

Pursuant to Article 232 and Article 257 of the Banking Law of Republika Srpska (“Official Gazette of Republika Srpska”, issue No.: 04/17), Article 5, Paragraph 1, Item b, Article 20, Paragraph 2, Item b and Article 37 of the Law on Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, issues No.: 59/13 and 4/17) and Article 6, Paragraph 1, Item b and Article 19, Paragraph 1, Item b of the Statute of the Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, issue No.: 63/17), the Management Board of the Banking Agency of Republika Srpska, at its 47th session, held on 26th February 2018, adopted the following

DECISION
ON
CONDITIONS AND MANNER OF PERFORMANCE OF INDEPENDENT
ASSESSMENT
OF VALUE OF ASSETS AND LIABILITIES OF THE BANK
BEFORE AND DURING RESOLUTION PROCEEDINGS OF THE BANK

1. General Provisions

General Provisions

Article 1

This Decision shall in more detail regulate conditions and the manner of performing independent assessment of the value of assets and liabilities of the bank in the course of determination of the fulfillment of conditions for resolution of the bank, as well as in the course of selection of corresponding instruments and measures of resolution, and conditions and method of performance of independent assessment following the initiation of resolution proceedings. i.e. the application of resolution instruments, as well as conditions and criteria that need to be met by persons eligible to perform those assessments.

2. Conditions and Criteria for Selection of Persons eligible to perform independent assessment of the bank assets and liabilities

Independence Elements

Article 2

Independent assessment can be performed by an audit firm or another legal or natural person (hereinafter: independent appraiser) that meets the following conditions:

- 1) possesses qualifications, experiences, capacity, knowledge, and resources in compliance with Article 3 of this Decision,
- 2) is legally separate from the Banking Agency of Republika Srpska (hereinafter: Agency) and any other relevant public authority or institution which is entrusted with the performance of public authorities, as well as from the bank that the assessment accounts to or the banking group whose member that bank is in compliance with Article 4 of this Decision,
- 3) has no joint or contrasting interest in compliance with Article 5 of this Decision.

Qualification, Experience, Capacity, Knowledge, and Resources

Article 3

- (1) Independent appraiser shall be a person who possesses qualifications, experience, capacity, knowledge and resources for adequate and efficient performance of independent assessment.
- (2) Independent appraiser must have at his/her disposal or have access to human and technical resources for adequate and efficient performance of independent assessment, and taking into account the nature, scope, and complexity of that assessment.
- (3) For the requirements of performance of assessment of value, the independent appraiser must not:
 - 1) request or accept instructions from the Agency or any other relevant public authority or institution entrusted with performance of public authorities, as well as from the bank the assessment relates to or the banking group whose member that bank is,
 - 2) request or accept financial and other benefits from the Agency and any other relevant public authority or institution entrusted with performance of public authorities, as well as from the bank the assessment relates to or the banking group whose member that bank is.
- (4) Paragraph 3 of this Article shall not prevent:
 - a) provision of instructions, guidelines, premises, technical equipment or other types of support if, according to the Agency's assessment, that is deemed necessary for the realization of objectives of value assessment,
 - b) payment to the independent appraiser of the amount of the compensation and costs that are reasonable in connection with the performance of value assessment.

Legal Separation

Article 4

- (1) Independent appraiser must be a person who is legally separated from the Agency and any relevant public authority or institution entrusted with performance of public authorities, as well as from the bank the assessment relates to or the banking group whose member that bank is.
- (2) Concerning the requirements under Paragraph 1 of this Article the following requirements shall apply:
 - 1) for natural persons - the independent appraiser must not be an employee or have a contractual relationship with the Agency, another relevant public authority or institution entrusted with performance of public authorities, as well as with the bank the assessment relates to or the banking group whose member that bank is,
 - 2) for legal persons - the independent appraiser must not belong to the same group of persons related to the Agency, another relevant public authority or institution entrusted with performance of public authorities, as well as to the bank the assessment relates to or the banking group whose member that bank is.

