

Pursuant to Article 183 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No.: 4/17, 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 21st session, held on 4 November 2025 adopted the

DECISION ON METHOD OF IMPLEMENTING BANK SUPERVISION AND UNDERTAKING SUPERVISORY MEASURES

1. General provisions

General provisions

Article 1

- (1) This Decision shall in detail define the conditions and method of implementing bank supervision, the content of the supervision plan, the activities of authorized persons of the Banking Agency of Republika Srpska (hereinafter: the Agency) when implementing bank supervision and undertaking supervisory measures, and the obligations of the bank during and after supervision.
- (2) The Agency, in accordance with the Banking Law of Republika Srpska (hereinafter: the Law), other laws and regulations adopted on the basis of the Law and other laws, shall supervise the operations of banks with their headquarters in Republika Srpska, organizational units of banks with their headquarters in the Federation of Bosnia and Herzegovina or the Brcko District of Bosnia and Herzegovina, and representative offices of banks with their headquarters outside Republika Srpska, opened in Republika Srpska.
- (3) The Agency, in accordance with the Law, other laws and regulations adopted on the basis of the Law, shall implement supervision of the banking group on a consolidated basis, and may perform supervision over any member of the banking group.
- (4) In performing supervision over a bank, the Agency shall be authorized to inspect the business books and other documentation, including the bank's electronic communication, and to request other information from persons who are connected to the bank by property and management relations, persons to whom the bank has transferred a significant part of its business activities, as well as owners of qualifying holdings in the bank.
- (5) If another authority is competent for the supervision of the persons referred to in Paragraph 4 of this Article, the Agency, in cooperation with that authority, shall implement on-site supervision over those persons.
- (6) The main objective of the supervision carried out by the Agency is to maintain confidence in the banking system of Republika Srpska, and to ensure its stability, safety and protection of depositors.
- (7) The Agency shall perform supervision over the persons referred to in Paragraph 2 and 3 of this Article for the purpose of verifying compliance with the Law, other laws and regulations adopted on the basis of the Law and other laws, rules on risk management, as well as standards and rules of the profession.
- (8) The application of the principle of legality and compliance with standards and rules of the profession is the primary responsibility of the bank's management body and represents a minimum condition for its successful and stable functioning.

Supervision scope, frequency and tasks

Article 2

- (1) The Agency, in accordance with the Law and the competencies stipulated by the Law on the Banking Agency of Republika Srpska, when performing supervision, shall verify the legality of the bank's

operations, including the organization, strategies, policies, activities and procedures that the bank applies to align its operations with regulations, prudential standards and good practices.

- (2) The Agency shall assess the financial position, the risks to which the bank is or could be exposed, the impact of the bank's risks on the banking system and the risks identified through the results of the bank's stress testing, taking into account the nature, scope and complexity of the bank's operations.
- (3) Based on the results of supervision, the Agency shall determine whether the organization, strategies, policies, processes and procedures established by the bank, as well as the bank's capital and liquidity, ensure good management and coverage of all risks to which it is or could be exposed in its operations, as well as whether the bank's business model is sustainable given its risk profile and generated profitability.
- (4) When it deems it necessary, the Agency shall conduct enhanced supervision of the bank in the following manner:
 - 1) increase the frequency of on-site supervision of the bank,
 - 2) request additional or more frequent reporting to the Agency,
 - 3) appoint an advisor in accordance with the provisions of the Law,
 - 4) conduct targeted supervision of individual segments of the bank's business operations which are, as assessed, exposed or could be exposed to significant risks and
 - 5) perform additional reviews of the bank's operational, strategic and business plans.
- (5) The activities of the Agency in the exercise of its statutory powers shall be based on the Core Principles for Effective Banking Supervision and the standards established by the Basel Committee on Banking Supervision and the applicable European Union directives based on those principles and standards.
- (6) The Agency shall determine the frequency and scope of off-site and on-site supervision of a bank, taking into account its size, financial condition, systemic importance of the bank for the financial sector, the scope and complexity of the operations it carries out, risk profile and persons with significant share in the bank, applying the principle of proportionality.
- (7) When performing supervision, the Agency shall monitor and assess:
 - 1) whether the bank operates in accordance with the Law and the Agency's regulations adopted pursuant to the Law, as well as with the standards of prudent banking operations,
 - 2) the financial condition, business model and profitability of the bank,
 - 3) the bank's management system, including an assessment of the organizational structure, risk management system and internal control system,
 - 4) the adequacy of the bank's capital in relation to the risks to which the bank is exposed or may be exposed in its operations, including an assessment of the internal capital adequacy assessment process (ICAAP), its implementation and results,
 - 5) the adequacy of credit risk management (given loans, advances, letters of credit, guarantees, as well as investments in securities, and in terms of their quality, timeliness of fulfillment of debtor obligations and compliance with applicable regulations, including collateral instruments and guarantees received on the basis of placements), and compliance with exposure limits and the process of determining, monitoring and controlling exposure limits, including large exposures,
 - 6) adequacy of management of market, operational risk, interest rate risk in the banking book, and other risks to which the bank is exposed or may be exposed in its operations,
 - 7) the adequacy of liquidity and funding sources of the bank, in relation to the risks to which the bank is exposed or may be exposed in its operations, including the assessment of the internal liquidity adequacy assessment process (ILAAP), its implementation and results,
 - 8) the bank recovery plan,
 - 9) the adequacy of management of the bank's information system and information system risks,
 - 10) the application of regulations in the field of protection of rights and interests of users of banking services,
 - 11) the application of regulations in the field of anti-money laundering and countering the financing of terrorism,

