

Pursuant to Article 109 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No.: 4/17, 19/18, 54/19, 63/24 and 45/25), 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), 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", No.: 63/17), the Management Board of the Banking Agency of Republika Srpska, at its 22<sup>nd</sup> session, held on 3 December 2025 adopted the

## **DECISION ON LARGE EXPOSURES**

### **Subject**

#### **Article 1**

- (1) The Decision on large exposures (hereinafter: the Decision) shall stipulate minimum requirements for the management of large exposures to which a bank is exposed in its operations, which include: defining exposures, calculating the exposure value, defining large exposures, limiting large exposures, compliance with requirements for large exposures, calculating additional capital requirements for large exposures arising from items in the trading book, procedures preventing banks from avoiding additional capital requirements, eligible credit risk mitigation techniques, exemptions and calculating the effects of applying credit risk mitigation techniques, substitution methods, determining the total exposure to one person or group of related persons in connection with transactions with the underlying assets, determining and managing large exposures, and reporting requirements.
- (2) All banks headquartered in Republika Srpska, to which the Banking Agency of Republika Srpska (hereinafter: the Agency) has issued an operating license, shall be obliged to apply the provisions of this Decision.
- (3) For issues related to the management of large exposures in banks that are not defined by this Decision, but are defined by law or other by-law, the provisions of that Law or other by-law shall apply.
- (4) A bank shall be obliged to supervise and control its large exposures in accordance with this Decision.

### **Definitions**

#### **Article 2**

Definitions used in this Decision shall have the following meaning:

- 1) Controlling interest – in accordance with Article 2, Paragraph 1, Item 12) of the Banking Law of Republika Srpska.
- 2) Group of related persons (clients) – in accordance with Article 2, Paragraph 1, Item 24) of the Banking Law of Republika Srpska.

Regardless of Sub-items 1 and 2 of the definition of a group of related persons from Article 2, Paragraph 1, Item 24) of the Banking Law of Republika Srpska, when the Council of Ministers of Bosnia and Herzegovina, the Government of Republika Srpska, the Government of the Federation of Bosnia and Herzegovina, the Government of the Brcko District of Bosnia and Herzegovina and the central governments of other countries have a controlling interest/control in a legal entity or are interconnected with one or more private individuals or legal entities, the group of each of the above-listed entities consisting of all private individuals or legal entities in which they have a controlling interest in accordance with Sub-item 1 or are interconnected with them in accordance with Sub-item 2 does not have to be considered a group of related persons. Instead, the existence of a group of related persons shall be determined individually for the Council of Ministers of Bosnia and Herzegovina, the Government of Republika Srpska, the Government of the Federation of Bosnia and Herzegovina, the Government of the Brcko District of Bosnia and Herzegovina and the central governments of other countries with other private individuals or legal entities and may be assessed separately for each listed entity in which they, in accordance with Sub-item 1, have a controlling interest or with which they, in accordance with Sub-item 2, are mutually related and for all private individuals and legal entities in

which the listed entities, in accordance with Sub-item 1, have a controlling interest or which, in accordance with Sub-item 2, are mutually related to those entities. For the purpose of determining a group of related persons based on economic or financial relation, the bank shall be obliged to take into account at least the following qualitative criteria:

1. when 50% or more of one contractual party's gross income or gross expenses (on an annual basis) are derived from transactions with the other contractual party (e.g., a residential/commercial property owner and a tenant paying a significant portion of the rent),
2. when one contractual party has fully or partially guaranteed the exposure of the other contractual party or is otherwise liable, and the exposure is so significant that the status of default of the guarantor is likely to occur,
3. when the business operation of a person (e.g. a manufacturer) depends on one or a smaller number of suppliers and it takes a long time to find a replacement for them, or when a significant part of the production of a particular manufacturer is intended for one or a smaller number of buyers,
4. when a bank grants credit to another contractual party, and that contractual party (the borrower) has no other source of income from which the loan can be fully repaid other than the expected source of funds for loan repayment,
5. when it is likely that the financial problems of one of the contractual parties will cause difficulties for the other contractual parties in terms of full and timely repayment of obligations,
6. when it is likely that the insolvency or default status of one of the contractual parties will be linked to the insolvency or default status of the other contractual parties,
7. where two or more other contractual parties rely on the same source for the majority of their funding and in the event of the default status of the common funding source, no alternative funding source can be found – in this case, the financing problems of one contractual party are likely to spread to another contractual party due to one-way or two-way dependence on the same main funding source.

