

Pursuant to Articles 89 and 90 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska" No. 4/17, 19/18 and 54/19), 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 4/17), 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, at the 51<sup>st</sup> session, held on 6 April 2023, adopted the

**DECISION**  
**ON AMENDMENTS**  
**TO THE DECISION ON CREDIT RISK MANAGEMENT AND DETERMINATION OF EXPECTED**  
**CREDIT LOSSES**

**Article 1**

In the Decision on credit risk management and determination of expected credit losses ("Official Gazette of Republika Srpska" No. 48/19, 109/19 and 73/21), in Article 7, new Paragraphs 7, 8, 9, 10 and 11 shall be added and read as follows:

"(7) Exemption from the application and usage of requirements stipulated by the provisions of Article 7, Paragraph 6, Item 1 (legal persons) and Item 2 (private individuals) of this Decision represent bank exposures to a legal person or a private individual or a group of related persons which do not exceed the amount of total gross exposure defined by Paragraph 8 of this Article, for which the bank provided adequate automated models for the assessment of debtor creditworthiness and decision making process on exposure approval (automated decision making process in the loan procedure) and internal acts which will in a sufficiently detailed manner define conditions for approval of such exposures. For the stated exposures, the bank is obliged to, by means of internal acts, at least stipulate loan/guarantee products related to the relevant exposures, criteria which enable their grouping based on similar characteristics, criteria which takes into account when performing the assessment of debtor creditworthiness, the method of conducting the assessment and determining relevant facts for the assessment, criteria for approving the exposures and monitoring of risk at a group basis, with a special view on the quality of such groups and adequate identification and measurement of risks to which the bank is or may be exposed.

(8) In a sense of Paragraph 7 of this Article, the total gross exposure for legal persons amounts to 50,000 KM, and for private individuals, including entrepreneurs amounts to 10,000 KM.

(9) A bank is obliged to, by means of internal acts, document and in a sufficiently detailed manner describe the usage of automated models in the assessment of debtor creditworthiness and loan decision making process for approving exposures referred to in Paragraph 7 of this Article in a manner that is correspondent to the size, nature and complexity of loan/guarantee product and debtor. A bank is obliged to ensure understanding of used models, methodologies, input data, assumptions, limitations and results.

(10) Exemption from the application and usage of requirements stipulated by the provisions of Article 7, Paragraph 6, Item 1 (legal persons) and Item 2 (private individuals) of this Decision also represent bank exposures to a legal person or a private individual or a group of related persons secured by a cash deposit deposited at that bank which serves as a collateral for that exposure, and is pledged at the competent pledge register, only if that deposit has the same or longer maturity than the exposure. For the stated exposures, the bank may carry out a simplified assessment of debtor creditworthiness, whereas the bank

is obliged to, by means of internal acts, establish a written procedure which will stipulate criteria which takes into account when performing a simplified assessment of debtor creditworthiness, the method of conducting the assessment and determining relevant facts for the assessment, thus ensuring full compliance with regulation, with the aim of minimalizing potential legal risk, i.e. compliance risk as well as establishing an adequate internal control system.

(11) A bank may apply exemption referred to in Paragraph 10 of this Article only when it concluded a contract on deposit pledge, by which it is foreseen that the bank is the only privileged entity which has a secured interest per relevant pledge, that the pledge is irrevocable, that the only precondition for the application of bank's rights over the pledge is when the beneficiary fails to meet its obligation to the bank and that the pledge is provided in a manner which does not make it possible to establish additional interest on its basis."

Previous Paragraphs 7, 8 and 9 shall become 12, 13 and 14.

## **Article 2**

This Decision shall come into force on the eighth day from the day of its publication in the "Official Gazette of Republika Srpska".

Number: UO-417/23

Date: 6 April 2023

PRESIDENT OF THE  
MANAGEMENT BOARD  
Bratoljub Radulović