

Pursuant to Article 89 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska" No. 04/17 and 19/18), Article 5, Paragraph 1, Item b, Article 20, Paragraph 2, Item b and Article 37 of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska" No. 59/13 and 04/17), and Article 6, Paragraph 1, Item b and Article 19, Paragraph 1, Item b of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska" No. 63/17), the Management Board of the Banking Agency of Republika Srpska, on its 34th session held on 28 July, 2021 adopted the

DECISION

ON AMENDMENTS TO THE DECISION ON CREDIT RISK MANAGEMENT AND DETERMINING EXPECTED CREDIT LOSSES

Article 1

In Article 17 of the Decision on credit risk management and determining expected credit losses ("Official Gazette of Republika Srpska" No. 48/19 and 109/19), after Paragraph 4, a new Paragraph 5 shall be added and read as follows:

"(5) Client exposures to be restructured in the procedure of consensual out-of-court financial resolution in accordance with the Law on consensual out-of-court financial resolution, the bank may retain in the credit risk level in which they were allocated on the day of agreement conclusion.

After the procedure of consensual out-of-court financial resolution has been conducted, the bank must regularly consider the fulfilment of conditions for exposure allocation in accordance with Articles 18-22 of this Decision, i.e. may not retain exposures in the same credit risk level if the client fails to continue with orderly repayment of its obligations or if the client credit risk increases.

Previous Paragraphs 5 and 6 shall become Paragraphs 6 and 7.

Article 2

(1) In Article 22, Paragraph 1, Item 1, after Sub-item 2, new Sub-items 3 and 4 shall be added and read follows:

"3. for exposures restructured in the procedure of consensual out-of-court financial resolution, and which at the moment of resolution were allocated into credit risk level 2 within three months as of the resolution date."

"4. for exposures restructured in the procedure of consensual out-of-court financial resolution, and which at the moment of resolution were allocated into credit risk level 3 within 12 months as of the date of allocating into credit risk level 2. Otherwise, the bank shall again allocate restructured exposure into credit risk level 3."

Previous Sub-item 3 shall become Sub-item 5.

(2) In Article 22, Paragraph 3, Sub-Item 2, after Sub-item 1, a new Sub-item 2 shall be added and read as follows:

“2. for exposures restructured in the procedure of consensual out-of-court financial resolution within 6 months as of the resolution date.”

Previous Sub-item 2 shall become Sub-item 3.

Article 3

This Decision shall come into force on the eighth after its publication in the “Official Gazette of Republika Srpska”.

Number: UO-248/21

Date: 28 July, 2021

DEPUTY PRESIDENT OF THE

MANAGEMENT BOARD

Srđan Šuput