

Pursuant to Article 5, Paragraph 1, Item b, Article 20, Paragraph 2, Item b and Article 37 of the Law on Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, No.: 59/13 and 4/17), Article 6, Paragraph 1, Item b and Article 19, Item b of the Statute of Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska”, No.: 63/17), the Management Board of the Banking Agency of Republika Srpska on its 25<sup>th</sup> session, held on 2 September 2020, issued the

**DECISION**  
**ON BANKS’ TEMPORARY MEASURES TO MITIGATE**  
**NEGATIVE ECONOMIC CONSEQUENCES CAUSED BY**  
**THE “COVID-19” VIRAL DISEASE**

**Subject**

**Article 1**

- (1) This Decision stipulates provisional measures to mitigate the negative economic consequences caused by the COVID-19 pandemic viral disease (hereinafter: pandemic) and to safeguard the stability of the Republika Srpska banking sector, where such relate to the:
  - 1) granting of relief to bank clients directly or indirectly affected by adverse effects,
  - 2) specific rules for managing credit risk that banks apply in the case of granting a special measure to a client,
  - 3) preventive measures aimed at preserving the capital of banks.
- (2) The bank shall grant relief, i.e. special measures referred to in Article 3 of this Decision to the clients in order to overcome difficulties they are facing with, and facilitate clients in settling of their obligations towards the bank in the following period.
- (3) Provisions of this Decision shall apply to all banks headquartered in Republika Srpska issued with an operating license by the Banking Agency of Republika Srpska (hereinafter: Agency).

**Terms**

**Article 2**

Certain terms used in this Decision shall have the following meaning:

- 1) **Loan obligations** represent bank receivables of private individuals and legal persons arising from the total amount of past due and outstanding principal, accrued and not collected interest and fee related to the loan-guarantee operation, as well as receivables per financial leasing and factoring operations in accordance with concluded contract.
- 2) **Bank client** is a private individual or a legal person whose creditworthiness has been deteriorated due to the adverse effect of the pandemic, i.e. whose repayment sources have been consequently reduced and thus is preventing or will prevent such person to settle obligations towards the bank.
- 3) **Materially significant amount** shall have the same meaning as in the Decision on credit risk management and determination of expected loan losses (hereinafter: Decision on credit risk management).
- 4) **Special measures** are temporary measures and relate to the possibility of deferring the payment of loan obligations, rescheduling loan obligations or granting other benefits that result in modification of the exposure granted by the bank to private individuals and legal entities in order to mitigate the negative effects of the pandemic impact on creditworthiness of the bank's client and the sustainability of its business operations, while undertaking all other measures for credit risk management.

## **Special measures**

### **Article 3**

- (1) The bank may grant to the clients referred to in Article 2, Paragraph 1, Item 2 of this Decision the following special measures:
  - 1) a moratorium, i.e. deferral of repayment of loan obligations for a maximum period of 6 months,
  - 2) introduction of grace period for repayment of the principal of loan obligations in case of loans which are being repaid in installments for a maximum period of 12 months,
  - 3) extension of the maturity for repayment of annuity loans,
  - 4) extending the maturity of one-off loans, including revolving loans and overdrafts on transaction accounts, for a maximum period of 12 months, whereby clients during that period could also use part of the exposure that was not used on the day of modification,
  - 5) approving an additional amount of exposure to overcome its current liquidity difficulties,
  - 6) adjustment of the repayment plan in proportion to the reduction of income or some other relevant parameter determined by the banks
  - 7) other measures aimed at facilitating the settlement of the client's loan obligations and maintaining the client's business operations.
- (2) Special measures referred to in Paragraph 1 of this Article may include other modalities for adjusting the manner and dynamics of repayment of loan obligations, appropriate reliefs and other forms of bank support to clients referred to in Article 2, Paragraph 1, Item 2 of this Decision.
- (3) Within the special measures referred to in Paragraph 1, Item 1 of this Article, the bank shall carry out all necessary activities in order to adequately manage credit risk and adjust to current and temporary business circumstances, with the aim of creating conditions for subsequent recovery and mitigating adverse economic consequences caused by the pandemic on the viability of the client's business operations.
- (4) The maximum period for duration of special measures referred to in Paragraph 1, Items 1, 2 and 4 of this Article shall not include the period within which possible measures in accordance with the Decision on bank's temporary measures to mitigate negative economic consequences caused by the "COVID 19" viral disease ("Official Gazette of Republika Srpska", No.: 27/20 and 56/20) were approved.
- (5) The bank shall adjust the Program of special measures adopted in accordance with the Decision referred to in Paragraph 4 of this Article with the provisions of this Decision, and shall regularly update the same.
- (6) Banks shall be obliged to publish information on special measures granting to the clients in accordance with the Program referred to in Paragraph 5 of this Article on their website.

## **Modality**

### **Article 4**

- (1) The banks shall define for the clients referred to in Article 2, Paragraph 1, Item 2 of this Decision an appropriate modality containing special measures from Article 3 of this Decision that will facilitate clients to establish a sustainable business model and duly settle loan obligations to the bank in the following period.
- (2) The modality may include one or a combination of special measures, based on the client's request and individual credit analysis, on the basis of which the bank has estimated that the approved measures will facilitate the client to duly settle its obligations to the bank in the coming period.
- (3) If the modality implies combination of measures referred to in Article 3, Paragraph 1, Items 1 and 2 of this Decision, the bank may grant such special measures for a maximum total period of 12 months.
- (4) In defining modalities for legal entities having exposures in other banks and non-depository financial organizations, the bank should actively act in concert with other banks and non-depository financial organizations in finding a common modality for subsequently adjusting real options for repayment of loan obligations.

