

Pursuant to Article 180 of the Banking Law of Republika Srpska (“Official Gazette of Republika Srpska” No. 04/17), Article 5, Paragraph 1, Item b, Article 20, Paragraph 2, Item b and Article 37 of the Law on the Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska” No. 59/13 and 04/17), 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” No. 63/17), the Management Board of the Banking Agency of Republika Srpska, on its session held on 19 September 2017, adopted the following

## **DECISION ON DISCLOSURE OF BANK DATA AND INFORMATION**

### **Subject**

#### **Article 1**

- (1) This Decision stipulates in detail content of the data and information that a bank is obliged to disclose pursuant to the Banking Law of Republika Srpska (hereinafter: Law), as well as the conditions, manner and deadlines of their disclosure.
- (2) This Decision applies to all banks seated in Republika Srpska to which the Banking Agency of Republika Srpska (hereinafter: Agency) issued an operating license.
- (3) The issues related to the disclosure of data and information of banks which are not defined in this Decision, but which have been defined by the Law or other Agency’s by-laws, shall be subject to such law or regulation.

### **Scope of a disclosure requirement**

#### **Article 2**

- (1) The bank is obliged to disclose its business name, seat and organizational units, as well as quantitative and qualitative data on business operations and organizational structure of the bank, which are of significance for informing the public about its financial condition and business operations, and which refer to:
  - 1) bank ownership structure and members of the bank governing bodies,
  - 2) remuneration policy,
  - 3) risk management strategy and policy,
  - 4) capital and capital adequacy of the bank,
  - 5) liquidity requirements,
  - 6) exposure related to bank investments,
  - 7) interest rate risk in the banking book,
  - 8) Internal Capital Adequacy Assessment Process (hereinafter: ICAAP) and Internal Liquidity Adequacy Assessment Process (hereinafter: ILAAP),
  - 9) banking group and relationship between the parent company and its subsidiary companies and
  - 10) encumbered and unencumbered bank assets.

- (2) The bank shall define in its internal enactment the criteria for determining data, i.e. information referred to in Paragraph 1 of this Article, method of assessment and control of adequacy and accuracy of such data, i.e. information, timeliness and frequency of their disclosure and whether such disclosure provides a comprehensive overview of the bank risk profile, as well as criteria for determining data and information referred to in Article 14 of this Decision.
- (3) In case disclosed data, i.e. information referred to in Paragraph 1 of this Article fail to reflect the comprehensive bank risk profile, the bank shall be obliged to disclose additional information, i.e. data, by means of which it shall complete the overview of its risk profile. However, the bank is not required to disclose information referred to in Article 14 of this Decision.
- (4) The bank shall regularly, at least once a year, ensure performance of internal audit as stated in the Paragraph 2 of this Article, as well as activities that shall ensure adequacy and accuracy of data, i.e. information from that Paragraph, and timeliness of their disclosure.

### **Data referring to the ownership structure and the bank governing bodies**

#### **Article 3**

The bank is obliged to disclose the following data, i.e. information referring to the ownership structure and the governing bodies of the bank:

- 1) a list of the bank shareholders holding 5% or more share in capital or voting rights of the bank,
- 2) members of the bank supervisory board and management, and their biographies,
- 3) policies for election and assessment of the members of the bank governing bodies,
- 4) members of the audit committee,
- 5) members of other committees established by the supervisory board (nomination committee, risk committee, remuneration committee, etc.) if they have been established in the bank, and frequency of meetings of those committees,
- 6) manner in which the internal audit function and head of internal audit are organized,
- 7) appointment of the bank external auditor.

### **Remuneration policy**

#### **Article 4**

The bank is obliged to disclose the following information relating to the remuneration policy, and practices relating to the employees whose professional activities have a significant impact on the bank risk profile:

- 1) decision-making process to be followed in determining the remuneration policy,
- 2) information on the relationship between salary and performance, i.e. the correlation between remunerations, performance and risks for all employees,
- 3) proportions between fixed and variable remunerations,
- 4) information on the performance criteria on which the rights to the shares, options or variable portions of the remunerations are based,
- 5) description, criteria and explanations for variable portions of the remunerations paid out by the bank,

- 6) total remunerations by the business areas;
- 7) sum of all remunerations by employee category, as well as information on remunerations broken down to the bank management, the supervisory board and other employees whose professional activities have a significant impact on the bank risk profile, and
- 8) number of employees whose remuneration amounts to one hundred thousand KM or more per financial year.

