

Pursuant to Article 44 paragraph 2 item 3) of the Central Bank of Montenegro Law (OGM 40/10, 6/13, 70/17, 125/23), and Article 237 paragraph (3) of the Law on Credit Institutions (OGM 72/19, 8/21, 24/25), the Council of the Central Bank of Montenegro, at its meeting held on 25 July 2025, passed the following

DECISION ON PUBLIC DISCLOSURE OF INFORMATION BY A CREDIT INSTITUTION

I BASIC PROVISIONS

Subject matter

Article 1

This Decision prescribes the minimum information on financial situation, operations and risk profile That a credit institution shall publicly disclose, and the manner and time limits for their public announcement (hereinafter: disclosure).

Disclosure requirements

Article 2

- (1) A credit institution shall establish and maintain internal processes and systems concerning the disclosure of information in accordance with this Decision, and the control of its disclosure.
- (2) A credit institution shall describe or explain the information to be disclosed in accordance with this Decision in an understandable manner and provide its regular update.
- (3) The management body or senior management of a credit institution shall pass policies to comply with the disclosure requirements laid down in this Decision.
- (4) At least one member of the management body or senior management of a credit institution shall, upon each public disclosure of information in accordance with this Decision, attest in writing that the relevant credit institution has made the disclosures in accordance with the Law on Credit Institutions (hereinafter: the Law) this Decision, internal policies, processes, systems and controls.
- (5) The key elements of the policies referred to in paragraph (3) of this Article, and the written attestation referred to in paragraph (4) of this Article must be included in credit institutions' disclosures.
- (6) Information to be disclosed in accordance with this Decision shall be subject to the same level of internal verification as that applicable to the management report which forms an integral part of the credit institution's financial report.

(7) A credit institution shall verify that its disclosures under this Decision convey its overall risk profile to market participants also in the case of a need to disclose additional information that is material, provided that such information is not considered proprietary or confidential in accordance with this Decision.

Material, proprietary or confidential information

Article 3

(1) Within the meaning of this Decision, material information shall be the information the omission or misstatement of which could change or influence the assessment or decision of a user of that information relying on it for the purpose of making business decisions.

(2) Within the meaning of this Decision, proprietary information shall be the information the public disclosure of which would undermine the competitive position of a credit institution or render the related investments of the credit institution less valuable.

(3) Within the meaning of this Decision, information regarded as confidential shall, in addition to information protected in accordance with the law, also be the information the confidentiality of which has been agreed with the customer or another counterparty.

(4) When determining which information shall be considered material, proprietary and confidential, the credit institution shall apply the criteria established in the guidelines referred to in the Annex 1, which forms an integral part of this Decision.

II TECHNICAL CRITERIA ON TRANSPARENCY AND DISCLOSURE

Risk management objectives and policies

Article 4

(1) A credit institution shall disclose its risk management objectives and policies for each separate category of risk, including the risks with regard to which the disclosures are made in accordance with this Decision, which pertain to the following:

- 1) the strategies and processes to manage those categories of risks;
- 2) the structure and organisation of the risk management function, including information regarding its competences, powers and accountability in accordance with the credit institution's articles of association and other documents governing the management of the credit institution;
- 3) the scope and nature of risk reporting and measurement systems;
- 4) the policies for hedging and mitigating risk, and the strategies and procedures for monitoring the continuing efficiency of hedges and mitigants;
- 5) a statement by the management body of the credit institution on the adequacy of the credit institution's arrangements for managing risk profile and strategy of the credit institution;

- 6) a statement by the management body of the credit institution on the overall risk profile associated with the business strategy, which shall, in particular, include:
 - key ratios and figures enabling a comprehensive view of the credit institution's risk management, including how the risk profile of the credit institution interacts with the risk tolerance set by the management body of the credit institution,
 - information on intragroup transactions and transactions with connected persons that may have a material impact on the risk profile of the consolidated group.

(2) A credit institution shall disclose the following information regarding governance arrangements:

- 1) the number of directorships held by members of the management body of the credit institution;
- 2) the policies and procedures pertaining to the selection and the assessment of conditions for members of the management body of the credit institution, including their knowledge, skills and experience;
- 3) the policy on diversity with regard to selection of members of the management body, its purpose and any relevant objectives set out in that policy, and the extent to which that purpose and objectives have been achieved;
- 4) whether or not the credit institution has set up a separate risk committee and the number of times the risk committee has met;
- 5) the description of the information flow on risk to the management body of the credit institution.

Scope of disclosure

Article 5

A credit institution shall disclose the following information:

- 1) the name of the credit institution;
- 2) on the reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting standards and the regulation governing the methods of consolidation of a group of credit institutions (hereinafter: prudential consolidation) and a description of the applied consolidation method, where it is different from the accounting consolidation method;
- 3) covering a breakdown of assets and liabilities from the consolidated financial statements prepared in accordance with regulation referred in item 2) of this paragraph, by type of risks,
- 4) on the reconciliation identifying main sources of differences between the carrying value amounts in financial statements in accordance with the prudential scope of consolidation, and the exposure amount used for regulatory purposes, whereby that reconciliation shall be supplemented by qualitative information on those main sources of differences;
- 5) for exposures from the trading book and non-trading book that are adjusted in accordance with Articles 17 and 126 of the Decision on Capital Adequacy of Credit Institutions (hereinafter: the Decision on Capital Adequacy), a breakdown of the amounts of the individual elements of a credit institution's

- prudent valuation adjustments, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions;
- 6) regarding any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries;
 - 7) regarding the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the names of such subsidiaries;
 - 8) where applicable, the information on the application of exceptions laid down in Article 309 paragraph (4) or the method of individual consolidation referred to in Article 319 of the Law.

Information on own funds

Article 6

A credit institution shall disclose the following information regarding their own funds:

- 1) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and prudential filters and deductions applied pursuant to Articles 15 to 19 and Articles, 54, 64 and 104 of the Decision on Capital Adequacy to own funds of the credit institution and the balance sheet in the audited financial statements of the credit institution;
- 2) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the credit institution;
- 3) the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;
- 4) the nature and amounts of the following:
 - each prudential filter applied pursuant to Articles 15 to 18 of the Decision on Capital Adequacy,
 - each deduction made pursuant to Articles 19, 54, and 64 of the Decision on Capital Adequacy,
 - items not deducted in accordance with Articles 38, 43, 54, 64, and 104 of the Decision on Capital Adequacy;
- 5) a description of all restrictions applied to the calculation of own funds in accordance with the Decision on Capital Adequacy and the instruments, prudential filters and deductions to which those restrictions apply;
- 6) a comprehensive explanation of the basis on which those capital ratios are calculated where those capital ratios are calculated using elements of own funds determined on a basis other than the basis laid down in the Decision on Capital Adequacy.

