	8 513	8 066	9 047	8 851	743
	24	Of which basic indicator approach	3 277	2 849	2 623	2 606	2 623	262
	25	Of which standardised approach	0	0	0	0	0	0
	26	Of which advanced measurement approach	6 010	5 664	5 443	6 441	6 228	481
art. 437 ust. 2) i art. 48 i art. 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	7 840	7 941	7 893	8 103	7 318	627
art. 500	28	Floor adjustment	0	0	0	0	0	0
	29	**Total**	206 459	204 248	200 442	202 211	206 248	16 517

5. Capital buffers

In accordance with the Act on macroprudential supervision, the Group is obliged to meet the combined buffer requirement above the minimums set out in Article 92 of the CRR, representing the sum of the applicable buffers, namely:

1) a capital conservation buffer, which has amounted to 2.5% (the final level of the buffer) since 1 January 2019;
2) a countercyclical buffer, which is equal to 0% for credit exposures located in the Republic of Poland;
3) a systemic risk buffer, which amounts to 3% for exposures located in the Republic of Poland; due to the fact that the Group also conducts foreign operations, the systemic risk buffer for the Group is 2.9%;
4) a buffer due to the fact that the Bank has been identified as other systemically important institution ("O-SII"), which amounts to 1%.

Table 5.1. Countercyclical capital buffer specific for the Group

		30.06.2019	31.12.2018
010	Total risk exposure amount	206 459	200 442
020	Institution specific countercyclical capital buffer rate (%)	0,006022	0,005395
030	Institution specific countercyclical capital buffer rate requirement	12	11

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6. Leverage

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

The objective of managing the risk of excessive leverage is to ensure an appropriate relation between the amount of Tier 1 capital and the total of balance sheet assets and off-balance sheet liabilities granted by the Bank.

For the purpose of measuring the risk of excessive financial leverage, a leverage ratio is calculated as a measure of Tier 1 capital divided by the measure of total exposure and is expressed as a percentage rate. As at 30 June 2019, the leverage ratio was calculated in line with the transitional definition of Tier 1 capital (in scope of transitional arrangements for mitigating the effect of IFRS 9 on own funds). The Group also discloses (in Chapter 7 of the Report) the leverage ratio calculated as if the transitional arrangements relating to IFRS 9 were not applied.

As at 30 June 2019, the leverage ratio was above the internal and external limits and above the minimum values recommended by the PFSA.

Table 6.1. Reconciliation of asset items reported in the audited financial statements and leverage ratio exposures [template LR Sum]

		CRR Leverage ratio exposures	
		30.06.2019	31.12.2018
1	Total assets as per published financial state	328 992	324 255
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-2 605	-2 110
4	Adjustments for derivative financial instruments	2 836	2 435
5	Adjustments for securities financing transactions (SFTs)	7	7
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	14 987	14 089
7	Other adjustments	-1 915	-1 878
8	Total leverage ratio exposure measure	342 303	336 797

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

		CRR Leverage ratio exposures	
		30.06.2019	31.12.2018
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	327 018	322 858
2	Asset amounts deducted in determining Tier 1 capital	-3 123	-2 902
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	323 896	319 957
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	915	860
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2 836	2 435
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-412	-567
11	**Total derivatives exposures (sum of lines 4 to 10)**	3 339	2 727
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	74	18
14	Counterparty credit risk exposure for SFT assets	7	7
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	81	24
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	64 624	57 610
18	(Adjustments for conversion to credit equivalent amounts)	-49 637	-43 520
19	Other off-balance sheet exposures (sum of lines 17 and 18)	14 987	14 089
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		0	0
Capital and total exposure mesure		0	0
20	Tier 1 capital	35 643	35 149
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	342 303	336 797
Leverage ratio			
22	Leverage ratio	10,41%	10,44%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Przejściowe	Przejściowe

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

		CRR leverage ratio exposures	
		30.06.2019	31.12.2018
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	327 018	322 858
EU-2	Trading book exposures	10 531	9 317
EU-3	Banking book exposures, of which:	316 487	313 541
EU-4	Covered bonds	0	0
EU-5	Exposures treated as sovereigns	64 255	66 144
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	11 713	10 726
EU-7	Institutions	2 505	6 965
EU-8	Secured by mortgages of immovable properties	94 625	91 670
EU-9	Retail exposures	69 329	66 897
EU-10	Corporate	51 576	47 223
EU-11	Exposures in default	5 662	6 403
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	16 823	17 512

The following factors contributed to the level of the leverage ratio as at 30 June 2019:

1) an increase in exposures due to an increase in loans and advances to customers;
2) a slight increase in own funds due to the appropriation of the Bank's and the Group's profit for 2018 (after deducting the expected charges).

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7. Capital adequacy

Capital adequacy is a process intended to ensure that the level of risk which the Bank and the Group assume in relation to the development of its business activities may be covered with its capital, taking into account determined risk tolerance level and time horizon. The process of managing capital adequacy comprises, in particular, compliance with the applicable regulations of the supervisory and control authorities, as well as the risk tolerance level determined within the Bank and the Bank's Group and the capital planning process, including policy concerning the sources of acquisition of capital.