However, there may be circumstances in which some of the above criteria would not automatically imply an economic or financial interdependence that results in the connection of two or more other contractual parties. The fact that a bank can prove that one contractual party that is economically closely linked to another contractual party can overcome the financial difficulties or default status of that other contractual party by finding alternative business partners or funding sources within a reasonable time, does not mean that a connection between the persons automatically exists, but rather that the bank needs to establish whether financial difficulties can be transferred between persons.

- 3) Parent undertaking of a legal entity – in accordance with Article 2, Paragraph 1, Item 13) of the Banking Law of Republika Srpska.
- 4) Subsidiary undertaking of a legal entity – in accordance with Article 2, Paragraph 1, Item 14) of the Banking Law of Republika Srpska.
- 5) Tier 1 capital – in accordance with Article 4 of the Decision on calculating capital in banks.
- 6) Transaction – exposure allocated to an exposure class in accordance with Article 52, Item 14) of the Decision on calculating capital in banks relating to exposures in the form of stocks or shares in investment funds and other transactions relating to exposures to the underlying assets.
- 7) Unknown person – a hypothetical person to whom the bank assigns all exposures for which it has not determined the debtor, provided that Article 18, Paragraph 2, Items 1 and 2, and Paragraph 3, Item 1 of this Decision are not applicable.

## **Exposure definition**

### **Article 3**

For the purpose of this Decision, “exposure” is any balance sheet or off-balance sheet item for which credit risk is calculated under the standardized approach, without applying a risk weight determined by the credit quality level and a conversion factor for off-balance sheet items.

## Calculating exposure value

### Article 4

- (1) Exposure values for banking book positions shall be calculated for on-balance sheet positions by reducing the carrying amount by the amount of expected credit losses recorded in the accounting records and additional value adjustments in accordance with Article 5, Paragraph 3 of the Decision on calculating capital in banks. Exposure for off-balance sheet positions shall be calculated by reducing the carrying amount by the amount of expected credit losses recorded in the accounting records.
- (2) The exposure value for contracts from Annex 2 of the Decision on calculating capital in banks shall be calculated in accordance with Article 49, Paragraph 3 of that Decision, and if the relevant exposures belong to the trading book, the bank shall also apply the principles from Article 50, Paragraph 10 of the same Decision. For exposures arising from transactions covered by Articles 103-105 of the Decision on calculating capital in banks, the exposure value shall be calculated in the manner described in those Articles.
- (3) For exposures in the trading book, a bank may:
  - 1) offset its long and short positions in the same financial instruments issued by a specific person, whereby the net position in each individual instrument shall be calculated in accordance with the methods set out in the part of the Decision on calculating capital in banks relating to the calculation of capital requirements for position risk;
  - 2) offset its long and short positions in different financial instruments issued by a specific person, only if the financial instrument to which the short position relates is subordinated to the financial instrument to which the long position relates, or if the relevant instruments have the same priority.  
For the purpose of Items 1 and 2 of this Paragraph, financial instruments may be classified into classes based on different degrees of priority, in order to determine the priority of positions.
- (4) Total exposures to individuals or groups of related persons shall be calculated by summing the exposures in the trading book and the banking book.
- (5) Exposures to groups of related persons shall be calculated by summing the exposures to individuals within the group.
- (6) Exposures do not include the following:
  - 1) in the case of currency purchase and sale transactions, exposures arising within the regular settlement period not exceeding two business days after the date of payment,
  - 2) in the case of securities purchase or sale transactions, exposures arising within the regular settlement period not exceeding five business days after the date of payment or delivery of the securities, whichever is earlier,
  - 3) in the case of the provision of money transmission services, including payment, settlement and reconciliation services in all currencies and correspondent banking or settlement, reconciliation and custody services relating to financial instruments, deferred inflows of funds, and other exposures arising from client operations, which do not last longer than the next business day,
  - 4) in the case of the provision of money transmission services, including payment, settlement and reconciliation services in all currencies and correspondent banking services, within the daily exposure to banks that provide the aforementioned services,
  - 5) exposures that represent a deductible item from the CET1 and AT1 capital in accordance with Articles 9 and 19 of the Decision on calculating capital in banks.
- (7) In order to determine the total exposure to a single person or group of related persons to whom the bank has exposures based on transactions in the form of shares or stocks in investment funds or based on other contracts under which there is exposure to the underlying assets, the bank shall assess its underlying exposures depending on the structure of the transaction and the risk of the underlying exposure of that transaction, and in order to determine whether it represents additional exposure.
- (8) The bank shall add to the total exposure to a specific person the exposures arising from the contract referred to in Annex 2 to the Decision on calculating capital in banks, if the contract was not directly concluded with that person, but rather that person issued the underlying debt or equity instrument.