Additional information on own funds and information on eligible liabilities

Article 7

A credit institution that is subject to Article 117 or Article 118 of the Decision on Capital Adequacy shall disclose the following information regarding its own funds and eligible liabilities:

- 1) the composition of its own funds and eligible liabilities, their maturity and their main features;
- 2) the ranking of eligible liabilities in the creditor hierarchy (in the case of bankruptcy);

- 3) the total amount of each issuance of eligible liabilities instruments referred to in Article 72 of the Decision on Capital Adequacy and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72 paragraphs (5) and (6) of the Decision on Capital Adequacy;
- 4) the total amount of liabilities to be excluded from eligible liabilities in accordance with Article 71 paragraphs (2) and (3) of the Decision on Capital Adequacy.

Information on capital requirements and risk-weighted exposure amounts

Article 8

A credit institution shall disclose the following information regarding its compliance with the requirements laid down in Articles 134, 136, and 279 paragraph (1) item 1) of the Law:

- 1) a summary of the approach it applies to assessing the adequacy of its internal capital to support current and future activities;
- 2) the amount of the additional own funds requirements referred to in Article 279 paragraph (1) item 1) of the Law to manage risks other than the risk of excessive leverage and its composition in terms of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;
- 3) upon the request of the Central Bank of Montenegro (hereinafter: the Central Bank), the result of the credit institution's internal capital adequacy assessment process, in accordance with the regulation governing the internal capital adequacy assessment;
- 4) the total risk exposure amount as calculated in accordance with Article 114 paragraph (3) of the Decision on Capital Adequacy and the corresponding capital requirements as determined in accordance with Article 114 paragraph (2) of the Decision on Capital Adequacy, to be broken down by the different risk categories or risk exposure classes, as applicable, set out in Part Three of the Decision on Capital Adequacy and, where applicable, an explanation of the effect on the calculation of the own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;
- 5) where required to calculate the un-floored total risk exposure amount as calculated in accordance with Article 114 paragraph (4) of the Decision on Capital Adequacy, and the standardised total risk exposure amount as calculated in accordance with Article 114 paragraph (5) of the Decision on Capital Adequacy, to be broken down by the different risk categories or risk exposure classes, as applicable, set out in Part Three of the Decision on Capital Adequacy and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;
- 6) the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending provided in Table 1 Article 195 paragraph (6) of the Decision on Capital Adequacy, and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 176 paragraphs (5) to (10) of the Decision on Capital Adequacy;
- 7) exposure value and risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or

insurance holding company that the credit institution does not deduct from its own funds in accordance with Article 44 of the Decision on Capital Adequacy when calculating its capital requirements on individual, subconsolidated, and consolidated basis;

- 8) the supplementary capital requirements and the capital adequacy ratio of the financial conglomerate calculated in accordance with regulations governing the financial conglomerates, where accounting consolidation method or deduction and aggregation method is applied;
- 9) the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including a description of the key reasons behind those variations.

Information on exposures to counterparty credit risk

Article 9

(1) A credit institution shall disclose the following information regarding its exposure to counterparty credit risk in accordance with Part Three Title II Subtitle 6 of the Decision on Capital Adequacy:

- 1) a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including methods used to assign those limits to exposures to central counterparties;
- 2) a description of policies that relate to guarantees and other instruments for mitigating credit risk, such as policies for securing collateral and establishing credit reserves;
- 3) a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 378 of the Decision on Capital Adequacy;
- 4) the amount of collateral the credit institution would have to provide if its credit rating was downgraded;
- 5) the amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions;
- 6) for derivative transactions, the exposure value before and after the credit risk mitigation as determined under the methods set out in Part Three Title II Subtitle 6 Sections 3 to 6 of the Decision on Capital Adequacy, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method;
- 7) for securities financing transactions, the exposure values before and after the effect of credit risk mitigation as determined under the methods set out in Title II Subtitle 4 and Subtitle 6 of the Decision on Capital Adequacy, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method;
- 8) the exposure values after the credit risk reduction effects and the associated risk exposures for credit valuation adjustment capital charge, and the associated risk exposure for each method set out in Part Three Title VI of the Decision on Capital Adequacy;
- 9) the exposure value to central counterparties and the associated risk exposures within the scope of Part Three Title II Subtitle 6 Section 9 of the

- Decision on Capital Adequacy, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;
- 10) the notional amounts and fair value of credit derivative transactions, whereby credit derivative transactions shall be broken down by product type, and within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold;
 - 11) the estimate of alpha where the credit institution has received from the Central Bank the authorisation referred to in Article 371 paragraph (9) of the Decision on Capital Adequacy;
 - 12) separately, the disclosures referred to in Article 13 paragraph (1) item 5) of this Decision, and Article 25 paragraph (1) item 7) of this Decision;
 - 13) for credit institution using the methods referred to in Part Three Title II Subtitle 6 Sections 4 and 5 of the Decision on Capital Adequacy, the size of on- and off-balance derivative business as calculated in accordance with Article 347 paragraph (1) or (2) of the Decision on Capital Adequacy, as applicable.

(2) Where the Central Bank provides liquidity assistance in the form of collateral swap transactions to a credit institution, the Central Bank may, based on the established objective criteria, waive the credit institution from the disclosure requirements referred to in paragraph (1) items 4) and 5) of this Article, where it considers that the disclosure of information could reveal that emergency liquidity assistance has been provided to the credit institution.

Information on countercyclical capital buffer

Article 10

A credit institution shall disclose the following information in relation to the countercyclical capital buffer referred to in Article 139 of the Law:

- 1) the geographical distribution of its risk-weighted credit exposures relevant for the calculation of its countercyclical capital buffer;
- 2) the amount of its credit institution specific countercyclical capital buffer.

Information on exposures to credit risk and dilution risk

Article 11

A credit institution shall disclose the following information regarding its exposure to credit risk and dilution risk:

- 1) scope of application and definitions for accounting purposes of “past due” and “impaired” and the differences, if any, between the definitions of “past due” and “default” for accounting and regulatory purposes;
- 2) a description of the approaches and methods adopted for determining specific and general credit risk adjustments;
- 3) the amount and quality of credit exposures (performing, non-performing and forbore exposures), debt securities exposures and off-balance sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial sureties received;
- 4) the ageing analysis of accounting past due exposures;
- 5) the gross carrying amounts of both defaulted and non-defaulted exposures, accumulated general and specific credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and

- their distribution by geographical area and industry type and for loans, debt securities and off-balance sheet exposures;
- 6) any changes in the gross amounts of defaulted on- and off-balance sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to a non-defaulted status or subject to a write-off;
 - 7) the breakdown of loans and debt securities by residual maturity.

