

Pursuant to Article 14, paragraph 1, item 11) of the Law on the National Bank of Serbia (RS Official Gazette, Nos 72/2003, 55/2004, 85/2005 – other law, 44/2010, 76/2012, 106/2012 and 14/2015), with reference to Article 28, paragraph 7 and Article 31, paragraph 3 of the Law on Banks (RS Official Gazette, Nos 107/2005, 91/2010 and 14/2015), the Executive Board of the National Bank of Serbia adopts the following

DECISION
ON MEASURES FOR PRESERVING STABILITY OF THE FINANCIAL
SYSTEM IN THE CONTEXT OF FOREIGN CURRENCY-INDEXED LOANS

1. For the purpose of preserving the stability of the financial system in the Republic of Serbia, this Decision regulates measures and activities to be carried out by a bank in respect of housing loans indexed to the Swiss franc (hereinafter: CHF-indexed loans) and other natural persons' loans indexed to a foreign currency.

2. In respect of each loan agreement under repayment, concluded with a client borrower prior to the start of application of the Law on the Protection of Financial Services Consumers (RS Official Gazette, No 36/2011) and regardless of the currency of indexation, a bank shall determine the total amount overcharged in respect to indefinable elements of the variable interest rate (e.g. higher interest rate charged in accordance with business policy acts, general terms of operation or changed market conditions), from the time of implementing the unilateral increase in the interest rate until the start of application of the Law.

A bank shall determine the total amount overcharged, referred to in paragraph 1 hereof, as the difference between the total amount of instalments calculated at the rate of interest which was unilaterally raised above the initially agreed rate and the total amount of instalments at the initially contracted rate, and shall thereafter revise the principal balance to the value that it would have if the interest rate had not been raised.

If the interest rate is expressed in nominal terms, i.e. if it is not determined as the benchmark rate plus margin – the calculation of the amount overcharged by determining the difference referred to in paragraph 2 hereof shall be made based on the loan repayment schedule prepared initially when the loan agreement was concluded and the loan repayment schedule according to which instalment collections were actually made.

If the interest rate is expressed as the benchmark rate (EURIBOR or LIBOR) plus a margin, the calculation of the amount overcharged by determining the difference referred to in paragraph 2 hereof, shall be based on the total instalment amount that a client would have been charged if the

interest rate had not been unilaterally raised and the total instalment amount under the loan repayment schedule according to which collections were actually made, taking into account changes in the benchmark rate during the calculation period.

After determining the amounts referred to in paragraph 1 hereof, in the manner defined hereunder, a bank shall treat this amount as early repayment charge and shall submit to its client borrower a notification thereon along with a modified loan repayment schedule, within 30 days from the effective date of this Decision. A bank shall submit to its client borrowers the notification referred to in Section 3 of this Decision simultaneously or prior to the submission of the offer referred to in that Section.

The implementation of activities referred to in this Section may not be subject to the submission of a client borrower's request for the refund of amounts overcharged, to signing of an annex to the loan agreement, submission of other supplementary documentation or the similar.

A bank that fails to act in accordance with this Section shall classify the receivables under the loan agreement referred to in paragraph 1 hereof as suspicious or disputable within the meaning of the National Bank of Serbia's decision governing the classification of balance sheet assets and off-balance sheet items.

3. By no later than 30 days from the effective date of this Decision, while maintaining the existing collaterals and in accordance with the acts referred to in Section 6 of this Decision, a bank shall offer to its client beneficiaries of CHF-indexed housing loans the choice of the following four model annexes to agreements, containing modified terms of loan repayment, where:

1) a CHF-indexed loan is converted into a EUR-indexed loan at the exchange rate which is 5% lower than the middle EUR/CHF exchange rate calculated based on the official middle RSD/EUR exchange rate and the official middle RSD/CHF exchange rate, valid on the day an annex to the agreement is concluded, while the rate of interest that a bank applies to EUR-indexed loans is charged thereon, along with the optional extension of the loan repayment term, in accordance with the client's request, by maximum five years;

2) a CHF-indexed loan is converted into a EUR-indexed loan at the EUR/CHF exchange rate calculated based on the official middle RSD/EUR exchange rate and the official middle RSD/CHF exchange rate, valid on the day of concluding an annex to the agreement, while the interest rate applied by a bank to EUR-indexed loans at the annual level is reduced by 1

percentage point, but not necessarily below 3%, along with the optional extension of the loan repayment term, in accordance with the client's request, by maximum five years.

3) the interest rate at the annual level is reduced by 1 percentage point, but not necessarily below 3% (if the interest rate would exceed 3% under Section 4 of this Decision), along with the optional extension of the loan repayment term, in accordance with the client's request, by maximum five years;

4) the amount of a CHF-indexed monthly instalment is reduced by 20% of the contracted amount for the duration of 36 months from the date of conclusion of an annex to the agreement. Upon the expiry of that term, the client resumes repayment of the contracted instalment amount. The total amount by which monthly instalments are reduced is repaid in 12 equal monthly instalments after the expiry of the original maturity date. A bank does not calculate or charge interest on the receivables whose collection is deferred under this provision. The contracted amount for the purpose of this provision means the repayment schedule referred to in Section 2, paragraph 5 of this Decision.

