

Pursuant to Article 23 of the Law on Leasing (“Official Gazette of Republika Srpska” number 70/07), Article 4, Article 10, and Article 25 of the Law on Banking Agency of Republika Srpska – Revised text (“Official Gazette of Republika Srpska” number 67/07) and Article 15, paragraph 1, item 2 of the Statute of the Banking Agency of Republika Srpska (“Official Gazette of Republika Srpska” number 67/04), on its session held on November 30, 2010, the Management Board of the Banking Agency of Republika Srpska issued the

**DECISION**  
**ON MINIMUM STANDARDS FOR RISK MANAGEMENT,**  
**MANNER OF FORMING AND MAINTAINING RESERVES FOR POTENTIAL**  
**LOSSES OF LEASING PROVIDERS**

**Article 1**

This Decision sets out the minimum standards for risk management of leasing providers, and the amount, manner of forming and maintaining the reserves for losses under contracts on financial leasing and contracts on loans concluded according to the regulations of obligation relations prior to the Law on Leasing coming into force.

**Article 2**

The basis for calculating the amount of reserves under contracts on financial leasing represents the amount of total receivables (undue principal + receivables due) minus the amount of estimated value of a leasing subject.

The basis for calculating the amount of reserves under loan contracts concluded according to the regulations of obligation relations, prior to the Law on Leasing from Article 1 of this Decision coming into force, represents the amount of total receivables.

**Article 3**

To form the basis from Article 2, paragraph 1 of this Decision, the value of a leasing subject shall be determined in accordance with the tables of decline in value of movable property.

A leasing provider shall adopt policies and procedures containing the tables from paragraph 1 of this Article, which may not prescribe the decline in value of movable property slower (less) than those used by competent customs authorities of Bosnia and Herzegovina.

A leasing provider shall, at least once a year, provide the assessment of real estate value, in accordance with the International Accounting Standards.

**Article 4**

A leasing provider shall, at least once a year, conduct the assessment of a leasing subject under a contract on operating leasing, in accordance with the International Accounting Standards.

### Article 5

A leasing provider shall, on a monthly basis, classify the receivables under financial leasing in groups by applying the days in delay criteria, and for each group form the reserves for loss coverage charged to expenses according to the following rates:

| Days in delay | Reserve rate     |                    |
|---------------|------------------|--------------------|
|               | Movable property | Immovable property |
| 0 – 60 days   | 0.5%             | 0.5%               |
| 61 – 90 days  | 10%              | 10%                |
| 91 – 180 days | 50%              | 50%                |
| Over 180 days | 100%             | 75%                |
| Over 360 days | -                | 100%               |

A leasing provider may form the reserves from paragraph 1 of this Article also in higher amounts.

### Article 6

A leasing provider shall calculate and form the reserves for losses charged to expenses for total (unpaid) amount of receivables under the contracts from Article 2, paragraph 2 of this Decision, and according to the following criteria:

| Days in delay  | Reserve rate |
|----------------|--------------|
| 0 – 60 days    | 0.05%        |
| 61 – 90 days   | 5%           |
| 91 – 180 days  | 10%          |
| 181 – 270 days | 30%          |
| 271 – 360 days | 50%          |
| Over 360 days  | 100%         |

### Article 7

If a leasing provider, after the expiry of 180 days from the date of initially contracted maturity date of each installment, does not come into possession of a movable property subject of leasing, it shall form reserves in the amount of total receivables (rate 100%), in which case the basis for the calculation of reserves determined by Article 2, paragraph 1 of this Decision shall not be applied.

If a leasing provider, after the expiry of 360 days from the date of initially contracted maturity date of each installment, does not come into possession of an immovable property subject of leasing, it shall form reserves in the amount of total receivables (rate 100%), in which case the basis for the calculation of reserves determined by Article 2, paragraph 1 of this Decision shall not be applied.

#### **Article 8**

Due but unpaid receivables over 360 days a leasing provider shall remove from the balance sheet and record the same in the off-balance sheet until collected or permanent write-off (remove from books).

#### **Article 9**

A leasing provider shall establish a system enabling the calculation, forming and maintaining the reserves for losses prescribed by this Decision.

#### **Article 10**

Management and other authorized bodies of a leasing provider, in accordance with their authorities, shall issue the policies and procedures which shall define basic risks in operating (receivable collection risk, liquidity risk, operating risk, market risk, concentration risk, etc.) and the manner of managing the same, and ensure adequate system of internal controls.

#### **Article 11**

A leasing provider shall, in accordance with the provisions of this Decision, submit to the Banking Agency of Republika Srpska quarterly Report on the amount and manner of forming the reserves for losses (Rezerve/Reserves-DL), on the form prescribed by the Agency, within 30 days following the reporting quarter, and the submission deadline of the report prepared based on preliminary data for the last quarter is January 31 of the current year.

The submission deadline of reports prepared based on final data is March 5 of the current year.

Report must be signed by an authorized person.

#### **Article 12**

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

UO number: 190/10  
November 30, 2010  
Banja Luka

PRESIDENT OF THE  
MANAGEMENT BOARD  
Mirjana Jaćimović