

Pursuant to Article 4, item 3) and 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, 14/2015, 40/2015 – CC decision and 44/2018) and Article 28, paragraph 7 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 hereby issues the following

**D E C I S I O N**  
**ON TEMPORARY MEASURES FOR BANKS TO ENABLE ADEQUATE CREDIT RISK MANAGEMENT AMID COVID-19 PANDEMIC**

1. This Decision sets out the measures and activities which a bank is required to apply for the purpose of adequate credit risk management in the conditions of the COVID-19 pandemic, by offering to borrowers the facilities for the repayment of liabilities.

2. At a borrower's request, a bank shall approve to a borrower (natural person, farmer, entrepreneur and company) a facility for the repayment of liabilities in accordance with this Decision (hereinafter: facility), if all of the following conditions have been met:

- a borrower is unable to settle its liabilities to the bank and/or may have difficulties in settling these liabilities due to the COVID-19 pandemic;
- as at 29 February 2020 and in the 12-month period before that date, a borrower did not default on its liabilities to such bank, within the meaning of the decision regulating capital adequacy of banks;
- as at 29 February 2020 and in the 12-month period before that date, neither of the claims on such borrower in respect of the liabilities referred to in paragraph 2 of this Section was classified as a non-performing loan in such bank.

The liabilities referred to in paragraph 1 of this Section shall mean the liabilities of the borrower in respect of loans and other loan products (credit cards and current account overdrafts).

The facilities referred to in this Decision may be applied to a borrower's liabilities in respect of loans approved under the Guarantee Scheme of the Republic of Serbia or against a guarantee of international financial institutions, as well as in respect of subsidised loans, only subject to prior consent of the provider of the guarantee and/or subsidy.

The liabilities referred to in paragraph 1 of this Section do not refer to fees charged for bank services, such as payment operations (e.g. transaction

fee, account maintenance fee), investment services, broker-dealer activities, safe-keeping services, etc.

Within the meaning of paragraph 1, indent one of this Section, it shall be deemed that a borrower which is a natural person is unable to settle its liabilities to a bank and/or may have difficulties in settling these liabilities, if one of the following conditions has been met:

- as at the date of entry into force of this Decision and/or as at 28 February 2021, a borrower is more than 30 days past due in a materially significant amount on any obligation to the bank arising from products to which this Decision applies;

- as at the date of submitting the application referred to in Section 4 of this Decision, a borrower has the status of an unemployed person;

- in the past three months, a borrower earned an average net monthly income from wage or pension which is lower than the average wage in the Republic of Serbia according to the latest data issued by the competent authority;

- a borrower's debt-to-income ratio within the meaning of the decision on the classification of balance sheet assets and off-balance sheet items of banks exceeds 40%, and the average net monthly income earned by such borrower in the past three months was 10 or more percent lower than the income earned before 15 March 2020, while the average net monthly income of such borrower in the past three months does not exceed 120,000 dinars;

- based on a reasoned application of a borrower, a bank has, in line with its internal acts, assessed that there are other facts and circumstances which have, due to the COVID-19 pandemic, led to a worsening of the borrower's financial position and its ability to regularly settle its liabilities to the bank.

Within the meaning of paragraph 1, indent one of this Section, it shall be deemed that a borrower which is a farmer, entrepreneur or company is unable to settle its liabilities to a bank and/or may have difficulties in settling these liabilities, if one of the following conditions has been met:

- as at the date of entry into force of this Decision and/or as at 28 February 2021, a borrower is more than 30 days past due in a materially significant amount on any obligation arising from products to which this Decision applies;

- in the period before the day of submitting the application referred to in Section 4 of this Decision, a borrower recorded a decline in operating income and/or turnover by at least 15% in 2020 relative to the same period of 2019;

- a borrower's operations were suspended for at least 30 successive days due to the COVID-19 pandemic;

– based on a reasoned application of a borrower, a bank has, in line with its internal acts, assessed that there are other facts and circumstances which have, due to the COVID-19 pandemic, led to a worsening of the borrower's financial position and its ability to regularly settle its liabilities to the bank.