Information on encumbered and unencumbered assets

Article 12

(1) A credit institution shall disclose information concerning their encumbered and unencumbered assets and use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered.

(2) When disclosing information on encumbered and unencumbered assets, a credit institution shall not reveal emergency liquidity assistance provided by the Central Bank in accordance with the Law.

Information on the use of the Standardised Approach

Article 13

A credit institution that calculates risk-weighted exposure amounts in accordance with Part Three Title II Subtitle 2 of the Decision on Capital Adequacy shall disclose the following information for each of the exposure classes set out in Article 149 of the Decision on Capital Adequacy:

- 1) the names of the nominated external credit assessment institutions (hereinafter: the ECAIs) and export credit agencies (hereinafter: the ECAs) and the reasons for any changes of the nominated institutions during the disclosure period;
- 2) the exposure classes for which each ECAI or ECA is used;
- 3) a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book;
- 4) the association of the external credit rating of each nominated ECAI or ECA with the risk weights that correspond to the credit quality steps as set out in Part Three Title II Subtitle 2 of the Decision on Capital Adequacy, or referring to the website of the Central Bank where such associations are disclosed;
- 5) the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three Title II Subtitle 2 of the Decision on Capital Adequacy as well as those deducted from own funds.

Information on exposures to market risk under the standardised approach

Article 14

(1) A credit institution that has not been granted the authorisation by the Central Bank to use the alternative internal model approach as set out in Article 465 of the Decision on Capital Adequacy, and that uses the simplified standardised approach in accordance with Article 414 of the Decision on Capital Adequacy or the alternative

standardised approach in accordance with Part Three Title IV Subtitle 2, shall disclose an overview of their trading book positions.

(2) A credit institution calculating its own funds requirements in accordance with Part Three Title IV Subtitle 2 of the Decision on Capital Adequacy, shall disclose its total capital requirements, capital requirements for the sensitivities-based method, default risk charge and capital requirements for residual risks.

(3) The disclosure of capital requirements for the measures of the sensitivities-based method and for default risk referred to in paragraph (2) of this Article shall be broken down into the following instruments:

- 1) financial instruments other than securitisation instruments held in the trading book, with a breakdown by risk class, and a separate identification of the capital requirements for default risk;
- 2) securitisation instruments not held in the alternative correlation trading portfolio (ACTP), with a separate identification of the capital requirements for credit spread risk and of the capital requirements for default risk;
- 3) securitisation instruments held in the ACTP, with a separate identification of the capital requirements for credit spread risk and of the capital requirements for default risk.

Information on credit valuation adjustment risk

Article 15

(1) A credit institution subject to the capital requirements for credit valuation adjustment (CVA) risk in accordance with Part Three Title VI of the Decision on Capital Adequacy, shall disclose the following information:

- 1) an overview of its processes to identify, measure, hedge and monitor its CVA risk;
- 2) information on whether the credit institution meets all of the conditions set out in Article 347 paragraph (2) of the Decision on Capital Adequacy, whereby it shall also disclose the following:
 - where those conditions are met, whether the credit institution has chosen to calculate the capital requirements for CVA risk using the simplified approach set out in Article 559 of the Decision on Capital Adequacy,
 - where the credit institution has chosen to calculate the capital requirements for CVA risk using the simplified approach, the capital requirements for CVA risk in accordance with that approach;
- 3) the total number of counterparties for which the standardised approach is used, with a breakdown by counterparty types.

(2) A credit institution using the standardised approach set out in Article 532 of the Decision on Capital Adequacy for calculating the capital requirements for CVA risk shall disclose, in addition to the information referred to in paragraph (1) of this Article, the following information:

- 1) the structure and the organisation of its internal CVA risk management function and governance;
- 2) its total capital requirements for CVA risk under the standardised approach with a breakdown by risk class;

- 3) an overview of the eligible hedges used in that calculation, with a breakdown by type of instruments set out in Article 560 paragraph (3) of the Decision on Capital Adequacy.

(3) A credit institution using the basic approach set out in Article 558 of the Decision on Capital Adequacy for calculating the capital requirements for CVA risk shall disclose, in addition to the information referred to in paragraph (1) of this Article, the following information:

- 1) its total capital requirements for CVA risk under the basic approach, and the components $BACVA^{total}$ and $BACVA^{csr-hedged}$;
- 2) an overview of the eligible hedges used in that calculation, with a breakdown by type of instruments set out in Article 560 paragraph (4) of the Decision on Capital Adequacy.

Information on operational risk

Article 16

- (1) A credit institution shall disclose the following information on operational risk:
 - 1) the main characteristics and elements of their operational risk management framework;
 - 2) its capital requirement for operational risk equal to the business indicator component calculated in accordance with Article 401 of the Decision on Capital Adequacy;
 - 3) the business indicator, calculated in accordance with Article 402 paragraph (1) of the Decision on Capital Adequacy, and the amounts of each of the business indicator components and their sub-components for each of the three years relevant for the calculation of the business indicator;
 - 4) the amount of the reduction of the business indicator for each exclusion from the business indicator in accordance with Article 403 paragraph (2) of the Decision on Capital Adequacy, as well as the corresponding justifications for such exclusions.

(2) A credit institution that calculates its annual operational risk losses in accordance with Article 404 paragraph (1) of the Decision on Capital Adequacy, shall disclose the following information in addition to the information referred to in paragraph 1 of this Article:

- 1) its annual operational risk losses for each of the last 10 financial years;
- 2) the number of exceptional operational risk events and the amounts of the corresponding aggregated net operational risk losses that were excluded from the calculation of the annual operational risk loss in accordance with Article 408 paragraph (1) of the Decision on Capital Adequacy, for each of the last 10 financial years, and the corresponding justifications for those exclusions.

Information on key metrics

Article 17

A credit institution shall disclose the following key metrics:

- 1) the composition of its own funds and its capital requirements as calculated in accordance with Article 114 paragraph (2) of the Decision on Capital Adequacy;
- 2) where applicable, the risk-based capital ratios as calculated in accordance with Article 114 paragraph (2) of the Decision on Capital Adequacy, by using the un-floored total risk exposure amount instead of the total risk exposure amount;
- 3) the total risk exposure amount as calculated in accordance with Article 114 paragraph (3) of the Decision on Capital Adequacy and, where applicable, the un-floored total risk exposure amount as calculated in accordance with Article 114 paragraph (4) of the Decision on Capital Adequacy;
- 4) where applicable, the amount and composition of own funds above the minimum prescribed level which the credit institution is required to hold in accordance with Article 279 paragraph (1) item 1) of the Law;
- 5) the combined buffer requirement which the credit institution is required to hold in accordance with Article 165 of the Law;
- 6) its leverage ratio and the total exposure measure as calculated in accordance with Article 563 of the Decision on Capital Adequacy;
- 7) the following information in relation to their liquidity coverage ratio as calculated in accordance with the regulation governing liquidity risk management, presented as averages based on the end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period:
 - liquidity coverage ratio;
 - total liquid assets, after applying the relevant haircuts, included in the liquidity buffer;
 - liquidity outflows, inflows and net liquidity outflows;
- 8) the following information in relation to its net stable funding requirement as calculated in accordance with the regulation governing liquidity risk management at the end each quarter of the relevant disclosure period:
 - the net stable funding ratio;
 - the available stable funding;
 - the required stable funding.

