

Pursuant to Article 183 the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No.: 4/17, 19/18, 54/19 and 63/24), Article 5, Paragraph 1, Item b), Article 20 and Article 37 of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 59/13 and 4/17), 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 the 13th session, held on 25 December 2024 adopted the

DECISION

ON AMENDMENTS TO THE DECISION ON SUPERVISORY REVIEW AND EVALUATION PROCESS OF BANKS

Article 1

In the Decision on supervisory review and evaluation process of banks ("Official Gazette of Republika Srpska", No.: 103/21 and 06/24, hereinafter: the Decision), in Article 2, Paragraph 2, after the wording "(hereinafter: ILAAP)", comma shall be added and the wording "and the results of conducted bank supervisory stress testing".

Article 2

In Article 7, Paragraph 1, a new Item 3) shall be added and read as follows:

"3) The results of conducted bank supervisory stress testing".

Article 3

(1) In Article 12, a new Paragraph 4 shall be added and read as follows:

"(4) The adequacy of bank capital under stress scenario the Agency shall assess by conducting bank supervisory stress testing, where the results of the relevant testing shall be applied for determining capital recommendations for the bank (hereinafter: Pillar to guidance – P2G)."

(2) Previous Paragraph 4 shall become Paragraph 5, and in the relevant Paragraph, in the first sentence, the number "3" shall be replaced by the number "4", and in the tabular overview:

- in the row for Score 1 in the column Criteria, after the Indent 5, a new Indent shall be added and read as follows: "- Bank manages, without any difficulties, to meet the determined P2G level.",
- in the row for Score 2 in the column Criteria, after the Indent 5, a new Indent shall be added and read as follows: "- Bank is facing difficulties in meeting the determined P2G level, however the bank governing bodies' activities for resolving such difficulties seem reliable.",
- in the row for Score 3 in the column Criteria, after the Indent 5, a new Indent shall be added and read as follows: "- Bank failed to meet the determined P2G level. There is a possibility that the bank governing bodies would not be able to resolve the issue adequately.",
- in the row for Score 4 in the column Criteria, after the Indent 5, a new Indent shall be added and read as follows: "- Bank failed to meet the determined P2G level and will not be able to meet it in the near future. The bank governing bodies would not be able to resolve the issue adequately."

Article 4

In Article 15 of the Decision, new Paragraphs 7-13 shall be added and read as follows:

“(7) Based on the conducted bank supervisory stress testing, the Agency may undertake supervisory measure of determining P2G. Unlike capital requirements referred to in Paragraph 1, Item 1) of this Article, P2G is not mandatory, but requires enhanced supervisory attention in order to ensure the realistic and credible bank capital plan.

(8) P2G is secured by CET1 capital items, which are not utilized for meeting the minimum capital requirements referred to in Article 38, Paragraph 1, Items 1) – 3) of the Decision on calculating capital in banks, additional capital requirements after SREP assessment and requirements for combined capital buffer.

(9) Depending on the results of the bank supervisory stress testing, the Agency shall allocate a bank into one of four groups with predefined P2G range, whereas for determining the final P2G the overall assessment of risk profile and sustainability of the bank shall be taken into consideration:

Group	Decrease in CET1 capital ratio under stress scenario	P2G range
Group 1	0% - 3%	0% - 1%
Group 2	3% - 6%	0.5% - 2%
Group 3	6% - 9%	1% - 2.75%
Group 4	>9%	>1.75%

(10) If the bank fails to meet or probably will not meet the determined P2G level, it shall be obliged to notify the Agency thereof immediately, and within 30 days submit to the Agency the revised capital plan with measures to meet P2G.

(11) In case capital adequacy falls below P2G level (but still remains above the total ratio of regulatory requirements) as a result of realization of risks due to which the P2G was established at all, the Agency may allow the bank to temporarily operates below P2G level, under condition that the revised capital plan is assessed as realistic and credible.

(12) In case capital adequacy falls below P2G level (but still remains above the total ratio of regulatory requirements) as a result of realization of risks which are not covered by P2G, the Agency shall expect from the bank to timely increase capital so that it meets the P2G level.

(13) If the bank disregards P2G, fails to include it in the risk management framework or fails repeatedly to establish or maintain an appropriate level of additional capital which was communicated to the bank in the form of P2G within foreseen timeframe, this may lead to the Agency applying additional supervisory measures, i.e. measure of additional capital within the conducted SREP assessment.”

Article 5

This Decision shall come into force on the eighth day from the date of its publication in the "Official Gazette of Republika Srpska"

Number: UO-135/24

Date: 25 December 2024

PRESIDENT OF THE
MANAGEMENT BOARD
Dejan Kusturić

[duly signed and sealed]