

**Resolution No. 385/2008
of the Polish Financial Supervision Authority
of 17 December 2008**

**on detailed rules and methods of publication of qualitative and quantitative information
on capital adequacy by banks and the scope of published information**

Pursuant to Article 111a (4) of the Act of 29 August 1997 - The Banking Act (Journal of Laws of 2002, No. 72, item 665, as further amended¹) it is resolved as follows:

§ 1. The terms used in the resolution shall have the following meaning:

1) resolution on capital adequacy of banks

- resolution No 380/2008 of the Polish Financial Supervision Authority of 17 December 2008 on the scope and detailed rules of determining capital requirements for certain types of credit risk including: the scope and conditions on applying statistical methods and the scope of information enclosed with the applications for approval to use them; rules and conditions for taking into account contracts on assignment of receivables, sub-participation contracts, contracts on credit derivatives and contracts other than contracts on assignment of receivables and sub-participation contracts, in defining the capital requirements; the conditions, scope and method of using the ratings of external credit rating institutions and export credit agencies; methods and detailed rules of determining of the bank's solvency ratio; the scope and method of including banks' activities in holdings when calculating their capital requirements and solvency ratio; and specifying additional balance sheet items presented together with the bank's own funds on the capital adequacy account and the scope, method and conditions of their inclusion (Official Journal of PFSA No. 8, item 34);

2) resolution on banks' own funds

- PFSA resolution No. 381/2008 of 17 December 2008 - on other deductions from original own funds, their amount, scope and conditions for the deduction of these items from the original own funds of a bank, other bank's balance sheet items that are included in bank's additional own funds, their amount, scope and conditions for the inclusion of these items in the bank's additional own funds, deductions from the additional own funds, their amount, scope and conditions for the deduction of these items from the banks' additional own funds; the scope and method of including banks activities in holdings when calculating own funds (Official Journal of PFSA No 8, item 35);

3) significant subsidiary - an entity that meets at least one of the following criteria:

- a) its shares have been listed on a regulated stock market as defined by Article 15 (1) item 1 of the Trading in Financial Instruments Act of 29 July 2005 (Journal of Laws No 183, item 1538 as further amended.²),
- b) its share in the banking sector assets is not less than 1%,
- c) its share in the banking sector deposits is not less than 1%,
- d) its share in the banking sector's own funds is not less than 1%,

§ 2.1 The banks specified in § 3 shall publish information specified in § 5 (1) and in the annex No 1 and 2 to the resolution.

¹ Amendments to the consolidated text of this Act were published 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, 2003, No 50, item 424, No. 60, item 535, No. 65, item 594, No. 228, item 2260, No. 229, item 2276, 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, No. 173, item 1808, of 2005, No 83, item 719, No 85, item 727, No. 167, item 1398, 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

² Amendments to this Act were published in the Journal of Laws of 2006, No 104, item 708 and No 157, item 1119, and of 2008 No 171, item 1056.

2. The information referred to in paragraph 1 shall be published in Polish.

§ 3.1. A bank which is not a parent company or a subsidiary shall publish information based on data presented on a solo basis.

2. A bank that is an EU parent institution shall publish information based on data presented on a consolidated basis.

3. A subsidiary bank of an EU parent institution in a financial holding company shall publish information based on data presented on a consolidated basis.

4. A bank which is an important subsidiary of an EU parent institution or of an EU parent company in a financial holding company shall publish the information referred to in § 3 and 4 of Annex 1 to the resolution, based on data available at the highest, national level of consolidation or, in the absence of such a level, presented on a solo basis.

§ 4.1. The banks specified in § 3 shall publish information referred to in Annex 1 to the resolution, except for insignificant information.

2. The banks which have received approval to use the IRB approach referred to in Annex 5 to the resolution on the capital adequacy of banks, or advanced methods of measuring operational risk set out in Annex 14 to the resolution on the capital adequacy of banks, or banks using credit risk mitigation techniques referred to in the Annex 17 to the resolution on the capital adequacy of banks - shall publish additional information referred to in Annex 2 to the resolution.