## **Large exposure definition**

### **Article 5**

A bank's exposure to a single person or group of related persons is considered a large exposure if its value equals or exceeds 10% of its Tier 1 capital.

## **Limiting large exposures**

### **Article 6**

- (1) A bank's exposure to a single person or group of related persons after applying credit risk mitigation techniques in accordance with Articles 10–13 of this Decision shall not exceed 25% of its Tier 1 capital.
- (2) In accordance with Article 7 of this Decision, a bank shall at all times comply with the relevant limit referred to in Paragraph 1 of this Article.
- (3) The limitation referred to in Paragraph 1 of this Article may be exceeded only in exceptional cases for exposures in the bank's trading book, if all of the following conditions are met:
  - 1) the excess in relation to the limit referred to in Paragraph 1 of this Article arises entirely from the trading book,
  - 2) a bank is obliged to meet the additional capital requirement in relation to the excess of the limit referred to in Paragraph 1 of this Article, which is calculated in accordance with Articles 8 and 9 of this Decision,
  - 3) if 10 or less than 10 days have passed since the excess referred to in Item) 2 of this Paragraph, the exposure in the trading book to that person or that group of related persons may not exceed 500% of the bank's Tier 1 capital,
  - 4) all excesses lasting longer than 10 days together do not exceed 600% of the bank's Tier 1 capital.
- (4) The sum of exposures to the Council of Ministers of Bosnia and Herzegovina, the Government of Republika Srpska, the Government of the Federation of Bosnia and Herzegovina and the Government of the Brcko District of Bosnia and Herzegovina may not exceed 300% of the bank's Tier 1 capital.
- (5) In each case of exceeding the limit, a bank shall, without delay, notify the Agency of the amount of the excess and the name of the person to whom the excess applies, and where applicable, of the name of the group of related persons to whom the excess applies.
- (6) For the purpose of large exposures, guarantees issued by the bank's parent undertaking or any related person to the bank's parent undertaking shall not be recognised as unfunded credit protection.

## **Compliance with large exposure requirements**

### **Article 7**

- (1) If, in exceptional cases, exposures exceed the limit referred to in Article 6 of this Decision, a bank shall notify the Agency of the exposure value without delay, which may, if circumstances so warrant, allow the bank a certain period to comply with that limit.
- (2) When, in exceptional cases referred to in the first Paragraph of this Article, the Agency allows the bank to exceed the limit referred to in Article 6 of this Decision for a period longer than three months, the bank shall submit to the Agency a credible and acceptable plan for timely re-establishment of compliance with that limit, and shall implement that plan within the period agreed with the Agency. The Agency shall monitor the implementation of the plan for re-establishment of compliance and, if appropriate, require its faster implementation.
- (3) The Agency may subsequently stipulate criteria for assessing exceptional cases in which a bank exceeds the limit referred to in Article 6 of this Decision, as well as the time and measures for compliance with the relevant limit.