Common or Contrasting Interests

Article 5

- (1) Independent appraiser must not have any real or potential significant interest that would be common or contrary to the interest of the Agency, another public authority or institution entrusted with performance of public authorities, as well as of the bank the assessment relates to or the banking group whose member that bank is.
- (2) For the requirements of Paragraph 1 of this Article, real or potential interest shall be deemed significant when, according to the assessment of the Agency that interest could affect, or could be reasonably deemed to affect, the judgement of the independent appraiser when performing assessment of value.
- (3) For the requirements of Paragraph 1 of this Article, relevant interests shall be the interests that are common or contrary with the interests of the following parties, at the minimum:
 - 1) senior management and members of bank managerial bodies,
 - 2) legal or natural person that has a qualified holding in the bank,
 - 3) creditors identified by the Agency as significant, on the basis of information available to the Agency,
 - 4) any bank from the banking group.
- (4) For the requirements of Paragraph 1 of this Article, relevant shall be, at the minimum, also the following:
 - 1) provision of services by the independent appraiser, including previous provision of services to the bank and persons who are listed in Paragraph 3 of this Article, and especially connection between those services and elements that are relevant for assessment of value,
 - 2) personal and financial relations between the independent appraiser, the bank, and persons listed in Paragraph 3 of this Article,
 - 3) investments or other material financial interests of the independent appraiser.
- (5) Notwithstanding Paragraphs 3 and 4 of this Article, it shall be deemed that a person has a real significant interest that is common or contrary to the bank if the independent appraiser has performed an external audit in the bank for the year that precedes the date on which his/her eligibility is being assessed.
- (6) Any person who is being considered for the position of the independent appraiser, or who is being appointed as the independent appraiser, must:
 - 1) apply, in compliance with all applicable ethical codes and professional standards, policies and procedures for identification of all real and potential interests for which one could deem that they represent a significant interest in compliance with Paragraph 2 of this Article,
 - 2) inform the Agency, without any delay, of any actual or potential interest that the independent appraiser believes could, according to the assessment of the Agency, be deemed to represent a significant interest in compliance with Paragraph 2 of this Article,
 - 3) undertake adequate steps to ensure that none of the members of employees or other persons involved in the implementation of assessment of value, have significant interest in compliance with Paragraph 2 of this Article.

- (7) The Agency shall select the independent appraiser if it assesses that he/she has met the conditions of independence in compliance with this Decision, on the basis of the data it has at its disposal, as well as data submitted by the appraiser upon its request.
- (8) The Agency may determine additional conditions in the particular case which the appraiser would need to fulfill in order to be selected for the performance of independent assessment, including the cost of his/her engagement as well as his/her operational, technical, and staff related capacities.
- (9) The Agency shall conclude a contract on performance of independent assessment with the independent appraiser which shall contain the subject of independent assessment, the deadline for submission of report on independent assessment, the clause on confidentiality of data that are connected with the subject of independent assessment, the amount of compensation for the performance of that assessment and other elements.
- (10) The compensation for performance of independent assessment shall be borne by the bank.

3. Independent Value Assessments before Initiation of Resolution Proceedings

General Provisions

Article 6

- (1) Independent assessment of value of bank assets and liabilities shall be performed for the purpose of provision of information and data on the basis of which the Agency shall determine whether the conditions are met for the write off or conversion of capital instruments, i.e. for bank resolution, for the selection of appropriate instrument and measure of resolution, as well as in order to ensure that all losses are completely recorded in business books and financial statements of the bank, compiled on the date of undertaking of resolution activities.
- (2) Independent assessment shall be performed if the Agency has assessed:
 - 1) that the condition of the bank is such that it cannot, or probably would not be able to continue business operations,
 - 2) that it is not probable that any other measure of the bank or entities from the private sector, or a measure undertaken in control proceedings, could, within a reasonable period of time, remove the obstacles for continued business operations of the bank,
 - 3) that, if the independent assessment is being performed for the purpose of determination of fulfilment of conditions for the initiation of resolution proceedings, it is probable that the performance of resolution could, in a corresponding manner, realize one or more objectives of resolution, which could not be realized at the same extent by implementing the liquidation or bankruptcy proceedings.
- (3) If the conditions referred to in Paragraph 2 of this Article are met, the independent assessment shall be performed in order to provide to the Agency the following data and information:
 - 1) to which extent it is necessary to write down, i.e. convert individual elements of capital in order to cover losses of the bank or its recapitalization,
 - 2) which resolution instrument or measure is appropriate, i.e. to which extent it is necessary to cancel the bank shares or reduce their nominal value, write down or convert eligible liabilities of the bank, which shares, assets or liabilities should be

