

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 3rd session, held on 7 November 2023, issued 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, 73/21 and 35/23), in Article 7, a new Paragraph 9 shall be added and read as follows:

„(9) In the case of the bank exposure to a legal entity or private individual or a group of related persons that exceeds the amount of the total gross exposure defined in Paragraph 8 of this Article, for which the bank has provided adequate automated models for assessing the creditworthiness of the debtor and making decisions on approval of the exposure (automatic decision-making in credit process) and internal acts that will define in a sufficiently detailed manner the conditions for approving those exposures in accordance with Paragraphs 7 and 10 of this Article, no exception to the application and use of the requirements stipulated by the provisions of Paragraph 6, Item 1) (legal entities) and 2) (private individuals) of this Article shall be applied.”

Previous Paragraphs 9, 10, 11, 12, 13 and 14 shall become 10, 11, 12, 13, 14 and 15.

**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-29/23

Date: 7 November 2023

PRESIDENT OF THE  
MANAGEMENT  
BOARD  
Dejan Kusturić

**RATIONALE**  
**for adopting the Decision**  
**on Amendments to the Decision on credit risk management**  
**and determination of expected credit losses**

**I LEGAL BASIS**

The legal basis for adopting the Decision is contained in the provisions of Articles 89 and 90 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No.: 4/17, 19/18 and 54/19) which define the types of risks in the bank's operations and the bank's duties in managing those risks, Article 5, Paragraph 1, Item b) of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 59/13 and 4/17) according to which the competence of the Banking Agency of Republika Srpska (hereinafter: the Agency) includes the adoption of regulations governing the operations of banks, as well as in the provisions of Article 20, Paragraph 2, Item b) of the above-mentioned law, according to which the Management Board, in carrying out tasks within its competence, passes other acts in accordance with the Law and the Statute of the Agency, and Article 37, according to which the Agency passes by-laws within its competence, and in Article 19, Item b) of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 63/17) which stipulates that the Management Board of the Agency adopts general acts regulating the operations of banks and other financial organizations of the banking system.

**II REASONS FOR ADOPTING THE DECISION**

The previous Decision on Amendments to the Decision on credit risk management and determination of expected credit losses stipulates that banks are given the possibility for the bank's exposure to a legal entity or private individual or a group of related persons up to a total gross exposure of 50,000 KM for legal entities and 10,000 KM for private individuals, including entrepreneurs, for whom the bank has provided adequate automated models for assessing the debtor's creditworthiness and making decisions on approval of exposure (automatic decision-making in the credit process), the bank can carry out a simplified creditworthiness assessment, whereby the bank is obliged to establish a written procedure by its internal acts which will stipulate the criteria for approving these exposures and the criteria for a simplified assessment of creditworthiness.

The relevant amendment of the Decision is amended in such a way as to stipulate the conditions and criteria for the bank's exposure to a legal entity or private individual or a group of related persons that are approved through automatic decision-making in the credit process in amounts that are above the previously defined limits. In this way, banks are given the possibility of further digitalization and optimization of their operations through the use of automated models for assessing creditworthiness and making decisions on approving credit exposures that are above the defined limits, while complying with all stipulated requirements of the Decision on credit risk management and determination of expected credit losses.

**III RATIONALE OF PROPOSED DECISION**

Article 1 stipulates the amendment of Article 7 of the Decision, i.e. a new Paragraph 9 has been stipulated, and previous Paragraphs 9, 10, 11, 12, 13 and 14 shall become 10, 11, 12, 13, 14 and 15.

Article 2 stipulates the entry into force of the Decision.