

Pursuant to Article 51a, paragraph 3 of the Law on Banks (RS Official Gazette, Nos 107/2005 and 91/2010) and Article 15, paragraph 1 of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012 and 106/2012), the Executive Board of the National Bank of Serbia adopts the following

## **D E C I S I O N**

### **ON DISCLOSURE OF DATA AND INFORMATION BY BANKS**

1. This Decision sets forth in detail the contents of data and/or information banks are required to disclose pursuant to the Law on Banks (hereinafter: the Law) and the conditions, manner and deadlines for their disclosure.

2. A bank shall disclose its business name and registered office, as well as data and/or information relating to its:

- 1) risk management strategy and policies;
- 2) capital;
- 3) capital adequacy;
- 4) internal capital adequacy assessment process (ICAAP);
- 5) risk exposures and approaches to risk measurement and/or assessment;
- 6) banking group and the relationship between the parent company and subordinated companies.

3. A bank shall regulate by an internal act detailed criteria for determining data and/or information referred to in Section 2 hereof, the manner of assessing and controlling their adequacy, accuracy, timeliness and frequency of disclosure, as well as the criteria for determining data and information referred to in Section 18 hereof.

A bank shall ensure, at least once a year, a regular independent audit of the internal act referred to in paragraph 1 hereof and of the activities carried out to ensure adequacy, accuracy and timeliness of disclosed data and/or information.

#### **Data and/or information on risk management strategy and policies**

4. A bank shall disclose the following data and/or information regarding the strategy and policies for managing each individual risk it is exposed or may be exposed to:

- 1) brief description of the strategy and policies with regard to each individual risk;

- 2) manner of organising the risk management process;
- 3) scope and types of risk reporting;
- 4) risk mitigation techniques and methods for ensuring and monitoring efficiency of risk mitigation.

### **Data and/or information on bank capital**

5. A bank shall disclose the following data and/or information regarding its capital:

- 1) amounts of capital and of core and supplementary capital, broken down by individual elements of capital and all deductibles;
- 2) description of the main features of all elements included in the calculation of capital;
- 3) data and information on matching capital items in the balance sheet with capital items in the report on capital compiled pursuant to the decision governing the reporting on bank capital adequacy and data and information on differences between items in the balance sheet compiled for the needs of supervision of the banking group on a consolidated basis and items in the consolidated balance sheet of the banking group compiled in compliance with the International Accounting Standards and/or International Financial Reporting Standards, for the ultimate parent company of the banking group subject to consolidated supervision of the National Bank of Serbia.

### **Data and/or information on bank capital adequacy**

6. A bank shall disclose the following data and/or information regarding its capital adequacy:

- 1) capital requirements for credit risk, including counterparty risk and settlement/delivery risk in case of free deliveries, for each class of exposure – if the bank uses the standardised approach to credit risk;
- 2) capital requirements for credit risk, including counterparty risk and settlement/delivery risk in case of free deliveries, for each class of exposure – if the bank uses internal ratings based approach (hereinafter: IRB approach), disclosing separately data and/or information for:
  - the retail exposure class, specifically, for the sub-class of retail exposures secured by real estate collateral, for the subclass of qualifying revolving retail exposures and for the subclass of other retail exposures,
  - the equity exposure class, specifically, for each of the approaches specified in the decision governing bank capital adequacy (simple risk weight approach, PD/LGD approach or internal models approach), for exchange traded equity exposures, for non-exchange traded equity exposures in sufficiently diversified portfolios and other equity exposures, as well as for equity exposures to which the bank applies the

standardised approach to credit risk pursuant to the decision governing bank capital adequacy;

3) capital requirements for settlement/delivery risk arising from unsettled transactions;

4) capital requirements for market risks and type of approach used to calculate individual capital requirements for these risks, disclosing separately capital requirements for price risk arising from debt securities, capital requirements for price risk arising from equity securities, capital requirements for foreign exchange risk and capital requirements for commodity risk;

5) capital requirements for operational risk and type of approach used to calculate these requirements, disclosing separately the amounts under each of the approaches;

6) coverage of capital requirements referred to in provisions 1) to 5) of this Section by core and/or supplementary capital bearing in mind the limits stipulated by the decision governing bank capital adequacy;

7) capital adequacy ratio.

### **Data and/or information on internal capital adequacy assessment process**

7. A bank shall disclose the following data and/or information regarding internal capital adequacy assessment process:

1) brief description of internal capital adequacy assessment process;

2) brief description of approaches used for measuring and/or assessing of all material risks.