transferred, as well as which compensation for the sale of shares, i.e. assets and liabilities would be deemed as compensation under market terms.

General Criteria

Article 7

- (1) Independent appraiser shall be under obligation, in the course of independent assessment, to take into account all circumstances that may affect the expected cash flows relating to assets and liabilities of the bank and discount rates that apply to those assets and liabilities, with the objective of fair and realistic disclosure of the financial conditions of the bank and the risks to which the bank is exposed.
- (2) Independent appraiser shall be under obligation to state and explain the basic assumptions that he/she is using in independent assessment, as well as to state and explain in particular differences between those assumptions and assumptions that were used by the bank management bodies in the course of compilation of financial statements and reports on capital and capital requirements of the bank, and to support those differences with corresponding facts.
- (3) Independent appraiser shall be under obligation to ensure the best possible individual assessment of accounting value of assets and liabilities of the bank, or their combination in compliance with the facts it has at his/her disposal and to additionally determine the ranges of those values for the forms of assets and liabilities for which it is possible.
- (4) Within the value assessment, bank creditors shall be additionally classified by payment ranks in compliance with legislated regulations in the the implementation of liquidation and bankruptcy proceedings, including the following assessments:
 - 1) of the value of receivables in each payment rank in compliance with legislated regulations that govern the implementation of bankruptcy proceedings,
 - 2) of the total amount of funds that would be paid under payment rank, if liquidation and bankruptcy proceedings were implemented against the bank.
- (5) If it is feasible, taking into account the time period and the credibility of independent assessment of value, the Agency may request several assessments of value from independent appraisers. In that case, the Agency shall establish criteria for determination of which assessment of value will be used.

Date of Value Assessment

Article 8

- (1) The reference date of assessment of value shall be the date that is the closest to the date of expected decision of the Agency on initiation of resolution proceedings or write off or conversion of capital instruments.
- (2) Relating to liabilities that result from contracts on financial derivatives, the date of assessment of value shall be defined under a special instruction of the Agency.

Information for Value Assessment

Article 9

Independent valuation shall be based on all the data and information that are accessible on the date for which the valuation is being compiled (hereinafter referred to as the date of valuation), and which shall especially imply:

- 1) data and information from financial and regulatory reports of the bank for the period that is the closest to the date of valuation,
- 2) explanation of key methodologies, assumptions, and assessments that the bank is using for the preparation of financial and regulatory reports,
- 3) data and information from business books and records of the bank,
- 4) assessment of financial condition of the bank performed by the Agency and data and information that the Agency has collected in compliance with Article 202, Paragraph 1 Item 9) of the Law on Banks of Republika Srpska (hereinafter: the Law),
- 5) data and information that are accessible in the market,
- 6) conclusions derived by the independent valuer from interviews with the management and auditors,
- 7) comparisons of asset quality of the bank with asset quality of the banking sector, when that is relevant,
- 8) valuations of other independent valuers that were adjusted adequately to cover the specificities of the specific case;
- 9) historical data and information, if circumstances are excluded from them that are not of significance for the specific case, and if circumstances that are of significance for that case were taken into account;
- 10) trend analyses that are adequately adjusted to the specificities of the concrete case.