### **Data and information referring to the risk management strategy and policy**

#### **Article 5**

The bank is obliged to disclose the following data, i.e. information related to the strategy and policy for managing all individual significant risks to which it is exposed or might be exposed in its business operations:

- 1) brief description of the strategy and policies for each risk individually,
- 2) structure, i.e. organization of the risk management function,
- 3) scope and characteristics of the risk reporting system, as well as the risk measurement method,
- 4) data on the adequacy of the established risk management system of the bank, with respect to its risk profile and business policy and strategy,
- 5) risk mitigation techniques, as well as the methods utilized by the bank to ensure and monitor the risk mitigation efficiency;
- 6) a concise description of relationship between the bank risk profile and its business strategy, as well as a brief overview of key indicators of the bank business operations in terms of its risk management and their values, that can serve as the basis for assessment of the bank risk management, as well as the method in which the risk appetite is included into the risk management system, and
- 7) description of the method in which it ensures informing the bank governing bodies on risks.

### **Data on capital**

#### **Article 6**

- (1) The bank is obliged to disclose the following data, i.e. information related to its regulatory capital (own funds):
  - 1) amount of regulatory capital, i.e. the bank eligible capital, as well as the amount of CET 1 capital, AT 1 capital and Tier 2 capital of the bank, with an overview of individual elements of capital,
  - 2) description of the main characteristics of financial instruments included in calculation of regulatory capital, and
  - 3) a description of all restrictions applied in the calculation of regulatory capital in accordance with the Decision on calculation of bank capital, as well as capital instruments, regulatory adjustments and adjustments to which these restrictions apply.
- (2) The bank is obliged to separately disclosed the type and the amount of regulatory adjustments, adjustments and items that is not obliged to deduct from the elements of capital in accordance with the Decision on calculation of bank capital.

## Data on capital requirements and capital adequacy

### Article 7

- (1) The bank is obliged to disclose the following data, i.e. information related to its capital requirements and capital adequacy:
  - 1) amount of capital requirement for credit risk for each class of exposure from Article 48 of the Decision on calculation of bank capital,
  - 2) amount of capital requirement for settlement risk,
  - 3) amount of capital requirement for market risks with precisely defined disclosure of the amount of capital requirements for specific and general risk positions on debt and equity instruments, additional capital requirements for large exposures that exceed the limits set by the Decision on large exposures, capital requirements for foreign currency risk and capital requirements for commodity risk,
  - 4) amount of capital requirement for operational risk and the type of approach applied for calculating this requirement, and
  - 5) capital ratios according to Article 34 of the Decision on calculation of bank capital.
  
- (2) The bank is obliged to disclose the following data, i.e. information related to the bank credit risk exposure, including credit risk mitigation techniques and information about External Credit Assessment Institutions (ECAI) or Export Credit Agencies (ECA):
  - 1) definitions of the term exposures in default status, i.e. past due exposures, and impairment of credit risk exposures for accounting purposes,
  - 2) description of approaches and methods used to determine credit risk impairment and loss provisions for off-balance sheet items,
  - 3) total amount of the bank exposure after accounting write-off, excluding the effects of credit risk mitigation techniques, as well as the average amount of exposure over the period, by exposure categories,
  - 4) geographical distribution of exposures by significant areas, in accordance with exposure categories, with more detailed description, if necessary,
  - 5) breakdown of exposures by type of activity, by exposure categories, in particular SME exposures, with more detailed description, if necessary;
  - 6) by remaining maturity period of all exposures, by exposure categories, and more detailed if applicable,
  - 7) by significant industry branch, the amount of:
    1. exposures for which impairment was made and the amount of past due receivables, separately disclosed,
    2. impairment for credit risks and loan loss provisions for off-balance sheet items, and
    3. required impairment for credit risk and loss provisions for off-balance sheet items during the reporting period.
  - 8) overview of impairment changes for credit risks and loss provisions for off-balance sheet items during the reporting period that includes the opening balance, changes during the reporting period and closing balance,
  - 9) disclose separately specific impairments for credit risk and collection of receivables in the default status, recorded in the income statement,
  - 10) for each exposure category:
    1. name of selected ECAI or ECA, as well as the reasons for each change in their selection,
    2. exposure categories for which ECAI or ECA is applied,