- 12) the application of regulations in the field of payment transactions,
- 13) the bank's internal models and the methodologies on which those models are developed,
- 14) verifying the accuracy and adequacy of data and information that the bank is obliged to publicly disclose and
- 15) other important indicators that affect the bank's operations, and the application of laws and regulations of the Agency.

Supervision plan

Article 3

- (1) The Agency shall, at least once a year, prepare a bank supervision plan, which shall include:
 - 1) the method in which the Agency shall perform its tasks and allocate resources,
 - 2) the identification of banks subject to enhanced supervision, and
 - 3) the definition of the place of supervision (off-site or on-site supervision).
- (2) The supervision plan shall include:
 - 1) banks for which the results of stress testing or the results of supervision and assessment referred to in Article 2 of this Decision indicate significant risks to the preservation of the financial position and stability of the bank or indicate a violation of legal provisions in business operations,
 - 2) systemically important banks and
 - 3) other banks for which the Agency assesses that they require on-site supervision.

2. Supervision implementation method

Supervision implementation

Article 4

- (1) The Agency shall exercise its supervisory function by:
 - 1) off-site supervision,
 - 2) on-site supervision,
 - 3) issuing appropriate acts in accordance with its powers (opinions, approvals, consents, etc.) and
 - 4) imposing supervisory measures and monitoring the implementation of the imposed measures.
- (2) The Agency shall ensure that the supervision referred to in Paragraph 1 of this Article is carried out continuously, which implies regular activities in accordance with Article 5 of this Decision and periodic and/or occasional supervision referred to in Article 7 of this Decision, and that the operations of each bank are periodically analyzed based on the monitoring of all relevant data.
- (3) As part of the continuous monitoring of bank operations, the Agency may regularly meet and communicate with the bank's management, senior management, external auditors, head of internal audit function, and, if necessary, with the bank's supervisory board.
- (4) Off-site and on-site supervision of the bank's operations shall be performed by employees of the Agency, whereby employees must have special authorization from the Director of the Agency to perform on-site supervision.
- (5) The authorization referred to in Paragraph 4 of this Article shall determine the scope and time period covered by the supervision, and if the authorized persons determine the need to expand supervision beyond the scope established by the original authorization, they shall request additional authorization from the Director of the Agency.
- (6) Notwithstanding Paragraph 5 of this Article, for the performance of certain tasks in on-site supervision, the Agency may engage an authorized auditor, an audit firm or another authorized professional to perform on-site supervision of a bank.
- (7) The persons referred to in Paragraph 6 of this Article shall have the same powers and responsibilities as the authorized persons of the Agency when performing tasks related to the on-site supervision of the operations of the bank for which they have been authorized by the Agency.

- (8) Authorized persons of another competent regulatory authority authorized to control, or supervise the operations of members of the same banking group to which the bank belongs, may also participate in the procedure of on-site supervision of a bank, in accordance with the cooperation agreement concluded between the Agency and that regulatory authority.