### **Data and/or information on bank's risk exposure and approaches for risk measurement and/or assessment**

#### *Credit risk*

8. A bank shall disclose the following data and/or information regarding exposure to credit risk and dilution risk, as well as regarding approaches for measuring and/or assessing those risks:

1) definitions used by the bank for the concepts of past due exposures and impaired exposures;

2) description of approaches and methods used for calculation of impairment allowances for balance sheet assets and provisions for losses on off-balance sheet items;

3) total amount of bank exposures after accounting write-offs and without taking into account the effects of credit risk mitigation, and the

average amount of the exposures over the period broken down by exposure classes;

4) geographic distribution of all exposures, broken down in materially significant areas by exposure classes;

5) distribution of all exposures by industry or counterparty type, broken down by exposure classes, disclosing separately:

– past due exposures and impaired exposures,

– impairment allowances for balance sheet assets and provisions for losses on off-balance sheet items;

6) the residual maturity breakdown of all the exposures, broken down by exposure classes;

7) presentation of changes in impairment allowances for balance sheet assets and provisions for losses on off-balance sheet items, including:

– opening balances,

– increases in impairment allowances and provisions during the period,

– decreases in impairment allowances during the period and reversed provisions, disclosing separately decreases resulting from collection of claims;

– other adjustments, including those stemming from exchange rate differences, operating activities, acquisition or disposal of participation in subsidiaries and transfer of provisions,

– closing balances;

8) distribution of exposures by category of classification, type of counterparty, as well as data on calculated and required reserve.

9. If a bank uses standardised approach to credit risk, it shall disclose, in addition to data and information referred to in Section 8 hereof, also the following data and/or information for each class of exposure:

1) the name of a chosen rating agency or export credit agency, as well as the reasons for choosing another agency;

2) classes of exposure for which credit ratings of each chosen rating agency or export credit agency are used;

3) description of procedures pertaining to use of issuer's credit rating and specific issues of financial instruments for certain banking book items;

4) distribution of credit ratings of the chosen rating agency and export credit agency into relevant credit quality steps;

5) amounts of exposure before and after the use of credit protection for each credit quality step, including exposures which represent deductibles from capital.

10. If a bank uses IRB approach, it shall disclose, in addition to data and/or information referred to in Section 8 hereof, also the following data and/or information:

1) consent of the National Bank of Serbia for the use of IRB approach;

2) an explanation and review of:

- the structure of internal rating system and relation between internal and external ratings,
- the use of internal estimates other than for calculating credit risk-weighted assets,
- the procedures for managing credit risk mitigation techniques,
- control mechanisms for rating systems validation, including the description of accountability of persons in charge of such validation;

3) description of the use of internal ratings for the following exposure classes:

- central governments and central banks,
- banks,
- corporate, including SMEs within this class, specialised lending and exposure arising from purchased claims,
- retail, for each of the following sub-classes (retail exposures secured by real estate collateral, qualifying revolving retail exposures and other retail exposures),
- equity exposures;

4) the exposure amounts for each of the exposure classes. Exposures to central governments and central banks, banks and corporates where a bank uses own estimates of LGDs or conversion factors for the calculation of credit risk-weighted assets, shall be disclosed separately from exposure classes for which the bank does not use such estimates;

5) total exposures (the sum of outstanding claims and unfunded commitments), the exposure-weighted average LGD in percentage for the bank using own LGD estimates, the exposure-weighted average risk weight and unfunded commitments under lines of credit and other lending, as well as exposure-weighted average amount of funded commitments – where a bank uses own estimates of conversion factors for each of the following exposure classes: central governments and central banks, banks, corporates and equity, for a sufficient number of risk categories under each class (including categories with default status), to allow for a clear differentiation between credit risk levels;

6) for the retail exposure class and for each of the subclasses set out in provision 3), fourth indent of this paragraph – data and/or information specified in provision 5) of this paragraph (if applicable, exposures on a pooled basis), or an analysis of exposures (outstanding claims and unfunded commitments) against a sufficient number of expected losses grades to allow for a clear differentiation of a credit risk level (if applicable, exposures on a pooled basis);

7) impairment allowances for balance sheet assets and provisions for losses on off-balance sheet items in the preceding period for each exposure

class (and, in case of the retail class, also for each of the subclasses set out in provision 3), fourth indent of this paragraph) and how they differ from past experience;

8) description of the factors that impacted on the loss experience in the preceding period (for example, has the bank experienced higher than average default rates, or higher than average LGDs and conversion factors);

9) the bank's estimates against actual losses over a longer period. At a minimum, this shall include data and/or information on estimates of losses against actual losses in each exposure class (for retail, for each of the subclasses as set out in provision 3), fourth indent of this paragraph), over a period sufficient to allow for a meaningful assessment of the performance of the internal ratings. Where appropriate, this should be further decomposed to provide analysis of PD also for banks using own estimates of LGDs and/or conversion factors.

