Note: This publication is discontinued.

Please refer to the ECB's banking supervision website for the latest information.

EUROPEAN CENTRAL BANK

BANKING SUPERVISION

DANIÈLE NOUY
Chair of the Supervisory Board

Frankfurt am Main, 8 January 2016

Supervisory expectations on ICAAP and ILAAP and harmonised information collection on ICAAP and ILAAP

To: The management of significant banks

Internal capital and liquidity adequacy assessment processes (ICAAPs and ILAAPs) are key risk management instruments for credit institutions. When reliable, these processes can provide a substantial input into the determination of the capital and liquidity requirements in the Supervisory Review and Evaluation Process (SREP). Accordingly, supervisory teams need to be in a position to assess the reliability of these ICAAPs and ILAAPs when performing the SREP. This was for instance stated in the Guide to Banking Supervision.

The experience of 2015 revealed that the information submitted by significant institutions on their ICAAPs and ILAAPs was often not in line with Single Supervisory Mechanism (SSM) expectations. This partly reflected a wide range of practices within SSM countries so far.

In order to encourage institutions to develop and maintain high-quality ICAAPs and ILAAPs, and to clarify the type of information they should share with the SSM on these, please find attached communications regarding:

- SSM expectations on ICAAP (Annex A)
- SSM expectations on ILAAP (Annex B)
- Harmonised collection of information on ICAAP and ILAAP (Annex C)

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Please note that these communications are not expected to interfere with legally binding national provisions. In the case of interference with legally binding national provisions, however, the national provisions will apply.

Yours sincerely,

[signed]

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Annex A – Supervisory expectations on ICAAP

Now that we have completed the first Single Supervisory Mechanism (SSM) Supervisory Review and Evaluation Process (SREP) cycle, we would like to draw your attention to your Internal Capital Adequacy Assessment Process (ICAAP). In line with the Capital Requirements Directive (CRD IV)[1] and the European Banking Authority's SREP Guidelines, the ICAAP plays a key role in the SSM SREP methodology. It feeds into many SREP assessments on business models, internal governance and overall risk management, the risk control assessments for the risks to capital and, last, but certainly not least, into the Pillar 2 capital determination process.

We would like to stress that the ICAAP is an internal process and it remains your responsibility to implement it in a proportionate manner, i.e. the ICAAP has to be commensurate with your individual business model, size, complexity, riskiness, market expectations, and so on. It is our expectation that the level of conservatism and comprehensiveness and your governance arrangements will usually go far beyond / be more conservative than the baseline described for very few aspects in this letter. Please note also that we do not expect institutions to lower their ICAAP standards on the basis of this note. Rather, even institutions with already well-developed ICAAPs are expected to continuously improve them. In any case, our assessment will take the principle of proportionality into account.

Please find below our baseline expectations with regard to nine ICAAP areas that will also be used under our harmonised assessment of ICAAPs.

1. Governance

In view of the major role of the ICAAP for the institution, all of its key elements – e.g. governance structure; documentation requirements; scope with regard to risks and perimeter captured (stated at least annually in a risk inventory); time horizon; key risk measurement assumptions and parameters (diversification assumptions, confidence levels, holding periods) – should be approved by the management body.

Institutions should produce, at least once per year, a clear formal statement on their capital adequacy supported by an analysis of ICAAP outcomes and approved and signed off by the management body. However, as the ICAAP is an ongoing process, institutions should – additionally – integrate ICAAP-related outcomes (such as material evolution of risks, key indicators, etc.) into their internal reporting at an appropriate frequency. This frequency should be at least quarterly, but, depending on the institution, its business model and risk types, it should be monthly.

[1] Directive 2013/36/EU

2. General design of the ICAAP

According to Article 73 of the CRD, "*Institutions shall have in place sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed.*"

Accordingly, as part of the ICAAP, institutions are expected to assess and quantify all risks that may materially impact their capital or earnings and draw a conclusion on and ensure their capital adequacy from a holistic perspective over a medium-term horizon. Therefore the shorter-term perspective of (usually) one year has to be complemented by a longer-term (usually at least a three-year horizon) forward-looking process (including capital planning) that includes the use of credible base-case and adequate, institution-individual, adverse scenarios. All the quantitative parts have to be fully interlinked with institutions' strategies, business decision-making and risk management processes (internal reporting, limit system, risk appetite framework, etc.). The strategies and processes have to be consistent and coherent throughout the group / financial conglomerate.

