

Pursuant to Article 5, Paragraph 1, Item a and 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), 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 11<sup>th</sup> session, held on 29 October 2024 adopted the

## **DECISION**

### **ON TEMPORARY MEASURES FOR THE APPROVAL OF RELIEFS TO LEGAL ENTITIES FOR SETTLEMENT OF CREDIT OBLIGATIONS**

#### **Subject**

#### **Article 1**

- (1) This Decision shall define temporary measures with the aim of mitigating the negative economic consequences caused by the hindered business conditions of companies that are affected by the difficult economic situation and whose operations are limited, in order to preserve the stability of the banking sector of Republika Srpska.
- (2) Temporary measures referred to in Paragraph 1 of this Article refer to:
  - 1) granting reliefs to the bank's clients, who are affected by the negative effects, in the form of reprogramming, i.e. loan restructuring,
  - 2) special rules for credit risk management, which the bank applies in case it approves special measures for the bank's client.
- (3) The bank shall approve reliefs, i.e. special measures from this Decision to the bank's clients with the aim of overcoming the difficulties they face, and providing reliefs to the bank's clients so that they can properly settle their obligations to the bank in the coming period.
- (4) At the request of the bank's client, the bank may approve special measures for all its credit obligations, according to which the debtor is not in arrears and/or is not in arrears for more than 90 days.
- (5) The provisions of this Decision apply to banks seated in Republika Srpska, to which the Banking Agency of Republika Srpska (hereinafter: the Agency) issued an operating license.

#### **Definitions**

#### **Article 2**

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

- 1) **Credit obligations** shall be the bank's receivables from legal entities based on the total amount of due and unpaid principal, accrued and unpaid interest and fees related to credit-guarantee transaction, as well as receivables under financial leasing and factoring operations in accordance with the concluded contract.
- 2) **The bank's client** is a legal entity that is affected by a difficult economic situation and whose operations are limited, and as a result of which it is faced with deteriorating business conditions and deteriorated creditworthiness, i.e. a legal entity whose sources of repayment have been reduced or could be reduced as a result of the above, and thereby it is difficult, impossible or will be impossible for it to settle its obligations towards the bank in an orderly manner.
- 3) **A materially significant amount** shall have the same meaning as in the Decision on credit risk management and determination of expected credit losses (hereinafter: Decision on credit risk management).
- 4) **Special measures** shall be measures of a temporary nature and refer to the provision of reliefs in the form of the possibility of deferring the payment of credit obligations, rescheduling and/or

restructuring credit obligations or the approval of other reliefs resulting in the modification of the exposure approved by the bank to legal entities with the aim of mitigating negative consequences on the creditworthiness of the bank's client and enabling sustainable debt repayment, while undertaking all other measures for credit risk management.

## **Special measures**

### **Article 3**

- (1) The bank may grant the following special measures to the bank's clients referred to in Article 2, Paragraph 1, Item 2 of this Decision:
  - 1) moratorium, i.e. deferring repayment of credit obligations for a maximum period of 12 months and the longest until 31/12/2025,
  - 2) the introduction of a grace period for repayment of the principal amount of credit obligations in the case of loans that are repaid in annuity for a period of no longer than 31/12/2025,
  - 3) the extension of the final deadline for repayment of the loan, which is repaid in annuity, up to a maximum of 12 months from the initially approved deadline and no longer than 31/12/2025,
  - 4) the extension of the maturity date of loans with one-off maturity, including revolving loans and overdrafts on transaction accounts for a period of no longer than 31/12/2025, whereby during that period the bank's clients could also use part of the exposure that was unused on the day of the modification,
  - 5) the adjustment of the repayment plan in proportion to the reduction of repayment sources or some other relevant parameter determined by the bank,
  - 6) other measures aimed at facilitating the settlement of the credit obligations of the bank's clients.
- (2) Special measures referred to in Paragraph 1 of this Article may include other modalities for adjusting the method and dynamics of repayment of credit obligations, appropriate reliefs and other forms of bank support to bank's clients referred to in Article 2, Paragraph 1, Item 2 of this Decision.
- (3) As part of the special measures referred to in Paragraph 1 of this Article, the bank shall be obliged to carry out all necessary activities for the purpose of adequate credit risk management and adaptation to current and temporary business circumstances, with the aim of creating conditions for mitigating negative economic consequences and enabling sustainable debt repayment.
- (4) The bank shall be obliged to adopt the Program of special measures adopted in accordance with this Decision, and to update it regularly in case of changes to it.
- (5) The bank shall be obliged, for the bank's clients from Article 2, Paragraph 1, Item 2 of this Decision, to define an appropriate modality that contains special measures from this Article that will facilitate clients to settle their credit obligations to the bank in the following period.
- (6) The modality may contain one or a combination of special measures, based on the request of the bank's client and the conducted credit analysis, on the basis of which the bank has estimated that the approved measures will help the client to properly settle credit obligations to the bank in the following period.
- (7) If the modality implies a combination of measures from Paragraph 1, Item 1 and 2 of this Article, the bank may approve these special measures for a period of no longer than 31/12/2025.
- (8) When defining modalities for legal entities that have exposure in other banks and non-depository financial organizations, the bank should actively act in order to work in concert with other banks and non-depository financial organizations in finding a common modality for subsequent adjustment of realistic possibilities for repayment of credit obligations.
- (9) If, through regular exposure monitoring, the bank identifies an increase in exposure risk or a deterioration in the creditworthiness of the bank's client, the bank may promptly undertake appropriate activities aimed at reducing credit risk, i.e. the bank may initiate activities and inform the bank's client of the possibilities of using special measures from Paragraph 1 and 2 of this Article.