Off-site supervision

Article 5

- (1) The Agency shall perform off-site supervision of operations by collecting and analyzing reports, other documentation and information, as well as by continuously monitoring and verifying other data on the operations of banks and other persons which, pursuant to the provisions of the Law, other laws and regulations adopted on the basis of those laws, are obliged to report to the Agency.
- (2) Reports, other documentation and information referred to in Paragraph 1 of this Article are: stipulated reports (annual, semi-annual, quarterly, monthly, etc.) submitted by the bank to the Agency, Report on the internal capital adequacy assessment procedure, Report on the internal liquidity adequacy assessment procedure, Bank and banking group recovery plan, reports of the external auditor and control functions, correspondence with the bank, information, reports, statements and all other relevant documentation submitted by the bank at the request of the Agency, internal acts of the bank, and other available information, reports and notifications related to the bank.
- (3) Based on the analysis of the information referred to in Paragraphs 1 and 2 of this Article, the Agency shall:
 - 1) conduct the supervisory review and evaluation process of the bank, which shall include an assessment of:
 1. the bank's business model and profitability,
 2. the management system and risk management system,
 3. capital related risks,
 4. risks related to liquidity and funding sources of funding,
 5. the bank's internal capital adequacy and liquidity adequacy assessment process;
 - 2) prepare a quarterly analysis of the bank's operations, including information on compliance with operating restrictions stipulated by laws and by-laws of the Agency;
 - 3) conduct a review and evaluation of the bank's and the banking group's recovery plan.

Minutes on performed off-site supervision

Article 6

- (1) The minutes on performed off-site supervision shall be drawn up when the following have been identified in the procedure for the supervision of the bank's operations:
 - 1) irregularities and weaknesses in the bank's operations, except in the case where the bank has notified the Agency of such irregularities,
 - 2) the existence of grounds for undertaking a specific supervisory measure, and
 - 3) in other situations based on the assessment of the authorized persons of the Agency.
- (2) By way of exception to Paragraph 1 of this Article, the Minutes on conducted supervision of operations (SREP) shall be drawn up after the supervisory review and evaluation of banks referred to in Article 5, Paragraph 3, Item 1) of this Decision has been performed, as well as the Minutes on conducted review and evaluation of the recovery plan following the review and evaluation referred to in Article 5, Paragraph 3, Item 3) of this Decision.
- (3) The procedure for drawing up minutes and filing objections or complaints by the bank, and undertaking supervisory measures after conducted off-site supervision, shall be carried out in the same manner as after performed on-site supervision.
- (4) The minutes on performed off-site supervision and the supplement to the minutes shall be signed by the Agency employees who conducted the supervision.

On-site supervision

Article 7

- (1) The Agency shall conduct on-site supervision by inspecting the operations of a bank at its registered office or outside the registered office of the bank where the bank or another person under its authority carries out operations subject to supervision, as well as in other places in cases stipulated by the Law.
- (2) On-site supervision may cover the entire operations or a specific part of the operations of the bank.
- (3) On-site supervision of the bank's operations shall be carried out:
 - 1) by reviewing accounting documents, business books, supporting and other records and calculations, reports that the bank is obliged to prepare, policies and other internal acts, and other documentation related to the bank's operations, in material (paper) form and/or in the form of electronic records on media and in the form requested by authorized persons of the Agency, as well as through supervision of computer programs,
 - 2) by reviewing the professional, organizational and technical equipment of the bank and
 - 3) by obtaining written and oral explanations from the management and supervisory board of the bank or its employees.
- (4) The bank shall enable the authorized persons of the Agency to supervise its operations at the bank's headquarters and in all its organizational units.
- (5) The bank shall enable the authorized persons to supervise the compliance of its business books and other documentation with regulations, as well as to supervise information technologies to the extent necessary for the performance of individual supervision.
- (6) The bank shall be obliged to provide authorized persons, upon their request, with access to business books and documentation in written form, or in electronic form, as well as access to the bank's information system, if specialized software tools are used during supervision or if the subject of supervision is the bank's internal models.
- (7) Authorized persons shall conduct on-site supervision on a working day during working hours, and when necessary due to the scope and nature of the supervision, they may also conduct it outside of working hours.
- (8) The bank shall, at the request of the authorized persons of the Agency, during the supervision procedure, provide:
 - 1) access to all organizational units and premises of the bank, while respecting its security procedures,
 - 2) a separate office for conducting supervision activities,
 - 3) relevant documentation related to the subject of supervision in material or electronic form and
 - 4) direct communication with the bank's managers and employees in the bank for the purpose of obtaining necessary clarifications.
- (9) A bank that processes data and maintains business books and other documentation in electronic form shall, at the request of authorized persons, provide the necessary technical support in the supervision of such books and documentation.
- (10) The bank shall appoint its representative who shall provide authorized persons with all necessary assistance for unhindered implementation of on-site supervision.
- (11) The provisions of this Article shall also apply in the case of supervision of persons referred to in Article 181, Paragraphs 2 and 3 of the Law, as well as persons who are authorized providers of outsourced services.
- (12) Members of the supervisory board and management, procurators, managers and employees of the bank shall be obliged to provide authorized persons of the Agency, at their request, written answers to questions that are important for the performance of supervision, and to confirm them with adequate documentation.