§ 5.1. Banks which are subject to the resolution shall publish information on the access to information policy rules in their place of business for public scrutiny. The information policy rules shall govern:

- 1) scope of published information, subject to Article 111 a (2) and (3) of the act referred to in the introductory sentence;
- 2) frequency of publication, appropriate for the scale of the bank's business;
- 3) form and place of publication;
- 4) principles for validation and verification of the published information, which are not included in the audit of the bank's financial statement by a certified auditor;
- 5) principles for verification of the information policy.

2. Information policy principles shall be determined by the Management Board, and approved by the Supervisory Board of the bank.

§ 6.1. Banks shall publish the information referred to in Annex 1 and 2 to the resolution not later than 30 days from the date of approval of the annual financial statement by the approving authority.

2. Banks should consider the need to publish some or all of the information more frequently than once a year, taking into account the nature of their business activities, including, in particular, scale of operations, scope of activities, their activity in foreign countries, exposure in various financial sectors, as well as participation in international financial markets and in payment, settlement and clearing systems. In such decisions banks should consider, in particular, the need to increase the frequency of publishing the information referred to in § 3 and § 4 (2-5) of Annex 1 to resolution and the information on the risk profile and other items subject to frequent changes.

§ 7. Provisions of the resolution shall not apply to the information published pursuant to other legal regulations. If such information is not included in the financial statement, the bank shall indicate where it is published in its information policy.

§ 8.1 The Polish Financial Supervisory Authority, subject to paragraph 3, shall publish the list of banks to which this requirement applies on a website designed for publishing information in connection with the Authority's supervisory capacity, not later than by the end of the first quarter of the year in which the list is required to be published.

2. The list of banks referred to in paragraph. 1 shall be made as of 31 December of the year preceding the publication.

§ 9. The Resolution enters into force on 1 January 2009.

For and on behalf of the Polish Financial Supervision Authority
Chairman of the Polish Financial Supervision Authority
Stanisław Kluza

**Annex No 1 to the Resolution No. 385/2008 of the Polish Financial Supervision Authority
of 17 December 2008
(Item 39)**

General Information

§ 1. With regard to objectives and rules of managing various types of risk the bank shall publish the following information:

- 1) strategies and processes of managing various risk types;
- 2) the structure and organization of a management unit responsible for a particular risk type or other relevant organizational arrangements;
- 3) the scope and type of reporting systems and risk measurement systems;
- 4) policy principles on security and risk mitigation measures, as well as strategies and processes that monitor the effectiveness of these measures.

§ 2. With regard to the application of prudential norms the bank shall publish the following information:

- 1) name of the bank;
- 2) brief description of units which:
 - a) are fully consolidated,
 - b) are proportionally consolidated,
 - c) are represented using the equity method,
 - d) are deducted from bank's own funds,
 - e) are neither consolidated nor deducted from bank's own funds;
- 3) information about significant, existing or anticipated legal or practical obstacles to the prompt transfer of bank's own funds or repayment of liabilities among the parent entity and its subsidiaries;
- 4) the total amount of capital deficiencies in all subsidiaries not consolidated and the list of names of these subsidiaries, with capital deficiency understood as the difference between the actual own funds and the minimum capital requirement.

§ 3. With regard to its own funds, the bank shall publish the following information:

- 1) basic information about the main characteristics and conditions relating to all the items and components of its own funds;
- 2) the sum of bank's own funds and the value of individual components and deductions from original and additional own funds set out in Article 127 of the act referred to in the introductory sentence and the resolution on the banks' own funds;
- 3) the amount of short-term capital and components included in short-term capital specified in accordance with § 5 (1) of the resolution on the capital adequacy of banks;
- 4) items listed in § 2 (1) item 3 and 4 of the resolution on banks' own funds;
- 5) for banks referred to in § 5 (4) of the resolution on the capital adequacy of banks - the sum of their own funds and short-term capital.

