BANKING AGENCY OF REPUBLIKA SRPSKA

INSTRUCTION

FOR COLLATERAL VALUE ASSESSMENT

Banja Luka, July 2020

Content

Introduction

Instruction for collateral value assessment is issued pursuant to Article 5, Paragraph 1, Item b and Article 22, Paragraph 1, Item f of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No. 59/13 and 4/17), Article 6, Paragraph 1, Item b and Article 22, Paragraph 4, Item m of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No. 63/17), and Article 30, Paragraph 9 of the Decision on credit risk management and determining expected credit losses, "Official Gazette of Republika Srpska", No. 48/19 and 109/19).

Subject

Article 1

(1) This Instruction stipulates the procedures to be applied when assessing the value of assets used as collateral, selection of an independent appraiser, checking the quality of performed appraisals, monitoring the market value of assets used as collateral, and cases when an appraisal by an independent appraiser is obligatory.

(2) The provisions of this Instruction shall apply to banks with their registered office in Republika Srpska to which the Banking Agency of Republika Srpska (hereinafter: the Agency) has issued an operating license.

(3) For issues related to the management of collateral in banks that are not defined by this Instruction, but are defined by law or other bylaws, the provisions of that law or by-law shall apply.

Terms

Article 2

Terms used in this Instruction have the following meanings:

1) **Collateral** in the sense of this Instruction means real estate and movable property.

2) **Appraisal report** is a written report, prepared independently and impartially by an independent appraiser, in which he/she gives an opinion on the market value of assets on a certain day, and which contains asset valuation, presentation and analysis of relevant market data and other important information.

3) **An independent appraiser** has the same meaning as in the Decision on credit risk management and determining expected credit losses, whereby that person is obliged to, when assessing the collateral value, act in accordance with valid internationally recognized valuation standards and meet the conditions from this Instruction.

4) **An external appraiser** is an independent appraiser who is not employed by a bank, who works independently for any bank on the basis of a contract and charges a fee for his/her services.

5) **An internal appraiser** is an independent appraiser who is employed by a bank.

6) **List of independent appraisers** is a list of independent appraisers who are qualified and competent to perform asset valuation assessment activities, with information on knowledge of a particular market and a particular type of asset, compiled by the bank and continuously updated based on monitoring and quality assessment of appraisals performed by each appraiser.

7) **The appraisal report date** is the date on which the overall analysis and valuation assessment of the asset is completed.

8) **The appraisal date** is the date on which the value of the asset was appraised and implies an opinion on the value of the asset on that day, and the appraisal date itself may differ from the date of the appraisal report.

9) **Assessment of assets** means the activities of appraisers with the aim of determining the value of the subject assets.

10) **Market value** is the estimated amount for which an asset could be exchanged in an open and competitive market, where the interested buyer and the interested seller act reasonably and voluntarily, with each party being well informed and assuming no undue influence on the price. Market value is further defined as the execution of a sale on a particular day and the transfer of ownership from the seller to the buyer under the following conditions:

1. the buyer and the seller have the usual motives,
2. both parties are well informed and informed, and act in their best interests,
3. a reasonable time is given for the realization of assets on the market,
4. payment is made non-cash or cash and
5. the price represents the usual fee for the asset that is the subject of the sale.

11) **Highest and Best Use** implies the valuation principle required when estimating market value. It implies determining the manner of the best use (use) of the real estate, i.e. whether the use of the real estate is physically and legally possible, financially feasible and results in the highest financial return. Such an assessment should be adequately documented.

12) **Enforced liquidation value** is used as an assumption of value in situations when the seller is forced to make an urgent sale of asset. When estimating the enforced liquidation value, the independent appraiser reduces the value of the assets by liquidation costs and other expected costs of sale. This value should reflect the shortened realization time in the market.

13) **Market realization time** is the estimated time required to sell an asset in a competitive market based on an analysis of current market conditions and projected changes in that market.

14) **Use value** is the value that an asset has for a particular person or entity and not for the market in general. This value usually does not correspond to the market value as it meets the needs of only one person or entity.

15) **Complex assets** are assets that due to their specific characteristics (form of ownership, type, condition of assets, etc.) are complex for the bank itself, and which the bank needs to define as such within its internal acts.

Obligation of performing the assessment by an independent appraiser

Article 3

(1) The value assessment of real estate and movable property by an independent appraiser is obligatory for all initially approved exposures secured by collateral, except in the following cases:

1) where the amount of exposure to a private individual does not exceed 50 thousand KM, and for which the residential real estate in which the private individual lives or will live is used as collateral,

2) when new movable property is used as collateral and when the bank uses the value specified by the manufacturer or the value from the sales contract, depending whichever is lower.