**Calculating additional capital requirements for large exposures arising from trading book items**  
**Article 8**

- (1) The excess referred to in Article 6, Paragraph 3, Item 2) of this Decision shall be calculated by selecting those items of the total exposure in the trading book to a particular person or group of related persons that carry the highest specific risk requirement from Chapter IX of the Decision on calculating capital in banks, which relates to the capital requirement for market risk, i.e. the capital requirement for position risk, and the requirements from Chapter VII of that Decision, which relates to the capital requirement for settlement/delivery risk, the sum of which is equal to the excess referred to in Article 6, Paragraph 3, Item 1) of this Decision.
- (2) If the excess did not last longer than 10 days, the additional capital requirement shall be 200% of the amount of the requirement referred to in Paragraph 1 for the specified items.
- (3) Within 10 days of the occurrence of the excess, the items constituting the excess, selected in accordance with Paragraph 1 of this Article, shall be allocated to the appropriate rows in column 1 of Table 1 in ascending order of the capital requirements for specific risk from Chapter IX of the Decision on calculating capital in banks, which relates to capital requirements for position risk, and the requirements from Chapter VII of that Decision, which relates to capital requirements for settlement/delivery risk. The additional capital requirement is equal to the sum of the capital requirements for specific risk from Chapter IX of the Decision on calculating capital in banks, which refers to the capital requirement for market risk, i.e. position risk, and the requirements from Chapter VII of that Decision, which refers to the capital requirements for settlement/delivery risk for those items, multiplied by the appropriate factor from column 2 of Table 1.

Table 1.

Column 1. Limitation excess (based on the percentage of Tier 1 capital)	Column 2. Factors
Up to 40%	200%
From 40% to 60%	300%
From 60% to 80%	400%
From 80% to 100%	500%
From 100% to 250%	600%
More than 250%	900%

**Procedures to prevent banks from avoiding  
additional capital requirements**  
**Article 9**

- (1) A bank must not avoid the additional capital requirements referred to in Article 8 of this Decision, to which it is subject in relation to exposures exceeding the limit referred to in Article 6, Paragraph 1 of this Decision when said exposures last longer than 10 days, by temporarily transferring said exposures to another undertaking, whether in the same group or not, nor by undertaking fictitious transactions to close out exposures during the aforementioned ten-day period, nor by creating new exposures.
- (2) A bank shall be obliged have systems in place to ensure that the Agency is notified without delay of any transfer referred to in Paragraph 1 of this Article.

**Recognized credit risk mitigation techniques**  
**Article 10**

- (1) A bank shall apply a credit risk mitigation technique when calculating exposure if it has applied that technique for the calculation of capital requirements for credit risk in accordance with the Decision on calculating capital in banks and provided that the credit risk mitigation technique meets the requirements set out in this Article.
- (2) If, pursuant to Articles 11, 12 and 13 of this Decision, the recognition of funded or unfunded credit protection is permitted, it must meet the recognition requirements and other requirements set out in

Chapter VI of the Decision on calculating capital in banks, which relates to credit risk mitigation techniques.

- (3) A bank shall analyze, to the extent possible, its exposures to collateral issuers, providers of unfunded credit protection and underlying assets in accordance with Article 4, Paragraph 7 of this Decision, in order to identify possible concentrations, and, as necessary, undertake measures and notify the Agency thereof.

### **Exemptions**

#### **Article 11**

The following exposures are exempted from the application of Article 6, Paragraph 1 of this Decision:

- 1) asset items representing receivables from the central government, the central bank, regional government or local authorities and public sector entities which, in accordance with Articles 54-56 of the Decision on calculating capital in banks, which relate to the calculation of capital requirements for credit risk, are assigned a risk weight of 0%,
- 2) asset items representing receivables from international organizations or multilateral development banks which, in accordance with Articles 57 and 58 of the Decision on calculating capital in banks, which refer to the calculation of capital requirements for credit risk, are assigned a risk weight of 0%,
- 3) asset items representing receivables secured by explicit guarantees of persons referred to in Items 1) and 2) of this Paragraph,
- 4) other exposures to persons referred to in Items 1) and 2) of this Paragraph or guaranteed by those persons,
- 5) asset items and other exposures secured by collateral in the form of cash deposits placed with the creditor bank,
- 6) asset items and other exposures secured by collateral in the form of certificates of deposit issued by the creditor bank and deposited with the creditor bank,
- 7) exposures arising from undrawn credit facilities classified as low-risk off-balance sheet items in Annex 1 to the Decision on calculating capital in banks, provided that an agreement has been concluded with the person or group of related persons pursuant to which the undrawn part of the facility may be withdrawn only if it is determined that this will not cause the limits referred to in Article 6, Paragraph 1 of this Decision to be exceeded.