3. ICAAP perspective

Under the SSM, institutions are expected to implement a proportionate ICAAP approach aimed at the survival of the institution and the ongoing fulfilment of all legal and internal requirements. In addition to regulatory and/or accounting perspectives, institutions should take into account a sound economic perspective as a basis for their internal view (i.e. also consider migration risk, credit spread risk in the banking book for positions not at fair value, value-based measurement of interest rate risk in the banking book (IRRBB), hidden losses, etc.).

4. Risks considered

Institutions are responsible for implementing a regular process for identifying all material risks they are or might be exposed to. Institutions should take into account at least the following risks or, where these are not applicable, explain why they are considered immaterial:[2]

- Credit risk (also including: FX lending risk, country risk, credit concentration risk, migration risk)
- Market risk (also including: credit spread risk, structural FX risk)
- Operational risk (also including: conduct risk, legal risk, model risk)
- Interest rate risk in the banking book (also including optionalities – e.g. prepayment options)

[2] Please note that the mapping between risk types and risk sub-categories presented in this letter are not to be considered mandatory. It is an institution's choice whether and how it combines risk types and risk sub-categories.

- Participation risk
- Sovereign risk
- Pension risk
- Funding cost risk
- Risk concentrations
- Business and strategic risk

In the case of conglomerates and for material participations (e.g. in insurance undertakings), institutions are also expected to take inherent risks, such as insurance risk, into account in their ICAAPs.

5. Definition of internal capital

The definition of internal capital has to be consistent with the ICAAP perspective on capital needs (see number 3 on ICAAP perspective). Under the SREP, the SSM pays particular attention to the quality of capital and has the expectation that internal capital will be of sound quality. For example, where the internal capital definition is linked to regulatory own funds, it is expected that a large part of internal capital components will be CET1 own funds.

6. Assumptions and key parameters

The institutions are responsible for setting key parameters and assumptions (confidence levels, holding periods, etc.) that are adequate for their individual circumstances. The parameters and assumptions should be in line with their risk appetite, market expectations, business model, and risk profile, i.e. parameters should be consistent with the assumed scenarios at all levels (risk factors, portfolios and countries).

7. Inter-risk diversification effects

Institutions should be aware that the supervisor will not take into account inter-risk diversification in the SREP. Institutions are expected to take this into account and be cautious in applying inter-risk diversification when assessing their internal capital adequacy. When applying inter-risk diversification effects in their ICAAPs, institutions are expected to be transparent about them, i.e. they should, in addition to net figures, at least produce gross figures without inter-risk diversification effects. Furthermore, given that most of the diversification effects disappear in times of stress or behave in non-linear ways (even reinforcing each other in an extreme scenario[3]), institutions should take this into account in their stress testing and capital planning.

[3] For example, adding the separately estimated risk components may not be conservative, as often thought, because non-linear interactions may lead to compounding effects (see "Findings on the interaction of market and credit risk", *BCBS Working Paper*, No 16, Basel Committee on Banking Supervision, May 2009).

8. Severity level of stress tests

Internal stress tests scenarios have to be tailored towards the institution's individual key vulnerabilities, resulting from its business model and operating environment in the context of stressed macroeconomic and financial conditions. The application of severe, but plausible macro assumptions plus the focus on the key vulnerabilities is expected to result in a material impact on the institution's internal and regulatory capital ratios. In addition, institutions are expected to conduct reverse stress testing in a proportionate manner.

9. Stress testing scenario definition

At least once a year, institutions shall perform an in-depth review of their vulnerabilities, capturing all material risks on an institution-wide basis and, on the basis of that review; they shall define a set of stress testing scenarios to inform the capital planning process in addition to using a baseline scenario in their ICAAPs.

In a proportionate way, institutions should continuously monitor and identify new threats, vulnerabilities and changes in the environment to assess whether their stress testing scenarios remain appropriate and, if not, to adapt them to the new circumstances. In addition, it is expected that the scenarios will be reconfirmed and used periodically (e.g. quarterly) to monitor potential effects on the relevant capital adequacy indicators over the course of the year.

Annex B – Supervisory expectations on ILAAP[1]

Now that we have completed the first SSM[2] SREP[3] cycle, we would like to draw your attention to your Internal Liquidity Adequacy Assessment Process (ILAAP). In line with the Capital Requirements Directive (CRD IV)[4] and the European Banking Authority's (EBA's) SREP Guidelines[5], the ILAAP plays an important role in the SSM SREP methodology regarding the Pillar 2 liquidity determination process. The purpose of this letter is to emphasise the major role the ILAAP plays in the SREP and to communicate SSM expectations regarding the ILAAP.

