

Pursuant to Articles 89 and 90 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No.: 04/17, 19/18, 54/19, 63/24 and 45/25), 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, at its 22nd session, held on 3 December 2025 adopted the

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

Article 1

In the Decision on credit risk management and determining expected credit losses, No. UO-84/19 as of 28 May 2019, UO-122/19 as of 17 December 2019, UO-248/21 as of 28 July 2021, UO-417/23 as of 6 April 2023 and UO-29/23 as of 7 November 2023 ("Official Gazette of Republika Srpska", No.: 48/19, 109/19, 73/21, 35/23 and 101/23), in Article 1, Paragraph 1, Item 4), the wording "eligible" shall be replaced by the wording "Tier 1".

Article 2

In Article 2, Paragraph 1, after the Item 14), a new Item 15) shall be added and read as follows:

"15) **Credit conversion factor, CCF** is the ratio of the amount of an off-balance sheet liability that is expected to be used at the time of the default status and the total amount of the off-balance sheet liability, and is used for the purposes of converting off-balance sheet exposures into on-balance sheet exposures when determining expected credit losses in accordance with the bank's internal methodology, as well as when determining expected credit losses resulting from the application of the minimum expected credit loss ratios from this Decision."

Article 3

(1) In Article 5, Paragraph 3, after the wording "bank", the full stop shall be deleted and a comma and the wording shall be added: "except in the case of exposures for which the bank has provided adequate automated models for assessing the creditworthiness of the debtor and making decisions on approving the exposure (automatic decision-making in the credit process) in accordance with the fulfillment of the requirements set out in Article 7 of this Decision."

(2) In Article 5, Paragraph 5 shall be amended and read as follows:

"(5) Exceptionally, if a bank approves exposures that are not individually significant and exposures for which the bank has provided adequate automated models for assessing the creditworthiness of the debtor and making decisions on approving exposures (automatic decision-making in the credit process) referred to in Paragraph 3 of this Article, the bank shall be obliged to stipulate rules for approving such exposures, which enable their grouping according to similar characteristics, and rules for their monitoring on a group basis, which must be carried out within the risk management function."

(3) In Article 5, after Paragraph 6, a new paragraph 7 shall be added and read as follows:

"(7) The bank shall be obliged to stipulate criteria for reviewing the decision made when approving exposure using automated models for assessing the debtor's creditworthiness, which will be applied in cases where a bank client submits a request for reviewing the relevant decision, as well as stipulate and make available to the bank's clients the rules for submitting the relevant request."

Article 4

- (1) In Article 7, Paragraph 6, Item 1), in Sub-item 1) and Item 2), in Sub-item 1), after the wording: “exposures,” the following wording shall be added: “when relevant for the type of product and the bank has stipulated the same in its internal acts,”.
- (2) In Article 7, Paragraphs 7 and 11, the wording and numbers: “Article 7, Paragraph 6, Item 1) (legal entities) and 2 (private individuals) of this Decision” shall be replaced by the wording and numbers: “Paragraph 6, Item 1) (legal entities) and 2 (private individuals) of this Article.”.
- (3) In Article 7, Paragraph 8, the number and wording: “50,000 KM” shall be replaced by the numbers and wording: “0.1% of gross balance sheet assets or 1,000,000 KM, whichever is lower”, and the number: “10,000” shall be replaced by the number: “30,000”.
- (4) In Article 7, Paragraph 12, the number: “10.” shall be replaced by the number: “11.”
- (5) In Article 7, Paragraph 13, after the wording: “Additionally”, the wording: “related to the application of Paragraph 6 of this Article” shall be added.

Article 5

In Article 16, Paragraph 3, the wording: “eligible” shall be replaced by the wording: “Tier 1”.

Article 6

In Article 18, Paragraph 2, Item 3), the number: “69.” shall be replaced by the number: “73.”.

