

## Official Gazette of the FBiH, number 18/03

Based on Articles 4, 9 and 25 of the Law on the Banking Agency of the Federation of Bosnia and Herzegovina ("Official Gazette of FBiH" No. 9/96, 27/98, 20/00, 45/00 and 58/02) and based on Articles 20 and 41, and in relation to article 69, of the Law on Banks ("Official Gazette of FBiH" No. 39/98, 32/00, 48/01, 27/02, 41/02 and 58/02), Managing Board of the Banking Agency of the Federation of Bosnia and Herzegovina is hereby declaring the following:

### **DECISION ON CHANGES AND AMENDEMENTS TO THE DECISION ON MIMINIMUM STANDARDS FOR CAPITAL MANAGEMENT OF BANKS**

#### Article 1

In the Decision on Minimum Standards for Capital Management of Banks ("Official Gazette of FBiH" No. 3/03) Article 8 is changed to read the following:

"Core capital of a bank represents a difference between the total amount of:

- 1) Equity capital based on nominal amount of ordinary and permanent, priority non-cumulative shares issued on the basis of cash payments into the equity capital of the bank;
- 2) Equity capital based on nominal amount of ordinary and permanent, priority cumulative shares issued on the basis of invested goods and rights in the equity capital of the bank;
- 3) Issue premiums realized during payment of bank's shares;
- 4) Bank's general reserves required by the law;
- 5) Other reserves which do not relate to evaluation of bank's assets quality; and
- 6) Retained, that is undistributed profit of the bank from previous years,

Reduced for the total amount of:

- 1) uncovered losses transferred from previous years;
- 2) losses from current year;
- 3) book value of treasury shares owned by the bank regardless of the method they were acquired by the bank; and
- 4) non-tangible assets: patents, licenses, concessions, investments in market research, trade name, trademark, goodwill, etc.

#### Article 2

In Article 9, Paragraph 1, Item 4 of the Decision, after the word «years», the following words are added:»audited and verified by external auditor».

#### Article 3

Article 10 of the Decision is changed to read the following:

"Net capital (adjusted capital) of the bank, that is the amount that serves for

accrual of the capital adequacy ratio of the bank, represents the difference between the amount of capital mentioned in Article 7 of this Decision and the off-set items, including the following:

- 1) What ever part of invested equity capital, which according to the FBA's assessment, represents a difference between actually received value and booked over-estimated value;
- 2) bank's investments into the capital of other legal entities, which are over 5% of the level of the core capital of the bank;
- 3) all claims from the shareholders who possess a significant ownership interest in the bank (over 10% of shares with a voting right, that is, votes), approved by the bank, which is not in compliance with provisions of the Law, regulations of the FBA, and the business policy of the bank; and
- 4) all large credit risk exposures of the bank (over 15% of the core capital of the bank) to shareholders with a significant ownership interest in the bank, completed without previous written approval from the FBA. In the process of issuing approval (in relation to these provisions), the FBA will not perform a quality evaluation of loan request, instead it will ensure that the bank has followed regulations and its internal acts related to procedures of granting such loans.

Provision within Paragraph 1, Item 3 of this Article does not apply to:

- 1) share in capital acquired by the bank on the basis of collection of claims or restructuring of poor quality receivables in accordance with the Decision on the Classification of Assets, if prior to such acquirement written authorization from FBA was received, but only up to one year after acquiring such share or in the period which, in extreme cases, the FBA can especially determine; and
- 2) share in capital which the bank holds as an agent.

The bank is obliged to assess the value of acquired share in capital of other legal entities in accordance with guidelines for restructuring poor quality loans/receivables and after the expiration of one year from the date of acquirement of the share they must apply a quick write off of 1/4 of the book value quarterly or in special cases determined by the FBA.”

#### Article 4

This Decision comes into effect on the day of its declaration and will be applied to the reports as of 31st of December 2003.

#### Article 5

Decision will be published in the “Official Gazette of the FBiH”.

No. 01-1-486-3/03  
Sarajevo, 7th of March 2003

CHAIRMAN OF  
THE MANAGEMENT BOARD

Eldar Arnautovic, M.A.