First, however, we would like to stress that the ILAAP is still an internal process and it remains your responsibility to implement it in a proportionate manner, i.e. the ILAAP has to be commensurate with your individual business model, size, complexity, riskiness, market expectations, and so on. Please also note that we expect institutions with already well-developed ILAAPs to continuously improve them commensurate with the level of risk and complexity in the institution's operating environment. Our assessment will take the principle of proportionality into account.

Given that this is the first common ILAAP reporting, we would like to stress the importance of following the guidance in the EBA's G*uidelines on ICAAP and ILAAP information collected for SREP purposes*[6] in order to ensure a minimum level of harmonisation for the assessment.

1. General definition of the ILAAP

The Internal Liquidity Adequacy Assessment Process (ILAAP) is defined in the EBA's SREP Guidelines as "the processes for the identification, measurement, management and monitoring of liquidity implemented by the institution pursuant to Article 86 of Directive 2013/36/EU". It thus contains all the qualitative and quantitative information necessary to underpin the risk appetite, including the description of the systems, processes and methodology to measure and manage liquidity and funding risks.

Institutions should produce, at least once per year, a clear and formal statement on their liquidity adequacy, supported by an analysis of ILAAP outcomes and approved and signed by the management

[1] Internal Liquidity Adequacy Assessment Process

[2] Single Supervisory Mechanism

[3] Supervisory Review and Evaluation Process

[4] Directive 2013/36/EU

[5] Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) (EBA/GL/2014/13)

[6] The draft guidelines are available on the EBA website at http://www.eba.europa.eu/documents/10180/1307235/EBA-CP-2015-26+%28CP+on+GL+on+ICAAP+and+ILAAP+Information%29.docx

body. Since the ILAAP is an ongoing process, institutions, should – additionally – integrate ILAAP outcomes regarding the evolution of material risks and indicators into their internal reporting at an appropriate frequency.

Under the SSM, institutions are expected to implement a proportionate ILAAP approach aimed at the survival of the institution, ensuring that liabilities are met in both normal and stressed scenarios. In addition to applicable regulatory and/or accounting perspectives, institutions should take into account a sound economic perspective as a basis for their internal view, considering, in particular, all material risks to liquidity and funding, both directly and from second order effects, taking into account both macro and idiosyncratic perspectives. Institutions are encouraged to take note of the existing guidance on liquidity buffers and survival periods[7] as well as the risk drivers listed in the EBA's SREP Guidelines that form the basis for the supervisory assessment.

2. ILAAP reporting

The content, timelines and format of ILAAP reporting should follow the reporting guidance in the section on harmonised collection of information on ICAAP and ILAAP as described in Annex C. For ILAAP reporting, the institution is requested to state explicitly in the reader's manual and self-assessment which documentation and information items are not, or only marginally, covered owing to proportionality with respect to the size, business model, risk and complexity of the institution. Furthermore, the internal liquidity adequacy statement of the bank should align with the risk appetite of the bank and must be signed by the management body.

The additional information submitted as part of the short-term exercise relating to the liquidity coverage ratio, the net stable funding ratio (NSFR), funding plans and the selected additional liquidity monitoring templates play an important role in the quantitative assessment of the ILAAP in the SREP. Institutions are requested to ensure reliable and complete reporting in line with the applicable instructions.

[7] See *Guidelines on Liquidity Buffers & Survival Periods*, Committee of Banking Supervisors, 2009, available at https://www.eba.europa.eu/documents/10180/16094/Guidelines-on-Liquidity-Buffers.pdf

Annex C – Harmonised collection of information on ICAAP and ILAAP

The assessments of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) are important elements of the SSM's Supervisory Review and Evaluation Process (SREP) as stated in the Guide to Banking Supervision[1].

Pursuant to Article 73 of the Capital Requirements Directive (CRD IV)[2], banks shall have in place sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of risk to which they are or might be exposed (ICAAP).

With regard to liquidity adequacy, according to Article 86 of the CRD, competent authorities shall ensure that institutions have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intraday, so as to ensure that institutions maintain adequate levels of liquidity buffers. Those strategies, policies, processes and systems shall be tailored to business lines, currencies, branches and legal entities and shall include adequate allocation mechanisms of liquidity costs, benefits. Furthermore, the competent authority has to review these arrangements, strategies and processes as part of the SREP pursuant to Article 97 of the CRD.