A bank may not offer to convert loans referred to in paragraph 1, subparagraphs 1) and 2) hereof under the terms for the extension of EUR-indexed loans which are more unfavourable than the terms applied by the bank on 31 December 2014.

A client referred to in paragraph 1 hereof may opt for one of the four models referred to in that paragraph.

The offer referred to in paragraph 1 hereof may not be open for less than three months following the day of its receipt. A client is free to accept the offer at any point within that timeframe.

When submitting the offer referred to in paragraph 1 hereof, a bank shall present to the client referred to in that paragraph the effects of each of the four models offered, by presenting relevant loan repayment schedules.

For clients who accepted the offer referred to in paragraph 1 hereof, a bank shall ensure immediate application of modified repayment terms.

A bank shall request from a client a signed statement confirming that he/she is fully familiar with the offer referred to in paragraph 1 hereof and with the effects of the offer, and shall provide relevant evidence thereof.

The official middle exchange rate referred to in paragraph 1, subparagraphs 1) and 2) hereof means the official middle exchange rate of the National Bank of Serbia.

4. In regard to loans referred to in Section 3, paragraph 1 of this Decision where a variable nominal interest rate is based on a benchmark rate (LIBOR), before the submission of the offer referred to in that paragraph, a bank shall determine the level of the nominal interest rate in relation to the valid benchmark rate, including when its value is in the negative zone.

Following the adjustment within the meaning of paragraph 1 hereof, further adjustment in the benchmark interest rate shall be made in accordance with the dynamics determined by the agreement.

5. A bank which fails to act in accordance with Sections 3 and 4 of this Decision shall classify the receivables under loan agreements referred to in Section 3, paragraph 1 of this Decision into the E category, within the meaning of the National Bank of Serbia's decision governing the classification of balance sheet assets and off-balance sheet items.

6. A bank's board of directors shall adopt a decision to implement measures and activities determined by this Decision, which shall regulate in particular the precise deadlines for carrying out certain activities, the objectives of these measures and activities, delegation of powers and responsibilities for their implementation, and the establishment of a detailed and transparent system of monitoring and reporting to the bank's board of directors and the National Bank of Serbia on the results of measures and activities taken in accordance with this Decision.

Based on the decision adopted by a bank's board of directors referred to in paragraph 1 hereof, a bank's executive board shall adopt related acts to:

- define procedures and criteria of early identification of client borrowers within the meaning of this Decision who face repayment difficulties, and create a watch list;
- define the procedures of direct communication with all borrowers within the meaning of this Decision;
- operationalise the defined objectives of a bank's board of directors by area, branch and branch office;
- define in more detail the implementation of measures and activities referred to in this Decision.

A bank shall adopt the acts referred to in this Section before the submission of the offer referred to in Section 3, paragraph 1 of this Decision

and shall submit them to the National Bank of Serbia immediately upon adoption.

7. Once a month, a bank shall submit a report to the National Bank of Serbia on the results of measures and activities carried out in accordance with this Decision as well as data on these activities, particularly as regards the number of borrowers who were given the information and borrowers who declined the offer, including all other data of significance for monitoring the efficiency of the procedure.

A bank shall submit the reports referred to in paragraph 1 of this Section, with balance as at the last calendar day of the previous month, by no later than the 25th day in the month.

The form and content of the reports referred to in paragraph 1 of this Section are determined in Annex 1 which is printed along with this Decision and makes its integral part.

A bank shall disclose the data in the reports referred to in paragraph 1 of this Section in an accurate and complete manner.

The bank's obligation referred to in paragraph 1 of this Section shall cease after it submits the report for the month in which the deadline for accepting the offer has expired for all beneficiaries of housing loans referred to in Section 3, paragraph 1 of this Decision.

8. A bank may not charge its client borrowers any fee for taking measures and carrying out activities in accordance with this Decision, nor may it claim any compensation for costs it may incur in regard to such measures and activities.

Receivables under loans referred to in Section 3, paragraph 1 of this Decision where the client borrower is in arrears up to 90 days on the date of effectiveness of this Decision – shall not be considered restructured receivables within the meaning of the National Bank of Serbia's decision governing the classification of balance sheet assets and off-balance sheet items.

9. If a bank acts contrary to provisions of Sections from 3 to 8 of this Decision, the client referred to in Section 3, paragraph 1 of this Decision shall be entitled to file a complaint in accordance with the law governing the rights of consumers of financial services provided by banks, as well as the conditions and manner of exercising and protecting these rights.

10. This Decision shall enter into force on the eighth day following its publication in the RS Official Gazette.

NBS Executive Board No 9
24 February 2015
Belgrade

Chairperson
Executive Board of the
National Bank of Serbia
Governor
National Bank of Serbia

Dr Jorgovanka Tabakovi