(2) When there is a difference between the purchase and estimated value of the asset that serves as collateral, the bank is obliged to choose the lesser of these two values.

(3) The assessment in the cases referred to in Paragraph 1, Item 1 of this Article may be performed by a person who is not an independent assessor in accordance with Article 16 of this Instruction.

(4) The assessment of the value of collateral by an independent appraiser is also obligatory in all subsequent appraisals in the cases defined in Article 30, Paragraphs 4 and 7 and Article 32, Paragraph 7 of the Decision on credit risk management and determining expected credit losses (hereinafter: the Decision).

(5) The Agency reserves the right to order the bank to perform a new value assessment of collateral by an independent appraiser in case there is a reasonable doubt that the value of the existing exposure collateral is not adequate or in other cases when it deems it necessary.

Internal bank acts

Article 4

(1) The bank shall, in the policies and procedures for assessing the market value of collateral referred to in Article 30, Paragraph 1 of the Decision:

1) stipulate the conditions and criteria for determining the independence of persons who order, perform and check the quality of assessments,

2) define the conditions and criteria that must be met by an independent appraiser in order to be able to assess the value of collateral,

3) determine the criteria for the selection of an independent evaluator, and the procedures for evaluation and monitoring of the ongoing work of the appraiser,

4) stipulate the content of the assessment report and document the used data sources and assumptions in such a way that they contain sufficient information for making a decision on approving the exposure,

5) determine the criteria regarding the use of assessments in accordance with good banking practices,

6) regulate the timely receipt and quality control of the assessment report prior to the making decision on exposure in a manner that facilitates the adoption of that decision,

7) stipulate criteria for monitoring the value of collateral (depending on the type of assets, value of assets, credit quality of exposure, and changes in market conditions),

8) stipulate different approaches and valuation methods taking into account the type of collateral,

9) stipulate the process of documenting and monitoring the market value of collateral and

10) define the scope and manner of valuation of complex assets.

(2) The bank shall ensure consistent application, adequate monitoring and an efficient system of internal controls over the application of policies and procedures referred to in Paragraph 1 of this Article, establish an appropriate reporting system, and, if necessary, make changes. The relevant policies and procedures should be fully aligned with the strategy for assuming and managing risks and the defined propensity of the bank to assume risks.

(3) The bank shall review the policy for assessing the market value of collateral at least once a year, and revise it if necessary.

(4) The bank's internal audit shall at least once a year check the consistency and quality of policies and procedures for assessing the market value of collateral, the independence of the process of selecting independent appraisers, as well as the adequacy of appraisals conducted by internal or external appraisers, and provide recommendations to eliminate identified weaknesses and shortcomings.

Appraisal process independence

Article 5

(1) If the appraisal is performed by an internal appraiser, the bank shall ensure its independence in relation to the process of contracting and making a decision on approving the exposure and that person must not have a direct or indirect interest, financial or other in the assets subject to appraisal.

(2) If the appraisal is performed by an external appraiser, directly engaged by the bank or its representative (e.g. appraisal companies), it must not have any direct or indirect interest, financial or other in the assets subject to the appraisal or exposure.

(3) The bank may accept an appraisal of the value of real estate prepared by an appraiser directly hired by another bank, if no more than six months have passed since the appraisal date, if there have been no significant changes in the appraised assets, and if quality control of the assessment is performed and it meets the conditions defined by the bank internal acts.

(4) The appraisal process must be clearly defined and independent in relation to the exposure approval process, in the sense that the bank is obliged to exclude all employees who participated in ordering, performing or performed the quality control of the assessment from the exposure approval process, in relation to which the relevant assessment was carried out.

(5) In the process of engaging external appraisers, it is necessary to ensure timely and adequate communication between employees within the bank who work on collateral valuation and appraisers, in order to exchange relevant information regarding the appraisal itself.

(6) The manner of communication and engagement in order to ensure independence in the assessment should be defined by the bank's internal acts (for example, the bank may exchange information with external appraisers in terms of submitting a copy of the sales contract, copy of the lease or lease agreement, and previously performed assessments).

(7) The bank may not influence, directly or indirectly, nor encourage the appraiser to misstate or determine the value of asset or to misstate any other information relevant to the asset and the value assessment of the asset.