As a starting point for these reviews, we will periodically collect information on significant institutions' ICAAPs and ILAAPs in a harmonised form from 2016 onwards under Article 10 of the SSM Regulation[3], following the EBA's *Guidelines on ICAAP and ILAAP information collected for SREP purposes* (published for consultation on 11 December 2015)[4]. Should the current draft of those Guidelines be changed as a result of the consultation process, such changes will also be applicable to the SSM ICAAP/ILAAP information collection, unless we will inform you differently.

Accordingly, institutions shall submit ICAAP and ILAAP information as spelled out in the EBA Guidelines, but taking into account the specifications below concerning the delivery dates, formats and content of the information collection. We consider harmonisation in the delivery of ICAAP and ILAAP documentation necessary in order to fulfil the tasks related to the SREP, but the ICAAP and ILAAP are and should remain internal processes of the institution itself. Though the information items to be covered are

[1] https://www.ecb.europa.eu/pub/pdf/other/ssmguidebankingsupervision201409en.pdf
[2] Directive 2013/36/EU
[3] Regulation (EU) No 1024/2013
[4] The draft guidelines are available on the EBA website at https://www.eba.europa.eu/documents/10180/1307235/EBA-CP-2015-26+%28CP+on+GL+on+ICAAP+and+ILAAP+Information%29.docx

prescribed, the exact format of the documents is generally not, thus allowing the use of already existing internal documents.

I. Specifications regarding dates and format

ICAAP and ILAAP information shall be provided electronically via the established communication channels to the relevant joint supervisory team (JST) by 30 April, with the preceding year-end as the reference date.[5] Accordingly, the first submission is expected by 30 April 2016 with 31 December 2015 as reference date.

Information should be provided in accordance with the levels of application of ICAAP and ILAAP set out in Articles 108 and 109 of the CRD, recognising waivers applied pursuant to Articles 7, 8, 10 and 15 of the Capital Requirements Regulation (CRR)[6] and Article 21 of the CRD. However, for the 2016 SREP, the assessment will mainly focus on the consolidated level.[7]

The internal documentation may be submitted in a structure that is best suited for the bank. In addition, institutions are requested to provide a reader's manual to facilitate the assessment of the ICAAP and the ILAAP. This manual should provide:

- an overview of the documents and their status (new, unchanged, changed with major edits, changed with minor edits), highlighting, where relevant, material changes since the last submission; and
- an overview of where the information items specified in the EBA Guidelines and in the specifications below can be found in the documentation (e.g. a link to a specific document and, where relevant, a reference to specific chapters or pages within the document) or, if information items are not included, an explanation why the item is not relevant, taking into account proportionality.

II. Specifications regarding contents

The EBA's guidelines on ICAAP and ILAAP reporting provide non-exhaustive guidance on reporting on the ICAAP and the ILAAP of the institution.

Institutions are expected to provide all information items mentioned in the EBA Guidelines or explain why the items are not relevant for them, taking into account the size, complexity and business model of the

[5] Exceptions:
a) For institutions with a fiscal year differing from the calendar year, please use the most recent fiscal year-end before the calendar year-end as the reference date.
b) For significant institutions where the ECB is the host supervisor, a different submission date may be agreed within the supervisory colleges.

[6] Regulation (EU) 575/2013

[7] Exceptions will be communicated to institutions by JSTs on a case-by-case basis.

institution. As a reminder, institutions are requested to state explicitly in the readers' manual and in their self-assessment which documentation and information items are not, or only marginally, covered owing to the application of proportionality with respect to the size, business model and complexity of the institution.

Where information items are available at very granular level, institutions are not required to include every document available for the sake of completeness. When excluding such granular information from submissions (e.g. supporting documents in relation to local dashboards, meeting minutes, individual KPIs, etc.), institutions should provide their general policies governing these items and should indicate in the reader's manual what information has been excluded. Notwithstanding the above, institutions may include examples of such information in their information package for areas where it may be seen as important evidence of their compliance with the regulatory requirements. Summing-up, institutions are responsible for submitting sufficiently granular information to allow JSTs to assess their ICAAPs and ILAAPs. Where they decide not to submit detailed documentation, institutions should be transparent about this.