Description of the use of internal ratings referred to in paragraph 1, provision 3) of this Section shall contain the following data and/or information:

- 1) types of exposure included in each exposure class;
- 2) definitions, methods and data used for estimation and validation of PD, including assumptions employed in the calculation of this parameter;
- 3) definitions, methods and data used for estimation and validation of LGD and conversion factors, including assumptions employed in their calculation, where a bank uses own estimates of these parameters;
- 4) descriptions of material deviations of the bank's definition of default status from the definition stipulated by the decision governing bank capital adequacy, specifying classes and/or sub-classes of exposure affected by material deviations.

A bank shall disclose the exposure amounts from the specialised lending sub-class which do not meet the requirements for use of own PD estimates and describe the method of assessment of these amounts.

11. If a bank uses credit risk mitigation techniques, it shall disclose, in addition to data referred to in Section 8 and Sections 9 and/or 10 hereof, also the following data and/or information:

- 1) internal acts governing the valuation and management of credit protection instruments;
- 2) methods of balance sheet and off-balance sheet netting and to which extent the bank uses these forms of netting;
- 3) description of the main types of funded credit protection instruments used by the bank;
- 4) main types of providers of credit protection deriving from a guarantee or credit derivative as well as their credit rating;

5) presentation of market or credit risk concentrations within the credit risk mitigation techniques used;

6) total amount of exposure (after netting) secured by funded credit protection instruments after application of volatility factors, by classes of exposure, as well as the total amount of exposure (after netting) secured by unfunded credit protection instruments, by classes of exposure – if it implements standardised or foundation IRB approach (FIRB approach).

If a bank uses IRB approach, for the equity exposure class it shall disclose the total amount of exposure referred to in paragraph 1, provision 6) of this Section for each of the approaches it uses for the calculation of credit-risk weighted assets.

### *Counterparty risk*

12. A bank shall disclose the following data and/or information regarding its exposure to counterparty risk, as well as regarding the approaches for measuring and/or assessing that risk:

1) collateral management and credit valuation adjustment based on counterparty risk;

2) description of estimate and control of wrong-way risk;

3) estimated amount of collateral it would have to provide to a counterparty in case of a downgrade in its own credit rating;

4) gross positive fair value of contracts, netting benefits, net current exposure to counterparty risk, value of collateral and net exposure arising from credit derivatives (taking into account positive effects of netting and collateral);

5) amount of exposure to counterparty risk in accordance with methods for the calculation of this amount set out by the decision governing bank capital adequacy;

6) notional values of credit derivative hedges and the distribution of current exposures by type;

7) notional values of credit derivatives (disclosing separately the positions held by the bank in its own name and for its own account and positions held by the bank in its own name but for account of its clients), shown by type of derivatives and, within them, by credit derivative hedges bought and sold;

8) estimated value of  $\alpha$  parameter if the bank obtained prior consent of the National Bank of Serbia to estimate this value.

### *Market risks*

13. If a bank applies internal models approach for the calculation of capital requirements for market risks, it shall disclose:

- 1) for each portfolio: characteristics of the model used, description of stress tests, as well as the description of methods used for back testing and validation of internal models and modelling processes;
- 2) framework for application of the internal model for the use of which it obtained the consent of the National Bank of Serbia;
- 3) description of the method of valuation of positions in the trading book;
- 4) the highest, the lowest and the mean of the daily VaR measures over the reporting period and as per the period end;
- 5) a comparison of the daily end-of-day VaR measures to the one-day changes of the portfolio's value by the end of the subsequent business day together with an analysis of any important overshooting during the reporting period.

### *Operational risk*

14. If a bank applies advanced approach for the calculation of capital requirements for operational risk, it shall disclose the following data and/or information:

- 1) consent of the National Bank of Serbia for the use of the advanced approach;
- 2) description of the approach, including the description of relevant internal and external factors;
- 3) description of the use of insurance and other mechanisms for risk transfer with the aim of mitigating this risk.

If the bank applies a combination of different approaches for the calculation of capital requirements for operational risk, it shall disclose the framework for the application of each of the approaches used.

### *Interest rate risk*

15. A bank shall disclose the following data and/or information regarding its exposure to interest rate risk, as well as regarding the approaches for measuring and/or assessing that risk:

- 1) sources of this risk and frequency of its measurement;
- 2) main assumptions for measuring and/or assessing exposure to this risk, including assumptions on early loan repayments and behaviour of non-maturity deposits.