3. description of procedures relating to the implementation of the issuer's credit rating or the issuer's financial instruments to individual positions in the banking book,
  4. allocation of credit ratings of a selected ECAI or ECA to the relevant credit quality levels,
  5. amounts of exposures before and after the use of credit protection for each level of loan quality, including exposures representing regulatory capital adjustments.
- (3) The bank is obliged to disclose data, i.e. information related to the counter-cyclical capital buffer:
- 1) geographical distribution of exposures relevant to the calculation of counter-cyclical capital buffer,
  - 2) total amount of the bank's counter-cyclical capital buffer.
- (4) If required, a counter-cyclical capital buffer will be stipulated in separate regulations.
- (5) The bank is obliged to disclose the following information on the leverage ratio and the risk management of leverage excess:
- 1) the leverage ratio calculated in accordance with the Decision calculation of bank capital,
  - 2) an overview of items included when calculating a measure of the bank's total exposure that is the denominator when calculating the leverage ratio,
  - 3) a description of the most significant factors that influenced the change in the leverage ratio in relation to the previously disclosed ratio, and
  - 4) a description of the procedures applied to manage the risk of excess leverage.

### **Data related to liquidity requirements**

#### **Article 8**

The bank is obliged to disclose the following data related to the qualitative and quantitative requirements for the liquidity risk management in accordance with the Decision on liquidity risk management in banks, at least:

- 1) strategies and procedures liquidity risk management,
- 2) manner of liquidity risk management organization in the bank, including reporting system and the liquidity risk measurement,
- 3) policies and procedures for monitoring permanent effectiveness of liquidity risk hedging and liquidity risk mitigation,
- 4) a description of the liquidity risk exposure and compliance with the strategy referred to in Item 1 of this Paragraph and
- 5) information on the liquidity coverage ratio (LCR), including an overview of the items included in the calculation of that ratio.

## **Data related to the bank investment exposure**

### **Article 9**

The bank is obliged to disclose the following data, i.e. information related to exposures per equity investments in the banking book:

- 1) division of exposures by investment purpose, including the intent to generate capital gain and the strategic reasons,
- 2) overview of accounting policies and measurement methods used, including the underlying assumptions and approaches that affect the determination of value, and any significant changes thereof,
- 3) type, nature and exposure amounts of:
  1. exposures for equity investments that are traded in the stock-exchange,
  2. equity investments that are not traded in the stock exchange, and which are in sufficiently diversified portfolios, and
  3. for other equity investments, as well as
- 4) total generated profit/loss for the previous period arising from sale or closing of positions per equity investments.

## **Interest rate risk in the banking book**

### **Article 10**

The bank is obliged to disclose the following data, i.e. information related to interest rate risk exposures arising from banking book positions, as well as to approaches to measurement, i.e. assessment of such risk:

- 1) sources of this risk and frequency of its measurement,
- 2) basic assumptions for measurement, i.e. assessment of exposure to this risk, including assumptions about prepayment of loans and trends of sight deposits, and
- 3) changes in income, economic value or other factors used by the bank to identify, i.e. manage interest rate shocks in accordance with the method established for the measurement of the interest rate risk by significant currencies.

## **Information related to ICAAP and ILAAP**

### **Article 11**

- (1) The bank is obliged to disclose the following data, i.e. information related to Internal Capital Adequacy Assessment Process - ICAAP:
  - 1) brief description of ICAAP, and
  - 2) brief description of the approaches used by the bank for measurement, i.e. assessment of all materially significant risks.
- (2) The bank is obliged to disclose a brief description of Internal Liquidity Adequacy Assessment Process - ILAAP.
- (3) Upon the Agency's request, the bank shall disclose a result of the process in Paragraph 1 and 2 of this Article, and additional capital requirements determined by the Agency during the inspection of the bank's business operations, based on the assessment of the adequacy and reliability of the procedure of internal assessment of the bank's capital adequacy, its consistent implementation and the results of that assessment.