III. ICAAP-specific information

Specifications regarding section 6.2 of the EBA Guidelines – Information on risk measurement, assessment and aggregation

- The descriptions of the main differences between Pillar 1 quantification approaches and risk measurement methodologies used for ICAAP purposes should also be provided by banks not using advanced Pillar 1 approaches and should, as far as possible, be complemented by a quantitative reconciliation between Pillar 1 own funds requirements for risks and respective ICAAP estimates (see paragraph 29.c. of the EBA Guidelines). In particular, this reconciliation should comprise differences in the scopes and definitions of risks captured and material differences in major parameters (like confidence levels and holding periods) and assumptions (e.g. regarding diversification effects).
- Institutions are requested to use the attached Excel template (Annex C.1) to annually provide information on their risk categories and sub-categories (see paragraphs 30.a.and b. of the EBA Guidelines). It is fully recognised that the ICAAP is an internal process and that it is the institution's responsibility to design it. Accordingly, institutions are expected to fill in the template using the numbers they have produced for internal purposes and in line with their internal risk taxonomy. No numbers should be changed or produced as a consequence of the need to fill in the provided template. However, institutions should provide their internal definitions of the risk types and sub-categories in order to clarify the scope of the risks captured. The review of the information reported in the template, will of course, only be one part of our ICAAP assessment, which is conducted in a holistic manner, covering at least all areas listed in the full ICAAP information package.

Specifications regarding section 6.3 of the EBA Guidelines – Information on internal capital and capital allocation

- The description of the main differences between internal capital element/instruments and regulatory own funds instruments should be complemented by a quantitative reconciliation between internal capital and regulatory own funds (see paragraph 31.b. of the EBA Guidelines).

IV. ILAAP-specific information

Specifications regarding section 7.8 of the EBA Guidelines – Supporting documentation

- Of particular importance is the self-assessment referred to in paragraph 54.k of the EBA Guidelines, which should be provided using the template in Annex C.2.

V. ICAAP and ILAAP conclusions and quality assurance

Specifications regarding section 8 of the EBA Guidelines – ICAAP and ILAAP conclusions and quality assurance

Concerning the ICAAP, institutions should attach to their information package a concise[8] statement about their capital adequacy, supported by an analysis of the ICAAP set-up and outcomes and signed by the management body. It should contain an explicit internal definition of capital adequacy and, in addition, it should include the relevant outcomes from the ICAAP, including the forward-looking view of the main factors affecting capital adequacy. This statement should be substantiated by a compilation of the most relevant arguments and facts supporting the conclusions, covering the overall ICAAP architecture, the short-term quantitative view (including internal and regulatory metrics and requirements – capital ratios, etc.), the medium-term view, with a focus on the critical scenarios, forecasted impacts and links with strategy and capital planning, the role of the management bodies and strategic decisions (regarding the risk management frameworks, business models, strategies, risk appetite, etc.) linked to the ICAAP outcomes, highly relevant changes since the previous year, forward-looking considerations, and main weaknesses and how they are being addressed. (See paragraphs 55 and 56 of the EBA Guidelines.)

Concerning the ILAAP, in line with the ICAAP, institutions are requested to provide a concise statement on the liquidity adequacy, signed by the management body. This statement should be in line with current risk appetite and provide an overview of the current liquidity and funding position in relation to the corresponding limits, regulatory or otherwise, applicable to the institution, covering the main liquidity risks. This should be substantiated by relevant arguments and facts supporting the conclusion, covering both the short-term (liquidity) and longer-term (funding) view. There should be a focus on the critical scenarios

[8] As a rough guide, this statement, including supporting justifications, should in general not comprise more than 15 pages.

linking the strategy and liquidity planning, the role of the relevant management bodies, and strategic decisions (covering the risk management framework, strategy, risk appetite, etc.) linked to the ILAAP outcomes. Where applicable, any changes or identified weaknesses (i.e. following the self-assessment) and resulting gaps are to be taken into consideration in the overall conclusion on liquidity adequacy. (See paragraphs 55 and 56 of the EBA Guidelines.)

Enclosures:

1. Template for ICAAP risk mapping and risk data
2. Template for ILAAP self-assessment

Template for ICAAP risk mapping and risk data

General information

Country: (two letter ISO code)	
Bank code: (RIAD MFI code)	
Bank LEI code:	
Bank name:	
Comments:	

Mapping of internal risk categories to SSM risk map and information on internal capital

Please provide the information and data only as internally available. Do not change or produce internal numbers only for filling column 1.5 of the template.
If the cell is not applicable to the institution, please complete as "na" for not applicable. Only white cells can be filled in.