- (13) The bank shall be obliged to ensure the attendance of authorized persons, at their request, at meetings of the bank's management bodies and other bank bodies that are relevant for the adequate implementation of the process and subject of on-site supervision.

Notification on on-site supervision

Article 8

- (1) The Agency shall provide notification on on-site supervision no later than 15 days before the commencement of the supervision.
- (2) By way of derogation from Paragraph 1 of this Article, the Agency may provide notification on on-site supervision prior to the commencement of the on-site supervision of business operations, unless the purpose of the supervision would otherwise be achieved.
- (3) The notification on on-site supervision, in addition to the subject of supervision, shall contain information on the planned start and duration of the on-site supervision, a list of documentation and information that is minimally necessary to ensure the preparation and conduct of the on-site supervision, and other information necessary for the conduct of the on-site supervision.
- (4) If specialized software tools are used during the preparation and conduct of on-site supervision or if the subject of supervision includes the bank's internal models that require direct access to the bank's information system, the notification on the planned on-site supervision shall also include a list of authorized persons who will carry out the preparation and implementation, the period during which the bank must ensure access to the bank's information system, the resources that the bank must at least provide to enable access to the bank's information system, and other information necessary for the preparation and conduct of the on-site supervision.

Minutes on conducted on-site supervision

Article 9

- (1) After the on-site supervision has been conducted, the authorized persons of the Agency shall be obliged to draw up and submit minutes on the conducted supervision within 20 working days from the date of completion of the on-site supervision.
- (2) By submitting the minutes to the bank, it is considered that it has been submitted to the members of the bank's management and governance bodies, control functions, and senior management in whose jurisdiction the area that was the subject of supervision is located, and the contrary cannot be proven.
- (3) The date of completion of on-site supervision is the last day of supervision on the premises of the bank and/or the Agency.
- (4) Exceptionally, if the bank submits additional documentation and information that it considers relevant for the on-site supervision, after the authorized persons leave the bank's premises, the time frame referred to in Paragraph 1 of this Article may be extended by a decision of the director, where such decision shall specify the time required for an adequate verification of the additional documentation and information, depending on the scope of the submitted documentation and information.
- (5) The director of the Agency may, by a ruling, set a different deadline for the submission of the minutes of the supervision performed.
- (6) The bank may file an objection or complaints to the submitted minutes within 15 days from the date of receipt of the minutes.
- (7) By way of exception to Paragraph 6 of this Article, the Agency may, at the request of the bank, extend the deadline for submitting objections or complaints to the minutes, but only in cases where the minutes indicate that they relate to the competence of the bank's supervisory board.
- (8) If the bank fails to submit an objection or complaints to the minutes within the stipulated time limits or fails to dispute, with its objection or complaints, the findings from the minutes that establish irregularities and weaknesses in operations, the Agency shall impose an appropriate measure on the bank as stipulated by the Law.