Article 10

Impact of Group Agreement

- (1) If the bank represents a part of a group, the independent valuer shall take into account the impact that the existing agreements on support within the group may have on the value of assets and liabilities, if it is possible to expect application of those agreements.
- (2) Independent valuer shall take into account only the impact of formal or informal inter group agreements if, on the basis of circumstances, it is probable that those agreements would remain in effect in the context of a stressed financial condition of the group or in resolution.
- (3) Independent valuer shall conclude whether the assets of the bank within the group are at the disposal for the coverage of losses of other entities of the group.

Report on Valuation of Value

Article 11

Independent valuer shall prepare a report on valuation of value for the Agency, which shall, in addition to the elements prescribed under Article 232, Paragraphs 7 to 9 of the Law on Banks, contain the following, at the minimum:

- 1) valuation of value of liabilities that result from financial derivatives, in compliance with a special instruction of the Agency,
- 2) summary review of valuation of value, including conclusions on the best individual valuations, intervals of value and possible uncertainties in valuation of value,
- 3) explanation of the key methodologies and assumptions that were used in valuation of value, to which extent the valuation of value is sensitive to those choices, and, if feasible, explanation of the manner in which those methodologies and assumptions differ from the ones that were not used,
- 4) all additional information that could, in the opinion of the independent valuer, assist the Agency.

3.1. Independent Valuation for Purpose of Ensuring Data and Information on Fulfillment of Conditions for Write Off or Conversion of Instruments or Capital i.e. Bank Resolution

General Principles

Article 12

- (1) Independent valuer shall be under obligation, for the requirements of provision of information and data on fulfillment of conditions for write off and conversion of capital, i.e. for bank resolution, to apply one or more than one corresponding methodologies which are based on conservative and realistic assumptions.
- (2) The methodology referred to in Paragraph 1 of this Article must be in compliance with accounting regulations and regulations that regulate business operations of banks.

Areas that Require Special Attention in Valuation of Value

Article 13

In the course of performance of independent valuation, the independent valuer shall be under obligation to pay special attention to areas in which there is significant uncertainty related to the value of assets and liabilities, which shall especially concern credits and credit portfolios, assets acquired in collection of receivables, financial instruments at fair value, goodwill and other intangible investments, liabilities for taxes and contributions, as well as potential costs relating to disputes and measures being undertaken against the bank by the Agency, i.e. the competent regulatory body against a member of the banking group

Factors Affecting Valuation

Article 14

- (1) Independent valuer shall be under obligation to take into account the general factors that may affect the key assumptions on which the valuation of assets and liabilities of the bank are based as listed in Article 13 of this Decision, including the following factors:
 - 1) macroeconomic conditions and the situation in the market that may affect business operations of the bank,
 - 2) business model and strategy of the bank,
 - 3) standards for investing in the bank, including policies for approval of investments,
 - 4) circumstances and practices for which it is probable that they lead to uncertainties relating to payments,
 - 5) circumstances that affect the amount of risk weighted assets,
 - 6) circumstances relating to liquidity and sources of financing of the bank,
 - 7) capacity of the bank to hold, in a specific period, certain assets and to ensure predictable cash flows from them.
- (2) Independent appraiser shall clearly separate all material unrealized gains that were identified in the process of assessment of value, to the extent to which those gains were not recognized in the assessment of value, and shall ensure adequate information in the report on assessment of value on extraordinary circumstances that had led to those gains.