(8) In accordance with internal acts, the bank may require the appraiser to:

1) consider additional information on the asset or comparable asset for the purpose of making an adequate decision on granting the exposure,

2) provide additional information on the basis on which the assessment is based and

3) corrects factual errors in assessment.

(9) The bank shall ensure that, in addition to meeting the minimum criteria defined in Article 2, Paragraph 1, Item 11 of the Decision, internal acts exclude inappropriate measures that would affect the independence of the assessment process, including:

1) submission of a preliminary, expected or qualified value assessment, amount of exposure or ratio between the value of the exposure and the value of collateral to the appraiser,

2) an indication of the requirement as to the value of the assets required for the exposure to be granted or as a condition of ordering a value assessment,

3) conditioning the fee to the appraiser by approving the exposure and / or linking the fee to the appraisal value or the selling price,

4) non-payment of compensation since the asset is not assessed at a certain value,

5) implying that the current or future engagement of the appraiser depends on the value to be determined in respect of the assets given; and

6) exclusion of appraisers from future engagement since the determined market value of the asset does not exceed a certain threshold.

(10) After receiving the appraisal report, the bank may request another appraisal or inspect the condition of the asset, if there is a reasonable suspicion that the appraisal was not done in accordance with the bank's internal acts. In doing so, it is obliged to adhere to the policy of selecting the most credible assessment, instead of the assessment with the highest stated value.

(11) All information, data and reports related to collateral must be part of the loan file.

Selection of an independent appraiser

Article 6

(1) The bank is obliged to determine the criteria for the selection and monitoring of the work of independent appraisers, which, as a minimum, must include the following:

1) must be persons qualified and competent to assess the value of real estate or movable property, and meet all the conditions defined by this Instruction and other relevant regulations,

2) they must be able to give an impartial opinion,

3) they must be independent and must not have any direct or indirect interest, of financial or other nature in the assets or exposures, or counterparty with which the bank has established business relation,

4) they must have appropriate education in the field of valuation, technical capabilities, expertise and adequate experience regarding the type of asset that is the subject of valuation, as well as the market in which the asset is valued.

(2) The bank is obliged to evaluate the work of appraisers at least once a year. This includes checking the adequacy of the assessments performed, as well as analyzing the number of assessments performed by the same appraiser and analyzing the fees paid to the external appraiser.

(3) In order to ensure independence, the appraisers may not be recommended by the debtor or credit officers involved in the relevant process of contracting and / or approving the exposure, nor may the bank use an assessment directly ordered or paid by the debtor.

(4) The bank shall keep documentation proving that the appraiser is competent, independent and has relevant experience and knowledge of the market, location and type of assets subject to appraisal. This includes an overview of his/her licenses, certificates, education, previous experience, client lists and similar. Membership in professional associations and / or possession of licenses does not in itself replace competence and expertise.

List of external independent appraisers

Article 7

(1) The bank shall define in its internal acts the conditions and criteria that independent appraisers must meet in order to be engaged in assessing the value of collateral.

(2) The list of independent appraisers referred to in Article 30, Paragraph 2 of the Decision should contain data on appraisers from various sectoral areas of asset appraisal, who meet the conditions and criteria specified by the bank in its internal acts. The bank regularly updates this list, after, among other things, checking the quality of collateral market value assessments performed by these appraisers.

(3) The bank should ensure an adequate system of rotation of appraisers within the defined list of appraisers, taking into account their qualifications.

(4) The conditions and criteria referred to in Paragraph 1 of this Article refer, inter alia, to the conditions and criteria that appraisers must meet in order to be placed on the list, as well as continuous monitoring of the work and expertise of appraisers in order to remain on the list.

(5) Banks shall annually submit to the Agency a valid list of independent appraisers, and no later than December 15 of the current year for the following year.

Engagement of an independent external appraiser

Article 8

(1) The bank shall engage an independent external appraiser directly and in writing, which shall include at least the following:

1) location of the asset and legal description,

2) purpose and users,

3) the degree to which the asset should be identified and inspected,

4) legal or contractual restrictions regarding the delivery of the assessment to other persons, if applicable,

5) data on assets, such as lease agreements, previous assessments, data on the owner and other documentation,

6) request that the appraiser keep, for the next five years, a copy of his / her working documentation containing all research, data and information together with a copy of the assessment report,

7) format of the assessment report, including a summary of the facts and conclusions of the assessment,

8) expected deadline for submission of reports, and

9) assessment fee.

(2) The bank should require appraisers to have an adequate professional liability insurance policy in order to protect against possible negative consequences of inadequate appraisal.

