

# Disclosure on Risk Management and Capital Adequacy of Bank Gospodarstwa Krajowego as at 30 September 2021 (Pillar III)



## Introduction

This document constitutes the implementation by Bank Gospodarstwa Krajowego, of the provisions in 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, amending Regulation (EU) No 648/2012, as amended (hereinafter referred to as the CRR Regulation) and on the basis of other Commission (EU) implementing regulations setting implementing technical standards on disclosure requirements, the European Banking Authority's Disclosure Guidelines, Commission (EU) Delegated Regulations and Recommendations of the Supervisory Commission financial statements supplementing the CRR with regard to regulatory technical standards on disclosure of information.

Disclosure has been drafted in accordance with "Information Policy of Bank Gospodarstwa Krajowego in the scope of publication of information regarding risk management and capital adequacy", approved by the Management Board and the Supervisory Board of the Bank.

As at 30 September 2021, Bank Gospodarstwa Krajowego was not subject to prudential consolidation because subsidiaries not meet expectation article 19 CRR. Taking into account the above, these statements are made on the basis of separate data.

Bank does not use any internal models for calculating own funds requirements, BGK is not subject to the obligation of complying with capital buffers referred to in CRDIV/CRDV.

Unless otherwise specified, the presented values are expressed in PLN milion. Any differences in sums and percentage shares result from rounding.

*Declaration of Member of Management Board in charge of capital adequacy management:*

*declares that to the best of his knowledge, the Bank has made the disclosures required by the provisions of Section Eight of the CRR in accordance with the internal regulations, control systems and mechanisms in terms of disclosure of information. The applied risk management processes are appropriate from the point of view of the risk profile and the Bank's strategy.*

*The document is available on the Bank's website: [www.en.bgk.pl/](http://www.en.bgk.pl/)*

## Disclosures on risk management and capital adequacy of Bank Gospodarstwa Krajowego as of September 2021 (Pillar III)

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**Comments:**

Increase in risk weighted exposure amounts for credit risk caused mainly by an increase of exposures to institutions, exposures to corporates and exposures in the form of units or shares in collective investment undertakings ('CIUs').

**Table EU OV1 – Overview of risk weighted exposure amounts**

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		30/09/2021	30/06/2021	30/09/2021
1	Credit risk (excluding CCR)	88 053	84 559	7 044
2	Of which the standardised approach	88 053	84 559	7 044
3	Of which the foundation IRB (FIRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple riskweighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk - CCR	785	899	63
7	Of which the standardised approach	599	725	48
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	1	1	0
EU 8b	Of which credit valuation adjustment - CVA	171	156	14
9	Of which other CCR	15	16	1
15	Settlement risk	0	0	0
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 1250%/ deduction	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	1 035	994	83
21	Of which the standardised approach	1 035	994	83
22	Of which IMA			
EU 22a	Large exposures	0	0	0
23	Operational risk	2 446	2 446	196
EU 23a	Of which basic indicator approach	2 446	2 446	196
EU 23b	Of which standardised approach			
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	1 035	1 153	83
<b>29</b>	<b>Total</b>	<b>92 319</b>	<b>88 898</b>	<b>7 386</b>

**Comments:**

Decrease in total capital ratio in the 3rd quarter of 2021 caused mainly by an increase of capital requirement for credit risk due to increase of exposures to institutions, exposures to corporates and exposures in the form of units or shares in collective investment undertakings ('CIUs').

High level of liquidity ratios. The supervisory liquidity limits are not exceeded.

BGK is not subject to the obligation of complying with capital buffers referred to in CRDIV/CRDV.

**Table EU KM1 - Key metrics template**

		a	b	c	d	e
		30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2020
<b>Available own funds (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	23 955	23 899	23 888	23 778	23 284
2	Tier 1 capital	23 955	23 899	23 888	23 778	23 284
3	Total capital	23 955	23 899	23 888	23 778	23 284
<b>Risk-weighted exposure amounts</b>						
4	Total risk-weighted exposure amount	92 319	88 898	71 394	70 225	69 001
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common Equity Tier 1 ratio (%)	25.95%	26.88%	33.46%	33.86%	33.74%
6	Tier 1 ratio (%)	25.95%	26.88%	33.46%	33.86%	33.74%
7	Total capital ratio (%)	25.95%	26.88%	33.46%	33.86%	33.74%
<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>						
EU 7a	Additional CET1 SREP requirements (%)	-	-	-	-	-
EU 7b	Additional AT1 SREP requirements (%)	-	-	-	-	-
EU 7c	Additional T2 SREP requirements (%)	-	-	-	-	-
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%

