

Resolution No. 76/2010
of the Polish Financial Supervision Authority
of 10 March 2010

on the scope and detailed procedures for determining capital requirements for particular risks

Pursuant to Art. 128 (6)(1, 3, 4, 5 and 7) and Art. 141j of the Act of 29 August 1997 — The Banking Act (Journal of Laws of 2002 No. 72, item 665, as amended¹) it is resolved as follows:

§ 1. 1 Unless the provisions hereof provide otherwise, balance sheet assets and liabilities and off-balance sheet items are valued in accordance with the principles set out in the Act of 29 September 1994 on accounting (Journal of Laws of 2009 No. 152, item 122, as amended²) in particular for the purpose of the Resolution the valuation should include reduction of assets by the established specific reserves, obtained discounts and premiums and write-offs for impairment and write-offs for permanent impairment.

2. The bank using International Accounting Standards, the International Financial Reporting Standards and interpretations related with them in accordance with Article 2 Sec. 3 of the Act referred to in Sec. 1, shall value balance sheet assets and liabilities and off-balance sheet items in accordance with these rules.

§ 2. 1. The bank shall assign the operations on the trading book and the non-trading book.

2. The trading book includes operations in accordance with the principles set out in appendix 3 to the Resolution.

3. The non-trading book includes operations that are not included in the trading book, in particular granting of credits, loans, deposits and acceptance of deposits, carried out under the bank's business activity or for the purpose of management of liquidity.

§ 3. 1. The scale of the bank's trading activities is calculated on a daily basis as the ratio of the total nominal amount of operations of that day included in the trading book, to the total balance sheet increased by the nominal amounts of outstanding off-balance sheet operations by the end of the day (i.e. operations with the valid contractual maturity and the outstanding operations which settlement date has expired).

2. The scale of the bank's trading activity shall be considered significant starting from the first day of the month following the date on which at least one of the following conditions is met:

- 1) the arithmetic average of the daily nominal sums of transactions in each of the 250 working days directly preceding the date of the calculation, included in the trading book, exceeded the equivalent of 15,000,000 Euro in PLN calculated in accordance with an average exchange rate announced by the National Bank of Poland, referred to as the "NBP", as of the given date;
- 2) of the 250 working days directly preceding the date of the calculation, there are 4 such days where the sum of nominal amounts of transactions included in the trading book and concluded on each of those days individually exceeded the equivalent of 20,000,000 Euro in PLN calculated in accordance with an average exchange rate announced by the National Bank of Poland, as of the given date;

¹ Amendments to the consolidated text of the said Act were promulgated in the Journal of Laws of 2002 No. 126, item 1070, No. 141 item 1178, No. 144, item 1208, No. 153, item 1271, No. 169 item 1385 and 1387 and No. 241, item 2074, of 2003 No. 50 item 424, No. 60, item 535, No. 65, item 594, No. 228, item 2260 3 and No. 229, item 2276, of 2004 No. 64, item 594, No. 68, item 623. No. 91, item 870, No. 96, item 959, No. 121, item 1264, No. 146 item 1546 and No. 173, item 1808, of 2005 No. 83, item 719 No. 85, item 727, No. 167, item 1398 and No. 183, item 1538 of 2006 No. 104, item 708, No. 157, item 1119, No. 190, item 1401 and No. 245, item 1775, of 2007 No. 42, item 272, and No. 112, item 769, of 2008 No. 171, item 1056, No. 192, item 1179, No. 209, item 1315 and No. 231, item 1546 as well as of 2009 No. 18, item 97, No. 42, item 341, No. 65, item 545, No. 71, item 609, No. 127, item 1045, No. 144, item 1176, No. 165, item 1316, No. 166, item 1317, No. 168, item 1323, and No. 201 item 1540.

² Amendments to the consolidated text of the said Act were promulgated in the Journal of Laws of 2009 No. 165, item 1316.

- 3) the arithmetic average of the scale of trading activity calculated for 250 working days directly preceding the date of calculation, exceeded 0.05;
 - 4) among the 250 working days directly preceding the date of the calculation there are four days in which the scale of trading activity exceeded 0.06.
3. The bank may cease to recognize its trading activity as significant starting from the date on which the bank found that within the previous 250 working days none of the conditions listed in Sec. 2 was met.
4. The bank is obliged, at a frequency necessary to verify the conditions set out in Sec. 2, to calculate the scale of its trading activity, to carry out documentation of these calculations and to keep records of the operations included in the trading book in the list of operations carried out on the day for which the calculation was performed, according to the formula set out in appendix no. 3 to the Resolution.

