



DECISION

ON MINIMUM AMOUNT AND MANNER FOR ALLOCATING, MANAGING AND MAINTAINING THE RESERVES FOR LOAN LOSSES AND RISK MANAGEMENT OF THE LEASING COMPANY

Article 1.

This Decision prescribes the minimum amount and manner for allocating and maintaining the reserves for losses on financial leasing contracts and contracts that have significance in financing other entities concluded up to the day the Law on leasing came into effect, as well as the manner for leasing company's risks management.

Article 2.

- (1) The base for the accrual of the amount of the reserves for the financial leasing contracts is composed of the amount of the total receivables (outstanding principal + matured receivables) decreased for the amount of the evaluated market value of the leasing subject.
- (2) The principal for the accrual of the amount of reserves for the contracts that have significant financing of other entities from Article 1., of this Decision creates the amount of the total receivables.

Article 3.

- (1) A leasing company is obliged to, on monthly basis, form minimal reserves for losses from the financial leasing, through application of the criteria of delinquency in payment and for each group allocate reserves for covering the losses on the account of expenses in compliance with the table:

Delinquency	Provisioning rate	
	Movable assets	Immovable assets
0-60 days	0,5%	0,5%
60-90 days	10%	10%
90-180 days	50%	50%
Over180 days	100%	75%
Over 360 days	-	100%

- (2) The leasing company can also allocate of reserves from the paragraph (1) of this Article in higher amounts.
 - (3) For the function of the formulation of the base form the Article 2.paragraph (1) of this Decision, the value of the collateral will be determined in compliance with the tables of decrease of value of the movable assets.
 - (4) The leasing company is obliged to adopt Policies and procedures which contain tables from the paragraph (3) of this Article, that cannot prescribe the decrease of value of tangible assets slower (smaller) from those used by the authorized customs bodies of Bosnia and Herzegovina.
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(5) The leasing company is obliged to, at least once a year, perform an evaluation of the value of real estate created by an authorized individual that performs the evaluation.

Article 4.

The leasing company is obliged to, at least once a year, perform an evaluation of the leasing subject in the operating leasing contract in compliance with the International accounting standards.

Article 5.

(1) The leasing company is obliged to, for the receivables from the Contract from the Article 2., paragraph (2) of this Decision, perform an evaluation of the reserves for losses and allocate them at the cost of expenses.

(2) The base for the reserves from the paragraph (1) of this Article is consisted of the total receivables in compliance with the table:

Delinquency	Provisioning rate
0-60 days	0,05%
60-90 days	5%
90-180 days	10%
180 -270 days	30%
270-360 days	50%
Over 360 days	100%

Article 6.

(1) If the leasing company, after the 180 days from the day of the initially agreed maturity date of the individual installment, does not get the ownership of the tangible asset which is the subject of leasing, it is obliged to allocate a reserve for the 100% of the value of the total receivables and the base from the Article 2., paragraph (1) of this Decision will not be used.

(2) If the leasing company, after 360 days from the initially agreed maturity date of the individual installment, does not get the ownership of the intangible asset which is the subject of leasing, it is obliged to allocate a reserve for the 100% of the value of the total receivables and the base from the Article 2., paragraph (1) of this Decision will not be used.

Article 7.

A leasing company is obliged to take out of books the total receivables from the balance sheet, and keep them in the off-balance sheet until the collection of the receivables or permanent write off (taking out of the books), in the case when they are due, and not collected for over 360 days.

Article 8.

Leasing company is obliged to establish a system that will enable the allocation and maintenance of reserves for losses stipulated by this Decision.

Article 9.

The leasing company management is obliged to adopt adequate policies and procedures that define the basic risks in the performance (risk of collection of receivables, liquidity, operating, expense, concentration, etc.) and manner for managing it, as well as ensuring the existence of a system of internal controls.

Article 10.

The leasing company is obliged to, in compliance with the provisions of this Decision, submit to the Banking Agency of Federation of BiH the reports in accordance with the Decision on form and content of reports that the leasing company submit to the Agency and the deadlines for reporting.

Article 11.

This Decision comes into effect on the eighth day from the day it is published in the "Official Gazette of the Federation of BiH".

Number U.O. - 13- 9/09
24th of June 2009.
Sarajevo

Chairman of the
Management Board
Mr. sc. **Haris Ihtijarević**, signed