	SSM Risk Map		ICAAP information						
	1.1 Risk categories	**1.2 Risk sub-category** (thereof: …)	**1.3 Name of internal risk category as currently covered in ICAAP** (please use categories and sub-categories as available internally and map them to the given risk categories and sub-categories as possible; for risk categories or sub-categories not covered in the SSM risk map please use the rows named "other".)	**1.4 Short description of internal Risk category** (including sub-categories that may be included)	**1.5 ICAAP estimate - internal capital needed (one-year view) in EUR** (please only provide numbers as internally available)	**1.6 Have there been material changes in scope or quantification methodology for this risk category / sub-category since the last reporting date? (y/n)**	**1.7 Please provide a link to the internal documentation of the quantification methodology** (specifiying the document and/or section of the document as provided in the annual documentation package).	**1.8 Further explanation** (if needed)
1	**Credit risk**							
2		credit risk (please use this row if several sub-categories are quantified together, i.e. no separate estimates are available)						
3		default risk						
4		credit concentration risk						
5		FX lending risk						
6		securitisation risk						
7		country risk (includes transfer & other risks)						
8		settlement and delivery risk						
9		residual risk						
10		migration risk						
11		counterparty risk						
12		other						
13	**Market risk**							
14		market risk (please use this row if several sub-categories are quantified together, i.e. no separate estimates are available)						
15		position risk in the trading book						
16		FX and commodity risk						
17		structural FX risk						
18		market concentration risk						
19		credit spread risk						
20		credit valuation adjustment risk						
21		other						
22	**Operational risk**							
23		operational risk (please use this row if several sub-categories are quantified together, i.e. no separate estimates are available)						
24		operational risk (CRR definition)						
25		reputational risk						
26		model risk						

		conduct risk						
		information and communication (ICT) risk						
		legal risk						
		compliance risk						
		other						
Interest rate risk in the banking book								
		IRRBB (please use this row if several sub-categories are quantified together, i.e. no separate estimates are available)						
		repricing risk						
		yield curve risk						
		basis risk						
		option risk						
		other						
Pension risk								
Insurance risk								
Business and strategic risk								
Real estate risk								
Participation risk								
Sovereign risk								
Funding risk (part related to cost of funding)								
Risk concentrations								
other								
other								
other								
other								
other								
other								
other								
other								
other								
other								
other								
other								
Total (gross figures)								
./. inter-risk diversification								
Total (net figures)								

66	**2.1 Internal capital**			**2.2 Internal capital** in EUR	**2.3 Have there been material changes in the internal capital definition since the last reporting date? (y/n)**	**2.4 Please provide a link to the internal documentation of the internal capital definition** (specifiying the document and/or section of the document as provided in the annual documentation package)	**2.5 Further explanation** (if needed)
67		**CET1**					
68		**...**					
69		**...**					
70		**...**					
71							
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Example - Mapping of internal risk categories to SSM risk map and information on internal capital

Please provide the information and data only as internally available. Do not change or produce internal numbers only for filling column 1.5 of the template.
If the cell is not applicable to the institution, please complete as "na" for not applicable. Only white cells can be filled in.

	SSM Risk Map		ICAAP information					
	1.1 Risk categories	**1.2 Risk sub-category** (thereof: …)	**1.3 Name of internal risk category as currently covered in ICAAP** (please use categories and sub-categories as available internally and map them to the given risk categories and sub-categories as possible; for risk categories or sub-categories not covered in the SSM risk map please use the rows named "other".)	**1.4 Short description of internal Risk category** (including sub-categories that may be included)	**1.5 ICAAP estimate - internal capital needed (one-year view) in EUR** (please only provide numbers as internally available)	**1.6 Have there been material changes in scope or quantification methodology for this risk category / sub-category since the last reporting date? (y/n)**	**1.7 Please provide a link to the internal documentation of the quantification methodology** (specifiying the document and/or section of the document as provided in the annual documentation package).	**1.8 Further explanation** (if needed)
1	**Credit risk**							
2		credit risk (please use this row if several sub-categories are quantified together, i.e. no separate estimates are available)	credit risk	covers default risk, credit concentration risk, securitisation risk and migration risk in terms of risk of loss in economic value	50,000,000	no	see…	
3		default risk	na	included in credit risk	na		na	
4		credit concentration risk	na	included in credit risk	na		na	
5		FX lending risk	na	na	na		na	
6		securitisation risk	na	included in credit risk	na		na	
7		country risk (includes transfer & other risks)	na	na	na		na	
8		settlement and delivery risk	na	included in counterparty risk	na		na	
9		residual risk	na	na	na		na	
10		migration risk	na	included in credit risk	na		na	
11		counterparty risk	counterparty risk	covers counterparty and settlement risk	500,000	yes	see…	
12		other	na	na	na		na	
13	**Market risk**							
14		market risk (please use this row if several sub-categories are quantified together, i.e. no separate estimates are available)	na	na	na		na	
15		position risk in the trading book	market risk	covers market risk related to IR, CS, …	200,000	no	see…	
16		FX and commodity risk	FX risk	covers…	10,000	no	see…	
17		structural FX risk	na	na	na		na	
18		market concentration risk	na	na	na		na	
19		credit spread risk	credit spread risk	covers credit spread risks in the banking book	500,000	no	see…	
20		credit valuation adjustment risk	CVA risk	as defined in CRR	4,000	no	see…	
21		other	na	na	na		na	
22	**Operational risk**							
23		operational risk (please use this row if several sub-categories are quantified together, i.e. no separate estimates are available)	operational risk	covers OpRisk according to CRR as well as legal and compliance risk	300,000	no	see…	
24		operational risk (CRR definition)	na	included in operational risk	na		na	
25		reputational risk	na	na	na		na	
26		model risk	na	na	na		na	