### **Calculating the effects of applying credit risk mitigation techniques**

#### **Article 12**

- (1) When calculating the exposure value for the purpose of Article 6, Paragraph 1 of this Decision, a bank may apply the "fully adjusted exposure value (E\*)", calculated in accordance with Chapter VI of the Decision on calculating capital in banks, which refers to credit risk mitigation techniques, correction factors and adjustments for possible maturity mismatch.
- (2) A bank that applies the complex financial collateral method when calculating the exposure value for the purpose of Article 6, Paragraph 1, shall be obliged to conduct periodic stress testing of credit risk concentration, taking into account the value that can be generated by collecting the collateral received. The periodic stress testing referred to in this Paragraph refers to risks arising from potential changes in market conditions that could adversely affect the adequacy of the bank's regulatory capital, as well as to risks arising from the realization of collateral in stress situations.

The stress testing conducted must be adequate to assess such risks.

A bank that applies the complex financial collateral method shall include the following in its concentration risk management strategies:

- 1) policies and procedures for managing risks arising from maturity mismatch between exposures and all credit protections for those exposures,
- 2) policies and procedures relating to concentration risk arising from the application of credit risk mitigation techniques, and in particular large indirect credit exposures, for example, to a single issuer of securities, which are taken as collateral.

- (3) If a bank reduces the exposure to a client by applying a recognised credit risk mitigation technique in accordance with Article 10, Paragraph 1 of this Decision, in the manner defined in Article 13 of this Decision, the bank shall treat the part of the exposure for which the exposure to the client has been reduced as if the exposure had been incurred by the protection provider.

### **Substitute method**

#### **Article 13**

- (1) If an exposure to a client is guaranteed by a third party or if it is secured by collateral issued by a third party, the bank shall:
- 1) treat the part of the exposure secured by a third party guarantee as an exposure to that third party and not to the client, except in the case where the guarantee was issued by the bank's parent undertaking or a related person of the bank's parent undertaking, provided that the unsecured exposure to the protection provider in accordance with Chapter IV of the Decision on calculating capital in banks, which relates to the capital requirement for credit risk, would be assigned a risk weight equal to or lower than the risk weight assigned to the unsecured exposure to the client,
  - 2) treat the part of the exposure secured by the market value of recognised collateral as an exposure to that third party and not to the client, provided that the exposure is secured by collateral, and provided that the secured part of the exposure in accordance with Chapter IV of the Decision on calculating capital in banks, which relates to the capital requirement for credit risk, would be assigned a risk weight equal to or lower than the risk weight assigned to the unsecured exposure to the client. The bank must not apply this approach if there is a mismatch between the maturity of the exposure and the maturity of the protection.
- (2) A bank shall apply Paragraph 1, Item 1):
- 1) if the guarantee is denominated in a currency different from that in which the exposure is denominated, the amount of exposure deemed to be covered shall be calculated in accordance with the provisions on the treatment of foreign exchange mismatch for unfunded credit protection set out in Chapter VI of the Decision on calculating capital in banks, which relates to credit risk mitigation techniques,
  - 2) the mismatch between the maturity of the exposure and the maturity of the protection shall be treated in accordance with the provisions on the treatment of maturity mismatch set out in Chapter VI of the Decision on calculating capital in banks, which relates to credit risk mitigation techniques.

