

In accordance with Articles 132, 133, 135 and 136 of the Law on Banks (FB&H Official Gazette No. 27/17), Article 5, Paragraph (1), Item h) and Article 19, Paragraph (1), Item c) of the Law on the Banking Agency of the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 75/17) and Article 12, Paragraph (1), Item d) of the Statute of the Banking Agency of the Federation of Bosnia and Herzegovina (FB&H Official Gazette No. 03/18), the Management Board of the Banking Agency of the Federation of Bosnia and Herzegovina enacted, at its meeting held on 31.03.2022, adopted the following:

DECISION
ON AMENDMENTS TO THE DECISION ON RECOVERY PLANS OF BANKS
AND BANKING GROUPS

Article 1

- (1) In the Decision on Recovery Plans of Banks and Banking Groups (FB&H Official Gazette No. 81/17 and 48/21), i.e. its Article 1, after Paragraph (4), a new Paragraph (5) shall be added to read as follows:
- „(5) Exceptionally from provisions of Paragraph (4) of this Article, a bank in which the Agency has not determined existence of key functions shall update and submit its recovery plan for the Agency’s review at least every two years or whenever circumstances from Paragraph (4), Items a) through d) hereof arise.
- (2) Existing Paragraph (4) shall become Paragraph (6).

Article 2

In Article 5, Paragraph (1), Item b), Line 1), after words: „internal auditor“, a comma and words: „external auditor“ shall be deleted.

Article 3

- (1) In Article 6, Paragraph (5), words: “and the system of indicators that the bank is already using in the process of regular risk management“, shall be replaced with words: „and the defined risk appetite”.
- (2) In Paragraph (6), after words: “Common Equity Tier 1 capital ratio”, a comma shall be added and words “and the financial leverage rate” shall be replaced with words: “financial leverage rate and minimum requirement for own funds and eligible liabilities”.
- (3) Paragraphs (10) and (11) shall be amended to read as follows:
- “(10) The threshold values of the capital indicators should be determined in such a manner to ensure sufficient distance from the point of failing to meet the prescribed capital requirements, including the minimum requirements prescribed under Article 27, Paragraphs (2) and (4) of the Law, thus also encompassing the capital requirement defined on basis of the Supervisory Review and Evaluation Process (SREP), as well as generally determined above the capital buffer requirement prescribed in Article 27, Paragraph (5) of the Law. If the bank determines threshold values of the capital requirements within a combined buffer, it shall provide detailed explanation of this in its recovery plan as to why it finds that recovery options can be implemented in timely manner in situations when capital buffers are fully or partially utilised.”
- (11) The liquidity indicators referred to in Paragraph (1), Item b) of this Article shall include, at the minimum: indicators of maturity matching of financial assets and liabilities up to 30 days, the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR) and the ratio of excess legal reserves to legal reserves.”

Article 4

(1) In Article 7, Paragraphs (2) and (3) shall be amended to read as follows:

“(2) In case threshold values of indicators from the recovery plan are exceeded, the bank's management board shall inform the Agency accordingly within one work day.

(3) Within two additional work days after having notified the Agency, the management board of the bank shall make a decision on initiating the measures from the recovery plan or a proposal of the decision on abstaining from such measures.”

(2) After Paragraph (3), the following new Paragraphs (4) and (5) shall be added to read as follows:

“(4) Based on the proposal from Paragraph (3) hereof, the supervisory board of the bank shall immediately decide on abstaining from measures contained in the recovery plan or, if such proposal by the management board is rejected, shall decide on initiating the recovery plan measures and shall inform the Agency accordingly. If the decision on abstaining from the recovery plan measures has been reached, it needs to be explained in details.

(5) Supervisory board of the bank may decide to initiate recovery plan measures even if there is no indication for or existence of a breach of threshold values of the recovery plan indicators and shall immediately notify the Agency thereof.”

Article 5

(1) In Article 16, Paragraph (2), words: “whose net balance sheet assets exceed BAM 2.0 billion” shall be replaced with words: “in which the Agency has determined existence of key functions”.

(2) In Paragraph (3), words: “whose net balance sheet assets do not exceed BAM 2.0 billion”, shall be replaced with words: “in which the Agency has not determined existence of key functions”.

Article 6

In Article 20, Paragraphs (1) and (2) shall be amended to read as follows:

“(1) The bank shall submit to the Agency an updated recovery plan or a new recovery plan not later than 30th September of the current year in both, electronic and printed form.

(2) The bank shall update and deliver to the Agency such updated recovery plan within two months since occurrence of circumstances from Article 132, Paragraph (4), Items b) and c) of the Law.”

Article 7

Attachment 1 shall be replaced with Attachment 1 enclosed to this Decision, thus forming its integral part.

Article 8

This Decision shall enter into force on the eight day following its publication in the Official Gazette of FB&H and shall apply to recovery plans that banks are required to submit to the Agency until 30.09.2022.

**No. U.O.-74-03/22
Sarajevo, 31.03.2022**

**CHAIRWOMAN OF THE
MANAGEMENT BOARD**

Ljerka Marić, M.Sc. (Econ), sgd

Attachment 1

Indicators in the Recovery Plan*

<i>Indicator**</i>	<i>Early warning level</i>	<i>Level triggering recovery plan options***</i>
1. Capital indicators		
a) Regulatory capital adequacy ratio		
b) Common Equity Tier 1 capital ratio		
c) Financial leverage ratio		
d) Minimum requirement for own funds and eligible liabilities (MREL)		
2. Liquidity indicators		
a) Maturity matching of financial assets and liabilities up to 30 days		
b) Liquidity coverage ratio (LCR)		
c) Net stable funding ratio (NSFR)		
d) Excess reserve ratio		
3. Profitability indicators		
a) Return on assets (ROA)		
b) Return on equity (ROE)		
c) Significant losses based on operational risk		
4. Asset quality indicators		
a) Share on non-performing loans in total loans		
b) Rate of increase of non-performing loans		
c) NPL coverage with value adjustments		

* *The bank shall add rows for additional indicators in the recovery plan that it has determined, and that are not listed in the table*

** *In the recovery plan, if the bank has explained why it would not apply any of the above listed indicators, it shall insert "not applicable" in the column for "level triggering the recovery plan options".*

*** *If the bank has determined several levels for activation of various options, the level on which the first option is triggered shall be inserted.*