(3) When the services of an appraiser are not acceptable, the bank shall notify the appraiser within a maximum of 15 calendar days, stating the reasons and information that need to be corrected.

(4) The appraisal services ordered and received by the bank must be permanently kept in the credit file regardless of the acceptance or rejection of the appraisal, with a full explanation in case the appraisal is not accepted. In doing so, the decision to grant exposure for which the subject asset is used as collateral cannot be made by the bank on the basis of an appraisal report where more than six months have elapsed between the appraisal date and the exposure approval date, in the case of real estate appraisal, i.e. three months in the case of an assessment of the value of movable property, or there have been significant changes in assets and / or market conditions that require a new assessment.

Assessment standards

Article 9

(1) The bank shall ensure that the assessment is performed in accordance with internationally accepted valuation standards and all other requirements from this Instruction and other relevant regulations. The assessment report must state the internationally recognized standards used by the appraiser during the assessment (the standards of the International Valuation Standards Council - IVSC or the standards of the European Group of Valuers' Associations - TEGoVA).

(2) When the bank requires an assessment, the following minimum assessment standards shall apply:

1) it is ordered directly by the bank as a client,

2) the assessment contains an opinion on the market value, as defined in this Instruction,

3) the appraisal contains an analysis of the most cost-effective use value in all appraisals of real estate values,

4) it is in writing and contains sufficient information and analysis for the bank to decide on the approval of the exposure and the offered collateral,

5) contains sufficient information to be comprehensible, including the calculation of market value,

6) contains the appraiser's signature stating the restrictive conditions, if applicable.

(3) The bank shall obtain an assessment that is appropriate for the given exposure, taking into account the risks and complexity of the exposure. The report should be sufficiently detailed to enable the bank to understand the analysis and opinion on the market value.

(4) When assessing the market value of collateral, it is necessary to consider the actual physical condition of the asset, use and location on the valuation date.

(5) In the case of an exposure financing the construction or renovation of an asset, the appraisal shall reflect the current market value of the assets in the “current condition” and, where possible, the projected market value upon completion of the works.

(6) The opinion on the projected market value referred to in Paragraph 5 of this Article should be based on current and reasonably expected market conditions, and the time frame on which the appraiser bases the analysis. The bank should view the property as its “current condition” value, consider the projected market value in the decision to grant exposure and the phase of the project being financed.

(7) If the assessment of the market value of collateral foresees that it will take a very long period for the estimated value to be realized on the market, the assessment report should also contain an estimate of the compulsory liquidation value and time of realization of collateral on the market, in order for the bank to become more familiar with all risk factors.

(8) Opinions on value, e.g. business values, use values, personal property or special values for a particular user of asset cannot be used as the market value of real estate. The assessment may contain specific opinions on these values as long as they are clearly identified and disclosed.

Assessment process

Article 10

(1) The bank should ensure an adequate system of appraiser rotation, i.e. in case one appraiser has performed consecutively two appraisals of the same real estate in the previous period, a new internal or external appraiser must be selected for the next appraisal of the relevant real estate.

(2) Lower costs or speed of service should not be decisive factors when ordering an appraisal or the process of selecting an external appraiser.

(3) All collateral value assessments should be based on the method of comparing sales prices, i.e. the market approach, and should include at least one of the following approaches, depending on the type of asset that is the subject of the assessment:

1) cost approach,

2) revenue approach or

3) other applicable approach.

(4) Exceptionally, if it is not possible to use the approach of comparison of sales prices referred to in Paragraph 3 of this Article when assessing assets, the appraiser shall adequately argue the same in the restrictive conditions in the Assessment Report.

(5) The assessment should include information on market conditions, including:

1) relevant information on changes in the value of assets,

2) supply and demand factors,

3) time of realization on the market and

4) regulatory plans of the location where the real estate is located.

(6) The bank shall, when assessing the value of collateral, require the appraiser to include in the appraisal data on sales and the relationship between the asking and selling prices for at least the last three years for the subject asset, if available.

(7) Exceptionally, if the result of the assessment is affected by data older than three years, then the bank should require the assessor to include this information in the report and analyze it.

Assessment report

Article 11

(1) The bank shall determine the level of detail of the assessment report, which is used for the purposes of making a decision on approving the exposure but must take care that the requested information does not adversely affect the credibility of the report.