Information on exposures to interest rate risk on positions not held in the trading book

Article 18

A credit institution shall disclose the following quantitative and qualitative information on the exposure to risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of its non-trading book activities referred to in Article 108 and Article 246 paragraphs (5) and (6) of the Law:

- 1) the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 246 paragraph (5) of the Law for the current and previous disclosure periods;
- 2) the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 246 paragraph (5) of the Law for the current and previous disclosure periods;

- 3) a description of key modelling and parametric assumptions, other than those referred to in 246 paragraph (7) of the Law used to calculate changes in the economic value of equity and in the net interest income required under items 1) and 2) of this paragraph;
- 4) an explanation of the significance of the risk measures under items 1) and 2) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;
- 5) the description of how the credit institution defines, measures, mitigates and controls the interest rate risk of their non-trading book activities for the purposes of supervision referred to in Article 246 paragraph (5) of the Law, including:
 - a description of the specific risk measures that the credit institution uses to evaluate changes in its economic value of equity and in its net interest income;
 - a description of the key modelling and parametric assumptions used in the credit institution's internal measurement systems that would differ from the those set out in Article 246 paragraph (7) of the Law for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences;
 - a description of the interest rate shock scenarios that the credit institution uses to estimate the interest rate risk;
 - the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 140 paragraphs (3) to (5) of the Decision on Capital Adequacy;
 - an outline of how often the evaluation of the interest rate risk occurs.
- 6) the description of the overall risk management and mitigation strategies for those risks;
- 7) average and longest repricing maturity assigned to non-maturity deposits.

(2) The requirements set out in paragraph (1) items 3) and 5) indents 1 to 4 of this Article shall not apply to credit institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 109 paragraph (2) of the Law.

Information on exposures to securitisation positions

Article 19

A credit institution calculating risk-weighted exposure amounts in accordance with Part Three Title II Section 5 of the Decision on Capital Adequacy or own funds requirements in accordance with Article 501 or 502 of the Decision on Capital Adequacy shall disclose the following information separately for their trading book and non-trading book activities:

- 1) a description of its securitisation and re-securitisation activities, including their risk management and investment objectives in connection with those activities, their role in securitisation and re-securitisation transactions, whether it uses the simple, transparent and standardised securitisation (hereinafter: STS) as defined in Article 278 paragraph (1) item 10) of the Decision on Capital Adequacy, and the extent to which they use securitisation transactions to transfer the credit risk of the securitised

- exposures to third parties with, where applicable, a separate description of their synthetic securitisation risk transfer policy;
- 2) the type of risks it is exposed to in their securitisation and re-securitisation activities by level of seniority of the relevant securitisation positions providing a distinction between STS and non-STS positions and:
 - the risk retained in own-originated transactions,
 - the risk incurred in relation to transactions originated by third parties;
 - 3) the approach for calculating the risk-weighted exposure amounts that the credit institution applies to its securitisation activities, including the types of securitisation positions to which each approach applies and with a distinction between STS and non-STS positions;
 - 4) a list of securitisation special purpose entities (hereinafter: SSPEs) falling into one of the following categories, with a description of their types of exposures to those SSPEs, including derivative contracts:
 - SSPEs which acquire exposures originated by the credit institution,
 - SSPEs sponsored by the credit institution,
 - SSPEs and other legal persons for which the credit institution provides securitisation-related services, such as advisory, asset servicing or management services,
 - SSPEs included in the credit institution's regulatory scope of consolidation;
 - 5) a list of any legal persons in relation to which the credit institution has disclosed that it has provided support in accordance with of Part Three Title II Subtitle 5 of the Decision on Capital Adequacy;
 - 6) a list of legal entities affiliated with the credit institution and that invest in securitisations originated by the credit institution or in securitisation positions issued by SSPEs sponsored by the credit institution;
 - 7) a summary of its accounting policies for securitisation activity, including where relevant a distinction between securitisation and re-securitisation positions;
 - 8) the names of the ECAs used for securitisations and the types of exposure for which each agency is used;
 - 9) where applicable, a description of the Internal Assessment Approach as set out in Part Three Title II Subtitle 5, including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with item 8) of this paragraph, the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels;
 - 10) separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on whether credit institution has transferred significant credit risk in accordance with Articles 280 and 281 of the Decision on Capital Adequacy, for which the credit institution acts as originator, sponsor or investor, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures;
 - 11) for the non-trading book activities, the following information:

- the aggregate amount of securitisation positions where credit institution acts as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1,250%, broken down between traditional and synthetic securitisations and between securitisation and re-securitisation exposures, separately for STS and non-STS positions, and further broken down into a meaningful number of risk-weight or capital requirement bands and by approach used to calculate the capital requirements;
 - the aggregate amount of securitisation positions where credit institution acts as investor and the associated risk-weighted assets and capital requirements by regulatory approaches, including exposures deducted from own funds or risk weighted at 1,250%, broken down between traditional and synthetic securitisations, securitisation and re-securitisation positions, and STS and non-STS positions, and further broken down into a meaningful number of risk weight or capital requirement bands and by approach used to calculate the capital requirements;
- 12) for exposures securitised by the institution, the amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type.

Information on environmental, social and governance risks

Article 20

A credit institution shall disclose information on environmental, social and governance risks (hereinafter: the ESG risks), for each of these risks separately, namely, environmental, social and governance risks, and in particular, within environmental risks, the physical risks and transition risks, specifically the following:

- 1) the total amount of exposures to fossil fuel sector entities;
- 2) how the credit institution integrates the identified ESG risks in its business strategy and processes, and risk management.

Information on aggregate exposure to shadow banking entities

Article 21

A credit institution shall disclose the information concerning its aggregate exposure to shadow banking entities.