§ 4. 1. The bank, whose trading activity scale is significant shall calculate on each working day the daily market result (profit/loss) including:

- 1) the daily market result on operations included in trading book considered as a change in the valuation of these operations in accordance with a fair value on a given day, including operations concluded and settled on that day;
 - 2) the daily market results due to changes in exchange rates and goods prices on the operations included in the bank book, considered as a change in the valuation of these operations on a given day, resulting from changes in exchange rates and goods' prices, including operations concluded and settled on that day.
2. The daily market result:
- 1) shall include financing costs of the operation, considered as calculated or estimated costs of acquiring the bank's liabilities;
 - 2) could include the actual or potential incomes from investment of funds acquired from operations.
3. In order to determine the daily market result and the losses, referred to in § 5.1.1b, the bank may use the interbank transfer pricing system, defined and approved by the management board of the bank. In the absence of reliable information on prices underlying the valuation of operations in accordance with fair value, the bank shall estimate them by means of estimation techniques.

§ 5. 1. The additional items of the balance sheet, referred to in Article 128.6.1 of the Act referred to in the introductory sentence, hereinafter referred to as the Banking Act, hereinafter referred to as short-term capital, is defined as:

- 1) the sum of:
 - a) market profit referred to in § 4.1 calculated cumulatively till the reporting date, decreased by known payments, including dividends, to the extent it has not been included in the own funds or divided otherwise,
 - b) the losses (negative) on all operations included in the bank book, calculated cumulatively till the reporting date, excluding the losses due to changes in exchange rates and goods prices, to the extent it has not been included in the own funds or divided otherwise,
 - c) the liabilities arising on received subordinated loans that shall meet the requirements listed in Sec. 2
 - d) value of the capital of subsidiary entities, for the purposes specified in § 11, in the case when the capital value of the subsidiary entity is negative and does not reduce the banks' own funds, where the sum is positive, in the amount not exceeding the sum of the capital requirements, referred to in § 6 Sec. 1 Item 2 and 3 and Item 4 to the amount of capital requirements defined in § 8 Item 1 Letter a of appendix no. 12 to the Resolution, or
- 2) zero — if the sum referred to in Item 1 is non-positive.

2. The liability under the received subordinated loan included in the short-term capital must meet the following conditions:

- 1) the loan has not been included in the bank's own funds;
- 2) the original maturity of the loan is at least 2 years;
- 3) the funds from the loan have been fully paid;
- 4) the loan agreement prevents the repayment of the loan before the agreed repayment date without the consent of the Polish Financial Supervision Authority in circumstances other than liquidation or bankruptcy of the bank;
- 5) terms of the loan agreement prevent the repayment of the capital and interest in the case where it would breach the fulfillment of the standards referred to in Article 128 Sec. 1 Item 2 Letter a of the Banking Act, hereinafter referred to as "capital adequacy standard";
- 6) classified as short-term capital, the amount of received subordinated loans shall not exceed 150% of the amount by which the original own funds exceed the higher of the amounts specified as:
 - a) half of the capital requirement for credit risk,
 - b) difference between capital requirement for credit risk and additional own funds.

3. The bank taking into consideration the liability arising from the received subordinated loan in the short-term capital is obliged to notify the Polish Financial Supervision Authority about the expected reduction of the amount of the sum of own funds and of the short-term capital to the level below 120% of the total capital requirement.

4. Short-term capital can be used in determination of the capital adequacy standard, solely by banks whose scale of trading activity is significant.

§ 6. 1. Capital requirements include:

- 1) the total capital requirement for credit risk – calculated in accordance with appendix no. 4 to the Resolution,
- 2) the total capital requirement for market risk, including:
 - a) the total capital requirement for foreign exchange risk – calculated in accordance with appendix no. 6 to the Resolution,
 - b) the total capital requirement for commodity price risk – calculated in accordance with appendix no. 7 to the Resolution,
 - c) the total capital requirement for equity securities price risk – calculated in accordance with appendix no. 8 to the Resolution,
 - d) the total capital requirement for specific risk of debt instruments – calculated in accordance with appendix no. 9 to the Resolution,
 - e) the total capital requirement for general interest rate risk — calculated in accordance with appendix no. 10 to the Resolution;
- 3) the total capital requirement for settlement, delivery and counterparty credit risk — calculated in accordance with appendix no. 11 to the Resolution;
- 4) the total capital requirement for exceeding the exposure concentration limit and large exposure limit — calculated in accordance with appendix no. 12 to the Resolution;
- 5) the total capital requirement for exceeding the threshold of capital concentration — calculated in accordance with appendix no. 13 to the Resolution;
- 6) the total capital requirement for operational risk – calculated in accordance with appendix no.14 to the Resolution.

