

Risk Management

The Group's integrated risk management system is set out in the bank's policies, as approved by the Executive Board, and implies a three-level process:

- the first level (carried out by the Executive Board and Group Risk Committee) is focused on managing the Group's aggregate risks on a consolidated level. On this level, requirements related to managing specific groups of risk and risk management procedures are formed, and collegial bodies and other participants responsible for risk management are defined;
- the second level (carried out by respective committees of the Bank) is responsible for management of specific classes of risks, as defined by the first level;
- the third level (collegial bodies and departments of the Group's participants) is responsible for risk management procedures in individual entities of the Group, in accordance with the roles, authorities and limits defined at the first and second levels.

The integrated risk management process includes the following five key elements:

- identification of the Group's risks and evaluation of their significance, aiming to identify all significant risks affecting the Group;
- establishing systems to manage all significant risks, including assigning functions and authorities to responsible officials, departments and collegial bodies of the bank and the Group;
- planning the Group's exposure to specific risks;
- defining the Group's risk appetite;
- managing the Group's aggregate risks.

As part of implementing the Group's integrated risk management framework, the following initiatives were carried out:

- the Group's risks were assessed, which helped identify the following significant classes of risk: credit risk; country risk; market and credit risks stemming from financial market operations; interest rate and currency risk of non-trading books; property revaluation risk; operational risk; legal, regulatory and compliance risk; liquidity risk; reputational risk; strategic risk; model risk; and tax risk;
- the Group's risk committee has distributed functions and authorities to manage all significant risks across the bank's collegial bodies and subdivisions;
- as part of the Group's business planning for 2013–15, risk metrics and methodologies for calculations and stress testing were included into the bank's business plan;

- the bank's risk appetite was approved.

Data on specific risks is presented in the Financial Risk Management section of the audited financial statements.