- (9) The Agency shall suspend the on-site supervision procedure if no irregularities or illegalities are identified in an individual on-site supervision procedure, and shall draw up the minutes and the ruling on the suspension of the procedure and submit them to the bank.
- (10) The Agency shall suspend the on-site supervision procedure if the bank prevents the supervision from being carried out in accordance with Article 7 of this Decision, and shall draw up the ruling on the suspension of the procedure.
- (11) When, during the on-site supervision, it is determined that there is a previous issue the discussion of which is not within the competence of the Agency, the procedure shall be suspended until the competent authority resolves the disputed issue.
- (12) The Agency shall issue the ruling on the suspension of the procedure in situations referred to in Paragraph 11 of this Article, but only in relation to the issue that is disputed, while in relation to other issues, i.e. the issue of the supervision subject, it shall continue to perform supervision without adopting a separate act.
- (13) The bank shall be deemed to have failed to enable the Agency to carry out supervision and to have failed to cooperate with the Agency's authorized persons if it has not acted in accordance with Article 7 of this Decision, as well as in the following cases:
 - 1) if it has not submitted all the requested data and evidence within the specified period, in particular the data that the bank is obliged to have at its disposal under the Law, by-laws or prudential banking standards,
 - 2) if it intentionally or through gross negligence submits data that is incorrect or incomplete,
 - 3) if it fails to provide the authorized persons with the conditions necessary for the supervision of the bank, or fails to ensure that they are not obstructed by bank employees and other persons, and
 - 4) if it fails to submit the reports that it is obliged to submit periodically in accordance with the Law or by-laws and if, even upon repeated request by the Agency, fails to submit the requested reports or data within the specified period.
- (14) The ruling referred to in Paragraphs 10-12 of this Article shall be delivered to the bank, which may file an appeal with the Agency within 15 days from the date of delivery of the ruling.

Supplement to the minutes on conducted on-site supervision

Article 10

- (1) If, upon consideration of the bank's complaints or objections to the minutes, its partial or complete justification is determined, i.e. if the authorized persons determine that the bank's complaints are well-founded, the Agency shall draw up a supplement to the minutes in the part of the established justification of the complaints or objections.
- (2) The supplement to the minutes shall be submitted to the bank within 15 days from the date of receipt of the complaints or objections to the minutes.
- (3) The bank may not file an objection or complaint to the submitted supplement to the minutes.
- (4) If, upon consideration of the bank's objections to the minutes, it is determined that they are entirely unjustified, the Agency shall issue a ruling and deliver it to the bank within 15 days from the date of receipt of the objections to the minutes.
- (5) No separate appeal shall be allowed against the ruling referred to in this Article.

Signing minutes on conducted on-site supervision

Article 11

The minutes on conducted on-site supervision and the supplement to the minutes shall be signed by the authorized persons who conducted the supervision.

3. Supervisory measures

Undertaking supervisory measures

Article 12

- (1) If the Agency determines that a bank has acted contrary to the provisions of the Law, the Agency's regulations, other regulations or standards of prudent banking operations, or in another manner that jeopardizes the bank's operations, the Agency shall take one or more supervisory measures against that bank:
 - 1) issue a written warning,
 - 2) order the elimination of irregularities and illegalities in operations,
 - 3) restrict rights of shareholders with qualifying holding,
 - 4) undertake early intervention measures,
 - 5) revoke the operating license, initiate compulsory liquidation proceedings or make a decision to submit a proposal for the initiation of bankruptcy proceedings and
 - 6) initiate the procedure for assessing the fulfillment of the conditions for initiating resolution proceedings, when it determines that the bank's situation is such that it is deemed failing or likely to fail.
- (2) The Agency may, during the course of supervision, order the bank to undertake one or more measures to eliminate irregularities and illegalities if it assesses that serious violations of regulations and business principles have occurred that threaten or may threaten the financial condition or liquidity of the bank and the interests of its depositors, which requires the undertaking of urgent measures.
- (3) The obligation to publish a takeover bid, established by the law governing the takeover of joint-stock companies, does not apply if the acquirer acquires a bank's share in the course of an increase in the Tier 1 capital:
 - 1) by implementing measures to eliminate irregularities and illegalities in business operations and early intervention measures of the Agency or
 - 2) by converting the bank's capital instruments, which the bank may take into account when calculating capital and which have been converted into shares when the conditions in accordance with the Law are met.
- (4) The right of exemption from Paragraph 3 of this Article may be exercised by the acquirer of bank shares with the prior consent of the Agency, only if the Agency assesses that the exercise of the right of exemption is for the purpose of preserving financial stability, of which the Agency shall notify the Securities Commission of Republika Srpska.
- (5) If an organizational unit of a bank with its registered office in the Federation of Bosnia and Herzegovina and the Brcko District of Bosnia and Herzegovina, when conducting business operations on the territory of Republika Srpska, acts contrary to the provisions of this Law and the regulations of the Agency, the Agency shall impose an appropriate supervisory measure on that organizational unit of the bank.
- (6) The supervisory measures referred to in Paragraphs 1 and 5 of this Article shall be ordered by a ruling of the Agency and shall be submitted to the bank after the expiry of the deadline for submitting complaints or objections to the minutes of the supervision conducted.

