

Pursuant to Article 44, paragraph 2, item 3 of the Central Bank of Montenegro Law (OGM 40/10, 46/10), and Article 104, paragraph 4 of the Banking Law (OGM 17/08, 44/10), the Council of the Central Bank of Montenegro, at its meeting held on 29 December 2011 passed the following

DECISION
on public disclosure of data and information by banks

I. GENERAL PROVISIONS

Subject matter

Article 1

This Decision shall regulate information and data on financial position and operations of the banks that they are obliged to publicly disclose as well as method and deadlines for public disclosure of such information and data.

Definitions

Article 2

Terms used in this Decision shall have the following meanings:

- 1) “materially important information” shall be information whose non-disclosure or misstatement could influence an assessment or business decision made by a person relying on that information for taking up or pursuit of business operations with the bank;
- 2) “proprietary information” shall be information whose disclosure could endanger the competitive position of a bank, and it may involve information on products and systems that, if disclosed to competitors, could endanger bank’s competitive position or make the bank’s investments less valuable;
- 3) “confidential information” shall be information related to parties entering into contractual relations with a bank, obliging the bank to confidentiality.

Obligation of public disclosure

Article 3

A bank shall disclose data and information on its financial position and operations in accordance with this Decision.

Notwithstanding paragraph 1 of this Article, a bank shall not disclose one or more items of information if those are not considered materially important or if those are deemed to be proprietary or confidential information.

In the case referred to in paragraph 2 of this Article, the bank shall disclose the fact that specific items of information are not disclosed and the reason for non-disclosure, or it shall disclose more general information, except when even those more general information are classified as information referred to in paragraph 2 of this Article.

Obligation of public disclosure on individual and consolidated basis

Article 4

Banks shall disclose data and information under this Decision on individual and consolidated basis.

II. SUBJECT OF PUBLIC DISCLOSURE

Financial statements

Article 5

A bank shall disclose annual financial statements, with an opinion produced by an external auditor.

Risk management strategies and policies

Article 6

A bank shall disclose the following information and data relating to risk management objectives and policies for each separate type of risk:

- 1) strategies and policies for managing all risk categories;
- 2) structure and organisation of the risk management function or other appropriate arrangements;
- 3) scope and nature of risk reporting system and risk measurement system;
- 4) policies for risk hedging and risk mitigation, as well as strategies and processes for monitoring continuous effectiveness of risk hedging and mitigation.

Consolidation

Article 7

A bank shall disclose the following information and data relating to the scope and form of consolidation:

- 1) name of the bank with seat in Montenegro to which the disclosure obligation applies;
- 2) outline of differences in the scope and form of consolidation for accounting purposes and for the purpose of supervision on a consolidated basis, with short information on the entities:
 - that are subject to full consolidation,
 - that are subject to proportional consolidation,
 - where the bank's investments in the capital of those entities are deducted in the calculation of bank's own funds,
 - that are not subject to consolidation, and the bank's investments in the capital of those entities are not deducted in the calculation of bank's own funds;
- 3) any current or foreseeable legal or other impediments to prompt transfer of own funds or settlement of liabilities between the parent company and its subsidiary companies (hereinafter referred to as "subsidiaries");
- 4) aggregate amount by which the actual own funds are lower than the required minimum in all subsidiaries that are not included in the consolidation, as well as names of such subsidiaries.

Own funds

Article 8

A bank shall disclose the following information and data relating to the amount of own funds:

- 1) summary information with main characteristics of all items included in the calculation of own funds and components thereof;
- 2) amount of the core capital, with separate disclosure of all items included in the core capital and all deductions;
- 3) total amount of supplementary capital;
- 4) deductions from core and supplementary capital, and
- 5) total own funds, subtracted by deductions.

When assessing the need for more frequent disclosure of information referred to in paragraph 1 of this Article, within the meaning of Article 19, paragraph 2 of this Decision, the bank shall pay special attention to the need for disclosing:

- 1) items included in core capital and deductions from the core capital;
- 2) items of the supplementary capital and deductions from the own funds;
- 3) risk-weighted assets.

Capital requirement and internal capital adequacy assessment

Article 9

In the procedure of assessing the internal capital adequacy and meeting the obligation of calculating the capital requirement in accordance with the Decision on banks' capital adequacy, a bank shall disclose the following information and data:

- 1) summary description of methodologies that the bank applies in assessing the adequacy of its internal capital;
- 2) capital for support to current and future activities;
- 3) capital requirement for credit risk for all exposure classes;
- 4) capital requirement for market risks;
- 5) capital requirement for operational risk.