§ 4. With regard to compliance with capital requirements referred to in Article 128 of the act referred to in the introductory sentence, the bank shall publish the following information:

- 1) description of the method used by the bank to assess the adequacy of its internal capital on which their current and future business activity is based;
- 2) in the case of a bank applying the standardised approach to calculating risk-weighted exposure amounts, pursuant to Annex 4 to the resolution on the capital adequacy of banks, the amounts to be published shall be amounts representing 8% of the risk-weighted exposure, separately for each exposure class referred to in § 20 (1) of the Annex 4 to the resolution on the capital adequacy of banks;
- 3) in the case of a bank applying the IRB approach to calculating risk-weighted exposure amounts, pursuant to Annex 5 to the resolution on the capital adequacy of banks, the amounts to be published shall be amounts representing 8% of the risk-weighted exposure,

separately for each exposure class specified in § 6 (1) of the Annex 5 to the resolution on the capital adequacy of banks, whereby:

- a) in the case of retail exposures or contingent retail exposures, this requirement shall be applied to each exposure class, for which, pursuant to § 34-41 of Annex 5 to the resolution on the capital adequacy of banks, specified correlation coefficients are relevant;
- b) in the case of equity exposures, this requirement shall apply to:
 - each of the approaches set out in § 45-59 of Annex 5 to the resolution on the capital adequacy of banks, separately,
 - equity exposures related to securities traded on the stock market, equity exposures not allowed to be traded on the regulated market for equity securities in properly diversified portfolios, and other exposures,
 - exposures subject to a supervisory transition period in connection with capital requirements,
 - exposures subject to favourable treatment under the previously existing regulations on capital adequacy;
- 4) the amount of minimum capital requirements referred to in § 6 (1) item 2-5 of the resolution on the capital adequacy of banks, jointly and separately for each type of risk;
- 5) the amount of minimum capital requirement for operational risk determined in accordance with Annex 14 to the resolution on the capital adequacy of banks - separately for each of the methods used.

§ 5. With regard to credit risk and dilution risk the bank shall publish the following information:

- 1) definitions of non-performing receivables (in the case of banks using the PSR), or receivables subject to impairment (in the case of banks using the IAS);
- 2) description of the approach used and methods adopted for determining value adjustments and provisions;
- 3) the total amount of exposures according to balance sheet valuation (after accounting adjustments), without taking into account the effects of credit risk mitigation, and the average amount of exposure in a given period by class;
- 4) geographical structure of exposures, broken down in areas important in terms of significant exposure classes, together with additional information, if relevant;
- 5) structure of exposures by industry or counterparty type, broken down in exposure classes, together with additional information, if relevant;
- 6) structure of exposures by maturity, broken down by exposure classes, along with additional information, if relevant;
- 7) the amounts, broken down by significant industries or counterparty types, of:
 - a) non-performing exposures (in the case of banks using the PSR), or exposures with recognized impairment (in the case of banks using the IAS);
 - b) balances of value and provision adjustments,
 - c) balances of value and provision adjustments for a given period,
- 8) non-performing exposures or exposures with recognized impairment - presented separately, broken down into main geographical areas, and including, where possible, the amount of value and provision adjustments for each geographical area;
- 9) reconciliation of changes in value and provision adjustments for non-performing exposures or exposures with recognized impairment, including:
 - a) description of the types of value and provision adjustments,
 - b) opening balances,
 - c) debt write-offs charged to revaluation write-offs in a given period
 - d) provisions, revaluation charges or solutions to estimated probable losses in exposures in a given period, any other adjustments, including adjustments arising from exchange rate differences, mergers of entities, takeover and sale of subsidiaries and money transfers among groups of write-offs and provisions,
 - e) closing balances;

whereby value adjustments and recoveries included directly in the profit and loss account should be disclosed separately.