(2) The report on the value assessment of collateral shall, as a minimum, depending on what is applicable, contain:

1) type, description, location and brief analysis of the asset,

2) the name of the asset owner and the debtor, and the data that determine the identity of the ordering party,

3) the estimated value of the asset,

4) two approaches to valuation with assessment values with accompanying documentation,

5) value of land plot in case of real estate appraisal,

6) date of report and date of assessment,

7) information on the sales contract, the forthcoming change of ownership,

8) current market conditions that affect the asset and analysis of the local market,

9) a statement as to whether the condition of the asset has been inspected and in what manner, and the date of the inspection,

10) data on the sale and the relationship between the amount requested by the seller and the sale price of the subject asset,

11) analysis of the most cost-effective use value for real estate with accompanying data,

12) purpose of assessment,

13) substantiated analysis of depreciation, including effective age and total economic life,

14) assessment of the time of realization on the market,

15) comparable assets with the sale price, as well as the lease price and a detailed description,

16) explanation of conclusions supported by arguments,

17) photographs showing the condition of the asset, as well as the environment in which the asset is located, including photographs of the interior and exterior of the subject asset and photographs of the exterior of the comparable asset,

18) statement on restrictive conditions,

19) scope of work:

1. state the comprehensiveness of the assessment,
2. describe the data collection process,
3. describe how the data on comparable prices are confirmed,
4. state the reasons why some common assessment approaches have been omitted,

20) data on the appraiser (name, contact information, signature), and all limiting factors, if applicable,

21) a statement as to whether the appraiser signing the assessment report received significant assistance and from whom

22) all additional information that was the subject of consideration and that may affect the value of the asset as collateral, as well as all sources of information used in the analysis (information on market sales, previous data on the sale of the relevant asset, land books, other property legal documentation and similar).

Additional requirements in assessment of movable property

Article 12

(1) An independent appraiser selected to assess the value of movable property must be qualified to perform the appraisal of a specific asset and use those recognized methods and techniques that are applicable to the given asset.

(2) The report on the assessment of movable property should include:

1) market definitions and analyzes in accordance with the type and definition of value, in the sense that there are different types of markets for which there are different data (e.g. assets may have a different value in wholesale, retail, etc.),

2) analysis of relevant economic conditions existing at the valuation date, including market acceptability of movable property, supply, demand, etc.,

3) the use of the property at the valuation date, and the use of the property envisaged by the assessment (the value should reflect the existing use of the property and, if applicable, alternative uses).

(3) In the process of valuation of movable property, the standards of the International Valuation Standards Council - IVSC shall be applied and, if applicable, the following shall be taken into account:

1) technical specification of the property,

2) remaining useful, economic or effective service life, including current and periodic maintenance,

3) condition of the property, including maintenance history,

4) any functional, physical and technological obsolescence,

5) if the property is not valued at the location where it is located, the costs of dismantling, transport and relocation, as well as any costs for the existing location where the property is located,

6) any potential loss due to the connection of movable property with other property (e.g. if the operation of one machine is related to the operation of another machine, or if the physical relocation of a plant from an existing location causes high costs), and

7) issues related to environmental protection.

Quality control of the collateral market value assessment

Article 13

(1) The bank is obliged to control the quality of collateral market value assessments.

(2) When controlling the quality of the assessment, it is necessary to determine whether the assessment contains sufficient information and analysis from the aspect of the requirements stipulated by the bank's internal acts and this Instruction.

(3) During the control process, the bank should assess whether the assessment is realistic, i.e. whether the valuation methods, assumptions and data sources are appropriate and adequately explained, and the rest in accordance with the defined contractual conditions.

(4) The bank shall also use the results of this control for the purpose of monitoring and assessing the competence and work of appraisers.

(5) If the bank determines that the assessment is not adequate, and that the appraiser cannot eliminate the identified deficiencies, it shall engage another appraiser, and provide a new assessment before making a decision on approving the exposure.

(6) The person engaged to check the quality of the assessment may not change the final value of the assessment, unless the same is an independent appraiser.

(7) The bank shall, within its internal acts related to quality control of assessments, include at least:

1) the obligation of independence, and the criteria regarding the education of persons who check the quality of assessment,

2) the level of detail of the risk-focused check (the detail of the assessment of the quality of the assessment depends on the amount and risk of exposure, the counterparty, and the type and complexity of the assets),

3) the process for eliminating deficiencies in the assessment,

4) standards regarding documentation for the purpose of checking the quality of the assessment, elimination of identified deficiencies or weaknesses in the assessment, including procedures for reporting identified deficiencies and the requirement for the appraiser to eliminate these deficiencies.

Qualifications of persons who perform quality control assessment

Article 14

(1) The bank is obliged to define in internal acts the criteria for persons who can perform the task of quality control assessment.

