

Pursuant to Article 144, Paragraph 7 and Article 291 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska" No. 4/17), 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 4/17), and Article 6, 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 session held on 25 July, 2017 adopted the

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

Article 1

This Decision stipulates a uniform method of calculating and disclosing the active effective interest rate on approved loans, i.e. passive effective interest rate on received deposits.

Article 2

The effective interest rate discloses the total costs of the service that is paid, i.e. received by the user of that service, where these costs are disclosed as a percentage of the total amount of the service on an annual basis.

Article 3

(1) The effective interest rate in the sense of this Decision is considered to be the de-cursive interest rate which is calculated on an annual level, by applying a complex interest account, so that the discounted cash income is equal to the discounted cash expenditure of approved loans or received deposits.

(2) The calculation of the effective interest rate on loans approved with the deposit shall also include the cash funds of that deposit (cash flows of the deposit).

Article 4

(1) When discounting, i.e. reducing to the present value of all future income and expenditure of cash funds under the loan contract, i.e. deposit contract, the calendar number of days in the month and 365/366 days in the year is applied.

(2) The effective interest rate shall be disclosed as a percentage with two decimal places, rounded to the second decimal place, and shall be valid from the day of calculation.

(3) The effective interest rate is disclosed by the term "effective interest rate" or the abbreviation "EIR".

Article 5

Banks disclose the effective interest rate clearly and visibly in the bank's premises, in advertisements and in the media, whereby the effective interest rate must not be less noticeable than other data. The bank should use the term "effective interest rate" when disclosing and may use the abbreviation "EIR" when repeating that term.

Article 6

Before concluding a loan or deposit contract, the bank is obliged to acquaint the client with the effective interest rate and make available all the essential conditions and elements of the contract from which the rights and obligations of the contracting parties are clearly visible.

Article 7

(1) When concluding a loan or deposit contract, the bank shall deliver one copy of the repayment plan to the client, which is considered an integral part of the contract, with a clearly disclosed effective interest rate, and keep the other copy in its file.

(2) The loan or deposit contract must contain an appropriate provision from which it will be clear that the client is familiar with the terms of the loan or deposit and the effective interest rate, and that he/she has been handed the repayment plan.

Article 8

In the event of a change in the elements on the basis of which the effective interest rate is calculated, which are contracted as variable, the bank is obliged to submit the amended repayment plan to the client.

Article 9

The methodology for calculating the effective interest rate on loans and deposits, as well as the minimum content of the repayment plan are stipulated by the Instructions for the application of the Decision on the uniform method of calculating and disclosing the effective interest rate on loans and deposits.

Article 10

This Decision shall also apply to organizational units of banks headquartered in the Federation of Bosnia and Herzegovina or the Brčko District of Bosnia and Herzegovina operating in Republika Srpska.

Article 11

Banks are required to submit monthly reports to the Banking Agency of Republika Srpska on weighted nominal and effective interest rates in the stipulated templates and within 20 days after the end of the month.

Article 12

On the day this Decision enters into force, the Decision on the uniform method of calculating and disclosing the effective interest rate on loans and deposits ("Official Gazette of Republika Srpska", No. 15/12) shall cease to be valid.

Article 13

(1) This Decision shall enter into force on the eighth day from the day of its publication in the "Official Gazette of Republika Srpska".

(2) The bank is obliged to harmonize its operations with the provisions of this Decision within nine months from the day the Banking Law of Republika Srpska enters into force ("Official Gazette of Republika Srpska" No. 4/17).

Number: UO-287/17

Date: 25 July, 2017

**PRESIDENT OF THE
MANAGEMENT BOARD**

Mira Bjelac