### **Determining the total exposure to one person or group of related persons in connection with transactions with the underlying assets**

#### **Article 14**

- (1) In order to determine the total exposure to a particular debtor arising from a bank's exposure to a particular transaction with the underlying asset, it is necessary to first determine the exposure value for each of those exposures individually. The total exposure value is the sum of the individual exposures, but it may not be greater than the exposure value arising from the underlying asset itself.
- (2) The conditions and methodologies applied to the calculation of exposures to transactions with the underlying asset must be the same regardless of whether the exposures are in the trading book or the banking book.

### **Determining exposures arising from transactions**

#### **Article 15**

- (1) A bank shall determine the impact of a particular transaction on the total exposure to a single person or group of related persons in accordance with the methodology set out in Articles 16, 17 and 18 of this Decision. For each underlying asset, the bank shall separately determine its exposure to that underlying asset in accordance with Article 17 of this Decision.
- (2) A bank shall assess whether a particular transaction constitutes additional exposure in accordance with Article 19 of this Decision.

## **Underlying exposures to transactions that themselves have underlying assets**

### **Article 16**

- (1) When assessing the underlying exposures of a transaction (transaction A) that itself has an underlying exposure to another transaction (transaction B), a bank shall, for the purpose of Articles 17 and 18, assume that the underlying exposures of transaction B substitute the exposure to transaction B.
- (2) Paragraph 1 shall apply to the extent that the underlying exposures represent exposures to transactions with the underlying assets.

## **Calculating exposure value**

### **Article 17**

- (1) A bank's exposure to the underlying asset of the transaction corresponds to the lower of the following values:
  - 1) the value of the exposure arising from the underlying asset,
  - 2) the total value of the bank's exposure to the underlying asset, arising from all of the bank's exposures to the transaction.
- (2) For each exposure of a bank to a transaction, the exposure value to the underlying asset shall be determined as follows:
  - 1) if the exposures of all investors in that transaction rank equally, the exposure value to the underlying asset shall be equal to the proportional share of the bank's exposure to the transaction multiplied by the exposure value arising from the underlying asset,
  - 2) except in the cases referred to in Item 1), the exposure value to the underlying asset shall be equal to the proportional share of the bank's exposure to the transaction multiplied by the lower of the following values:
    1. the exposure value arising from the underlying asset,
    2. the total exposure value of the bank to the transaction, together with all other exposures to that transaction, which rank equally with the bank's exposure.
- (3) The proportional share of a bank's exposure to a transaction is the value of the bank's exposure divided by the total value of the bank's exposure and all other exposures to that transaction that rank equally with the bank's exposure.

In the event that a default status occurs for an underlying asset, losses are always allocated among exposures that rank equally, i.e. in proportion to the share of each of those exposures. The total loss of the bank is limited to the loss of the underlying asset that corresponds to the share of the bank's exposure in the total value of all exposures that rank equally.

The value of the exposure to the underlying asset depends solely on the proportional share of the investor's exposure in relation to the exposure of all investors.

## **Procedure for determining the impact of underlying exposures on total exposures**

### **Article 18**

- (1) For each credit risk exposure for which the identity of the debtor has been established, the bank shall include the exposure value to the corresponding underlying asset in the calculation of the total exposure to that debtor as an individual person or a group of related persons to which that debtor belongs.
- (2) If the bank has not established the identity of the debtor of the underlying credit risk exposure or if the bank cannot confirm that the underlying exposure does not constitute a credit risk exposure, the bank shall assign that exposure as follows:
  - 1) If the value of the exposure does not exceed 0.25% of the bank's Tier 1 capital, the bank shall assign that exposure to the transaction as a separate person. If the bank is unable to identify all debtors of the underlying assets of the transactions in which it invests and if the exposure to the underlying assets is sufficiently small that its impact is not significant for the overall exposure to a single person or group of related persons, such exposure should be assigned to the transaction as

a separate person. The total value of such exposures to the underlying assets of the same transaction shall still be subject to the large exposure limit applicable to that transaction. The impact of the underlying assets on the total exposure is not significant if at least 100 exposures to the underlying assets of the transaction are required to reach the limit of 25% of the bank's Tier 1 capital. The exposure value should not exceed 0.25% of the bank's Tier 1 capital.

