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**LETTER TO ALL BANKS**

**THE NEED FOR BANKS TO BUILD ADEQUATE LOAN LOSS RESERVE**

In recent times, the adverse macro-economic environment has been a source of concern in the financial sector. It is however comforting to know that the fiscal and monetary authorities are deploying remedial policy measures to ameliorate these challenges.

Accordingly, in line with the provision of section 12.14 of the Prudential Guidelines for Deposit Money Banks 2010 (**Regulators Power over Adequacy of Provisioning**), banks are required to immediately increase the general provision on performing loans to 2% in the **prudential review** of their credit portfolios. This is an attempt to ensure that adequate buffers against unexpected loan losses are built up.

This directive is without prejudice to the relevant provisions of the International Financial Reporting Standards.

Yours faithfully,

**TOKUNBO MARTINS (MRS.)**  
**DIRECTOR OF BANKING SUPERVISION**