Information on remuneration policy

Article 22

(1) A credit institution shall disclose the following information regarding its remuneration policy and practices for those members of staff who have a significant impact on the risk profile of the credit institution, specifically the following:

- 1) information concerning the decision-making process used for determining and verifying the remuneration policy, as well as the number of meetings held by the supervisory board during the financial year, including, information about the composition and the mandate of a remuneration committee, where established, and about the engagement of external consultants;

- 2) information about the link between pay of the staff and their performance;
- 3) the most important characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;
- 4) the ratios between fixed and variable remuneration set in accordance with the regulation governing remuneration in credit institutions;
- 5) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;
- 6) the main parameters and rationale for any variable component scheme and any other non-cash benefits;
- 7) aggregate quantitative information on remuneration, broken down by business area;
- 8) aggregate quantitative information on remuneration, broken down by senior management and members of staff who have a significant impact on the risk profile of the credit institution, indicating the following:
 - the amounts of remuneration awarded for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries;
 - the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part;
 - the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years;
 - the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments;
 - the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards;
 - the severance payments awarded in previous periods, that have been paid out during the financial year;
 - the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;
- 9) the number of individuals that have been remunerated EUR 1 000 000 or more per financial year, with the remuneration between EUR 1 000 000 and EUR 5 000 000 broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 000 000 and above broken down into pay bands of EUR 1 000 000;
- 10) upon demand from the Central Bank, the total remuneration for each member of the management body or senior management;
- 11) information on the application of requirements for awarding variable remuneration in instruments and, in particular, the requirements for the retention of variable remuneration paid in instruments, specifying the number of staff members to whom the variable remuneration was awarded in instruments, or retained, as well as their total remuneration split into fixed and variable remuneration.

- (2) A large credit institution shall disclose the quantitative information on the remuneration of its management bodies, differentiating between the supervisory board and the management board.
- (3) Large credit institution shall have the meaning as specified in the Law.

Information on the leverage ratio

Article 23

(1) A credit institution that is subject to the provisions of Part Five of the Decision on Capital Adequacy shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 563 of the Decision on Capital Adequacy and information on management of the risk of excessive leverage:

- 1) the leverage ratio;
- 2) a breakdown of the total exposure measure referred to in Article 563 paragraph (4) of the Decision on Capital Adequacy, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements of the credit institution;
- 3) where applicable, the amount of exposures calculated in accordance with Articles 563 paragraph (13) and Article 564 paragraphs (1) and (2) of the Decision on Capital Adequacy and the adjusted leverage ratio calculated in accordance with Article 564 paragraph (11) of the Decision on Capital Adequacy;
- 4) a description of the processes used to manage the risk of excessive leverage;
- 5) a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers;
- 6) the amount of own funds above the minimum prescribed level referred to in Article 279 paragraph (1) item 1) of the Law for coverage of the risk of excessive leverage.

(2) A credit institution referred to in Article 564 paragraph (3) of the Decision on Capital Adequacy shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with Article 564 paragraph (1) item 4) of the Decision on Capital Adequacy.

(3) In addition to the requirements referred to in paragraph (1) items 1) and 2) of this Article, a large credit institution shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 563 paragraph (4) of the Decision on Capital Adequacy based on averages calculated in accordance with the reports laid down regulation referred to in Article 233 paragraph (2) of the Law.

Information on liquidity requirement

Article 24

(1) A credit institution shall disclose information on liquidity risk management, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) calculated in accordance with the regulation governing liquidity risk management in credit institutions.

(2) A credit institution shall disclose the following information on liquidity coverage ratio based on the end-of-the-month indicators over the preceding 12 months for each quarter of the relevant disclosure period;

- 1) the average of the liquidity coverage ratio;
- 2) the average of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer, and a description of the composition of that liquidity buffer;
- 3) the averages of their liquidity outflows, inflows and net liquidity and the description of their composition.

(3) A credit institution shall disclose the following information in relation to their net stable funding ratio:

- 1) quarter-end figures of their net stable funding ratio calculated for each quarter of the relevant disclosure period;
- 2) an overview of the amount of available stable funding;
- 3) an overview of the amount of required stable funding.

(4) A credit institution shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 113 of the Law.

Information on the use of the IRB Approach to credit risk

Article 25

(1) A credit institution calculating the risk-weighted exposure amounts under the Internal Ratings Based Approach (hereinafter: IRB Approach) to credit risk shall disclose the following information:

- 1) the Central Bank's prior authorisation to use or gradually introduce the IRB Approach;
- 2) for each exposure class referred to in Article 189 of the Decision on Capital Adequacy, the percentage of the total exposure value of each exposure class subject to the Standardised Approach laid down in Part Three Title II Subtitle 2 of the Decision on Capital Adequacy or to the IRB Approach laid down in Part Three Title II Subtitle 3 of the Decision on Capital Adequacy, as well as the part of each exposure class subject to a roll-out plan, and where the credit institution has received authorisation to use own loss given default (hereinafter: LGD) and conversion factors for the calculation of risk-weighted exposure amounts, they shall disclose separately the percentage of the total exposure value of each exposure class subject to that authorisation;
- 3) the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:
 - the relationship between the risk management function and the internal audit function;
 - the rating system review;
 - the procedure to ensure the independence of the credit institution's body in charge of reviewing the models from the body responsible for the development of the models, and the roles of those bodies;
- 4) the role of the organisational units involved in the development, approval and subsequent changes of the credit risk models;
- 5) the scope and main content of the reporting related to credit risk models;

- 6) a description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:
 - the definitions, methods and data for estimation and validation of probability of default (hereinafter: PD), which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;
 - where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;
 - where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;
- 7) as applicable, the following information in relation to each exposure class referred to in Article 189 of the Decision on Capital Adequacy:
 - its gross on-balance-sheet exposure;
 - its off-balance-sheet exposure values prior to the relevant conversion factor;
 - its exposure after applying the relevant conversion factor and credit risk mitigation;
 - any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of debtor grades (including default) to allow for a meaningful differentiation of credit risk;
 - separately for those exposure classes in relation to which credit institution has received authorisation to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the credit institution does not use such estimates, the values referred to in items 1) to 4) of this paragraph subject to that authorisation;
- 8) a credit institution's estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of debtors at the end of the previous year and of the year under review, the number of defaulted debtors, including the new defaulted debtors, and the annual average historical default rate.

(2) In the case referred to in paragraph (1) item 2) this Article, the credit institution shall use the exposure value as defined in Article 207 of the Decision on Capital Adequacy.