## **Modification**

### **Article 5**

- (1) The exposure modification entails modification of some or all of the terms of the original contract and is considered by the bank a significant modification in terms of the Decision on credit risk management, when the bank shall cease to recognize the original item of financial assets and shall begin to recognize a new item, but is not required to determine whether the subject item represents a Purchased or originated credit impaired asset (hereinafter: *POCI*).
- (2) Within the application of special measures, the interest rate on modified exposures may not be higher than was defined in the existing contract.
- (3) When contracting special measures, the bank may not charge additional fees for services rendered, i.e. fees related to exposure modification.
- (4) For changes to the initially agreed loan terms, banks shall be obliged to secure the consent of all other counterparties in the credit operation.
- (5) In the course of moratorium, the bank must not accrue default interest for the amount of receivables due.

### **Special rules for credit risk management**

#### **Article 6**

- (1) The bank may not approve special measures in accordance with this Decision to the clients where there is a delay in settlement of obligations to the bank for more than 90 days in a material amount, i.e. it is allowed to approve special measures only to the clients whose exposures are assigned to credit risk level 3 on the basis that it is considered probable that the borrower will not fully settle its obligations to the bank as defined in Article 20, Paragraph 3 of the Decision on credit risk management.
- (2) Notwithstanding, the bank may approve special measures to the clients assigned to credit risk level 3, which are under recovery, and which duly settled their obligations in the last three months.
- (3) The bank shall modify loan obligations that were allocated to credit risk level 1 or 2 on the day of the modification by designating in its information system as modifications caused by the borrower's current needs, and modifications of exposures that are allocated to credit risk level 3 on the day of modification in the information system as restructured exposures.
- (4) Exposure arising from the modification of the client's loan obligations that were allocated to credit risk level 1 at the time of modification may be retained in the credit risk level 1 on the day of modification, and the main criteria for further allocation of exposures to credit risk levels during the validity of this Decision shall be the number of days of delay in a materially significant amount.
- (5) Exposure arising from the modification of the client's loan obligations that were allocated to credit risk level 2 at the time of modification may be retained at credit risk level 2 on the day of modification, and the main criteria for further allocation of exposures to credit risk levels during the validity of this Decision shall be the number of days of delay in a materially significant amount. The bank may assign these exposures to credit risk level 1 only after the expiration of the recovery period defined by the Decision on credit risk management.
- (6) Exposure arising from the modification of the client's loan obligations, which at the time of the modification were assigned to the credit risk level 3, shall be retained at the credit risk level 3 and may be assigned to the lower exposure category only after the expiry of the recovery period defined in the Decision on credit risk management.
- (7) The Bank may not reduce the percentage of exposure coverage by expected credit losses without repayment of modified or restructured exposure.
- (8) The bank shall prudently monitor risks arising from the bank's portfolio for which special measures are approved, and especially assess indicators that may potentially show difficulties in settlement of loan obligations after the expiration of period for which special measures referred to in Article 3 of this Decision were approved.

## **Approval of special measures**

### **Article 7**

- (1) A bank may implement special measures on the basis of a written request from a private individual and a legal person, taking into account the adverse economic consequences (direct and / or indirect) caused by the pandemic.
- (2) Prior to the approval of the special measures stipulated in this Decision, the bank shall be obliged to inform the clients about the possibilities of using the same, all conditions and effects of the measures (offers), and the clients shall be obliged to declare on the offer and submit a written statement of acceptance of the offer if they accept the same.
- (3) The bank shall be obliged to ensure complete documentation of the performed procedures.

## **Preservation of bank capital**

### **Article 8**

- (1) The bank shall be obliged to prudently follow the changes in its own business model, liquidity and risk profile, and accordingly undertake activities with the aim of maintaining an adequate level and structure of capital to cover all risks to which the bank is or may be exposed in occurred business circumstances.
- (2) The bank's acting in accordance with Paragraph 1 of this Article shall imply deferral and / or cancellation of dividend payment during the validity of this Decision.
- (3) The bank may use a capital preservation buffer during the validity of this Decision, while adhering to the provisions of Paragraph 2 of this Article and with prior notification to the Agency.

## **Reporting**

### **Article 9**

- (1) The bank shall ensure the monitoring of the implementation of special measures, keep separate analytical records in such a way that all activities on approval and contracting of special measures referred to in this Decision and their effects are transparent and accessible for the needs of the bank, as well as for the purpose of supervision performed by the Agency.
- (2) The Bank shall be obliged to report to the Agency on the effects of the implementation of special measures in accordance with the form and within the time frame stipulated by a separate Agency's Instructions.

## **Transitional and final provisions**

### **Article 10**

- 1) This Decision shall enter into force on the 8<sup>th</sup> day following its publication in the "Official Gazette of Republika Srpska".
- 2) Applications for implementation of measures referred to in Article 3 of this Decision may be submitted to the banks until 31 December, 2020.
- 3) With the entry into force of this Decision, the Decision on banks' temporary measures to mitigate negative economic consequences caused by the viral disease "COVID 19" ("Official Gazette of Republika Srpska", No. 27/20 and 56/20) shall cease to be valid.

Number: UO-171/20

Date: 2 September, 2020

PRESIDENT OF THE  
MANAGEMENT BOARD

Bratoljub Radulović