§ 6. With regard to the counterparty's credit risk referred to in § 1 of Annex 16 to the resolution on the capital adequacy of banks, the bank shall publish the following information:

- 1) description of methodology used to assign internal capital and credit limits to exposures to the counterparty credit risk;
- 2) a description of policies on credit collaterals and provisioning for credit losses;
- 3) description of policies on exposure to the risk of an unfavourable change in the value of collateral;
- 4) analysis of the impact of the value of the required collateral which the bank would be obliged to provide if its credit rating were downgraded;
- 5) The gross positive fair value of contracts, netting benefits, current credit exposure, the established collateral and the net credit exposure for derivatives, whereby the net credit exposure for derivatives constitutes exposure due to transactions on derivatives after the profits from both the netting agreements in force and collateral agreements have been included in the calculation;
- 6) rules for determining the exposure value in accordance with the adopted approach, depending on the bank's choice;
- 7) notional value of hedging credit derivative transactions and division of the current credit exposure into exposure types;
- 8) credit derivative transactions (notional) broken down by transactions concluded for the purposes of bank's own loan portfolio, including transactions comprising unfunded credit protection and transactions concluded on behalf of clients and speculative transactions, with a further breakdown into collaterals bought and sold within each product group;
- 9) the estimate of a, if the bank received approval from the supervisory authority to estimate a.

§ 7. A bank which uses the standardised approach to calculating risk-weighted exposures, pursuant to Annex 4 to the resolution on the capital adequacy of banks for each of the exposure classes specified in § 20 (1) of Annex 4 to the resolution on the capital adequacy of banks, shall publish the following information:

- 1) names of external credit assessment institutions and export credit agencies whose ratings are used by the bank, and the causes of any changes in this respect;
- 2) classes of exposures subject to credit ratings awarded by each of the external credit assessment institutions and export credit agencies;
- 3) description of a process used to transfer the rating of the issuer and issue out of the trade portfolio;
- 4) assignment of credit ratings awarded by each of the external credit assessment institutions and export credit agencies to the appropriate credit rating grades defined in Annex 4 to the resolution on the capital adequacy of banks, whereby there is no obligation to publish this information if the bank complies with the standard system of rating assignment, indicated in Annex 4 to the resolution on the capital adequacy of banks and the PFSA resolution adopted on the basis of Article 128 (6) item 6 of the Banking Act;
- 5) value of exposures before and after the application of credit risk mitigation techniques for each credit rating established for the standardized approach and of items which are deductions from bank's own funds.

§ 8. For the calculation of risk-weighted exposure values using IRB approach, pursuant to Annex 5 to the resolution on the capital adequacy of banks, the bank shall publish the following information:

- 1) information on exposures assigned to each of the categories listed in the table in § 25 of Annex 5 to the resolution on the capital adequacy of banks, with regard to specialized lending exposures;
- 2) information on the exposures assigned to each risk weight specified in § 47 - 51 of Annex No 5 to the resolution on the capital adequacy of banks in the case of using a simplified method of risk weighting.

§ 9. To use the Value at Risk approach in calculating capital requirements, pursuant to Annex 19 to the resolution on the capital adequacy of banks, the bank shall publish the following information:

- 1) for each sub-portfolio:
 - a) characteristics of the models used,
 - b) description of stress tests performed in the sub-portfolio,

- c) description of the methods used in historical back-testing and verification of accuracy and coherence of internal models and procedures for their implementation;
- 2) the scope of permission given by the Polish Financial Supervisory Authority to use the Value at Risk approach;
- 3) description of control systems and mechanisms in accordance with the requirements specified in § 7-13 of the Annex 3 to the resolution on the capital adequacy of banks.

§ 10. With regard to operational risk the bank shall publish the following information:

- 1) methods used for calculating the capital requirement to cover operational risk;
- 2) in the case of using advanced measurement methods, pursuant to § 34 -67 of Annex 14 to the resolution on the capital adequacy of banks - the description of methodology, including analysis of the relevant internal and external factors taken into account in the method used. In the case of partial application of a method - analysis and scope of the methods used.

§ 11. With regard to equity exposures not included in the trading book, the bank shall publish the following information:

- 1) division of exposures based on the purpose of acquisition (capital gains, strategic reasons), and a description of accounting principles and valuation methods, including basic assumptions and practices affecting valuation, and a description of any significant changes in these practices;
- 2) the balance sheet value, the fair value, and comparison of the market price with the fair value for securities listed on the stock exchange,
- 3) the types, nature and values of exposures in equity securities by: securities listed on a stock exchange, properly diversified portfolios of securities not admitted to trading on a regulated market for equity securities, and other exposures;
- 4) realized gains or losses from sale and liquidation - cumulatively in a given period;
- 5) total amount of unrealized gains and losses, the total unrealized gains and losses on revaluation and other, similar items included in original or additional own funds.