2. When calculating the capital requirement referred to in § 6 Sec. 1 Item 1:

1) the bank takes into consideration the creditworthiness, depending on the accepted method, respectively:

- a) in case of the standardized method – in accordance with appendix no. 15 to the Resolution,
- b) in the case of the IRB approach — in accordance with appendix no. 5 to the Resolution;

2) the bank may take into consideration:

- a) netting off-balance sheet transactions- in accordance with appendix no. 16 to the Resolution;
- b) credit risk mitigation methods- in accordance with appendix no. 17 to the Resolution,
- c) contracts related to asset securitization- in accordance with appendix no. 18 to the Resolution.

3. The sum of capital requirements for particular types of risk referred to in Article 128 Sec. 1 Item 2 of the Banking Act, hereinafter referred to as the “total capital requirement,” shall include:

- 1) capital requirements referred to in Sec. 1 – in the case of banks whose size of trading activity is significant;
- 2) capital requirements referred to in Sec. 1 Item 1, Item 2 Letter a and b, and Item 4 to 6 – in the case of banks whose size of trading activity is not significant;

§ 7. Capital requirements for market risk are calculated in accordance with underlying positions in base instruments, determining the types and volume of risk encumbering individual operations concluded and not settled by the end of the reporting day, determined in accordance with general principles provided for in § 1-16 appendix no. 2 to the Resolution and taking into consideration detailed principles provided for in appendices No. 6 to 10 to the Resolution.

§ 8. 1. After obtaining the consent referred to in Article 128 Sec. 3 and 128 d Sec. 1 and 6 of the Banking Act, for calculation of the capital requirements referred to in:

- 1) in § 6 Sec. 1 Item 1, the bank may use the IRB approach referred to in appendix no. 5 to the Resolution;
- 2) in § 6 Sec. 1 Item 2, the bank may use the value-at-risk (VaR) method referred to in appendix no. 19 to the Resolution;
- 3) in § 6 Sec. 1 Item 2 Letter a, the bank may use the mixed method referred to in § 17 of appendix no. 6 to the Resolution;
- 4) in § 6 Sec. 1 Item 6, the bank can use the advanced measurement method referred to in § 34 to 68 of appendix no. 14 to the Resolution;
- 5) in § 6 Sec. 1 Item 6, the bank may use alternative ratios for the standardized method in respect of the operating risk referred to in § 27 to 31 of appendix no. 14 to the Resolution.

2. To the application for the consent to use the method referred to in Sec. 1 Item 1, the bank shall enclose the following:

- 1) information regarding:
 - a) the characteristics of the bank and, in case of a bank operating in a holding, characteristics of the holding in which the bank operates,
 - b) the selected internal ratings based approach and the scope of its application and, in the case referred to in § 12 appendix no. 5 to the Resolution, the scope of application of the standardized method to a part of the exposures together with reasons,
 - c) the roll-out plan of the internal ratings based approach in the case referred to in § 1 Sec. 2 appendix no. 5 to the Resolution,
 - d) the fact that the bank complies with the conditions referred to in § 2 Sec. 3 Item 2 and 3 appendix no. 5 to the Resolution,

- e) if the bank intends to use own evaluation of loss given default (LGD) and conversion factors, the fact that the bank complies with the conditions referred to in § 2 Sec. 3 Item 4 appendix no. 5 to the Resolution,
- f) the structure of the systems used to gather and process the data for the IRB approach, and to measure and report the bank's risk, as well as database management solutions adopted by the bank,
- g) assumptions and the structure of rating systems referred to in § 124 appendix no. 5 to the Resolution, taking into consideration in particular the conformity with requirements provided in appendix no. 5 to the Resolution, including a list of applied rating systems,
- h) the system as well as procedures for monitoring and control of the credit risk referred to in § 256 to 261 appendix no. 5 to the Resolution and additionally in § 248 appendix no. 5 to the Resolution, if the bank intends to calculate risk-weighted amounts of capital exposures according to the internal model method,
- i) the characteristics as well as results of the internal calculations approval process in the bank referred to in § 242 to 246 appendix no. 5 to the Resolution, and additionally the system of approval and documentation of internal models, if the bank intends to calculate risk-weighted amounts of capital exposures according to the internal model method referred to in § 249 to 255 appendix no. 5 to the Resolution,
- j) the impact of the IRB approach on capital requirements, divided into business units and the exposure classes,
- k) self-assessment of the bank in meeting the criteria for applying the IRB method referred to in Appendix 5 to the resolution;

- 2) the list of internal documents of the bank concerning the information referred to in Item 1 Letters d to i, and copies of these documents on an electronic storage device.