Information on the use of credit risk mitigation techniques

Article 26

(1) A credit institution using credit risk mitigation techniques shall disclose the following information:

- 1) the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which credit institution makes use of balance sheet netting;
- 2) the core features of the policies and processes for eligible collateral evaluation and management;
- 3) a description of the main types of collateral taken by the credit institution to mitigate credit risk;
- 4) for sureties and credit derivatives used as credit protection, the main types of surety providers and credit derivative counterparties and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures;
- 5) information about market or credit risk concentrations within the credit risk mitigation taken;
- 6) for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments, whereat the disclosure set out in this item shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;
- 7) the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with or without substitution effect;
- 8) for credit institution calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation;
- 9) for credit institution calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure, whereat the disclosure set out in this item shall be made separately for each exposure class;
- 10) for credit institution calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives, and where a credit institution has received authorisation to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, they shall make the disclosure set out in this item separately for the exposure classes subject to that authorisation.

Information on the use of the Advanced Measurement Approaches to operational risk

Article 23

A credit institution using the Advanced Measurement Approaches set out in Articles 409 to 412 of the Decision on Capital Adequacy for the calculation of their own funds requirements for operational risk shall disclose a description of their use of insurance and other risk-transfer mechanisms for the purpose of mitigating that risk.

Information on the use of internal models for market risk

Article 24

(1) A credit institution using the internal models in accordance with Article 465 of the Decision on Capital Adequacy for the calculation of own fund requirements for market risk shall disclose:

- 1) its objectives in trading activities and the processes implemented to identify, measure, monitor and control the market risk;
- 2) the policies referred to in Article 122 paragraph (1) for determining which position is to be included in the trading book;
- 3) a general description of the structure of the trading desks covered by the internal models, including for each desk a broad description of the desk's business strategy, the instruments permitted therein and the main risk types in relation to that desk;
- 4) an overview of the trading book positions not covered by the internal models, including a general description of the desk structure and of types of instruments included in the desks or in the desk categories in accordance with Article 124 of the Decision on Capital Adequacy;
- 5) the structure and organisation of the market risk management function and governance;
- 6) the scope, the main characteristics and the key modelling choices of the different internal models used to calculate the risk exposure amounts for the main models used at the consolidated level, and a description of the extent to which those internal models represent the models used at the consolidated level, including, where applicable, a broad description of the following:
 - the modelling approach used to calculate the expected shortfall referred to in Article 466 paragraph (1) item 1) of the Decision on Capital Adequacy, including the frequency of data update;
 - the methodology used to calculate the stress scenario risk measure referred to in Article 466 paragraph (1) item 2) of the Decision on Capital Adequacy;
 - the modelling approach used to calculate the default risk charge referred to in Article 466 paragraph (3) of the Decision on Capital Adequacy, including the frequency of data update.

(2) A credit institution shall disclose on an aggregate basis for all trading desks covered by the internal models referred to in Article 465 of the Decision on Capital Adequacy the following components, where applicable:

- 1) the most recent value as well as the highest, lowest and mean value for the previous 60 business days of:
 - the unconstrained expected shortfall measure referred to in Article 467 paragraph (1) of the Decision on Capital Adequacy;
 - the unconstrained expected shortfall measure referred to in Article 467 paragraph (1) of the Decision on Capital Adequacy for each regulatory broad risk factor category;
- 2) the most recent value as well as the mean value for the previous 60 business days of:
 - the expected shortfall risk measure referred to in Article 467 paragraph (1) of the Decision on Capital Adequacy;

- the stress scenario risk measure referred to in Article 466 paragraph (1) item 1) of the Decision on Capital Adequacy;
 - the own funds requirement for default risk referred to in Article 466 paragraph (3) of the Decision on Capital Adequacy;
 - the sum of the own funds requirements referred to in Article 466 paragraph (5) of the Decision on Capital Adequacy including all components of the formula and the applicable multiplier factor;
- 3) the number of back-testing overshootings over the most recent 250 business days at the 99th percentile as referred to in Article 471 paragraph (6) of the Decision on Capital Adequacy.

(3) A credit institution shall disclose on an aggregate basis for all trading desks the own funds requirements for market risk that would be calculated in accordance with Part Three Title IV Subtitle 2 of the Decision on Capital Adequacy, had the credit institution not been granted authorisation to use their internal models for those trading desks.

Waivers form the requirement to disclose information

Article 29

(1) A credit institution shall not be required to disclose information listed in this Decision, which is not regarded as material within the meaning of Article 3 paragraph (1) of this Decision, except information referred to in Article 4 paragraph (2) item 3) and Articles 6 and 22 of this Decision.

(2) A credit institution shall not disclose information referred to in this Decision, which are considered to be proprietary or confidential information within the meaning of Article 3 paragraphs (2) and (3) of this Decision, or in accordance with the Law.

(3) In case referred to in paragraphs (1) and (2) of this Article, a credit institution shall disclose the reasons for not disclosing the information, and disclose more general information about the subject matter which is in itself proprietary or confidential.

III FREQUENCY, TIME LIMITS AND THE MANNER OF DISCLOSURES

Frequency of disclosures by large credit institution

Article 30

- (1) A large credit institution shall disclose:
- 1) all the information required under this Decision on an annual basis;
 - 2) on a semi-annual basis the information referred to in:
 - Article 6 item 1) of this Decision;
 - Article 8 paragraph (1) item 5) of this Decision;
 - Article 9 paragraph (1) items 5) to 12) of this Decision;
 - Article 10 of this Decision;
 - Article 11 paragraph (1) items 3), 5), 6) and 7) of this Decision;
 - Article 13 paragraph (1) item 5) of this Decision;
 - Article 14 of this Decision;

- Article 18 paragraph (1) items 1) and 2) of this Decision;
 - Article 19 paragraph (1) items 10) to 12) of this Decision;
 - Article 20 of this Decision;
 - Article 21 of this Decision;
 - Article 23 paragraph (1) items 1) and 2) of this Decision;
 - Article 24 paragraph (3) of this Decision;
 - Article 25 paragraph (1) item 7) of this Decision;
 - Article 26 paragraph (1) items 6) to 10) of this Decision;
 - Article 28 paragraph (2) of this Decision;
- 3) on a quarterly basis the information referred to in:
- Article 8 paragraph (1) items 4), 5) and 9) of this Decision;
 - the key metrics referred to in Article 17 of this Decision.

(2) By way of derogation from paragraph (1) of this Article, a large credit institution that is a non-listed credit institution shall disclose:

- 1) all the information required under this Decision on an annual basis;
- 2) the key metrics referred to in Article 17 of this Decision on a semi-annual basis.

Frequency of disclosures by small and non-complex credit institution

Article 31

(1) A small and non-complex credit institutions shall disclose on an annual basis the information referred to in:

- Article 4 paragraph (1) items 1), 5) and 6) of this Decision;
- Article 8 paragraph (1) items 3) to 5) of this Decision;
- Article 11 paragraph (1) items 3) and 4) of this Decision;
- key metrics referred to in Article 17 of this Decision;
- Article 20 of this Decision;
- Article 21 of this Decision;
- Article 22 paragraph (1) items 1) to 4) and items 8) to 10) of this Decision.

