Based on Article 86, paragraph 1, and Article 98j of the Law on Banks of Republika Srpska (“Official Gazette of Republika Srpska” number 44/03, 74/04 and 116/11), and Article 4, 10, and 25 of the Law on Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska” number 67/07 and 40/11) and Article 15 and 20 of the Statute of the Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska” number 67/04), on its session held on February 14, 2012 the Management Board of the Banking Agency of Republika Srpska passed the

DECISION

ON UNIFORM METHOD OF CALCULATING AND DISCLOSING THE EFFECTIVE INTEREST RATE ON LOANS AND DEPOSITS

Article 1
This Decision sets out a uniform method of calculating and disclosing the active effective interest rate on extended loans, i.e. passive effective interest rate on received deposits.

Article 2
In terms of this Decision, the effective interest rate shall mean a decursive interest rate on an annual level by applying the compound interest account, in a way that the discounted cash inflows are balanced with the discounted cash outflows of granted loans, i.e. received deposits. The calculation of effective interest rate on loans granted against deposits shall also include the cash amount of such a deposit (deposit cash flows).

Article 3
While discounting, i.e. reducing to the current value all future inflows and outflows of cash funds based on loan i.e. deposit agreement, the calendar number of days in a month shall be applied, and 365/366 days in a year. The effective interest rate shall be disclosed in percentages with two decimals and the rounding of the second decimal, and shall be applicable on the day of calculation.

The effective interest rate shall be disclosed using the term “effective interest rate” or using the acronym “EIR”.

Article 4
The effective interest rate shall be disclosed by banks in a clear and visible manner in the banks’ premises, advertisements and in the means of public communication, provided that the effective interest rate is no less visible than other data. While disclosing the effective interest rate, banks shall use the term “effective interest rate”, while in repeating such term the acronym “EIR” may be used.
Article 5
Prior to the loan, i.e. deposit agreement conclusion, a bank shall make its clients aware of the effective interest rate and make available all relevant terms and elements of the contract out of which the rights and obligations of the contractual parties are clearly evident.

Article 6
While concluding a loan, i.e. deposit agreement, a bank shall, along with the contract, provide a client with one copy of the repayment schedule which is deemed as an integral part of the contract, with a clearly disclosed effective interest rate, while the other copy shall be kept in the bank’s file.
The loan agreement, i.e. deposit agreement shall contain a relevant provision from which it shall be clear that a client is familiar with the loan, i.e. deposit terms and the effective interest rate, and that a client has received the repayment schedule.

Article 7
In case of the changes of elements based on which the effective interest rate is calculated, and which are negotiated as variable, a bank shall provide a client with the altered repayment schedule.

Article 8
The methodology for calculating the effective interest rate on loans and deposits, and the minimum of content of the repayment schedule are prescribed with the Instruction for application of the Decision on uniform method of calculating and disclosing the effective interest rate on loans and deposits.

Article 9
This Decision shall be applied on the foreign bank branch offices operating on the territory of Republika Srpska and on the organizational units of banks having head offices in the Federation of Bosnia and Herzegovina and operating on the territory of Republika Srpska.

Article 10
Banks are obliged to submit to the Banking Agency of Republika Srpska monthly reports on the weighted nominal and effective interest rates in prescribed forms and within 15 days after the end of the reporting month.

Article 11
The entry into force of this Decision shall make the Decision on uniform method of calculation and disclosure of effective interest rate for loans and deposits “Official Gazette of Republika Srpska” number 3/07, 82/09, 97/09) null and void.
**Article 12**

This Decision shall come into force on the eighth day following its publication in the “Official Gazette of Republika Srpska”.

UO no.: 272/12
February 14, 2012
Banja Luka

PRESIDENT OF THE MANAGEMENT BOARD
Mirjana Jacimovic