§ 12. With regard to exposure to interest rate risk of the items included in the bank book, the bank shall publish the following information:

- 1) the nature of the interest rate risk, basic assumptions (including assumptions regarding the future, early repayment of loans and keeping non-maturity deposits), and the frequency of measurement of interest rate risk;
- 2) change in financial performance, discounted economic value or other measurements used to assess the effects of shock increases or decreases in interest rates, calculated in accordance with the method of measuring interest rate risk used by the bank, broken down in currencies.

§ 13. With regard to the calculation of capital requirements for the amounts of risk-weighted securitization exposures, pursuant to Annex 18 to the resolution on the capital adequacy of banks, the bank shall publish the following information:

- 1) analysis of the objectives of securitisation activity;
- 2) description of the bank's role in securitization process;
- 3) the extent of the bank's involvement in various roles in securitization process;
- 4) methods used to calculate risk weighted exposure amounts for securitization activity;
- 5) description of accounting rules used in securitization activities, including in particular:
 - a) indication of whether the transactions are treated as sale of receivables or as a source of funding,
 - b) method of representing sale profits in accounts,
 - c) basic assumptions about the valuation of retained interests,
 - d) method of representing synthetic securitisation in accounts
- 6) names of external credit assessment institutions whose credit ratings are used for securitization purposes and types of exposures for which credit ratings awarded by those institutions are used;
- 7) the total amount of current exposures securitised by the bank and subject to a securitization programme (broken down into traditional and synthetic securitisation), by type of exposure;

- 8) for exposures securitized by the bank and included in securitization scheme - the amount of securitized exposures which have recognized impairment and are overdue, broken down into exposure types and losses incurred by the bank in a given period;
- 9) the cumulative amount of securitization positions retained or purchased, broken down into exposure type;
- 10) aggregate amount of securitization positions retained or purchased broken down into a meaningful number of risk weight bands, items risk-weighted at 1250% or deducted from the bank's own funds shall be disclosed separately;
- 11) total outstanding amount of securitized revolving exposures broken down into originator's interest and investors' interest;
- 12) analysis of securitization activity in a given period, including the amounts of securitised exposures (by exposure type), and gains or losses from sales broken down into exposure types.

**Annex No. 2 to the Resolution No 385/2008 of the Polish Financial Supervision Authority
of 17 December 2008 (Item 39)**

Information on qualifying requirements for the use of particular instruments or methodologies

§ 1. A bank calculating risk-weighted exposure amounts, pursuant to Annex 5 of the resolution on the capital adequacy of banks, shall publish the following information:

- 1) the fact that it has a permission of the PFSA to use a given method, or approved rules for introducing the method gradually;
- 2) analysis and overview of:
 - a) structure of its internal rating systems and the relation between internal and external ratings,
 - b) scope of the use of internal estimates for purposes other than calculation of risk weighted exposure amounts using the IRB approach,
 - c) process of managing and recognising credit risk mitigation methods,
 - d) rating system control mechanisms which take into account description of the degree of independence, of the scope of responsibility and of the review of these systems
- 3) description of the process of awarding internal credit ratings, for each of the following exposure classes separately:
 - a) governments and central banks,
 - b) institutions,
 - c) enterprises, including small and medium-sized enterprises, specialized lending and purchased corporate receivables
 - d) retail exposures, broken down into categories, to which various correlation coefficients apply, pursuant to § 34-41 of Annex 5 of the resolution on the capital adequacy of banks,
 - e) equity exposures;

whereby the description shall contain information on the types of exposures included in a given class of exposures, definitions, methods, data for estimation and internal validation of the probability of default (PD), and, where appropriate, of loss given default (LGD), and conversion factors, including assumptions used to determine these variables and the description of the significant deviations from the definition of default laid out in § 171-179 of Annex 5 to the resolution on the capital adequacy of banks, along with an indication of the portfolio segments to which these deviations apply;