27		conduct risk	na	na	na		na	
28		information and communication (ICT) risk	na	na	na		na	
29		legal risk	na	included in operational risk	na		na	
30		compliance risk	na	included in operational risk	na		na	
31		other	na	na	na		na	
32	**Interest rate risk in the banking book**							
33		IRRBB (please use this row if several sub-categories are quantified together, i.e. no separate estimates are available)	IRRBB	covers repricing, yield curve, basis and option risk in terms of earnings at risk	200,000	no	see…	
34		repricing risk	na	included in IRRBB	na		na	
35		yield curve risk	na	included in IRRBB	na		na	
36		basis risk	na	included in IRRBB	na		na	
37		option risk	na	included in IRRBB	na		na	
38		other	na	na	na		na	
39	**Pension risk**		na	na	na		na	
40	**Insurance risk**		na	na	na		na	
41	**Business and strategic risk**		business risk	earnings at risk due to changes in costs and provision income	500,000	no	see…	
42	**Real estate risk**		na	na	na		na	
43	**Participation risk**		na	na	na		na	
44	**Sovereign risk**		na	na	na		na	
45	**Funding risk (part related to cost of funding)**		funding cost risk	covers …	5,000	no	see…	
46	**Risk concentrations**		na	na	na		na	
47	**other**		na	na	na		na	
48	**other**		na	na	na		na	
49	**other**		na	na	na		na	
50	**other**		na	na	na		na	
51	**other**		na	na	na		na	
52	**other**		na	na	na		na	
53	**other**		na	na	na		na	
54	**other**		na	na	na		na	
55	**other**		na	na	na		na	
56	**other**		na	na	na		na	
57	**other**		na	na	na		na	
58	**other**		na	na	na		na	
59	**other**		na	na	na		na	
60	**Total (gross figures)**				52,219,000			
61	**./. inter-risk diversification**				na		na	
62	**Total (net figures)**				52,219,000			
63								
64								
65								

	2.1 Internal capital			2.2 Internal capital in EUR	2.3 Have there been material changes in the internal capital definition since the last reporting date? (y/n)	2.4 Please provide a link to the internal documentation of the internal capital definition (specifiying the document and/or section of the document as provided in the annual documentation package)	2.5 Further explanation (if needed)
66							
67		**CET1**		50,000,000	no	see…	
68		**realised earnings**		3,000,000	no	see…	
69		**na**		na		na	
70		**na**		na		na	
71		**na**		na		na	
72		**na**		na		na	
73		**na**		na		na	
74		**na**		na		na	
75		**na**		na		na	
76		**na**		na		na	
77		**na**		na		na	
78		**na**		na		na	
79		**na**		na		na	

ILAAP: Self-assessment template

To be completed by the undertaking

Name of undertaking	
Signed-off by*	

* Please fill in name and position

Instructions

The undertaking is asked to carry out a self-assessment of its liquidity risk management and the related procedures, measures, governance, controls, stress tests, etc. The template below, which has been structured in line with the Basel Committee on Banking Supervision (BCBS) principles, is to be completed by the undertaking for this purpose.

You are expected to provide scoring rationale for each principle, regardless of the answer (Fully / Mostly / Partially / No/NA). If the answer is anything other than "Fully", the comments should state what remedial or mitigating actions are being taken and whether these actions are of a temporary or permanent nature (action plan). If full compliance with the BCBS/European Banking Authority (EBA) principles cannot be expected based on the principle of proportionality, the undertaking can set out the reasons for this in the comments.

In the judgement of the undertaking, does it comply with the following principles? (Tick where applicable and explain under "Comments".)