*Exposures in equities included in the banking book*

16. A bank shall disclose the following data and/or information regarding the exposures in equities included in the banking book:

- 1) the differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons;
- 2) an overview of accounting policies and valuation methods employed, including key assumptions and approaches affecting valuation, as well as any significant change thereof;
- 3) book values, fair values and, for exchange-traded equities, a comparison to the market price where it is materially different from the fair value;
- 4) type, nature and amounts of exposure on exchange-traded equity investments, non-exchange traded equity investments in sufficiently diversified portfolios, and other equity investments;
- 5) total realised gains/losses for the preceding period arising from sale or closing of positions referring to equity investments;
- 6) total unrealised gains/losses, total latent revaluation gains/losses, as well as their amounts included in the calculation of core capital or supplementary capital.

**Data and/or information on a banking group and the relationship between the parent company and subordinated companies**

17. A bank shall disclose the following data and/or information regarding a banking group and the relationship between the parent company and subordinated companies:

- 1) overview of differences between reports compiled for the needs of supervision of a banking group on a consolidated basis and consolidated financial reports of the banking group compiled in compliance with the International Accounting Standards and/or International Financial Reporting Standards, except for differences referred to in Section 5, provision 3) hereof, with a brief description of group members to which:
  - full consolidation method was applied,
  - proportionate consolidation method was applied,
  - participation method was applied,
  - which have been excluded from consolidation because the bank's participation in the capital of these legal entities represents a deductible from the capital of the banking group;
- 2) any existing or potential significant legal or other obstacle to timely transfer of capital or settlement of liabilities between the parent company and subordinated company.

### **Exception from the disclosure obligation**

18. By way of exception, if certain data and/or information referred to in Section 4 and Sections 7-17 hereof are not materially significant or represent a banking secret, and/or if their disclosure could negatively affect the bank's competitive position in the market, the bank is not required to disclose them.

The data and information not materially significant shall mean data and information whose disclosure or presentation could not affect the assessment or decision making of a person in business relationship with the bank.

A bank which did not disclose data and/or information referred to in paragraph 1 of this Section shall disclose the fact that such data and/or information are not disclosed, as well as the general information and reasons behind its judgement that those data and/or information are not materially significant, that they represent banking secret and/or that they may negatively affect the bank's competitive position in the market.

### **Terms, manner and deadlines for disclosure of data and/or information by banks**

19. A bank shall disclose data and/or information prescribed by this decision on its website, on the home page or in the part of the website where its financial statements are published.

A bank shall disclose data and/or information referred to in:

- 1) Section 5, provision 1) hereof – on PI-KAP Form (Schedule 1);
- 2) Section 5, provision 2) hereof pertaining to financial instruments included in calculation of the bank's capital – on PI-FIKAP Form (Schedule 2);
- 3) Section 5, provision 3) hereof – on PI-UPK Form (Schedule 3);
- 4) Section 6 hereof – on PI-AKB Form (Schedule 4).

The content of the forms referred to in paragraph 2 of this Section is defined in Schedules 1 to 4 of this decision which are enclosed and integral herewith.

The ultimate parent company of a banking group subject to consolidated supervision of the National Bank of Serbia shall disclose data and information referred to in Sections 5 and 6 hereof both on an individual and consolidated bases.

20. If a bank has disclosed some data and/or information prescribed by this decision in a different manner, pursuant to other regulations, it shall be deemed to have fulfilled its disclosure obligation regarding such data under this decision provided that it has stated on its website where those data are disclosed.

Paragraph 1 of this Section shall not apply to the disclosure of data and information referred to in Sections 5 and 6 of this decision.

21. A bank shall disclose data and/or information prescribed hereof as at 31 December at least once a year and no later than by 31 May of the next year.

In addition to disclosures referred to in paragraph 1 of this Section, the bank shall disclose data and information referred to in Sections 5 and 6 hereof, as well as quantitative data and/or information on IRB approach (if applied by the bank ) and credit risk mitigation techniques, as at 30 June of the current year, by no later than 30 September of the same year.

A bank shall assess at least once a year whether the data and/or information referred to in paragraph 1 of this Section need to be disclosed more frequently than laid down in that paragraph and/or assess at least semi-annually whether the data and/or information referred to in paragraph 2 of this Section need to be disclosed more frequently than laid down in that paragraph, taking into account the following data and/or information:

- 1) volume of business operations;
- 2) banking products offered to clients;
- 3) presence in different countries;
- 4) participation in the banking sector;
- 5) participation in the international financial markets;
- 6) participation in the international payment, settlement and clearing system.

22. As of the effectiveness hereof, the Decision on Disclosure of Data and Information by Banks (RS Official Gazette, No 45/2011) shall cease to be valid.

23. This Decision shall enter into force on the eight day following its publication in the RS Official Gazette.

Belgrade

National Bank of Serbia  
Governor  
of the National Bank of Serbia

Dr Jorgovanka Tabaković, sign.