3.2. Independent Assessment for purposes of provision of data and information on measures necessary to be undertaken in relation to write off and conversion of capital instruments, i.e. bank resolution

General Principles

Article 15

- (1) After commencing the performance of independent assessment of the bank, the Agency shall, when it assesses as necessary, for the purpose of implementation of comprehensive independent assessment, inform the independent appraiser of the resolution instruments and measures envisaged under the resolution plan of this bank, i.e. on other planned resolution instruments and measures.
- (2) Independent appraiser shall be under obligation to perform the assessment of the impact of undertaking different resolution instruments and measures on cash flows of the bank, i.e. on the financial position of the bank, as well as on capital and capital requirements.
- (3) In the course of performance of independent assessment referred to in Paragraph 2 of this Article, the independent appraiser shall be under obligation to disclose all losses in the assets of the bank that were determined in the course of assessment of cash flows which can reasonably be expected in connection with assets and liabilities of the bank following the undertaking of resolution instruments and measures.
- (4) In the course of performance of the assessment referred to in Paragraph 2 of this Article, the independent appraiser shall also take into account the possible receivable of the Agency and entities which would participate in the financing of resolution of the bank on

the basis of compensation of costs in relation with the implementation of resolution proceedings, as well as the costs of interest and compensations for potential use of borrowings, loans, guarantees, and other eligible forms of support of the banks and other third parties, that are at the bank's disposal for financing resolution purposes.

- (5) In case the performed assessment of value diverges, to a significant extent, from the values which the bank is disclosing in financial statements, the independent appraiser will use assumptions of value assessment to provide information for adjustments of assumptions and accounting policies which are necessary for the preparation of an updated balance sheet, in a manner that is consistent with the applicable accounting framework. The independent appraiser shall disclose the amount of subsequently determined loss and describe reasons on which the determined loss is based.
- (6) In case of conversion of instruments of capital or other liabilities into capital, the assessment of value shall ensure assessment of value of capital following the conversion for new shares that shall be transferred or issued as compensation for conversion. The assessment shall form the basis for determining the amount of the write off, i.e. the level of conversion of the capital instrument necessary for the coverage of losses and/or recapitalization of the bank.

Measurement Basis

Article 16

- (1) Independent appraiser shall be under obligation to assess cash flows in connection with assets and liabilities of the bank, which can reasonably be expected, after applying the resolution instruments and measures, as well as to discount those cash flows taking into account the period in which the expected cash flows should be realized, the costs of financing of assets or liabilities, the financial position of the bank after resolution, as well as the conditions in the market.
- (2) Cash flows referred to in Paragraph 1 of this Article may be assessed aggregately for forms of assets, i.e. liabilities that have common characteristics.
- (3) If the planned resolution instruments and measures envisage that the bank retains certain assets and liabilities, the independent appraiser shall be under obligation to base his/her assessment of value of those assets, i.e. liabilities on the current value of cash flows with a corresponding discount, which may be expected under fair, conservative and realistic assumptions, taking into account all effects that the initiation of resolution proceedings may have on the previously used assumptions in the course of assessment of expected cash flows.
- (4) If the planned resolution instruments and measures envisage that transfer of specific assets and liabilities is performed, the independent appraiser shall be under obligation to base his/her assessment of value of those assets, i.e. liabilities on expected cash flows for their sale or transfer within the framework of the corresponding period.

3.3. Temporary Value Assessment

Conditions and Manner of Performance of Temporary Assessment

Article 17

- (1) Performance of temporary assessment referred to in Article 232, Paragraph 10 of the Law shall be subject to application of provisions of Articles 2 - 16 of this Decision, to the extent possible, taking into account the emergency of the procedure and other circumstances that justify the performance of such assessment.
- (2) Independent appraiser shall be under obligation to also include, in the temporary assessment of assets and liabilities of the bank, provisioning for additional losses, when, on the basis of known facts and circumstances, such losses can be expected. The independent appraiser shall be under obligation to adequately explain and justify the assumptions on the basis of which the possibility on the existence of additional losses is determined, taking into account the most significant risks to which the bank is exposed, as well as the shortcomings determined in its accounting policies and procedures.
- (3) For the purpose of determination of the amount of provisioning for additional losses, the independent appraiser shall identify all factors that may affect expected cash flows as a result of application of resolution instruments and measures for which it is probable that they will be applied.
- (4) The amount of provisioning referred to in Paragraph 2 of this Article shall be determined on the basis of recognized standards for the determination of value of assets, wherein data on losses determined for one form of assets can also be applied for other forms of assets, pending potential corrections.
- (5) The provisions of Paragraphs 2 - 4 of this Article shall duly apply to the case of the Agency performing temporary assessment.