3. The bank may obtain the consent to use the methods referred to in Sec. 1 Item 2 and 3 provided that, for the selected method, as for the date of submitting the application for consent to use the value at risk method, the number of days determined based on the historical verification referred to in § 14 appendix no. 19 to the Resolution – of 250 working days directly preceding the day of calculation in which the daily market loss on underlying positions included in the value at risk method exceeded the value at risk determined for a given working day – does not exceed 10.

4. The bank accompanies the application for the consent to use the method referred to in Sec. 1 Item 2 and 3 with the following:

1) information regarding:

- a) the characteristics of the bank and, in case of a bank operating in a holding, characteristics of the holding in which the bank operates, and also the method and scope of its application for calculation of capital requirements,
- b) risk management procedures in accordance with § 3 appendix no. 19 to the Resolution,
- c) the value at risk method, taking into consideration regulations of § 5 to 13 appendix no. 19 to the Resolution, and the way of complying with requirements referred to in § 7 appendix no. 19 to the Resolution by the value at risk model used in this method,
- d) detailed criteria for isolation of underlying positions included in the value at risk method referred to in § 17 Item 1 appendix no. 6 to the Resolution, along with a justification,
- e) internal control procedures regarding complying with the capital adequacy standard,
- f) specification and verification of assumptions of the value at risk model;
- g) sources and methods for updating data used in the value at risk model,

- h) method of estimating parameters of the value at risk model, including the data weighting method,
- i) assumptions and accepted verification principles of the value at risk model referred to in § 14 to 18 appendix no. 19 to the Resolution, including detailed principles for determination of actual daily losses and revaluation losses,
- j) the nature of bank's situation in respect of the risk taken, taking into consideration in particular the requirements provided for in § 7 appendix no. 19 to the Resolution,
- k) application of the value at risk model to calculate capital requirements for the period of the year preceding the date of application submission, together with the analysis regarding conformity with the capital adequacy standard,
- l) the self-assessment of the bank in respect of complying with requirements for application of the value at risk method referred to in part I and appendix no. 19 to the Resolution;

2) the list of internal documents of the bank concerning the information referred to in Item 1 Letters b to i, and copies of these documents on an electronic storage device.

5. To the application for the consent to use the method referred to in Sec. 1 Item 4, the bank shall enclose the following:

1) information regarding:

- a) the characteristics of the bank and, in case of a bank operating in a holding, characteristics of the holding in which the bank operates,
- b) the scope of application of the method used for calculation of the capital requirement for operational risk and the rollout plan of the advanced measurement method, if the bank intends to use regulations of § 68 appendix no. 14 to the Resolution,
- c) the structure and assumptions of the internal measurement system, taking into account the quality standards provided for in § 36 to 41 appendix no. 14 to the Resolution, and the quantity standards provided for in § 42 to 60 appendix no. 14 to the Resolution, as well as standards concerning the operational risk provided for in Resolution No. 383/2008 of the Polish Financial Supervision Authority dated 17 December, 2008 on detailed principles of operation of the risk management system and the internal control system, and detailed conditions for estimation of internal capital by banks and for reviews of the internal capital retention and estimation process (Official Journal, PFSA No. 8, item 37),
- d) sources, management and methods of updating data used, in particular the structure of systems used to collect and process data for the needs of the advanced measurement method as well as evaluation and reporting of risk in the bank, and also solutions accepted by the bank in respect of database management,
- e) the internal approval process of the operational risk measurement system,
- f) the use of insurance and other mechanisms for operational risk transfer, in accordance with § 61 to 65 appendix no. 14 to the Resolution,
- g) principles of allocation of the capital requirement between individual entities of the holding and the method of including effects of diversification, in case of banks operating in a holding and intending to use the advanced measurement method in accordance with § 66 and 67 appendix no. 14 to the Resolution,
- h) the self-assessment of the bank in respect of complying with the quantitative and qualitative standards referred to in Letter c;

2) the list of internal documents of the bank concerning the information referred to in Item 1 Letters c to g, and copies of these documents on an electronic storage device.