(2) A small and non-complex credit institution shall have a meaning as established by the Law.

(3) By way of derogation from paragraph (1) of this Article, small and non-complex credit institution that is non-listed credit institution shall disclose the key metrics referred to in Article 17 of this Decision and ESG risks referred to in Article 20 of this Decision on an annual basis.

Frequency of disclosures by other credit institutions

Article 32

(1) A credit institution that is not subject to provisions of Articles 31 and 32 of this Decision shall disclose:

- 1) all the information required under this Decision on an annual basis;
- 2) the key metrics referred to in Article 17 of this Decision on a semi-annual basis.

(2) By way of derogation from paragraph (1) of this Article, a credit institution referred to in paragraph (1) of this Decision that is a non-listed credit institution shall disclose on an annual basis the information referred to in:

- 1) Article 4 paragraph (1) items 1), 5) and 6) of this Decision;
- 2) Article 4 paragraph (2) items 1) to 3) of this Decision;
- 3) Article 6 paragraph (1) item 1) of this Decision;
- 4) Article 8 paragraph (1) items 3) to 5) of this Decision;
- 5) Article 11 paragraph (1) items 3) and 4) of this Decision;
- 6) key metrics referred to in Article 17 of this Decision;
- 7) Article 20 of this Decision;
- 8) Article 21 of this Decision;
- 9) Article 22 paragraph (1) items 1) to 4) and items 8) to 11) of this Decision.

Disclosure time limits

Article 33

(1) A credit institution shall disclose information required to be disclosed on an annual basis under this Decision no later than 31 May of the current for the previous year.

(2) A credit institution shall disclose information required to be on semi-annual and quarterly basis under this Decision within 40 days, at the latest, following the expiry of the corresponding semi-annual or quarterly period.

Manner of disclosure

Article 34

(1) A credit institution shall make available on its website the information required to be disclosed under this Decision.

(2) The information referred to in paragraph (1) of this Article shall be disclosed in a separate document or as a separate part of the financial statements of the credit institution.

(3) The documents referred to in paragraph (1) of this Article must be made available in period that may not be less than the storage period of the business books set by the law governing the accounting.

(4) A credit institution shall make tabular formats for the key metrics referred to in Article 17 of this Decision.

IV CLOSING PROVISIONS

Repealed regulation

Article 35

As of the commencement date of the application of this Decision, the Decision on Public Disclosure of Information by a Credit Institution (OGM 128/20) shall be repealed.

Entry into force

Article 36

This Decision shall enter into force on the eighth day following that of its publication in the "Official Gazette of Montenegro", and it shall apply from 1 January 2026.

THE COUNCIL OF THE CENTRAL BANK OF MONTENEGRO

**CHAIRPERSON
GOVERNOR**

Irena Radović, m.p.

Decision number: 0101-5891-18/2025
Podgorica, 25 July 2025

ANNEX 1

GUIDELINES on materiality, proprietary and confidentiality of information disclosed by a credit institution

I Subject matter

1. These Guidelines shall prescribe the procedure and the criteria for determining the materiality, proprietary and confidentiality of information that a credit institution is required to disclose in accordance with the provisions of this Decision, as well as the application of waivers from this requirement.

II Scope of application

2. Article 2 paragraph (2) of the Decision prescribes that a credit institution shall describe or explain the information to be disclosed in accordance with the Decision in the understandable manner and provide their regular update. Paragraph (7) of that Article prescribes that a credit institution shall verify that its disclosures under the Decision convey its overall risk profile to market participants also in the case of a need to disclose additional information that is material, provided that such information is not considered proprietary or confidential in accordance with the Decision.

3. Article 29 of the Decision prescribes the waivers from the requirement to disclose the information that is not regarded as material, or where the information represents proprietary or confidential information.

Article 29 paragraph (1) of the Decision prescribes that a credit institution shall not be required to disclose information listed in the Decision, except information referred to in Article 4 paragraph (2) item 3) of the Decision (disclosure of the policy on diversity of the management body), Article 6 of the Decision (disclosure of own funds) and Article 22 of the Decision (disclosure of remuneration policy), where the information is not regarded as material.

Article 29 paragraph (2) of the Decision prescribes that a credit institution shall not be required to disclose information in accordance with the provisions of the Decision, except the information referred to in Article 6 of the Decision (disclosure of own funds) and Article 22 of the Decision (disclosure of remuneration policy), where they do not include information that is considered proprietary or confidential.

In addition, Article 29 paragraph (2) of the Decision prescribes that a credit institution shall disclose the reasons for not disclosing the information, and disclose more general information about the information which is considered proprietary or confidential.

4. When passing the policy referred to in Article 2 paragraph (3) of the Decision, a credit institution shall take into account all items of Chapters III to VI of these Guidelines.

III Processes and internal arrangements

5. The policies adopted for the purpose of complying with the disclosure requirements prescribed in the Decision, should include a process for the assessment of appropriateness of information to be disclosed, the frequency of disclosures as well as the application of waivers for omitting disclosures in accordance with Articles 29 of the Decision.

6. The process must be proportionate to the size, scale of operations and range of activities of the credit institution and be consistent with the internal organisation of the credit institution.

7. The process must as a minimum:

- 1) be approved by the credit institution's management body or a designated committee thereof;
- 2) identify the organisational unit or units, the senior management or committees thereof and staff responsible for designing, implementing and reviewing the policies on materiality, proprietary and confidentiality and on disclosure frequency;
- 3) ensure that the input of all the relevant units and control functions (risk management function, compliance function, and any other relevant function) is taken into account when designing, implementing and reviewing these policies;
- 4) provide that the senior management or committees thereof are responsible for making a final decision on whether an item of information should be omitted ('waiver'), after taking into consideration appropriately justified proposals made by the relevant organisational unit or units and staff tasked with implementing the policies on materiality, proprietary and confidentiality and on disclosure frequency;
- 5) define an adequate reporting process regarding the implementation of the policies on materiality, proprietary and confidentiality and on disclosure frequency;
- 6) determine the appropriate level of transparency for each disclosure waiver or appropriate frequency in accordance with the Decision.

8. The process may be part of an existing process designed to make decisions related to disclosure requirement, provided that it includes all items referred to in item 6 of these Guidelines.

9. A credit institution must fully document and maintain internally appropriate evidence of its implementation of the process described in item 7 of these Guidelines and of its assessments pursuant to the provisions in Chapters IV, V or VI of these Guidelines to ensure proper application and transparency in the implementation of policies on materiality, proprietary and confidentiality (for instance studies showing the potential impact of disclosures of information considered to be proprietary).