(2) The person referred to in Paragraph 1 of this Article is independent in relation to the process of contracting and making a decision on granting exposure and has no direct or indirect interest, either financial or other in the asset subject to assessment or exposure, as well as in relation to employees participating in the subject exposure approval process.

(3) The level of qualifications and competencies of the persons referred to in Paragraph 1 of this Article should depend on the level of detail of the quality control assessment process referred to in Article 13, Paragraph 2 of this Instruction.

(4) The bank's internal audit shall verify at least once a year the independence of the quality control assessment process, as well as the adequacy of the performed controls.

(5) The bank should define the level of expertise of the persons performing the audit and the manner of performing the quality control of assessments in the case of complex assets, high-risk exposures and assets outside the market of Republika Srpska, i.e. Bosnia and Herzegovina.

Continuous monitoring
of collateral market value
Article 15

(1) During the validity of the contractual relation, the bank shall continuously monitor the market value of real estate and movable property that serve as collateral for its exposures. If the bank, on the basis of monitoring (e.g. through statistical methods), determines that there could be a significant decrease in the market value of collateral in relation to normal market prices, and in cases stipulated by Article 30, Paragraphs 4 and 7 of the Decision, it shall immediately request an independent appraiser to conduct a reassessment of their market value.

(2) When assessing whether the change in market conditions is of a material nature, the bank shall consider the individual and aggregate effect of these changes on the value of collateral and risk in loan portfolios, and to define in internal acts the criteria for determining materiality of changes in market conditions.

(3) The bank should provide an estimate of the value of collateral for all exposures classified as non-performing exposures, if the valid assessment of collateral is older than six months and if the amount of exposure at the time of classification as non-performing is greater than 100 thousand KM, and thereafter at least once a year and continuously perform a revaluation until the subject exposure is classified as non-performing or until the expected credit losses of 100% have been recorded for the subject exposure.

(4) The bank is obliged to have adequate processes and systems that will indicate the obsolescence of estimates, and the need for new estimates.

Other internal assessments
Article 16

(1) When, in accordance with Article 3 of this Instruction, an assessment by an independent appraiser is not required, the bank may conduct an assessment in accordance with good banking practice. The person performing the said assessment is the person employed by the bank and need not be an independent appraiser.

(2) The bank shall prove that the assessment referred to in Paragraph 1 of this Article, whether prepared by an individual or using a selected statistical method or technical process, provides reliable information on the market value of collateral on a given date.

(3) The choice of assessment method, including the use of the statistical method, should be consistent with the actual physical condition and characteristics of the assets, as well as the economic and market conditions affecting the market value of the collateral.

(4) The bank shall, through its internal acts, define the content of the assessment referred to in Paragraph 1 of this Article, which should contain sufficient information on the analysis, assumptions and conclusions for making the exposure decision, which are documented in the credit file, and include at least the following:

1) identification of the asset and its location,

2) description of the asset and its current and projected purpose,

3) valuation of the market value of the asset in the actual physical condition, use and in the case of real estate belonging to the zone according to the spatial plan on the date of assessment, with all restrictive conditions,

4) the method used to confirm the actual physical condition of the asset,

5) any additional information that has been the subject of consideration when applying the appropriate method or technical process,

(5) The bank shall define in its internal acts the criteria for selection, evaluation and monitoring of the work of the persons performing the assessment referred to in Paragraph 1 of this Article, and at least the following:

1) appropriate school degree, expertise, objectivity, appropriate education in the field of collateral valuation,

2) the obligation to periodically review the work of these persons,

3) that the selected person has no direct or indirect interest, of a financial or other nature, in the asset that is the subject of the assessment or exposure.

Reporting to the Agency

Article 17

(1) The bank is obliged to record the collateral as well as the data from the regular monitoring of collateral in its information system in the database, in order to establish an adequate and reliable reporting system.

(2) The bank shall keep records of all assessments conducted by external and internal appraisers, stating the appraiser's name, appraisal value, the amount of exposure for which the real estate and movable property in question were used as collateral, as well as other required information.

(3) The bank shall submit the reports referred to in Paragraph 1 of this Article in the form, manner and within the deadlines stipulated by a special regulation of the Agency.

Entering into force

Article 18

This Instruction shall enter into force on the eighth day from the day of its publication in the "Official Gazette of Republika Srpska” and shall apply from 30 June, 2021.

Number: D-13/20 Director

Date: 16 July, 2020 ____________________

Rade Rastoka