6. If the bank that applies the method provided for in Sec. 1 Item 1 ceases to comply with the conditions for application of the method provided for in appendix no. 5 to the Resolution, it is obliged to provide the Polish Financial Supervision Authority with a schedule of restoring the state in conformity with the aforementioned conditions or demonstrate that results of the lack of conformity are insignificant.

7. If the number of days (determined based on the historical verification referred to in § 14 appendix no. 19 to the Resolution) – of 250 successive working days directly preceding the day of calculation in which the daily market loss on underlying positions included in the value at risk method exceeded the value at risk determined for a given working day – exceeds 10 or there is a change in the actual condition as compared to the data referred to in Sec. 4 Item 1, the bank is obliged to take measures necessary to improve operation of the value at risk model.

§ 9. 1. If the capital adequacy standard is exceeded, the bank immediately provides the Polish Financial Supervision Authority with a notification drawn up according to the example provided for in appendix no. 20 to the Resolution.

2. The bank that carries out a rectifying programme or takes over another domestic bank threatened by bankruptcy or liquidation owing to the poor economic situation fulfils the obligation referred to in Sec. 1 by providing the National Bank of Poland with the data provided for in Resolution No. 23/2003 of the Management Board of the National Bank of Poland dated 25 July, 2003 on the course and detailed principles of data provision by banks to the National Bank of Poland for the needs of determination of the monetary policy, periodical assessments of cash situation of the state, and assessment of the financial situation of banks and the risk of the bank sector (Official Journal of the National Bank of Poland No. 16 Sec. 26, as amended³).

§ 10. Bank's solvency ratio, subject to § 14 Sec. 1 and 2, is calculated in per cents as the fraction multiplied by 100, where:

- 1) the numerator is the value of own funds increased, subject to § 5 Sec. 4, by the short-term capital;
- 2) the denominator is the total capital requirement multiplied by 12.5

§ 11. 1. The bank is obliged to draw up consolidated financial statements, regardless of the obligation to observe the capital adequacy standard on solo basis, it is additionally obliged to observe the capital adequacy standard on consolidated basis, taking into consideration bank's operation in a holding as provided for in Sec. 2.

2. In order to take into account bank's operation in a holding, the bank includes the following in the capital adequacy account on consolidated basis:

- 1) consolidated own funds, understood as own funds calculated using relevant principles determined for banks subject to the consolidated supervision provided for in Resolution No. 381/2008 of the Polish Financial Supervision Authority dated 17 December, 2008 on other deductions from original own funds, their amount, scope and conditions for reducing original own funds of the bank using those, other items of the balance sheet of the bank included in supplementary own funds, their amount, scope and conditions of their inclusion in supplementary own funds of the bank, deductions from supplementary own funds, their amount, scope and conditions of reducing supplementary own funds of the bank using those, and the scope and manner of inclusion of banks' operation in holdings in calculation of own funds (Official Journal of the PFSA No. 8, item 35), hereinafter referred to as the "Resolution on own funds";
- 2) consolidated short-term capital – understood as the additional items of the balance sheet referred to in Article 128 Sec. 6 Item 1 of the Banking Act, determined based on consolidated financial statements of the bank, appropriately applying the principles provided for in § 5 of the Resolution;
- 3) consolidated capital requirements – understood as capital requirements calculated appropriately applying the principles provided for in the Resolution, excluding the impact of entities consolidated using the equity method, however:

³ Amendments to the text of the Resolution were promulgated in Official Journal of NBP of 2004 No. 1, item 1, No. 5, item 11 and No. 20, item 38; of 2005 No. 9, item 16; of 2006 No. 10, item 10 and No. 12, item 15, of 2007 No. 1, item 1 and No. 7, item 18, of 2008 No. 6, item 8 as well as of 2009 No. 2, item 2.