- 4) value of exposure for each of the classes set out in 6 (1) of Annex 5 to the resolution on the capital adequacy of banks;

whereby exposures to governments and central banks, institutions and enterprises to which the bank applies its own methods of estimating loss given default (LGD) and its own conversion factors to calculate risk weighted exposure amounts shall be published separately from the exposures for which such estimations are not used;

- 5) for exposures to central governments and central banks, institutions, enterprises and equity exposures, broken down into a sufficient number of obligor grades (including debtors defaulting on payment) to allow a meaningful differentiation of credit risk, the following information shall be published:
 - a) total exposure (for exposures to governments and central banks, institutions and enterprises it is the sum of outstanding receivables and amounts of granted, undrawn off-balance sheet liabilities; for equity exposures it is the balance sheet value),
 - b) the average value of loss given default (LGD), weighted by the exposure amount expressed as percentage - in the case of banks using their own estimations of loss given default (LGD) to calculate the risk weighted exposure amount,
 - c) average risk weight, weighted by the exposure amount,
 - d) the amount of granted undrawn off-balance sheet liabilities and the average exposure value at the time of default on granted undrawn off-balance sheet liabilities - in the case of banks using their own estimation of conversion factors to calculate the risk weighted exposure amounts;

- 6) for the retail exposure class and for each of the categories listed in item 3d, the bank shall publish one of the two pieces of information:
 - a) information listed in point 5 (if applicable, on a pooled basis) or
 - b) analysis of exposures (credit exposures and exposures due to off-balance sheet liabilities) against classes of expected loss, whereby the number of classes should allow for a meaningful differentiation of credit risk (if appropriate, the data can be presented at the level of the pool of exposures);
- 7) actual value adjustments made in the previous period for each exposure class (for retail exposures - for each class of the categories listed in point 3d) and differences from adjustments made in the past;
- 8) description of factors that had an influence on the loss incurred in the previous period (for example, whether the bank noticed a higher than average default rate or higher conversion factors than the average value of loss given default (LGD));
- 9) comparison of the forecasted and actual earnings in a longer period of time; the bank shall at least publish the results of a comparison between the forecasted and actual loss for each exposure class (in the case of retail exposures - for each category listed in item 3d, over a period long enough to allow for a reliable assessment of the functioning of IRB approach); if appropriate, the bank shall further split this information to analyse the probability of default (PD), or, if the bank uses its own estimation of the value of loss given default (LGD) and conversion factors - to compare the values of LGD and conversion factors with the estimations published as part of its quantitative risk assessment.

§ 2. A bank using credit risk mitigation techniques shall publish the following information:

- 1) policies and procedures for netting balance sheet and off-balance sheet exposures, together with an indication of how the bank uses it;
- 2) policies and procedures for valuation of collaterals and collateral management;
- 3) description of the main types of collateral accepted by the bank;
- 4) main types of guarantors and credit derivative counterparties and their credit rating;
- 5) information about market or credit risk concentration with respect to the risk mitigation instruments used;
- 6) in the case of a bank calculating risk weighted exposure amounts using the standardised approach, pursuant to Annex 4 to the resolution on the capital adequacy of banks, or IRB approach, pursuant to Annex 5 of the resolution on the capital adequacy of banks, but not using its own estimations of LGD and conversion factors for exposure classes - for each exposure class separately - the total value of exposures (following the netting of balance sheet and off-balance sheet exposures, if possible), secured by a recognised financial collateral or other recognised collateral, after volatility adjustments;
- 7) in the case of a bank calculating risk weighted exposure amounts using the standardised or IRB approach - separately for each class of exposures - the total value of exposures (following the netting of balance sheet and off-balance sheet exposures, if applicable) secured by a guarantee or credit derivatives; for equity exposures this requirement shall be applied to each of the methods specified in § 45-59 of Annex 5 of the resolution on the capital adequacy of banks.

§ 3. A bank which is using an advanced method of measurement pursuant to § 34 - 67 of Annex 14 to the resolution on the capital adequacy of banks to calculate capital requirements for operational risk, shall publish the following information:

- 1) description of the insurance applied to reduce operational risk;
- 2) the fact that the bank has PFSA's approval for the use of advanced methods of measurement.