3. The facilities include loan rescheduling and loan refinancing.

The terms of repayment of liabilities agreed through the approval of facilities (e.g. interest rate level, additional collateral, etc.) may not be less favourable for the borrower than the originally and/or previously agreed terms.

Loan rescheduling is a change in loan terms where a borrower is allowed a grace period in the repayment of all its liabilities to the bank under such loan in the duration of six months, during which a bank shall not collect its claims in respect of principal, but shall calculate the agreed interest, while the loan repayment period shall be extended in such manner that the amount of the annuity (monthly liabilities of the borrower) after the expiry of the grace period and until the end of the new loan repayment period is not higher than that amount in the period before the facility was applied.

Loan refinancing is the approval of a new loan to a borrower for the purpose of settlement of all of such borrower's liabilities to the bank in respect of outstanding loan(s), by allowing the borrower a grace period in the duration of six months, during which a bank shall not collect liabilities in respect of principal, but shall calculate the agreed interest rate, while the new agreed loan repayment period shall be defined in such manner that the amount of the annuity and/or the monthly liabilities of the borrower after the expiry of the grace period and until the end of the new loan repayment period is not higher than that amount in the period before the facility was applied.

Other loan products – credit cards and account overdrafts may be included in the facilities within the meaning of this Decision in such manner that a loan for the refinancing of liabilities under such products is approved with a grace period of six months and the agreed monthly repayment, while the repayment period is extended in such manner that monthly liabilities are not higher than the monthly liabilities which the borrower would have paid under such product.

Loan products where a specific form of liabilities settlement has been agreed (e.g. balloon repayment, bullet repayment, revolving) may be included in the facilities under this Decision in such manner that a grace period be approved, and the repayment period extended for the duration of the grace period at least.

If a borrower is approved a facility under this Decision, the delay in the settlement of such borrower's liabilities to a bank under a loan and/or another loan product which is rescheduled and/or refinanced shall be deemed to stop running as of the day of submission of the application referred to in Section 4 of this Decision, and the borrower's delay in respect of the bank shall be determined according to a new agreed repayment schedule.

The facilities referred to in this Section may be agreed in such manner that the interest calculated for the duration of the grace period is collected either during such period or after its expiry, depending on the facility model chosen by the borrower in the application referred to in Section 4 of this Decision.

If it has been agreed that the interest calculated during the grace period is collected after the expiry of such grace period, in accordance with paragraph 8 of this Section, interest may be accrued to debt, and it shall be distributed evenly over the repayment period referred to in paragraphs 3 to 6 of this Section, of which the bank is required to inform the borrower before the agreement is concluded and/or the application of the grace period begins.

The facility shall apply to the borrower's liabilities in respect of interest calculated during the suspension of repayment of liabilities (moratorium), within the meaning of the regulation on temporary measures for banks to preserve financial system stability, in such manner that such interest shall be collected after the expiry of the grace period, continue to be distributed evenly over the loan repayment period and shall not be accrued to the remainder of the debt.

4. Within five business days from the day of entry into force of this Decision, a bank shall post a notification on the home page of its internet presentation and in its business premises stating that borrowers which, due to the COVID-19 pandemic, are unable to settle their liabilities to the bank and/or have difficulties in settling these liabilities may submit an application to the bank to approve the facilities in accordance with this Decision.

To all its borrowers which, as at 30 November 2020 and/or as at 28 February 2021, were more than 30 days past due on any obligation arising from products to which this Decision applies, a bank shall also submit an individual notification referred to in paragraph 1 of this Section, if the conditions referred to in Section 2, paragraph 1, indents two and three of this Decision have been met.

A bank shall submit the notification referred to in paragraph 2 of this Section by 31 December 2020 and/or by 31 March 2021.

The notification referred to in paragraphs 1 and 2 of this Section shall contain clear, precise and complete information relating to:

- the possibility to submit the application for the approval of facilities (hereinafter: application), with the specification of conditions for their approval;
- types of facilities for the repayment of liabilities to which the application may refer, with a conspicuous note that the borrower has the possibility to choose among the offered facility models (by choosing whether it will pay the interest calculated for the duration of the grace period during this period or after its expiry);
- the possibility of the borrower to use the facilities for one or several loan products;
- the manner of submitting the application;
- a representative example of the amount of liabilities under a specific loan product before and after the application of facilities, containing all elements based on which it is possible to determine the conditions under which the facilities are applied and the possible manners of repayment of the liabilities calculated in the grace period (during the grace period or after its expiry).