- a) consolidated trading book includes operations included by the bank and entities included in consolidated financial statements in their trading books (in accordance with their primary classification made by such entities), and if the entities do not isolate a trading and a bank book, relevant classification of operation is carried out by the bank that draws up consolidated financial statements, in accordance with the principles applied for own operations,
- b) consolidated bank book includes other operations,
- c) the consolidated exceeding of the limit of concentration of exposures and the limit of large exposures is understood as exceeding the limit of concentration of exposures and the limit of large exposures calculated based on consolidated financial statements of the bank with the appropriate application of the principles provided for banks subject to consolidated supervision in Resolution No. 382/2008 of the Polish Financial Supervision Authority dated 17 December, 2008 on detailed principles and conditions of including exposures upon determination of observing the limit of concentration of exposures and the limit of large exposures, determination of exposures in respect of which no limits of concentration of exposures or limits of large exposures are applied, and conditions they have to comply with, determination of exposures in respect of which it is required to obtain the consent of the Polish Financial Supervision Authority regarding the lack of application of regulations concerning limits of concentration of exposures and limits of large exposures, and scope and manner of inclusion of banks' operation in holdings in calculation of limits of concentration of exposures (Official Journal of the PFSA No. 8, item 36), hereinafter referred to as the "Resolution on the limit of exposure concentration of the limit for large exposures",
- d) the consolidated exceeding of the capital concentration threshold – understood as exceeding of the capital concentration threshold calculated with the appropriate application of the principles provided for in appendix no. 13 to the Resolution, assuming consolidated own funds calculated as provided for in Item 1 as the basis for calculation of this threshold.

§ 12. The bank is obliged, within the scope necessary to observe provision of the Resolution, to develop an internal procedure in a written form, approved by the Management Board of the Bank, setting out detailed principles regarding: isolation of a trading and bank book, determination of underlying positions, determination of the market result, determination of loss on operations included in bank book, application of estimation methods, classification of exposures to individual classes of exposures for the needs of calculating the capital requirement for credit risk, assignment of credit risk weights to exposures, carrying out the capital adequacy account, and application of the capital adequacy standard on consolidated basis.

§ 13. 1. In respect of the period of observation referred to in § 197 Sec. 1 appendix no. 5 to the Resolution, the bank that is not granted the consent to use own estimations of the loss given default (LGD) and conversion factors can, upon implementation of the internal ratings based approach, use the data covering a period of at least three years, however, the period will increase every year by another year, until it reaches the period of at least five years.

2. In respect of the period of observation referred to in § 203 Sec. 1 appendix no. 5 to the Resolution, the bank may, upon implementation of the internal ratings based approach, use the data covering a period of at least three years, however, the period will increase every year by another year, until it reaches the period of at least five years.

3. In respect of the period of observation referred to in § 218 appendix no. 5 to the Resolution, the bank may, upon implementation of the internal ratings based approach, use the data covering a period of at least three years, however, the period will increase every year by another year, until it reaches the period of at least five years.

4. In respect of the period of observation referred to in § 227 appendix no. 5 to the Resolution, the bank may, upon implementation of the internal ratings based approach, use the data covering a period of at least three years, however, the period will increase every year by another year, until it reaches the period of at least five years.

5. If the application referred to in § 8 Sec. 2 is submitted before 31 December 2009, the Polish Financial Supervision Authority can issue the consent to reduce the three-year application requirement referred to in § 2 Sec. 3 Item 3 appendix no. 5 to the Resolution to a period of at least one year.

6. The issue of the consent referred to in Sec. 5 depends on Polish Financial Supervision Authority's assessment of the degree to which the internal rating system of the bank complies with the minimum requirements provided for in appendix no. 5 to the Resolution, and on the period in which the system is applied by the bank before the date of application submission.

7. If the application referred to in § 8 Sec. 2 taking into consideration the approach referred to in § 8 Sec. 2 Item 1 Letter e is submitted before 31 December, 2008, the Polish Financial Supervision Authority can issue the consent to reduce the three-year application requirement referred to in § 2 Sec. 3 Item 4 appendix no. 5 to the Resolution to a period of at least two years.

8. The issue of the consent referred to in Sec. 7 depends on Polish Financial Supervision Authority's assessment of the degree to which the internal rating system of the bank complies with the minimum requirements provided for in appendix no. 5 to the Resolution, and also on the period in which the system is applied by the bank.

9. Until 31 December, 2010, the exposure-weighted average value of the estimated loss given default (LGD) referred to in appendix no. 5 to the Resolution, for all retail exposures secured by residential real properties and not covered by guarantees of central governments, cannot amount to less than 10%.