The Agency's discretionary right

Article 13

- (1) The Agency shall make a decision on the measure or measures to be undertaken against a bank based on a discretionary assessment, i.e. the following criteria:
 - 1) the severity of the identified irregularities and illegalities,
 - 2) the demonstrated willingness and ability of the bank's bodies to eliminate the identified irregularities and illegalities, and
 - 3) the extent to which the bank threatens financial discipline and the unhindered functioning of the banking system.

- (2) When assessing the severity of irregularities and illegalities identified in the bank's operations, the following shall be assessed in particular:
 - 1) the bank's financial position,
 - 2) the amount of capital adequacy in relation to the risks assumed,
 - 3) the impact of the committed irregularities and illegalities on the bank's future position,
 - 4) the number of identified irregularities and illegalities and their interdependence,
 - 5) duration and frequency of irregularities and illegalities committed and
 - 6) the legality of the bank's operations.
- (3) When assessing the demonstrated willingness and ability of the bank's bodies to eliminate identified irregularities and illegalities, the following shall be assessed in particular:
 - 1) the ability of the management and senior management to identify, assess and monitor risks arising from the bank's operations and to manage those risks,
 - 2) the effectiveness of the bank's internal control system, and in particular the internal audit function,
 - 3) the efficiency in the elimination of previously identified irregularities and illegalities, and in particular in the implementation of previously imposed measures and
 - 4) the degree of cooperation of the management and governing bodies and other employees of the bank with authorized persons during supervision.
- (4) When assessing the degree to which a bank threatens financial discipline and the unhindered functioning of the banking system, the importance of the bank in the financial sector shall be assessed.

Written warning to a bank

Article 14

- (1) If, during the supervision, it identifies weaknesses and deficiencies in operations that do not constitute a violation of regulations, nor do they have a significant impact on the financial situation, but could have such an impact if not eliminated, the Agency may issue a written warning to the bank to undertake actions and procedures to improve business operations.
- (2) A written warning to a bank shall:
 - 1) indicate the identified weaknesses, deficiencies or inconsistencies in its operations,
 - 2) set the deadline and manner of action by the bank to eliminate the weaknesses or deficiencies in its operations, and
 - 3) set the deadline, i.e. the dynamics according to which the bank shall report to the Agency on the fulfillment of the obligations under the written warning.
- (3) If the bank fails to fulfill the obligations under the written warning within the time limit and in the manner specified in the written warning, the Agency may undertake one or more supervisory measures against the bank referred to in Article 12 of this Decision, in accordance with the criteria stipulated in Article 13 of this Decision.

Written warning to a member of the bank's management

Article 15

- (1) The Agency may issue a written warning to the responsible member of the management:
 - 1) if the bank fails to implement the measures ordered in the manner and within the deadlines determined by the Agency's ruling and
 - 2) in other cases where the conditions for revoking the consent to perform the function of a member of the management are not met.
- (2) The Agency's director shall decide on the issuance of a written warning referred to in Paragraph (1) of this Article, in consultation with the Supervision Unit, by submitting an assessment of the severity of the committed violation in the area for which the responsible member of the management is competent, and the Legal Affairs Sector, by submitting an analysis of issued violation orders, i.e. initiated violation proceedings, and issued written warnings to the responsible member of the management.

- (3) The written warning referred to in Paragraph 1 of this Article shall be issued to the responsible member of the management, regardless of whether that person is still a member of the bank's management at the time the warning is issued, and no later than two years from the date of the occurrence of the circumstances for which the written warning is issued.

Measures to eliminate irregularities and illegalities

Article 16

- (1) If the Agency, while supervising the operations of a bank, determines irregularities or illegalities or that the operations of the bank will not be in accordance with the regulations in the next 12 months, the Agency shall issue a ruling imposing measures to eliminate the identified irregularities, deficiencies and weaknesses in operations, and shall undertake activities for the purpose of improving the security and stability of the bank's operations, in accordance with Articles 200, 200a and 200b of the Law.
- (2) The ruling referred to in Paragraph 1 of this Article shall determine the deadline and manner in which the bank shall eliminate the identified irregularities and illegalities, as well as the deadline for submitting to the Agency a report on the activities carried out with the aim of implementing the imposed measures with appropriate evidence.
- (3) If it deems it necessary, the Agency may order the bank to also submit the opinion of the bank's external auditor on the elimination of irregularities and illegalities.
- (4) The Agency shall monitor the implementation of the order and measures after the expiry of the deadline for their implementation, or before the expiry of that deadline if it receives notification from the bank that the orders have been implemented.

