

Pursuant to Article 28, paragraph 7, and Article 36 of the Law on Banks (RS Official Gazette, Nos 107/2005, 91/2010 and 14/2015) and Article 15, paragraph 1 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), the Executive Board of the National Bank of Serbia adopts the following

DECISION
ON MANAGING CONCENTRATION RISK ARISING FROM BANK
EXPOSURE TO SPECIFIC PRODUCTS

1. This Decision prescribes the method for calculating indicators of bank operation concerning the management of concentration risk arising from bank exposure to specific products, limitations pertaining to that risk, and the manner, form and deadlines for reporting to the National Bank of Serbia on those indicators.

2. Bank exposure arising from loans extended to households with the agreed maturity longer than 2920 days may not exceed 30% of bank capital set in accordance with the decision governing bank capital adequacy increased by the amount of all bank liabilities in dinars with the remaining maturity longer than 1825 days.

For the purpose of paragraph 1 hereof, regulatory adjustments and deductibles from capital stipulated by the decision governing bank capital adequacy, except for deductions by losses for the current year and prior years and unrealised losses, shall not apply to the calculation of capital from the said paragraph.

Notwithstanding paragraph 1 hereof, bank exposure from that paragraph shall not exceed:

- 1) 50% of capital and liabilities from that paragraph in the period from 1 January to 31 December 2019;
- 2) 40% of capital and liabilities from that paragraph in the period from 1 January to 31 December 2020;

Loans referred to in paragraph 1 hereof shall comprise the appertaining portion of the balance in accounts 102, 107, and 108 stipulated by the Chart of Accounts for Banks in accordance with the decision stipulating the Chart of Accounts and the content of accounts in the Chart of Accounts for Banks, and shall be recognized at gross principle, and/or before a

reduction for allowances for impairment.

The bank shall reduce the amount of exposure from paragraphs 1 and 3 hereof by the amount secured with prime collateral if conditions for its classification into A category have been met, in accordance with the provisions of the decision governing the classification of bank balance sheet assets and off-balance sheet items.

Liabilities of the bank from paragraph 1 hereof shall also be subordinated liabilities in dinars not included in capital, in accordance with the decision governing bank capital adequacy if they meet the condition from that paragraph.

Households referred to in paragraph 1 hereof are resident domestic and foreign natural persons and non-resident foreign and domestic natural persons, in accordance with the decision governing the collection, processing and submission of data on the balance and structure of accounts from the Chart of Accounts.

Loans with agreed maturity shorter than 2920 days and with the date of maturity of the last instalment changed in the course of the forbearance procedure, in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items, whereby the agreed maturity of that loan was extended to over 2920 days, shall not be taken into account in the calculation of exposure from paragraph 1 hereof.

A loan from paragraph 1 of this Section, approved before 18 March 2020, in respect of which the maturity date of the last instalment was changed whereby the agreed maturity of the loan is extended to more than 2920 days – shall not be included in the calculation of exposures from paragraph 1 of this Section, provided that the following conditions have been met:

- 1) the new agreed maturity is not longer than 3285 days, or 3650 days in case of consumer loans approved for motor vehicle purchase;
- 2) the change in the maturity date of the last instalment was agreed on from 19 March until 31 December 2020, or from 19 March until 31 December 2021 in case of consumer loans for motor vehicle purchase;
- 3) under the agreement on the loan in respect of which the maturity date of the last instalment was changed, no additional loan amount was approved from 19 March 2020 until the final repayment under that agreement.

Loans from paragraph 1 of this Section whose agreed maturity is not longer than 2920 days and in respect of which the repayment period was extended to more than 2920 days due to the implementation of the moratorium – shall not be included in the calculation of exposures from paragraph 1 of this Section.

The moratorium referred to in paragraph 10 of this Section means a suspension of the repayment of obligations in accordance with the decision governing temporary measures for preserving financial system stability in the Republic of Serbia, in the conditions of the COVID-19 pandemic.