A borrower may submit an application to a bank on such bank's business premises, electronically or by mail, not later than 30 April 2021.

A bank shall decide on the borrower's application and notify the borrower thereof within 30 days from the day of receiving the application.

5. In its internal acts, a bank shall regulate:

- the manner of determining the fulfilment of the conditions referred to in Section 2, paragraph 5, indent five and/or Section 2, paragraph 6, indent four of this Decision;
- authorisations and responsibilities of the bodies and employees of a bank in the process of implementing the measures and activities referred to in this Decision;
- the system for monitoring and reporting on the measures and activities referred to in this Decision and the results of their application;
- the procedure of communication with borrowers within the meaning of this Decision.

6. A bank shall submit to the National Bank of Serbia a report on the measures and activities taken in order to approve the facilities and on their results.

A bank shall submit the report referred to in paragraph 1 of this Section on form *Monthly Report on Facilities for the Repayment of Liabilities*, which is printed as Annex 1 along with this Decision and is integral to it.

A bank shall submit the report referred to in paragraph 1 of this Section by no later than the 20<sup>th</sup> day of the month with the balance as at the last calendar day of the previous month.

A bank shall submit the first report referred to in paragraph 1 of this Section by 20 January 2021, with the balance as at 31 December 2020.

A bank shall submit the report referred to in paragraph 1 of this Section until and including the balance as at 30 April 2021, by 20 May 2021.

By way of exception, a bank shall submit the report referred to in paragraph 1 of this Section in the section relating to monitoring of the treatment of claims on borrowers after the end of application of the facilities, until and including the balance as at 31 March 2022, by 20 April 2022 at the latest.

7. A bank may not charge any fees for taking measures and activities in accordance with this Decision or in compensation for any costs it may sustain in relation to these measures and activities, including client application processing costs, other than the costs needed for the approval of the claims which are not determined by the bank (e.g. credit bureau or the real estate cadastre).

8. A bank's claims on borrowers to which facilities were approved and which, at the moment of entry into force of this Decision, were not restructured or non-performing or considered a non-performing loan within the meaning of the regulation of the National Bank of Serbia, and/or were not in default, shall not be considered restructured or non-performing claims or non-performing loans within the meaning of regulations of the National Bank of Serbia and/or shall not be considered to be in default because of the approval of the facility.

The treatment referred to in paragraph 1 of this Section shall apply to the claims referred to in that paragraph in the period after the facility is approved as well, for as long as the conditions for this are met within the meaning of the regulations of the National Bank of Serbia.

As the approval of facilities to borrowers under this Decision does not necessarily mean that there has been a significant increase in credit risk and does not necessarily represent a modification of a financial asset, it is not necessary for banks to recognise losses in respect of such modification.

The extension of the repayment period due to the application of the facilities shall not be included in the number of days of the agreed maturity for the purpose of applying deductibles from the bank's capital within the meaning of the decision on capital adequacy of banks or in the number of days of the agreed maturity for the purpose of calculating indicators within the meaning of the decision on managing concentration risk arising from bank exposure to specific loan products.

Where a borrower's debt-to-income ratio within the meaning of the decision governing capital adequacy of banks is exceeded as a consequence of application of the facilities, this shall not be taken into account for the purpose of calculating deductibles from a bank's capital within the meaning of that decision.

A bank's proceeding in accordance with the provisions of this Decision shall not be considered as the introduction of a new product within the meaning of the decision regulating risk management by banks.

9. A bank shall harmonise its internal acts with the provisions of this Decision by 31 December 2020 and submit them to the National Bank of Serbia immediately after their adoption.

10. This Decision shall apply to liabilities under loans/loan products approved to a borrower before the entry into force of this Decision.

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

NBS EB No 127  
14 December 2020

B e l g r a d e

Chairperson of the  
Executive Board of the  
National Bank of Serbia  
G o v e r n o r  
of the National Bank of Serbia

Dr Jorgovanka Tabaković, sign.