

Report on the internal capital adequacy assessment process**Bank:****Reporting date:****Internal capital adequacy assessment date:****Summary**

The purpose of this section is to give a summary on the risks inherent in the activities of the bank and main results and conclusions of the internal capital adequacy assessment process.

The following information can be included in the summary:

1. The purpose of the report.
2. The description of the risks inherent in the current and planned activities of the bank (risk profile).
3. A summary on the quantitative results and main conclusions of the internal capital adequacy assessment process:
 - 3.1. The amount of available capital;
 - 3.2. A list of risks for which the bank maintains additional capital and capital needed to cover these risks as per bank's assessment;
 - 3.3. The size of capital buffer for adverse events and economic cyclicity;
 - 3.4. The desirable level of capital (capital adequacy targets);
 - 3.5. The main findings of the internal capital adequacy assessment process;
 - 3.6. A summary on capital planning, including a description of action plan for ensuring capital adequacy.
4. Information about structural units that have conducted and approved the results of internal capital adequacy assessment process.

General information on the bank

The purpose of this section is to provide an overall description of the bank, a summary on the main activities and current financial position of the bank.

The following information can be included in this section:

1. The description of organizational structure (legal and operational), in case the internal capital adequacy assessment process has been conducted for a consolidation group or subgroup.
2. The main business activities.
3. A summary on the financial position of the bank – main balance sheet and profit and loss items, analysis of the financial indicators and their trends.

Strategic planning

The purpose of this section is to provide the information on the strategic planning of the bank, including business strategy and planned operational and financial position, business targets, capital adequacy maintenance strategy, capital planning, including planned capital ratios, amounts and sources of capital increases, and risk strategy of the bank.

The following information can be included in this section:

1. The time horizon of the business strategy.
2. A description of the business strategy.
3. The long-term operational goals of the bank – planned financial position, planned business activities, target markets and clients.
4. The projected material changes in the financial position, business activities, target markets and clients of the bank.
5. A description of the risk strategy – risks the bank is willing to accept, acceptable risk levels, methods used to ensure compliance with acceptable levels of risks.
6. A description of capital adequacy maintenance strategy, including:
 - 6.1. The assessment of the capital needed to cover risks inherent in the planned activities of the bank;
 - 6.2. The desirable capital level (capital targets) and the plan for reaching it;
 - 6.3. The amount and sources for capital increases, expected costs of attraction of additional capital;
 - 6.4. The plan for ensuring the compliance with minimum regulatory capital requirements, information about the planning of subordinated capital;
(As amended by Regulations No. 11 of the Board of the Financial and Capital Market Commission of 28.01.2011, effective as of 05.02.2011)
 - 6.5. A description of capital planning in extraordinary situations, including a description of actions to be taken to ensure compliance with minimum regulatory capital requirements in extraordinary situations.
7. A description of bank's short-term planning.
8. Quantitative information on the bank's strategy for at least the next three years.
(As amended by Regulations No. 11 of the Board of the Financial and Capital Market Commission of 28.01.2011, effective as of 05.02.2011)

Risks and risk management systems

The purpose of this section is to provide the information on the risks to which the bank is exposed to and give an overview of the risk management systems, including methods used in risk management and bank's assessment of the quality and improvements needed.

The following information can be included in this section:

1. A description of the risks inherent in the current and planned activities of the bank (risk profile).
2. Risk definitions used by the bank.
3. Identification of material risks, including qualitative and quantitative criteria used to identify material risks.
4. On each of the material risks:
 - 4.1. A description of the risk management system;
 - 4.2. The acceptable level of risk;
 - 4.3. The methods used for measurement (or assessment) of risk;
 - 4.4. A description of stress testing carried out within the risk management framework, including scenarios and assumptions used, conclusions drawn and decisions taken in the result of stress testing;
 - 4.5. A description of risk mitigation methods used by the bank;
 - 4.6. A description of control of compliance with risk management policy and procedures;
 - 4.7. The allocation of duties, authority and responsibility in the risk management, as well as decision-making process;
 - 4.8. The reporting and information exchange procedures.

5. Bank's assessment of the quality of the risk management system, including if and what improvements are needed and planned actions for their introduction.

The internal capital adequacy assessment process

The purpose of this section is to provide information on the approach chosen by the bank in the internal capital adequacy assessment process, a description of the methodology used and organization of the internal capital adequacy assessment process in the bank.

The following information can be included in this section:

1. Bank's approach in the internal capital adequacy assessment.
2. The capital definition used by the bank.
3. A list of risks, for which bank in its internal capital adequacy assessment process determines the amount of capital needed and a description of the methodology used to determine the amount of capital needed to cover each risk, including:
 - 3.1. On the risks, for which minimum regulatory capital requirements are set (credit risk, operational risk and market risks):
 - 3.1.1. whether the bank uses the same approaches as it uses for the calculation of minimum regulatory capital requirements or the bank uses the internal models and methods developed by the bank;
 - 3.1.2. if the bank uses the same approaches as it uses for the calculation of minimum regulatory capital requirements, the bank shall provide a description of the factors considered by the bank to assess whether the compliance with the minimum regulatory capital requirements ensures that the capital of the bank is sufficient to cover all eventual losses associated with these risks;
 - 3.1.3. if the bank uses the internal models and methods developed by the bank (including, modifications in the methodology used for calculation of the minimum regulatory capital requirements), the bank provides a general description of the methodology used (including a description of the assumptions, parameters and elements used) and describes the justification of the approach chosen;
 - 3.2. A description of the methodology used by the bank to determine capital needed to cover risks not covered by the minimum regulatory capital requirements, including on each risk for which the bank calculates the capital needed to cover it:
 - 3.2.1. the methodology used by the bank to calculate the amount of capital needed to cover the risk - the simplified method described in Articles 41, 47–49, 52 or 63 of these Regulations or the internal model or method developed by the bank;
 - 3.2.2. if the bank uses the internal model or method developed by the bank – a general description of the methodology used (including a description of the assumptions, parameters and elements used) and justification of the approach chosen.
4. A list of material risks, for which the bank in its internal capital adequacy assessment process does not calculate the capital needed to cover them, but other risk management or mitigation methods are used.
5. A description of stress testing methodology used to determine the size of capital buffer.
(As amended by Regulations No. 11 of the Board of the Financial and Capital Market Commission of 28.01.2011, effective as of 05.02.2011)
6. A description of methodology used in aggregation of the internal capital adequacy assessment results. If to determine total capital needs the bank uses the internal method or model developed by the bank and recognises diversification effects, the bank provides a general description of the methodology used (including the approach used, a description of main parameters and assumptions) and justification of the approach chosen.

