

Information of Risk Management and Capital Adequacy of Bank Gospodarstwa Krajowego as at 31 March 2021 (Pillar III)



Introduction

This document has been prepared by Bank Gospodarstwa Krajowego (BGK, the Bank) in fulfilment of the requirements of 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, as amended (hereinafter referred to as the CRR).

This report has been drafted in accordance with “Information Policy of Bank Gospodarstwa Krajowego in the scope of publication of risk management and capital adequacy”, approved by the Management Board and the Risk Committee.

This report applies template forms (retained numbering of columns and lines) and numbers specified in Commission Implementing Regulation (EU) 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 .

In accordance with the CRR, if necessary for capital adequacy purposes prudential consolidation is applied , which in contrast to consolidation under International Financial Reporting Standards covers only subsidiaries that meet the definition of an institution, financial institution or an ancillary services undertaking and exceed the thresholds set out in the CRR. As at 31 March 2022, Bank Gospodarstwa Krajowego had a subsidiary which met the definition of a financial institution and which did not meet the criteria specified in Article 19.1 of the CRR (criteria for exclusion from the scope of prudential consolidation). Given the above, disclosures made in this Report have been prepared based on separate data of the Bank taking into account commissioned activities

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: <https://www.en.bgk.pl/about-us/investor-relations/pillar-iii/>

Comments:

Increase in total risk exposure amounts in the first quarter of 2022 mainly due to an increase of exposure to institutions and corporates.

Table EU OV1 – Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31/03/2022	31/12/2021	31/03/2022
1	Credit risk (excluding CCR)	81 020	78 487	6 482
2	Of which the standardised approach	81 020	78 487	6 482
6	Counterparty credit risk - CCR	851	799	68
7	Of which the standardised approach	584	575	47
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP	3	2	0
EU 8b	Of which credit valuation adjustment - CVA	213	180	17
9	Of which other CCR	52	42	4
15	Settlement risk	0	0	0
20	Position, foreign exchange and commodities risks (Market risk)	1 000	977	80
21	Of which the standardised approach	1 000	977	80
EU 22a	Large exposures	0	0	0
23	Operational risk	2 689	2 689	215
EU 23a	Of which basic indicator approach	2 689	2 689	215
EU 23b	Of which standardised approach	0	0	0
EU 23c	Of which advanced measurement approach	0	0	0
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	1 363	1 290	109
29	Total	85 561	82 953	6 845

Comments:

Drop in capital ratios in the first quarter of 2022 mainly resulted from the increase in capital requirement for credit risk. Information as at 31/03/2022 and 31/12/2021 was presented with profit for year 2021 included in the own funds.