Early intervention measures

Article 17

- (1) If by supervision the Agency determines that a bank is acting contrary to the provisions of the Law, the Agency's regulations or other regulations, or based on the deterioration of its financial condition and liquidity, an increase in the level of indebtedness, non-performing loans or concentration of exposure, it may assume that a violation of the provisions of the Law, the Agency's regulations or other regulations will occur, it may, regardless of the measures undertaken to eliminate irregularities and illegalities from Article 200 of the Law, undertake one of the early intervention measures from Article 202 of the Law.
- (2) The Agency shall, by a ruling on imposing measures, determine the deadline for the implementation of each imposed measure from Paragraph 1 of this Article, as well as the deadline for submitting reports and evidence on the implementation of the imposed measure.
- (3) In the event of a significant deterioration in the financial condition of a bank or a serious violation of the Law, the Agency's regulations and other regulations or internal acts of the bank, when it assesses that other early intervention measures undertaken in accordance with Article 202 of the Law are not sufficient to improve such a situation in the bank, the Agency may, by a new ruling, order that all or individual members of the management, supervisory board and senior management of the bank be revoked of their consent to perform their functions and request their dismissal.
- (4) In addition to the measures referred to in Paragraph 3 of this Article, the Agency may to all or individual members of the bank management bodies:
 - 1) prohibit or restrict the performance of that function or any activity in the bank,
 - 2) prohibit or restrict the direct or indirect exercise of voting rights in the bank,
 - 3) require them to alienate their direct or indirect ownership in the bank, within a period determined by the Agency, and
 - 4) prohibit performing a function in any bank or member of a banking group or participating in the performance of activities in a bank or a banking group without the prior consent of the Agency.
- (5) The appointment of new members of the management body shall be carried out in accordance with the provisions of the Law governing the appointment of members of the supervisory board and the management of a bank.

Revoking operating license

Article 18

The Agency shall issue a ruling to revoke the bank's operating license in accordance with the provisions of Article 30 of the Law.

Administrative procedure

Article 19

- (1) Based on the facts established in the procedure and the minutes drawn up, the Agency shall issue a ruling on the matter that is the subject of the procedure.
- (2) The ruling referred to in Paragraph 1 of this Article shall be final.
- (3) An administrative dispute may be initiated against the ruling referred to in Paragraph 1 of this Article, but a lawsuit against the ruling may not prevent or postpone its execution, and the dissatisfied party may exercise its property-legal claim in civil proceedings.
- (4) In an administrative dispute against the ruling referred to in Paragraph 1 of this Article, the court may not, in a procedure of full jurisdiction, resolve an administrative matter for the resolution of which the Agency has been assigned jurisdiction by this Law.
- (5) If the court annuls the Agency's ruling, the plaintiff's rights shall be limited to compensation for the damage caused to it by the execution of that ruling.

Issuing a misdemeanor warrant and filing a request to initiate misdemeanor proceedings

Article 20

In addition to imposing supervisory measures under Article 12 of this Decision, the Agency may impose a fine by means of a misdemeanor order in accordance with the penal provisions under Articles 284–289 of the Law or submit a request to initiate misdemeanor proceedings in accordance with the regulations governing misdemeanor proceedings, if it determines that the bank acted contrary to the provisions of the Law, the provisions of other laws or the Agency's bylaws.

4. Supervision of a banking group on a consolidated basis

Supervision on a consolidated basis

Article 21

- (1) The Agency shall supervise a banking group in which a bank with its registered office in Republika Srpska has the status of the ultimate parent company or the status of a subsidiary on a consolidated basis.
- (2) The Agency shall carry out the supervision referred to in Paragraph 1 of this Article:
 - 1) by analyzing the consolidated financial statements of the banking group,
 - 2) by on-site supervision of the banking group, or its members, in order to determine the accuracy of the data from the consolidated financial statements, as well as the risks to which the bank is exposed as a member of the banking group and the banking group as a whole, and
 - 3) by assessing the condition of the banking group.
- (3) The Agency is authorized to review, in the supervision procedure referred to in Paragraph 1 of this Article:
 - 1) the adequacy of the bank supervision over its operations abroad by the management of the parent bank or holding company,
 - 2) the possibility for the parent bank to access data on its branches and subsidiaries in the host country,
 - 3) the expertise of the local management and
 - 4) the effectiveness of supervision in the host country.