Credit risk

Article 10

A bank shall disclose the following information and data relating to the bank's exposure to credit risk:

- 1) definitions of outstanding receivables and non-performing assets (assets classified into the category "C" or lower);
- 2) description of methods adopted for determining loan loss provisions;
- 3) total amount of exposures after accounting adjustments and without taking into account the effects of credit risk mitigation techniques, as well as the average amount of exposures over the reporting period broken down by different classes of exposure;
- 4) geographic distribution of exposures, broken down in significant areas by material exposure classes (regions, municipalities, etc.), and further elaborated if appropriate;
- 5) distribution of exposures by the type of activity or by the counterparty type, broken down by exposure classes, and further elaborated if appropriate;
- 6) division of all exposures by residual maturity, broken down by exposure classes, and further elaborated if appropriate;
- 7) for all types of activities assessed by the bank as materially important or for all types of counterparties assessed by the bank as materially important, the amount of:
 - non-performing assets and outstanding receivables, separately given,
 - provisions/value adjustments,
 - loan loss provision expenses/value adjustments during the reporting period;
- 8) amounts of the non-performing assets and outstanding receivables, separately given, broken down by significant geographical areas including, preferably, provisions/value adjustments related to each geographical area;

- 9) changes in provisions/value adjustments and provisions/value adjustments for non-performing assets, separately given, comprising:
 - description of the type of provisions/value adjustments,
 - opening balances,
 - amounts of increase in provisions/value adjustments during the reporting period,
 - amounts of decrease in provisions/value adjustments during the reporting period,
 - closing balances.

Standardised approach for weighting the exposures

Article 11

A bank shall disclose the following information and data relating to each exposure class determined in the decision governing banks' capital adequacy:

- 1) names of recognised external credit assessment institutions and export credit agencies whose ratings the bank uses in calculating risk weight exposure, as well as reasons for any change in the selection of such institutions and agencies;
- 2) exposure classes for which ratings i.e. credit assessments made by recognised external institutions and export credit agencies are used;
- 3) description of the procedure used to transfer credit rating of the issuer and credit rating of the issue on the items in the trading book;
- 4) amounts of exposures before and after application of the credit risk mitigation techniques associated with each credit quality step, as well as those exposures deducted from own funds.

Counterparty risk

Article 12

A bank shall disclose the following information and data relating to counterparty risk:

- 1) description of the methodology used for assigning internal capital and credit limits for counterparty credit exposures;
- 2) description of the policy for securing collateral and establishing loan loss provisions;
- 3) description of the policy with respect to correlation risk exposures;
- 4) description of impact of additional collateral that the bank would have to provide in case of deterioration in its credit rating;
- 5) gross positive fair value of contracts, netting benefits, netted current credit exposures, value of the collateral held by the bank and net exposure to counterparty risk arising from transactions in financial derivatives;

- 6) amount of counterparty risk exposure, calculated in line with the methods for calculation of counterparty risk exposure defined by the Decision on capital adequacy of banks, regardless of the method applied;
- 7) notional amount of credit derivatives used as risk hedging instruments, and distribution of current counterparty risk exposure by classes of counterparty risk exposure;
- 8) notional amount of credit derivatives, distributed by use (for the own credit portfolio or for intermediation activities), including distribution within one group of credit derivatives, depending on whether the bank receives or provides credit protection.

Operational risk

Article 13

A bank shall disclose information on the method used for calculating capital requirement for operational risk.

Equity investments in other legal entities

Article 14

A bank shall disclose the following information and data relating to equity investments in other legal entities:

- 1) distribution of exposures based on their objectives, including the objectives of capital gain and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and procedures affecting valuation and any significant changes in these procedures;
- 2) balance sheet value, fair value of investments and, and for exchange-traded securities, a comparison to the market price where it is materially different from the fair value;
- 3) types, nature and amounts of exposures based on the exchange-traded permanent investments in other legal entities' capital, exposures based on equity securities not listed in sufficiently diversified portfolios, and other exposures;
- 4) cumulative realised gains or losses arising from sales of stocks or shares, or in some other manner in the reporting period;
- 5) total unrealised gains or losses, and amounts of losses included in the calculation of core or supplementary capital.