4. Independent Assessment after Initiation of Resolution Proceedings

General Provisions

Article 18

- (1) The Agency shall be under obligation to ensure, immediately after resolution proceedings are initiated or after the resolution instruments are applied, that independent assessment is performed on whether the shareholders and creditors of the bank, i.e. the Bosnia and Herzegovina Deposit Insurance Agency, would be in a more favorable position if bankruptcy proceedings over the bank were performed instead of the resolution proceedings.
- (2) The assessment referred to in Paragraph 1 of this Article shall determine the following:
 - 1) losses that are put on the burden on entities referred to in Paragraph 1 of this Article in resolution proceedings,
 - 2) losses that would be put on the burden on entities referred to in Paragraph 1 of this Article in case that bankruptcy proceedings had been initiated over the bank on the date of initiation of resolution proceedings,
 - 3) potential difference in the level of those losses and its amount.
- (3) The reference date of independent assessment of value referred to in Paragraph 1 of this Article shall be the date of decision making on resolution.

- (4) For the requirements of determination of losses of entities referred to in Paragraph 1 of this Article, in the resolution proceedings, the independent appraiser shall rely on information available in connection with the facts and circumstances that had existed on the date or the dates of application of specific resolution instruments.
- (5) If the independent assessment referred to in Paragraph 1 of this Article is being performed by the same person that had performed the independent assessment of value of assets and liabilities of the bank referred to in Article 232 of the Law, those assessments shall mandatorily be separated.
- (6) The costs of independent assessment shall be borne by the bank in resolution proceedings.

Assumptions for Assessment

Article 19

Independent appraiser shall be under obligation to implement assessment of value on the basis of the following assumptions:

- 1) that bankruptcy proceedings were initiated over the bank at the time of making the decision on initiation of resolution proceedings,
- 2) that resolution measures were not undertaken, and
- 3) that the bank in resolution was not provided with extraordinary public financial support.

Records of Assets and Liabilities

Article 20

- (1) Independent appraiser shall compile a review of all items of balance sheet and off-balance sheet assets of the bank for which one can expect realization, as well as assets that may arise subsequently. The aforementioned review shall also include assets for which is evident that there are connected cash flows or that they can be reasonably expected.
- (2) The bank shall present to the independent appraiser a list of liabilities, as well as a list of potential liabilities of the bank, which shall include classification of all liabilities in compliance with priority sequence for payment according to legislated regulations for bankruptcy proceedings.
- (3) Independent appraiser shall separately identify each item of pledged assets and liabilities that are secured with those pledged assets.

Treatment of Shareholders and Creditors in Resolution

Article 21

- (1) For the purpose of determination of losses of shareholders or creditors of the bank, i.e. the Bosnia and Herzegovina Deposit Insurance Agency in resolution proceedings, the independent appraiser shall identify all receivables that are outstanding after the write off or conversion of capital instruments and the application of all resolution instruments, and shall allocate such receivables to legal and natural persons that had been shareholders and creditors of the bank as of the date of initiation of resolution proceedings. In exceptional cases, if the legal and natural persons that had been

shareholders and creditors of the bank, as of the date of initiation of resolution proceedings, receive, in the course of resolution proceedings, cash compensation as a result of application of resolution instruments, the independent appraiser shall determine their actual losses in compliance with this Article.