- (4) The Agency is authorized to perform on-site supervision of a member of a banking group or its organizational unit abroad that is subject to supervision on a consolidated basis and to cooperate with the foreign competent regulatory authority.
- (5) The structure of a banking group shall be transparent to the extent that it enables the Agency to determine:
 - 1) the ultimate parent company of the banking group and the persons that have a controlling or significant share in that company,
 - 2) the location and types of business activities carried out within the banking group,
 - 3) the financial condition and operating results of the banking group and its members,
 - 4) the types and levels of risks to which the banking group and its members are exposed,
 - 5) the manner in which risk management is organized and implemented at the level of the banking group and
 - 6) the business, financial and other relations between the members of the banking group.
- (6) The structure of the banking group shall be organized in a manner that enables adequate internal and external audit, as well as unhindered performance of the Agency's supervisory function.

Measures against members of the banking group

Article 22

- (1) If the Agency determines that any member of a banking group, other than a bank, has violated the provisions of this Law or the regulations of the Agency, or that the activities or financial condition of any member adversely affects the financial stability of the bank or could jeopardize the interests of the bank's depositors, it shall order that member to remedy these irregularities within a period determined by the Agency.
- (2) If the irregularities referred to in Paragraph 1 of this Article are not eliminated within the specified period, the Agency may undertake the following measures:
 - 1) order the bank to temporarily suspend investments in its subsidiary,
 - 2) order the holding company to temporarily suspend the exercise of rights and benefits arising from the controlling interest of that holding company in the bank, including the direct or indirect exercise of voting rights,
 - 3) order the holding company to make additional investments in the bank's capital,
 - 4) order a member of a banking group to temporarily suspend all direct or indirect business activities between the bank and that member, and
 - 5) order a legal entity in which a controlling interest is held by another entity which also has a share in the bank to temporarily suspend the rights and benefits arising from that entity's share in the bank, including the direct or indirect exercise of voting rights, i.e. order the temporary suspension of all direct or indirect business activities between the bank and that entity.
- (3) If, after undertaking the measures referred to in Paragraph 2 of this Article, the irregularities established in Paragraph 1 of this Article are not eliminated, the Agency may also undertake the following measures:
 - 1) require the bank to reduce its investments in the subsidiary to such an extent that it is no longer a subsidiary of the bank,
 - 2) revoke the holding company's consent to acquire a controlling share in the bank,
 - 3) require the holding company to dispose of a significant or controlling share in its subsidiary and
 - 4) withdraw the consent to acquire a share in the bank given to an entity which has a share in the bank, and in which another entity has a controlling share.
- (4) The Agency may, when circumstances require immediate action, undertake the measures referred to in this Article even before the deadline referred to in Paragraph 1 of this Article.
- (5) The Agency may limit the activities of a consolidated banking group and the place of performance of the activities:
 - 1) if the bank or banking group is exposed to excessive risk or is not managed appropriately,

- 2) if supervision in the host country is inadequate or
 - 3) if certain obstacles arise in the performance of consolidated supervision.
- (6) If a member of the banking group referred to in Paragraph 1 of this Article is an entity supervised by another regulatory authority in Republika Srpska and the Federation of Bosnia and Herzegovina, the Agency shall be obliged to notify that regulatory authority of the measures undertaken.

Transitional and final provisions

Article 23

- (1) This Decision shall enter into force on the eighth day from the date of its publication in the “Official Gazette of Republika Srpska”.
- (2) Upon entry into force of this Decision, the Decision on method of implementing bank supervision and undertaking supervisory measures, No. UO-334/17 as of 11 December 2017, UO-262/21 as of 1 November 2021 and UO-170/25 as of 23 May 2025 (“Official Gazette of Republika Srpska”, No. 116/17, 103/21, 43/25) shall cease to be valid.

Number: UO-204/25

Date: 4 November 2025

PRESIDENT OF THE
MANAGEMENT
BOARD

Dejan Kusturić