Bank exposures from paragraph 1 of this Section shall be reduced by the amount of exposures under refinancing loans from that paragraph, approved before 18 March 2020, provided that the following conditions have been met:

- 1) the agreed maturity of the refinancing loan is not longer than 3285 days, or 3650 days in case of consumer loans approved for motor vehicle purchase;
- 2) the refinancing loan was approved from 19 March until 31 December 2020, or from 19 March 2020 until 31 December 2021 in case of consumer loans approved for motor vehicle purchase;
- 3) the amount of the refinancing loan is not higher than the outstanding amount of the loan being refinanced.

The refinancing loan from paragraph 12 of this Section means a new loan approved by the bank to the debtor to settle a part or the entire amount of the debtor's obligation towards the bank in respect of loans from paragraph 1 of this Section.

3. The bank shall submit the data from Section 2 of this Decision to the National Bank of Serbia on a monthly basis, with balance on the last calendar day of the prior month and not later than the 20th day in a month, and the data with balance on 31 December of the current year shall be delivered after the closing of business books, and not later than 5 March of the following year.

The bank shall deliver the final data from paragraph 2 of this Decision for January of the current year with the balance on 31 January of that year not later than 12 March of the year.

Data referred to in paragraph 1 hereof shall be submitted by the bank electronically on the form Concentration Risk Indicator, which, as Annex 1, is printed herewith and is integral hereto.

Data referred to in paragraph 1 hereof shall be submitted by the bank in accordance with the instructions of the National Bank of Serbia regulating the electronic submission of data which are published on the National Bank of Serbia's website.

The bank shall present accurate and complete data from paragraph 1 hereof.

The deadlines from paragraphs 1 and 2 hereof may be extended by the National Bank of Serbia in time of public holidays, of which it shall timely inform banks.

4. If a bank fails to maintain the indicator of concentration risk in the manner prescribed by Section 2 of this Decision, it shall immediately inform the National Bank of Serbia thereof, specifying the reasons why it failed to maintain the said indicator in the manner prescribed by this Decision, and it shall also deliver its plan for compliance with this indicator as soon as possible. The National Bank of Serbia shall assess the adequacy of this plan and the planned compliance deadline, informing afterwards the bank on the assessment. The bank which submitted an adequate plan shall without delay inform the National Bank of Serbia of its compliance with the provisions of this Decision within the deadline stated in the plan and in the manner prescribed by it.

The plan referred to in paragraph 1 hereof shall contain the projection of the movement of the stock of loans, capital and bank liabilities in a way that the bank complies with the limitations prescribed by this Decision as soon as possible, including the planned compliance methods which, depending on what is applicable, may cover the following:

- 1) planned increase in capital by means of recapitalisation, including both the amount and dynamics of recapitalisation, as well as other planned methods for changing the value of capital;
- 2) planned dynamics of changes in the structure of credit portfolio;
- 3) other planned activities which contribute to bank compliance with Section 2 of this Decision.

If it ascertains that the bank does not maintain the indicator from paragraph 1 hereof and did not inform the National Bank of Serbia thereof, if the bank did not submit the plan from paragraph 1 thereof, if it submitted an inadequate plan or if it does not act in line with the plan within the deadline stated therein, the National Bank of Serbia may take one or several of the following measures:

- 1) it may set the capital adequacy ratio at the level higher than the prescribed, in line with Article 23 of the Law on Banks;
- 2) it may order that the bank should adopt and implement measures for reduction, and/or limitation of the amount of bank exposure to specific products;

3) it may order the bank to increase capital up to the specified level within the stipulated deadline;

4) it may order the bank to allocate a certain amount of dinar funds to a special account of the National Bank of Serbia opened in the RTGS system – until it complies with the provisions of this Decision;

5) it may order the bank to take, and/or suspend other activities.

5. This Decision shall be published in the Official Gazette of the Republic of Serbia and shall come into force on 1 January 2019.

NBS Executive Board No 104
24 December 2018
Belgrade

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

Dr Jorgovanka Tabaković