10. When a credit institution has chosen to provide disclosures regarding its policy, it may usefully consider including a description of the process referred to in this

Chapter in these disclosures as well as outlining the policies on materiality, proprietary and confidentiality of disclosures pursuant to these Guidelines.

IV Considerations of assessing materiality of disclosures

11. In assessing materiality of an item of information, a credit institution should as a minimum consider the following:

- 1) materiality should be assessed on a regular basis and at least once a year;
- 2) materiality should be assessed for both qualitative and quantitative disclosure requirements;
- 3) materiality should be assessed at the level of each individual disclosure requirement and, where relevant, on an aggregate basis; in particular a credit institution should assess whether the cumulative effect of omitting specific disclosure requirements that are regarded individually as immaterial would result in the omission of information that could influence the economic decisions of users;
- 4) materiality should be assessed taking into consideration the circumstances and the broader context at the time of disclosure, for example the influence of the economic and political environment;
- 5) materiality should be a user-centric concept and should be assessed based on the assumed users' needs and the assumed relevance of information for users: a disclosure requirement may not be material for the credit institution but may be material for users, therefore, the extent of the disclosed information should be tailored to users' needs and should consider the incidence of disclosure on their understanding of the credit institution and of its risk profile; information related to items involving a high degree of subjectivity on the part of the credit institution for determining their amount are likely to be material for users;
- 6) materiality should be assessed taking into account the specific nature and purpose of the requirements assessed. The criteria should not be applied in the same way for all disclosure requirements. In particular special indicators different from those used to determine materiality for quantitative disclosures may be needed for qualitative disclosures;
- 7) the term materiality is a credit institution-specific concept, which depends on the specific characteristics, activities, risks and risk profile of a credit institution and should not be automatically assessed by reference to the size/scale of the credit institution, to its relevance in the domestic market or to its market share;
- 8) materiality does not depend only on the size of a credit institution; materiality is linked to the quantitative importance in terms of amount and/or qualitative importance in terms of the nature of a given piece of information such as exposures or risks, which can be material by nature or size; an assessment of materiality based only on quantitative approaches or materiality thresholds shall not be generally deemed as appropriate for disclosures;
- 9) materiality should be a dynamic concept: it depends on the context of disclosures and may therefore be applied differently to different disclosures over time depending on the evolution of risks. In particular, a credit institution should consider the risks/business activities to which it are or might become exposed. Ad hoc re-assessments of materiality as risks evolve or

circumstances change may result in variety in the types and extent of disclosures over time.

12. Additional considerations may be taken into account by institutions when they are considered as plausible and objectively reasonable.

13. The materiality should be a matter of expert assessment made by any relevant function adding value to that assessment, and informed by relevant criteria and indicators.

14. When implementing item 11 of these Guidelines to assess the materiality of an item of information, a credit institution should pay particular attention to the following criteria:

- 1) its business model, based on individual criteria, and long-term strategy;
- 2) the size, expressed as a share of regulatory, financial or profitability metrics or aggregates or as a nominal amount, of the item of information or element (risk, exposure) to which the information is related and for which materiality is assessed;
- 3) the influence of the element to which an item of information is related on the development of total risk exposures (expressed in particular in terms of amounts of exposures or amount of RWA) or the overall risk profile of the credit institution;
- 4) the relevance of the item of information in terms of understanding the current risks and solvency of the entity and their trend, considering that the omission should not mask a trend in the evolution of risks from a previous period;
- 5) the amplitude of changes to the element to which an item of information is related in comparison to the previous year;
- 6) the relation of the information to recent developments in risks and disclosure needs, as well as to market practices regarding disclosures.

V Considerations for assessing the proprietary or confidential nature of disclosure

15. In assessing the proprietary nature of an item of information, a credit institution shall take into account the following:

- 1) cases where information is assessed as proprietary should be exceptional and should relate to information that is so important that disclosure would significantly affect a credit institution's competitive position. In addition to information on products and systems that, if shared with competitors, would render a credit institution's investments in these less valuable, proprietary information may relate to competitively significant operational conditions or business circumstances;
- 2) a general risk of a potential weakening of competitiveness due to disclosure shall not, on its own, be seen as sufficient reason for avoiding disclosure; specific reasoning must be available and must be based on an analysis of the incidence of disclosure of proprietary information;
- 3) the disclosure waiver related to proprietary information shall not be used to avoid disclosing information that would disadvantage a credit institution in the market because that information reflects an unfavourable risk profile;

- 4) the undermining of competitive position should be appreciated in terms of size, extent of business and area of activity; a credit institution should justify how the disclosure of this information would provide too much insight into its business structure.

16. In assessing the confidential nature of an item of information, a credit institution shall take into account the following:

- 1) cases where information is assessed as confidential shall be exceptional; it may be the case, for instance, where an economic sector is so concentrated that disclosing exposures on that sector would result in divulging exposures to a counterparty;
- 2) a general reference to confidentiality is not a sufficient reason to avoid disclosure: a credit institution must identify specifically and analyse to what extent the disclosure of a specific item of information would affect the rights of its customers or counterparties or would constitute a breach of legally established confidentiality obligations.

VI Disclosures in the case of applying disclosure waivers referred to in Article 29 of the Decision

17. A credit institution applying waivers from the disclosure obligation referred to in Article 29 paragraph (1) of the Decision due to immateriality of information, shall state that fact and provide a clear explanation as to why it uses the said waiver.

18. When it determines that certain pieces of information are of proprietary or confidential nature in accordance with the process referred to in Chapter II of these Guidelines, and after considering the criteria referred to in Chapter V of these Guidelines, a credit institution shall provide the following information:

- 1) the type of information or the disclosure requirement that is considered as proprietary or confidential according to the final decision reached at the end of the process;
- 2) the reasoning for non-disclosure, i.e. what justifies the information being classified as proprietary or confidential;
- 3) more general information about the subject matter of the disclosure requirement; this general information shall be disclosed using methods that allow suitable disclosure while at the same time respecting confidentiality or proprietary concerns (non-disclosure of the name of individual clients, appropriate level of aggregation).

19. Information and explanations disclosed after the use of a proprietary and confidentiality waiver must be sufficient to allow users to fully understand the developments of risks during the period under review. The use of a waiver could lead to the application of aggregation and/or anonymising techniques to allow for the disclosure of meaningful information despite confidentiality or proprietary concerns.

20. A credit institution shall disclose information referred to in this Chapter of the Guidelines on its website, in the form of a separate document or as a separate part of the financial statements of the credit institution.