§ 14. 1. The bank that calculates the amount of risk-weighted exposures in accordance with the internal ratings based approach maintains, by 31 December, 2011, own funds on the level provided for in accordance with § 6 Sec. 3, however, not lower than the one determined, respectively, in Item 1, 2 or 3:

- 1) 95% of the comparative total capital requirement calculated in accordance with Sec. 3 – in the period from 1 January, 2007 to 31 December, 2007;
- 2) 90% of the comparative total capital requirement calculated in accordance with Sec.3 – in the period from 1 January, 2008 to 31 December, 2008;
- 3) subject to Sec. 4, 80% of the comparative total capital requirement calculated in accordance with Sec. 3 – in the period from 1 January, 2009 to 31 December, 2011.

2. The bank that applies the advanced measurement method for calculation of the capital requirement for operational risk, in the period from 1 January, 2008 to 31 December, 2011, maintains own funds on the level provided for in accordance with § 6 Sec. 3, however, not lower than the one determined, respectively, in Item 1 or 2:

- 1) 90% of the comparative total capital requirement calculated in accordance with Sec. 3 – in the period from 1 January, 2008 to 31 December, 2008;
- 2) subject to Sec. 4, 80% of the comparative total capital requirement calculated in accordance with Sec. 3 – in the period from 1 January, 2009 to 31 December, 2011.

3. The comparative total capital requirement is the sum of the following components:

- 1) the comparative total capital requirement for credit risk – calculated in accordance with § 1 to 29 appendix no. 21 to the Resolution, § 1 to 3 and § 100 to 101 appendix no. 4 to the Resolution and § 9 to 11 appendix no. 16 to the Resolution;

- 2) the comparative total capital requirement for market risk, including:
 - a) the comparative total capital requirement for foreign exchange risk – calculated in accordance with appendix no. 6 to the Resolution, excluding regulations of § 4 appendix no. 6 to the Resolution,
 - b) the comparative total capital requirement for commodities (price) risk –calculated in accordance with appendix no. 7 to the Resolution, excluding regulations of § 15 appendix no. 7 to the Resolution,
 - c) the comparative total capital requirement for equity securities price risk – calculated in accordance with appendix no. 8 to the Resolution, excluding regulations of § 12 to 18 appendix no. 8 to the Resolution,
 - d) the comparative total capital requirement for specific risk of debt instruments – calculated in accordance with appendix no. 9 to the Resolution, excluding regulations of § 4 to 14 appendix no. 9 to the Resolution, and in accordance with § 30 to 35 appendix no. 21 to the Resolution,
 - e) the total capital requirement for general interest rate risk — calculated in accordance with appendix no. 10 to the Resolution;
- 3) the comparative total capital requirement for settlement risk, delivery and counterparty credit risk – calculated in accordance with § 36 to 48 appendix no. 21 to the Resolution;
- 4) the comparative total capital requirement for exceeding of the limit of concentration of exposures and the limit of large exposures – calculated in accordance with appendix no. 12 to the Resolution;
- 5) the comparative total capital requirement for exceeding of the capital concentration threshold – calculated in accordance with appendix no. 13 to the Resolution.

4. A bank which starts the use of the method referred to in Sec. 1 or the method referred to in Sec. 2 as of 1 January 2010 or later, may with the approval of the Polish Financial Supervision Authority issued upon bank's request calculate a comparative capital requirement as a sum of capital requirements for certain types of risk calculated in accordance with the provisions hereof, excluding the provisions of Annex No. 21, while:

- 1) the capital requirement for credit risk is calculated using the standardised method referred to in § 7 to 101 of Annex No. 4 to the Resolution,
- 2) the capital requirement for operational risk is calculated using the basic indicator approach referred to in § 4 to 15 of Annex No. 14 to the Resolution, or using the standardised method referred to in § 16 to 33 of Annex No. 14 to the Resolution, depending on which method the bank uses or — in the case of the banks using the advanced measurement method — used as the last method before starting the use of the advanced measurement method.

§ 15. Until 31 December 2012, while calculating the amounts of risk-weighted exposures for the purposes specified in § 4 of Annex no. 4 to the resolution:

- 1) in relation to exposures to the State Treasury and the National Bank of Poland denominated and funded in the national currency of a Member State the same risk weight shall be applied that would be assigned to the exposures denominated and funded in Polish zloty,
- 2) in relation to exposures to governments or central banks of Member States denominated and funded in Polish zloty or the national currency of another Member State, the same risk weight shall be applied that would be assigned to such exposures denominated and funded in their national currency.