## **Data on the banking group**

### **Article 12**

The bank is obliged to disclose the following data, i.e. information relating to the banking group and relationship between the parent company and its subsidiaries:

- 1) overview of the bank's subsidiaries, including the division into subsidiaries and affiliates of the bank and the bank's share in those companies,
- 2) demonstration of the differences between the reports prepared for the purposes of the banking group supervision on a consolidated basis and consolidated financial statements prepared in accordance with IAS, i.e. IFRS, with a brief description of the following group members:
  1. to which the full consolidation method was applied,
  2. to which the proportional consolidation method was applied,
  3. which have been excluded from the consolidation because the bank's share in capital of those legal entities is a deductible item from the banking group capital,
  4. which have been excluded from the consolidation and do not represent deductible items from the capital of the banking group.

## **Encumbered and unencumbered bank assets**

### **Article 13**

The bank is obliged to disclose the following data, i.e. information referred to its encumbered and unencumbered assets:

- 1) the book value of encumbered and unencumbered assets,
- 2) the structure of encumbered assets by asset type, with particular mention of changes since the last disclosure,
- 3) the structure of encumbered assets within the group,
- 4) descriptive information about the impact of its business model on the level of encumbrance of its assets and the importance of the encumbrance for its financing model,
- 5) information on over collateral, i.e. cases where the value of the encumbered asset is greater than the book value of the asset,
- 6) description of the general terms of the collateral contract concluded to secure the bank's liabilities and
- 7) other information relevant to the valuation of its encumbered assets.

## **Exemption from disclosure obligation**

### **Article 14**

- (1) Exceptionally, the bank may omit disclosure of one or more pieces of information or data from Article 1, Paragraph 2 of this Decision, if such information is not considered materially significant, represents a banking secret in accordance with the Law or represents data and information whose disclosure could adversely affect the bank's competitive position in the market or other confidential information other than regulatory capital information, remuneration policies and policies for the selection and assessment of members of the bank governing bodies.

- (2) Data and information which is not materially significant shall mean the data and information whose disclosure or representation could not affect the assessment or decision-making of an entity that is in a business relationship with the bank.
- (3) Information is considered confidential if there are obligations to clients or other counterparties that oblige the bank to protect confidentiality.
- (4) The bank that does not disclose data, i.e. information referred to in Paragraph 1 of this Article is obliged to disclose the fact that such data, i.e. information has not been disclosed, along with general information and reasons for which it assessed that such data, i.e. information is not materially significant, represent a banking secret, or may have a negative impact on its competitive position in the market.

### **Conditions, manner and deadlines for disclosing data**

#### **Article 15**

- (1) The bank is obliged to disclose data, i.e. information prescribed under this Decision on its web page, either on its homepage or in the section intended for the disclosure of the bank's financial statements
- (2) The Agency shall, by special instruction, stipulate templates for the disclosure of information and data referred to in this Decision.
- (3) If the bank discloses certain data, i.e. information stipulated under this Decision differently, pursuant to other regulations, it shall be considered that it has met the obligation of disclosing such data pursuant to this Decision, provided that it indicated on its website where such information was published,
- (4) The bank shall disclose data. i.e. information stipulated under this Decision at least once a year, with the balance on the financial date of 31 December, and no later than until 31 May of the following year.
- (5) The bank shall assess at least once a year whether the data, i.e. information stipulated by this Decision need to be disclosed more frequently than stipulated by Paragraph 3 of this Article, taking into account the following data, i.e. information:
  - 1) volume of business operations,
  - 2) banking products it offers to clients,
  - 3) presence in different countries,
  - 4) share in the banking sector,
  - 5) share in the international financial markets,
  - 6) share in the international payment, accounting and clearing system.



## **Transitional and final provisions**

### **Article 16**

- (1) This Decision shall come into force eight days after its issuance in the “Official Gazette of Republika Srpska”.
- (2) The bank is obliged to make the first disclosure in accordance with the provisions of this Decision with the balance on the financial date of 31/12/2018 and no later than 31/05/2019.

No: UO-317/17

Date: 19 September, 2017

PRESIDENT  
OF THE MANAGEMENT BOARD  
Mira Bjelac