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BOSNA I HERCEGOVINA  
FEDERACIJA BOSNE I HERCEGOVINE  
AGENCIJA ZA BANKARSTVO  
FEDERACIJE BOSNE I HERCEGOVINE

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**Banks Association of Bosnia and  
Herzegovina  
All banks head quartered in the  
Federation of BiH**

Subject: Notification

With a view to familiarization and adequate preparation for further actions, herewith we inform You that the Management Board of the Banking Agency of the Federation of Bosnia and Herzegovina, during its session held on 08 November 2018 adopted the Decision on Criteria for Inclusion of Loan Loss Reserves in Common Equity Tier 1 of the bank, which shall be published in the Official Gazette of the Federation of BiH within a short time.

The Decision lays down the criteria bank shall meet to recognize loan loss reserves as Common Equity Tier 1 items, in accordance to the Decision on Calculation of Bank Capital (Official Gazette of the Federation of BiH, 81/17), which are formed in accordance to Decision on Minimum Standards for Credit Risk Management and Asset Classification (Official Gazette of the Federation of BiH, 85/11 – revised text 33/12 and 15/13).

The bank shall include loan loss reserves in the Common Equity Tier 1, after having first submitted to the Agency the decision of the Bank's Assembly on inclusion of loan loss reserves in the Common Equity Tier 1, i.e. classification of loan loss reserves under the relevant Common Equity Tier 1 item, in accordance to Article 6, paragraph (1) of Decision on Calculation of Bank Capital, and to decrease amount of loan loss reserves for all foreseeable expenditures in accordance to applicable accounting framework.

Respectfully,

OFFICE OF PUBLIC AND INTERNATIONAL RELATIONS