§ 16. In the Resolution on own funds, § 1 Item 7 shall read as follows:

"7) resolution on the capital adequacy of banks — Resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 on the scope and detailed procedures for determining capital requirements for specific types of risk (Official Journal of the PFSA No. 2, item 11).".

§ 17. In the Resolution on the exposure concentration limit and the large exposure limit, § 1 Item 1 shall read as follows:

"1) resolution on the capital adequacy of banks — resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 on the scope and detailed procedures for determining capital requirements for specific types of risk (Official Journal of the PFSA No. 2, item 11).".

§ 18. In the PFSA's Resolution No. 383/2008 of 17 December 2008 on detailed rules for the functioning of risk management system and internal control system and the specific terms of assessing the banks' internal capital and reviewing the process of assessing and maintaining internal capital, § 13 Item 4 Letter a shall read as follows:

„a) the procedures of risk management that allow a bank to assess the risk related to the finalised securitization transactions, particularly with the aim of reflecting the economic character of the transaction — for the sponsoring or initiating bank, referred to in annex 18 to the resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 on the scope and detailed rules of determining capital requirements for various types of risk (Official Journal of the PSFA No 2, item 11) hereinafter referred to as the "resolution on capital adequacy",".

§ 19. In Resolution No. 384/2008 of the Polish Financial Supervision Authority of 17 December 2008 on the requirements for identification, monitoring and control of exposure concentrations, including large exposures (Official Journal of the PFSA No. 8, item 38), § 1 Item 5 shall read as follows:

"5) resolution on the capital adequacy — Resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 on the scope and detailed procedures for determining capital requirements for specific types of risk (Official Journal of the PFSA No. 2, item 11).".

§ 20. In Resolution No. 385/2008 of the Polish Financial Supervision Authority on detailed principles and methods of publication of qualitative and quantitative information on capital adequacy by banks and the scope of published information (Journal of the PFSA No. 8, item 39), § 1 Item 1 shall read as follows:

"1) resolution on the capital adequacy of banks — Resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 on the scope and detailed procedures for determining capital requirements for specific types of risk (Official Journal of the PFSA No. 2, item 11).".

§ 21. In Resolution No. 386/2008 of the Polish Financial Supervision Authority of 17 December 2008 on the establishment of liquidity standards binding for banks (Official Journal of the PFSA No. 8, item 40), § 1 Sec. 2 Item 9 shall read as follows:

"9) resolution on the capital adequacy of banks — resolution No. 76/2010 of the Polish Financial Supervision Authority of 10 March 2010 on the scope and detailed procedures for determining capital requirements for specific types of risk (Official Journal of the PFSA No. 2, item 11).".

§ 22. In Resolution No. 387/2008 of the Polish Financial Supervision Authority of 17 December 2008 on determining the credit worthiness ratings assigned by external credit assessment institutions, which may be used by a bank in order to determine capital requirements and scope of the use of these ratings, as well as links between ratings and credit quality steps (Official Journal of the PFSA No. 8, item 41) § 2, the introductory sentence shall read as follows:

"In order to assign risk weights to exposures referred to in § 25, 30, 32, 37, 42, 50 Section 1, § 51 Section 1 and § 58 of Annex No. 4 to Resolution 76/2010 of the Polish Financial Supervision Authority dated 10 March 2010 on the scope and detailed rules for determining capital requirements for certain types of risk (Official Journal of the PFSA No. 2, item 11), hereinafter referred to as "resolution on the banks' capital adequacy", the link between credit worthiness rating with credit quality steps defined in Table 1 shall be applied."

§ 23. Resolution No. 380/2008 of the Polish Financial Supervision Authority on the scope and detailed rules for determining capital requirements for certain types of risk including the scope and conditions on applying statistical methods and the scope of information enclosed to the applications for approval of the use, rules and conditions for considering contracts on assignment of receivables, sub-participation agreements, credit derivatives agreements, as well as other agreements than agreements on assignment of receivables and sub-participation agreements, for the purpose of defining the capital requirements, conditions, the scope and method of the use of the ratings of the external credit assessment institutions and export credit agencies, methods and detailed rules of determining of the bank's solvency ratio, scope and method of banks activities in holdings when calculating capital requirements and solvency ratio and determination of additional bank's balance sheet items included together with the own funds on capital adequacy account and the scope, method and conditions of their inclusion (Official Journal of the PFSA No. 8, item 34 and of 2009 No. 6, item 22).

§ 24. The Resolution shall enter into force upon adoption.

Chairman of the Polish Financial Supervision Authority
Stanisław Kluza