Article 7

- (1) In Article 23, Paragraph 1, Items 2) and 3), the number: "69." shall be replaced by the number: "73.".
- (2) In Article 23, after Paragraph 4, new paragraphs 5-7 shall be added and read as follows:
 - “(5) The basis to which the minimum expected credit loss ratios for credit risk level 1 are applied is the total amount of on- and/or off-balance sheet exposure multiplied by the credit conversion factor (CCF).
 - (6) The bank shall reduce the basis referred to in Paragraph 5 of this Article by the amount of the cash deposit deposited with that bank, which serves as collateral for that exposure, and is pledged in the competent pledge registry, only if that deposit has the same or longer maturity than the exposure.
 - (7) The bank may exercise the reduction referred to in Paragraph 6 of this Article only when it has concluded deposit pledge agreement which stipulates that the bank is the only privileged entity with a secured interest in the respective pledge, that the pledge is irrevocable, that the only prerequisite for the exercise of the bank's right to the pledge is that the beneficiary fails to fulfill its obligation to the bank, and that the pledge is given in a manner that does not provide for the possibility of establishing additional interests on it.”.

Article 8

In Article 24, after Paragraph 2, new paragraphs 3-5 shall be added and read as follows:

- “(3) The basis to which the minimum expected credit loss ratios for credit risk level 2 are applied is the total amount of on- and/or off-balance sheet exposure multiplied by the credit conversion factor (CCF).
- (4) The bank shall reduce the basis referred to in Paragraph 3 of this Article by the amount of the cash deposit deposited with that bank, which serves as collateral for that exposure, and is pledged in the competent pledge registry, only if that deposit has the same or longer maturity than the exposure.
- (5) The bank may exercise the reduction referred to in Paragraph 4 of this Article only when it has concluded deposit pledge agreement which stipulates that the bank is the only privileged entity with a secured interest in the respective pledge, that the pledge is irrevocable, that the only prerequisite for the exercise of the bank's right to the pledge is that the beneficiary fails to fulfill its obligation to the bank,

and that the pledge is given in a manner that does not provide for the possibility of establishing additional interests on it.”.

Article 9

In Article 25, after Paragraph 8, new paragraphs 9-11 shall be added and read as follows

- “(9) The basis to which the minimum expected credit loss ratios for credit risk level 3 are applied is the total amount of on- and/or off-balance sheet exposure multiplied by the credit conversion factor (CCF), in accordance with the application of Paragraph 2 of this Article.
- (10) The bank shall reduce the basis referred to in Paragraph 9 of this Article by the amount of the cash deposit deposited with that bank, which serves as collateral for that exposure, and is pledged in the competent pledge registry, only if that deposit has the same or longer maturity than the exposure.
- (11) The bank may exercise the reduction referred to in Paragraph 10 of this Article only when it has concluded deposit pledge agreement which stipulates that the bank is the only privileged entity with a secured interest in the respective pledge, that the pledge is irrevocable, that the only prerequisite for the exercise of the bank's right to the pledge is that the beneficiary fails to fulfill its obligation to the bank, and that the pledge is given in a manner that does not provide for the possibility of establishing additional interests on it.”.

Article 10

- (1) In Article 31, Paragraph 1, in Items 2) and 5), the number: “69.” shall be replaced by the number: “73.”, in Item 3), the number: “53.” shall be replaced by the number: “57.”, and in Item 4), the number: “54.” shall be replaced by the number: “58.”
- (2) In Article 31, Paragraph 2, in Item 3), the numbers: “84-86.” shall be replaced by the numbers: “88-90.”

Article 11

- (1) This Decision shall come into force on the eighth day after its publication in the "Official Gazette of Republika Srpska".
- (2) Articles 1 and 5 of this Decision shall be applied in accordance with the provisions of Article 292a, Paragraph 1 of the Banking Law of Republika Srpska.

Number: UO-230/25

Date: 3 December 2025

PRESIDENT OF THE
MANAGEMENT
BOARD

Dejan Kusturić