Table EU KM1 - Key metrics template

	a	b	c	d	e	
	31/03/2022	31/12/2021	30/09/2021	30/06/2021	31/03/2021	
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	24 079	24 381	23 955	23 899	23 888
2	Tier 1 capital	24 079	24 381	23 955	23 899	23 888
3	Total capital	24 079	24 381	23 955	23 899	23 888
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	85 561	82 953	92 319	88 898	71 394
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	28.14%	29.39%	25.95%	26.88%	33.46%
6	Tier 1 ratio (%)	28.14%	29.39%	25.95%	26.88%	33.46%
7	Total capital ratio (%)	28.14%	29.39%	25.95%	26.88%	33.46%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk	0	0	0	0	0
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.00 p.p.	0.00 p.p.	0.00 p.p.	0.00 p.p.	0.00 p.p.
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.00 p.p.	0.00 p.p.	0.00 p.p.	0.00 p.p.	0.00 p.p.
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	
	31/03/2022	31/12/2021	30/09/2021	30/06/2021	31/03/2021	
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	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	
9	Institution specific countercyclical capital buffer (%)	n/d	n/d	n/d	n/d	
EU 9a	Systemic risk buffer (%)	n/d	n/d	n/d	n/d	
10	Global Systemically Important Institution buffer (%)	n/d	n/d	n/d	n/d	
EU 10a	Other Systemically Important Institution buffer	n/d	n/d	n/d	n/d	
11	Combined buffer requirement (%)	n/d	n/d	n/d	n/d	
EU 11a	Overall capital requirements (%)	8.00%	8.00%	8.00%	8.00%	
12	CET1 available after meeting the total SREP own funds requirements (%)	17 234	17 745	16 569	16 788	18 177
Leverage ratio						
13	Leverage ratio total exposure measure	455 808	462 574	479 601	425 368	366 349
14	Leverage ratio	5.28%	5.27%	4.99%	5.62%	6.52%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	n/d
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00 p.p.	0.00 p.p.	0.00 p.p.	0.00 p.p.	n/d
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	0.03	0.03	n/d
Total SREP leverage ratio requirements (%)						
EU 14d	Leverage ratio buffer requirement (%)	n/d	n/d	n/d	n/d	n/d
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	n/d
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	171 554	161 385	147 906	135 187	128 889
EU 16a	Cash outflows - Total weighted value	101 741	94 951	87 861	83 900	82 829
EU 16b	Cash inflows - Total weighted value	17 340	16 106	15 991	15 624	17 231
16	Total net cash outflows (adjusted value)	84 401	78 845	71 870	68 276	65 598
17	Liquidity coverage ratio (%)	204	204	205	198	197
Net Stable Funding Ratio						
18	Total available stable funding	297 528	293 945	324 162	292 247	253 578
19	Total required stable funding	177 588	169 833	168 920	160 975	148 754
20	NSFR ratio (%)	168	173	192	182	170

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	31/03/2022	31/12/2021	30/09/2021	30/06/2021	31/03/2022	31/12/2021	30/09/2021	30/06/2021
EU 1b	Number of data points used in the calculation of averages								
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61					171 554	161 385	147 906	135 187
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	60	59	58	59	8	8	7	7
3	Stable deposits	0	0	0	0	0	0	0	0
4	Less stable deposits	60	59	58	59	8	8	7	7
5	Unsecured wholesale funding	177 821	168 998	154 292	139 028	78 090	74 558	67 350	60 878
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)	177 596	168 797	154 061	138 837	77 865	74 357	67 119	60 688
8	Unsecured debt	225	201	231	191	225	201	231	191
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	36 980	36 182	35 476	34 666	5 063	4 890	4 870	4 857
11	Outflows related to derivative exposures and other collateral requirements	878	776	824	892	878	776	824	892
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	36 103	35 406	34 652	33 774	4 185	4 114	4 045	3 965
14	Other contractual funding obligations	18 644	15 555	15 695	18 215	18 580	15 495	15 635	18 157
15	Other contingent funding obligations	0	0	0	0	0	0	0	0
16	TOTAL CASH OUTFLOWS					101 741	94 951	87 861	83 900

Table EU LIQ1 - Quantitative information of LCR

EU 1a	Quarter ending	a	b	c	d	e	f	g	h
		31/03/2022	31/12/2021	30/09/2021	30/06/2021	31/03/2022	31/12/2021	30/09/2021	30/06/2021
		Total unweighted value (average)				Total weighted value (average)			
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	6 029	4 193	3 306	3 400	0	0	0	0
18	Wpływy z tytułu ekspozycji w pełni obsługiwanych	7 673	6 305	6 176	5 804	7 290	6 059	5 936	5 540
19	Inne wpływy środków pieniężnych	10 051	10 047	10 055	10 083	10 051	10 047	10 055	10 083
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	23 752	20 544	19 537	19 288	17 340	16 106	15 991	15 624
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	23 752	20 544	19 537	19 288	17 340	16 106	15 991	15 624
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					171 554	161 385	147 906	135 187
22	TOTAL NET CASH OUTFLOWS					84 401	78 845	71 870	68 276
23	LIQUIDITY COVERAGE RATIO					204	204	205	198

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"> 1) non-financial and budget sector deposit balances 2) the balance of loans taken 3) level of bonds issued 4) level of own funds 5) credit facilities granted 6) level of equity exposures 7) structure of debt securities.
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.