7. A description of allocation of duties, authority and responsibilities in the internal capital adequacy assessment process.
8. A description of reporting and information exchange procedures in the internal capital adequacy assessment process.
9. The regularity of the internal capital adequacy assessment process.
10. The approval of the results of the internal capital adequacy assessment process and a description of decision-making process.

Summary of the results of the internal capital adequacy assessment process

The purpose of this section is to provide information on the quantitative and qualitative results of the internal capital adequacy assessment process, including information on bank's assessment of the amount of capital needed to cover each risk, the size of capital buffer and the total capital needs, bank's assessment of the capital available, the desirable capital level, conclusions drawn and decisions taken as a result of the internal capital adequacy assessment process and action plans for ensuring capital adequacy. In this section the comparison between the bank's assessment of the total capital needs and the minimum regulatory capital requirements is included and the differences are explained.

The following information can be included in this section:

1. The calculation of the available capital. If the bank uses the capital definition and capital calculation methodology other than the own funds definition and own funds calculation methodology described in the regulations on minimum capital requirements, a comparison of bank's assessment of the capital available and own funds is included, and the differences are explained.
2. For each risk, for which the bank maintains capital, the calculation of the capital needed to cover it.
3. The calculation of the size of capital buffer for adverse events and economic cyclicity. The description of the stress testing performed by the bank, including a description of the scenarios analyzed, the main assumptions used, the justification for scenarios and assumptions selected, a summary of the stress testing quantitative results, the conclusions drawn and decisions taken. *(As amended by Regulations No. 11 of the Board of the Financial and Capital Market Commission of 28.01.2011, effective as of 05.02.2011)*
4. The calculations of the total capital needs.
5. If to determine the capital needed to cover risks, for which minimum regulatory capital requirements are set, the bank uses the internal models or methods developed by the bank (including modifications of the methodology allowed by the regulations on minimum capital requirements) – the comparison of the capital needed to cover each of the risks with the minimum regulatory capital requirements for that risk and explanation of differences.
6. A description of conclusions drawn and decisions taken as a result of the internal capital adequacy assessment process, as well as a description of action plans to be implemented for ensuring capital adequacy.
7. The information on the main assumptions used in the internal capital adequacy assessment process and justification for choosing them. The results of the sensitivity analysis of main assumptions used (i.e. their impact on the internal capital adequacy assessment results), including reference to the assumptions having most important impact on the results of the internal capital adequacy assessment.
8. If the bank in the internal capital adequacy assessment process uses internal models developed by the bank – a description of how the parameters used in the models were obtained, including the time period used in the calibration of the parameters. If parameters of internal models that are used to determine capital needed to cover credit risk, market risks or

operational risk are different from parameters used for the purposes of calculating the minimum regulatory capital requirements, the bank describes differences and analyses the impact on the results obtained.

9. Other information characterizing the results of internal capital adequacy assessment.

The capital adequacy assessment's quantitative comparison (between the minimum regulatory capital requirements and bank's assessment according to its internal methods or models) can be summarized by the bank in the table attached to this annex.

Regular review of the internal capital adequacy assessment process and internal examinations

The purpose of this section is to provide the information on the review of the internal capital adequacy assessment process and examinations carried out by internal or external auditors, including whether and what examinations have been carried out, the main conclusions drawn in the result of these examinations and what examinations are planned.

Other issues

The purpose of this section is to provide other information that is important to understand the bank's strategic planning, risk identification and management systems and the internal capital adequacy assessment process.

The list of internal documents of the bank governing strategic planning, material risk identification and risk management processes, as well as the bank's internal capital adequacy assessment process is included in the annex to the report.

Summary of the internal capital adequacy assessment results

Bank Date

Desirable level of capital (capital adequacy targets)

Capital needed to cover the risks

	Minimum regulatory capital requirements	Bank's assessment of the capital needed to cover the risks
Credit risk		
Market risks		
Operational risk		
Interest rate risk in the banking book		
Concentration risks, including:		
<i>Name concentration risk</i>		
<i>Sector concentration risk</i>		
<i>Currency mismatch concentration risk</i>		
<i>Collateral concentration risk</i>		
Money laundering and terrorism financing risk		
Liquidity risk		
Other risks, including:		
<i>Reputation risk</i>		
<i>Strategic and business risk</i>		
<i>Other risks</i> *		
Capital buffer		
Diversification effects		
Total		

Capital available

	Own funds	Bank's definition of capital
Tier 1 capital		
Tier 2 capital		
Tier 3 capital		
Additional capital elements		
Total		

Shortage/excess of capital according to the bank's assessment

* The bank includes the list of risks according to the classification of the risks used by the bank.