- (2) If the persons referred to in Paragraph 1 of this Article, in the course of resolution proceedings, receive as compensation one of capital instruments, the independent appraiser shall determine their actual losses by performing the assessment of total value of the shares that were transferred or issued as compensation for owners of converted capital instruments or to the creditors that participated in the write off or conversion of capital instruments.
- (3) For the shares referred to in Paragraph 2 of this Article, the assessment that is required in that Paragraph shall be based on assessed market price.
- (4) If the persons referred to in Paragraph 1 of this Article, in the course of resolution proceedings, receive compensation in the form of a new receivable, the independent appraiser shall determine the actual losses through taking into account the factors such as changes in contracted cash flows that result from write off or conversion, or application of other resolution instruments, as well as relevant discount rates.
- (5) For all outstanding receivables, the independent appraiser may take into account prices in active markets for the same or similar instruments that were issued by that bank within the framework of resolution or other similar entities, if they are accessible and together with the factors described in Paragraphs 2 and 3 of this Article.

Treatment of Shareholders and Creditors in Case of Bankruptcy

Article 22

- (1) The methodology for implementation of independent assessment of losses of shareholders or creditors of the bank, i.e. the Bosnia and Herzegovina Deposit Insurance Agency, under the assumption that on the date of initiation of resolution proceedings, bankruptcy proceedings were initiated over the bank, shall be performed on the basis of discounted amount of expected cash flows within the framework of procedures for implementation of bankruptcy proceedings.
- (2) Expected cash flows shall be discounted according to the rate or rates that reflect interest rates for all debt instruments, which are in effect on the date of decision making on resolution, in the expected deadline and which shall settle individual liabilities according to the sequence of priorities referred to in Article 269 of the Law.
- (3) Independent appraiser shall take into account the following factors in the course of determination of discounted amount of expected cash flows, within the framework of implementation of bankruptcy proceedings:
 - 1) legal framework for the implementation of bankruptcy proceedings and the usual practice for implementation of bankruptcy proceedings in the relevant area of competence, which may affect the factors such as the expected period of collection of receivables or the rate of collection,
 - 2) costs of bankruptcy proceedings that can be reasonably envisaged,

- 3) information on bankruptcy proceedings that were implemented in the past for similar entities, if available and relevant.
- (4) For assets that are being traded on an active market, the independent appraiser shall use the price that is current at the time of assessment, except if the specific circumstances aggravate the possibility of realization of assets of the bank (for example, concentration, saturation and market depth).
- (5) For assets that are not being traded on an active market, the independent appraiser shall take into account a certain number of factors when determining the amount of expected cash flows, including the following:
 - 1) prices in active markets in which similar assets are being traded,
 - 2) prices achieved in bankruptcy proceedings for assets of similar nature and condition,
 - 3) prices that are current in transactions that include the sale of shares, i.e. assets, rights, and liabilities of the bank or transfer to the bridge bank, or transfer to an asset management company, in the context of resolution of similar banks,
 - 4) probability of assets being realized in bankruptcy proceedings,
 - 5) expected market conditions in the course of the duration of bankruptcy proceedings, including market depth and market capability to exchange the relevant quantity of assets in the course of that period, and
 - 6) duration of bankruptcy proceedings.
- (6) The assumed realized value of assets, which are the result of assessment of value, shall be awarded to shareholders and creditors in compliance with payment ranks and priority sequence referred to in Article 269 of the Law.

Report on Value Assessment

Article 23

- (1) Independent appraiser shall compile a report on the assessment of value, which he/she shall submit to the Agency, and which shall include the following elements, at the minimum:
 - 1) summary review of assessment of value, including the presentation of value assessment ranges and reasons due to which it was not possible to determine the value precisely, but instead was necessary to list the aforementioned ranges in the assessment of value,
 - 2) explanation of applied methodologies and assumptions, and to which extent the assessment of value is sensitive to their selection;
 - 3) explanation, if feasible, why the assessment of value differs from other relevant assessments of value, including the assessments of value in resolution implemented in compliance with Article 232 of the Law, or other regulatory or accounting value assessments.

Final Provisions

Article 24

This Decision shall enter into effect on the eighth day from the date of its publication in the “Official Gazette of the Republika Srpska”.

No: UO-376/18

Date: 26 February, 2018

**PRESIDENT
OF MANAGEMENT BOARD
Mira Bjelac**