**Table EU KM1 - Key metrics template**

		a	b	c	d	e
		30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2020
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer (%)	n/d	n/d	n/d	n/d	n/d
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	n/d	n/d	n/d	n/d	n/d
9	Institution specific countercyclical capital buffer (%)	n/d	n/d	n/d	n/d	n/d
EU 9a	Systemic risk buffer (%)	n/d	n/d	n/d	n/d	n/d
10	Global Systemically Important Institution buffer (%)	n/d	n/d	n/d	n/d	n/d
EU 10a	Other Systemically Important Institution buffer	n/d	n/d	n/d	n/d	n/d
11	Combined buffer requirement (%)	n/d	n/d	n/d	n/d	n/d
EU 11a	Overall capital requirements (%)	8.00%	8.00%	8.00%	8.00%	8.00%
12	CET1 available after meeting the total SREP own funds requirements (%)	16 569	16 788	18 177	18 160	17 764
<b>Leverage ratio</b>						
13	Leverage ratio total exposure measure	479 601	425 368	366 349	354 053	349 751
14	Leverage ratio	4.99%	5.62%	6.52%	6.72%	6.66%
<b>Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)</b>						
EU 14a	Additional CET1 leverage ratio requirements (%)	n/d	n/d	n/d	n/d	n/d
EU 14b	Additional AT1 leverage ratio requirements (%)	n/d	n/d	n/d	n/d	n/d
EU 14c	Additional T2 leverage ratio requirements (%)	3.00%	3.00%	n/d	n/d	n/d
<b>Total SREP leverage ratio requirements (%)</b>						
EU 14d	Applicable leverage buffer	n/d	n/d	n/d	n/d	n/d
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	n/d	n/d	n/d
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	147 906	135 187	128 889	112 336	93 054
EU 16a	Cash outflows - Total weighted value	87 861	83 900	82 829	74 926	64 903
EU 16b	Cash inflows - Total weighted value	15 991	15 624	17 231	18 833	19 223
16	Total net cash outflows (adjusted value)	71 870	68 276	65 598	56 093	45 680
17	Liquidity coverage ratio (%)	205	198	197	201	206
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	324 163	292 247	253 578	239 298	236 481
19	Total required stable funding	168 863	160 975	148 754	143 077	124 221
20	NSFR ratio (%)	192	182	170	167	190

**Table EU LIQ1 - Quantitative information of LCR**

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending	30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2021	30/06/2021	31/03/2021	31/12/2020
EU 1b	Number of data points used in the calculation of averages								
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					147 906	135 187	128 889	112 336
<b>CASH - OUTFLOWS</b>									
2	retail deposits and deposits from small business customers, of which:	58	59	61	62	7	7	8	8
3	Stable deposits	0	0	0	0	0	0	0	0
4	Less stable deposits	58	59	61	62	7	7	8	8
5	Unsecured wholesale funding	154 292	139 028	134 861	123 030	67 350	60 878	59 987	54 635
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	154 061	138 837	134 665	122 783	67 119	60 688	59 792	54 388
8	Unsecured debt	231	191	196	247	231	191	196	247
9	Secured wholesale funding	0	0	0	0	0	0	0	0
10	Additional requirements	35 476	34 666	34 414	32 823	4 870	4 857	5 008	4 895
11	Outflows related to derivative exposures and other collateral requirements	824	892	1 073	1 161	824	892	1 073	1 161
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	34 652	33 774	33 341	31 629	4 045	3 965	3 935	3 701
14	Other contractual funding obligations	15 695	18 215	17 884	15 440	15 635	18 157	17 826	15 388
15	Other contingent funding obligations	0	0	0	0	0	0	0	0
16	<b>TOTAL CASH OUTFLOWS</b>					<b>87 861</b>	<b>83 900</b>	<b>82 829</b>	<b>74 926</b>

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a Quarter ending		30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2021	30/06/2021	31/03/2021	31/12/2020
<b>CASH - INFLOWS</b>									
17	Zabezpieczone transakcje kredytowe (np. transakcje z otrzymanym przyrzeczeniem odkupu)	3 306	3 400	4 151	5 324	0	0	0	1
18	Wpływy z tytułu ekspozycji w pełni obsługiwanych	6 176	5 804	7 442	9 145	5 936	5 540	7 131	8 734
19	Inne wpływy środków pieniężnych	10 055	10 083	10 099	10 098	10 055	10 083	10 099	10 098
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)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	19 537	19 288	21 693	24 568	15 991	15 624	17 231	18 833
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c	Inflows subject to 75% cap	19 537	19 288	21 693	24 568	15 991	15 624	17 231	18 833
<b>CASH - INFLOWS</b>									
21	LIQUIDITY BUFFER					147 906	135 187	128 889	112 336
22	TOTAL NET CASH OUTFLOWS					71 870	68 276	65 598	56 093
23	LIQUIDITY COVERAGE RATIO					205	198	197	201

**Table EU LIQB on qualitative information on LCR**

Row number	Qualitative information	
a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	<p>The main factors affecting the liquidity coverage ratio are:</p> <ol style="list-style-type: none"> <li>1) non-financial and budget sector deposit balances</li> <li>2) the balance of loans taken</li> <li>3) level of bonds issued</li> <li>4) level of own funds</li> <li>5) credit facilities granted</li> <li>6) level of equity exposures</li> <li>7) structure of debt securities.</li> </ol>
b)	Explanations on the changes in the LCR over time	Changes in the liquidity coverage ratio are: an increase in the level of deposits from the non-financial and budgetary sector and the increase in capital commitments. The Bank invests free funds mainly in liquid securities, including Treasury bonds and NBP money market bills.
c)	Explanations on the actual concentration of funding sources	Deposits, in particular from the public sector, constitute the main source of financing for the Bank. The Bank also obtains financing by issuing its own bonds, and borrows from international financial institutions.
d)	High-level description of the composition of the institution's liquidity buffer.	In order to hedge the liquidity risk, the Bank maintains a relevant surplus of liquid assets characterised, among other things, by high credit quality, high tradability, and high liquidity on the repo transaction market. Treasury bonds and NBP money market bills are taken as part of the excess liquidity.
e)	Derivative exposures and potential collateral calls	Outflows from derivatives and potential increases in margin account for approximately 1% of total outflows on average.
f)	Currency mismatch in the LCR	The liquidity coverage ratio is monitored in particular significant currencies, i.e. currencies for which the amount of liabilities in a given currency exceeds 5% of total liabilities. The financial surplus in PLN serves as a security against any deficiency of funding in other currencies.
g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	The level of own funds and equity exposures has a significant impact on the Bank's liquidity profile.