1	*Liquidity Risk Management Framework:* *A bank is responsible for the sound management of liquidity risk. A bank should establish a robust liquidity risk management framework that ensures it maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.*	**Fully**	**Mostly**	**Partially**	**No/NA**
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

2	*Liquidity Risk tolerance:* *A bank should clearly articulate a liquidity risk tolerance that is appropriate for its business strategy and its role in the financial*	**Fully**	**Mostly**	**Partially**	**No/NA**

	system.				
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

3	*Liquidity Risk Strategy* *Senior management should develop a strategy, policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the bank maintains sufficient liquidity. Senior management should continuously review information on the bank's liquidity developments and report to the board of directors on a regular basis. A bank's board of directors should review and approve the strategy, policies and practices related to the management of liquidity at least annually and ensure that senior management manages liquidity risk effectively.*	**Fully**	**Mostly**	**Partially**	**No**
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

4	*Liquidity Buffers & Collateral management:* *A bank should maintain a cushion of unencumbered, high quality liquid assets to be held as insurance against a range of liquidity stress scenarios, including those that involve the loss or impairment of unsecured and typically available secured funding sources. There should be no legal, regulatory or operational impediment to using these assets to obtain funding. A bank should*	**Fully**	**Mostly**	**Partially**	**No/NA**

	actively manage its buffers, counterbalancing capacity and collateral positions, differentiating between encumbered and unencumbered assets, the internal and regulatory buffer, and different scenarios of stress. A bank should monitor the legal entity and physical location where buffers are held and how it may be mobilised in a timely manner.				
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

5	*Liquidity Monitoring:* *A bank should have a sound process for identifying, measuring, monitoring and controlling liquidity risk. This process should include a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons. This also includes an internal reporting framework, and should comply with internal policies and limits.*	**Fully**	**Mostly**	**Partially**	**No/NA**
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

6	*Liquidity Stress-Test* *A bank should conduct stress tests on a regular basis for a variety of institution-specific and market-wide stress scenarios (individually and in combination) to identify sources of potential*	**Fully**	**Mostly**	**Partially**	**No/NA**

	liquidity strain and to ensure that current exposures remain in accordance with a bank's established liquidity risk tolerance. A bank should use stress test outcomes to adjust its liquidity risk management strategies, policies, and positions and to develop effective contingency plans.				
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

7	*Liquidity & Fund Transfer Pricing:* *A bank should incorporate liquidity costs, benefits and risks in the product pricing, performance measurement and new product approval process for all significant business activities (both on- and off-balance sheet), thereby aligning the risk-taking incentives of individual business lines with the liquidity risk exposures their activities create for the bank as a whole.*	**Fully**	**Mostly**	**Partially**	**No/NA**
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

8	*Intra-group liquidity management:* *A bank should actively manage liquidity risk exposures and funding needs within and across legal entities, business lines and currencies, taking into account legal, regulatory and operational limitations to the transferability of liquidity.*	**Fully**	**Mostly**	**Partially**	**No/NA**
Scoring rationale:					

Comments:
Action plan:
Reference to enclosure for further supporting information (state name of document and page or chapter number):

9	*Market access:* *A bank should establish a funding strategy that provides effective diversification in the sources and tenor of funding. It should maintain an ongoing presence in its chosen funding markets and strong relationships with funds providers to promote effective diversification of funding sources. A bank should regularly gauge its capacity to raise funds quickly from each source. It should identify the main factors that affect its ability to raise funds and monitor those factors closely to ensure that estimates of fund raising capacity remain valid.*	**Fully**	**Mostly**	**Partially**	**No/NA**
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

10	*Intraday liquidity management:* *A bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems.*	**Fully**	**Mostly**	**Partially**	**No/NA**
Scoring rationale:					
Comments:					

Action plan:
Reference to enclosure for further supporting information (state name of document and page or chapter number):

11	*<u>Contingency funding plan:</u>* *A bank should have a formal contingency funding plan (CFP) that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations. A CFP should outline policies to manage a range of stress environments, establish clear lines of responsibility, include clear invocation and escalation procedures and be regularly tested and updated to ensure that it is operationally robust.*	**Fully**	**Mostly**	**Partially**	**No/NA**
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					

12	*<u>Disclosure:</u>* *A bank should publicly disclose information on a regular basis that enables market participants to make an informed judgement about the soundness of its liquidity risk management framework and liquidity position.*	**Fully**	**Mostly**	**Partially**	**No/NA**
Scoring rationale:					
Comments:					
Action plan:					
Reference to enclosure for further supporting information (state name of document and page or chapter number):					