The minimum levels of the capital ratios maintained by the Group in accordance with Article 92 of the CRR are as follows:

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

In accordance with the Act on macroprudential supervision, the Group is obliged to meet a combined buffer requirement above the minima set out in Article 92 of the CRR, representing the sum of the applicable buffers. Detailed information on capital buffers is presented in Chapter 5 of the Report.

In addition, the Bank and the Group are obliged to maintain own funds to cover an additional capital requirement in order to hedge the risk resulting from mortgage-secured loans and advances to households denominated in foreign currencies ("a discretionary capital requirement"):

- for the total capital ratio: 0.47% for the Bank and 0.42% for the Group;
- for Tier 1 capital ratio; 0.35% for the Bank and 0.31% for the Group;
- for Common Equity Tier 1 capital ratio: 0.26% for the Bank and 0.23% for the Group.

Table 7.1. Capital ratios

Capital ratios	30.06.2019	31.12.2018
Total amount of risk exposure	206 459	200 442
Common Equity Tier 1 (CET1)	35 643	35 150
Tier 2 (T2) capital	2 700	2 700
Total capital (TC=T1+T2)	38 343	37 850
CET1 ratio (%)	**17,26%**	**17,54%**
T1 ratio (%)	**17,26%**	**17,54%**
TCR (%)	**18,57%**	**18,88%**

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The impact of IFRS 9 on capital adequacy measures

Starting from 1 January 2018, a new accounting standard IFRS 9, Financial instruments entered into force, replacing IAS 39, Financial instruments. IFRS 9 introduced changes to the classification and measurement of financial instruments, recognition and calculation of their impairment, and hedge accounting.

The impact of IFRS 9 on own funds and capital adequacy measures resulting from the new impairment model are governed by Regulation (EU) no. 2395/2017 of the European Parliament and of the Council.[4] In accordance with the said Regulation, banks are allowed to apply transitional provisions relating to own funds and to increase their Common Equity Tier 1 capital relating to the implementation of the new impairment model over 5 consecutive years after 1 January 2018, using an adjusting factor which will decrease from year to year.

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

Table 7.2. Impact of applying transitional arrangements on Group's own funds, risk weighted assets and capital and leverage ratios [template IFRS 9-FL]

		30.06.2019	31.03.2019
Available capital (amounts)			
1	Common Equity Tier 1 (CET1) capital	35 643	34 792
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	34 668	34 024
3	Tier 1 capital	35 643	34 792
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	34 668	34 024
5	Total capital	38 343	37 492
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	37 368	36 724
Risk-weighted assets (amounts)			
7	Total risk-weighted assets	206 458	204 248
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	205 739	203 525
Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	17,26%	17,03%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,85%	16,72%
11	Tier 1 (as a percentage of risk exposure amount)	17,26%	17,03%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,85%	16,72%
13	Total capital (as a percentage of risk exposure amount)	18,57%	18,36%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,16%	18,04%
Leverage ratio			
15	Leverage ratio total exposure measure	342 303	338 990
16	Leverage ratio	10,41%	10,26%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10,15%	10,06%

[4] 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

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Statement of the Management Board of PKO Bank Polski SA

The Management Board of PKO Bank Polski SA:

- declares that, to the best of its knowledge, information disclosed in accordance with Part 8 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 risk management arrangements, in particular for liquidity risk, at PKO Bank Polski S.A. ensures that the risk management systems used are appropriate from the perspective of the Bank's and the Group's risk profile and strategy;
- approves the Report "Capital adequacy and other information subject to disclosure of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group as at 30 June 2019", which contains information on the risks, including liquidity risk, describes the general risk profile, including liquidity risk of the Bank and the Group, related to their operational strategy, and contains key indicators and data, allowing external stakeholders to form a comprehensive view of the risk management in PKO Bank Polski S.A. and the Group, including interaction between the Bank's risk profile and risk tolerance in the form of strategic tolerance limits, defined by the Management Board and accepted by the Supervisory Board.

Signatures of all members of the Management Board of PKO Bank Polski S.A.

9/08/2019	Zbigniew Jagiełło	President of the Management Board	.... (signature)
9/08/2019	Rafał Antczak	Vice-President of the Management Board	.... (signature)
9/08/2019	Rafał Kozłowski	Vice-President of the Management Board	.... (signature)
9/08/2019	Maks Kraczkowski	Vice-President of the Management Board	.... (signature)
9/08/2019	Mieczysław Król	Vice-President of the Management Board	.... (signature)
9/08/2019	Adam Marciniak	Vice-President of the Management Board	.... (signature)
9/08/2019	Piotr Mazur	Vice-President of the Management Board	.... (signature)
9/08/2019	Jakub Papierski	Vice-President of the Management Board	.... (signature)
9/08/2019	Jan Emeryk Rościszewski	Vice-President of the Management Board	.... (signature)