- 2) If the exposure amounts to 0.25% of the bank's Tier 1 capital or more, and if the bank can ensure that the underlying exposures of the transaction are not linked to other exposures in its portfolio, including underlying exposures from other transactions, the bank shall assign that exposure to the transaction as a separate person.
  - 3) Except in the cases specified in Items 1) and 2), the bank shall assign that exposure to an unknown person. In order to prevent unlimited total exposure as a result of lack of information, exposures whose values exceed 0.25% of the bank's Tier 1 capital and for which no information on the debtor is available should be assigned to a hypothetical person (an unknown person) to which the large exposure limit of 25% should be applied.
- (3) If a bank cannot distinguish the underlying exposures of a transaction, the bank shall allocate the total value of its exposures to the transaction as follows:
- 1) if the total value of the exposure does not exceed 0.25% of the bank's Tier 1 capital, the bank shall allocate that total value of the exposure to the transaction as a separate person,
  - 2) except in the case specified in Item 1), the bank shall allocate that total value of the exposure to an unknown person.
- (4) For the purpose of Paragraphs 1 and 2, the bank shall regularly, and at least once a month, monitor such transactions for possible changes in the composition and relative share of the underlying exposures.

#### **Additional exposure composed of the transaction structure**

##### **Article 19**

- (1) The structure of a transaction does not create additional exposure if the transaction meets both of the following conditions:
  - 1) the legal and operational structure of the transaction is defined in such a way that it does not allow the person managing the transaction or a third party to redirect any cash flow arising from the transaction to persons who are not entitled to receive those cash flows, in accordance with the transaction conditions,
  - 2) the issuer or any other person cannot be required to make payments to the bank in addition to or as an advance on the cash flows from the underlying assets as part of the transaction.
- (2) Additional exposure is not recognized for investment funds that invest in transferable securities since cash flows may not be redirected to persons who are not entitled to receive them.

#### **Ability to identify and manage large exposures**

##### **Article 20**

- (1) A bank shall establish adequate administrative and accounting procedures and appropriate internal control mechanisms for the purposes of identifying, managing, monitoring, reporting and recording large exposures and their subsequent changes in accordance with this Decision.
- (2) A bank shall establish a system of internal controls that will prevent the temporary transfer of existing exposures to another person for the purpose of ostensibly closing existing exposures and creating new exposures.
- (3) A bank shall establish a system that ensures that it reports to the Agency without delay on the transfers of exposures referred to in the previous Paragraph of this Article.
- (4) Internal audit shall continuously assess the efficiency and implementation of policies and procedures, as well as the efficiency of the internal control system referred to in this Article.

## **Reporting requirements**

### **Article 21**

- (1) A bank shall submit to the Agency the following information on all large exposures at individual and consolidated level, including large exposures to which Article 6, Paragraph 1 of this Decision does not apply:
  - 1) data on the person or group of related persons to whom the bank has a large exposure,
  - 2) the value of the exposure before the application of credit risk mitigation techniques, if applicable,
  - 3) if applicable, the type of funded or unfunded credit protection,
  - 4) the value of the exposure after the application of credit risk mitigation techniques calculated for the purpose of Article 6, Paragraph 1 of this Decision.

Reporting shall be carried out quarterly.

## **Transitional and final provisions**

### **Article 22**

- (1) This Decision shall come into force on the eighth day from the date of its publication in the “Official Gazette of Republika Srpska”, and shall be applied in accordance with the application of Article 292a of the Banking Law of Republika Srpska.
- (2) The Agency shall stipulate Instruction for reporting on large exposures and concentration risk.
- (3) On the date of entry into force of this Decision, the Decision on large exposures No. UO-312/17 as of 19 September 2017 and UO-340/17 as of 11 December 2017 (“Official Gazette of Republika Srpska”, No. 89/17 and 117/17) shall cease to be valid.

Number: UO-223/25

Date: 03 December 2025

**PRESIDENT OF THE  
MANAGEMENT  
BOARD**

Dejan Kusturić