## **Approving special measures**

### **Article 4**

- (1) Before approving the special measures stipulated by this Decision, the bank shall be obliged to transparently inform the bank's client of the possibilities of using them, all conditions and effects of the measures (offer), and the clients shall be obliged to declare themselves on the offer and submit a written statement of acceptance of the offer if they accept it.
- (2) The bank shall be obliged to ensure complete documentation of the procedures carried out.
- (3) Conditions of approved special measures from Article 3, Paragraph 1 and 2 of this Decision (time duration, amount, amount of individual installments and interest, etc.) the bank shall determine through a credit analysis by which it shall be obliged to identify all risks to which the bank is exposed or could be exposed, in accordance with its internal policies and procedures and in accordance with the Decision on credit risk management.
- (4) When approving special measures, the bank shall be obliged to assess its liquidity position and ensure adequate liquidity risk management, capital adequacy both in the current period and in the period after the approved reprogramming, and overall financial condition.
- (5) The bank cannot approve special measures in the sense of this Decision in a way that makes the position of the bank's client difficult (increase in interest rate, charging a fee for the approval of special measures, etc.).

## **Modification**

### **Article 5**

- (1) Modification of exposure implies modification of some or all conditions of the original contract, and the bank may consider it a significant modification in the sense of the Decision on credit risk management, when the bank ceases to recognize the original item of financial assets and begins to recognize a new item, but is not obliged to determine whether the subject item represents asset acquired with impairment (POCI asset).
- (2) Within the application of special measures, the interest rate for modified exposures cannot be higher than the one defined by the existing contract.
- (3) When contracting special measures, the bank must not charge additional fees for services performed, i.e. fees associated with exposure modification.
- (4) For changes to the provisionally agreed terms of the loan, the bank shall be obliged to secure the consent of all other contracted parties in the loan transaction.
- (5) During the moratorium, the bank shall not calculate default interest on the amount of overdue receivables.

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

### **Article 6**

- (1) The bank cannot approve special measures in accordance with this Decision to the bank's clients who have a delay in the settlement of their obligations to the bank for more than 90 days in a materially significant amount, i.e. to clients whose exposures are assigned to credit risk level 3. The approval of special measures is allowed only for clients whose exposures are assigned to credit risk level 3 based on the conditions according to which it is considered certain that the debtor will not fully settle its obligations to the bank defined in Article 20, Paragraph 3 of the Decision on credit risk management.
- (2) Exceptionally, the bank may approve special measures for clients of the bank who are assigned to credit risk level 3, who are in the recovery period and who have been regular in their repayments in the last three months.
- (3) The bank shall mark modifications of credit obligations that were assigned to credit risk level 1 or 2 on the date of modification in its information system as modifications caused by the current needs of

the debtor, and modifications of exposures that were assigned to credit risk level 3 on the date of modification as restructured exposures.

- (4) The exposure resulting from the modification of the credit obligations of the bank's client, which at the time of the modification were assigned to credit risk level 1, may be kept at credit risk level 1 on the day of the modification, and the basic criterion for further assigning the exposure to credit risk levels during the validity of this Decision shall be the number of days in delay in a materially significant amount.
- (5) The exposure resulting from the modification of the credit obligations of the bank's client, which at the time of the modification were assigned to credit risk level 2, may be kept at credit risk level 2 on the day of the modification, and the basic criterion for further assigning the exposure to credit risk levels during the validity of this of the Decision shall be the number of days in delay in a materially significant amount. The bank can assign these exposures to credit risk level 1 only after the recovery period defined by the Decision on credit risk management has expired.
- (6) The exposure resulting from the modification of the credit obligations of the bank's client, which at the time of the modification were assigned to credit risk level 3 shall remain at credit risk level 3 and can be assigned to a lower exposure category only after the end of the recovery period defined by the Decision on credit risk management.
- (7) The bank cannot reduce the coverage percentage of expected credit losses without paying off the modified or restructured exposure.
- (8) The bank shall be obliged to closely monitor the risks arising from the bank's portfolio for which special measures have been approved, and in particular to assess indicators that may potentially indicate difficulties in settling credit obligations after the end of the period for which special measures have been approved from Article 3 of this Decision.

## **Reporting**

### **Article 7**

- (1) The bank shall be obliged to keep special detailed records for approved special measures in terms of this Decision in such a way that all activities, individual and overall approvals, as well as their effects are clear and available for the needs of the bank and the Agency for the purpose of supervision.
- (2) The Agency shall, by means of a separate Instruction, stipulate the requirements of reporting for the bank on the effects of the application of special measures in the sense of this Decision.

## **Submitting requests**

### **Article 8**

Clients of the bank referred to in Article 2, Paragraph 1, Item 2 of this Decision may submit written requests for special measures in accordance with this Decision no later than 31 March 2025, with the submission of documentation that confirms the difficult business conditions of a bank client who is affected by a difficult economic situation and whose business is limited.

## **Transitional and final provisions**

### **Article 9**

This Decision shall come into force on the eighth day from the day of its publication in the "Official Gazette of Republika Srpska" and shall be applied until 31/12/2025 or until revoked by the Agency.

Number: UO-106/24

Date: 29 October 2024

PRESIDENT OF THE  
MANAGEMENT  
BOARD  
Dejan Kusturić