Exposure to interest rate risk from the trading book

Article 15

A bank shall disclose the following information relating to exposure to interest rate risk on positions not included in the trading book:

- 1) nature of the interest rate risk and the key assumptions used for measuring the exposure to interest rate risk (including assumptions about early loan repayments and trends in demand deposits);
- 2) changes in economic value, earnings or other relevant measure used by the bank's employees for measuring, monitoring and managing the interest rate risk, caused by changes in interest rates according to method for measuring the interest rate risk, broken down by currencies.

Securitisation

Article 16

A bank shall disclose the following information relating to securitisation:

- 1) description of the bank's objectives in relation to securitisation;
- 2) role of the bank in the securitisation process;
- 3) extent of the bank's involvement in each of the roles it had in the securitisation process;
- 4) methods for calculating risk weighted exposure amounts that the bank uses for the securitisation process;
- 5) summary of accounting policies that the banks uses for securitisation activities, including:
 - treatment of transactions (sales or financing),
 - recognition of gains on sales,
 - key assumptions for valuing retained interests in cash flows,
 - treatment of synthetic securitisations if this is not covered by other accounting policies;
- 6) names of recognised external institutions whose credit assessments the bank used for securitisation as well as types of exposure for which credit assessments of recognised external institutions are used;
- 7) total outstanding amount of exposures securitised by the bank and subject to the securitisation framework (broken down into traditional and synthetic), by exposure types;
- 8) for exposures securitised by the bank and subject to the securitisation framework: amounts of exposures for which the value was reduced and outstanding securitised exposures, as well as losses recognised by the bank during the reporting period, broken down by exposure classes;
- 9) aggregate amount of securitisation positions (retained or purchased), broken down by exposure types;
- 10) aggregate amount of securitisation positions (retained or purchased), broken down into an appropriate number of classes according to applied

- 11) aggregate residual amount of securitised revolving exposures, broken down to the originator's interest and the investors' interest;
- 12) summary of the securitisation activities in the reporting period, including the amount of securitised exposures (by exposure types), and recognised gain or loss on sale by exposure types.

Credit risk mitigation techniques

Article 17

A bank shall disclose the following information relating to credit risk mitigation techniques:

- 1) policies and processes for use of on-balance and off-balance sheet netting and extent to which this type of protection is used;
- 2) policies and processes for collateral valuation and management;
- 3) description of the main types of collateral used by the bank;
- 4) main types of guarantor and other credit protection providers and their creditworthiness;
- 5) information about market or credit risk concentrations within the applied credit risk mitigation techniques.

III. PUBLIC DISCLOSURE DEADLINES AND METHODS

Public disclosure method

Article 18

A bank shall disclose data and information subject to public disclosure in accordance with this Decision on its website.

Notwithstanding paragraph 1 of this Article, a bank shall not disclose on its website data and information contained in the revised annual reports or published elsewhere in an adequate manner (in accounting regulations, regulations governing securities market, etc.), but it shall disclose the internet address in which those information and data are available.

Public disclosure deadlines

Article 19

A bank shall disclose information and data referred to in this Decision at least once a year, not later than within five months from the end of the business year they refer to.

Notwithstanding paragraph 1 of this Article, a bank shall disclose all or some items of information more frequently, at least on semi-annual basis, if deemed necessary, especially having in mind the following characteristics of its operations:

- 1) scale of operations and types of services provided by the bank;
- 2) presence of the bank in other countries;
- 3) involvement of the bank in other financial sectors;
- 4) participation of the bank in international financial markets;
- 5) participation of the bank in settlement, payment and clearing systems.

Obligation referred to in paragraph 2 of this Article shall particularly refer to disclosure of data on determining the minimum amount, elements and structure of the bank's own funds, as well as to risk exposure in operations and method for managing such risks.

Internal audit service in the bank shall regularly, at least once a year, perform the audit that should provide eligibility, validity and accuracy of disclosed data and information.

IV. FINAL PROVISIONS

Article 20

This Decision shall enter into force on the eight day following that of its publication in the Official Gazette of Montenegro.

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

Decision no. 0101-4014/24-2-2010
Podgorica, 29 December 2011

**CHAIRMAN
G O V E R N O R,
Radoje Žugić, m.p.**