



List of systemically important banks

According to the regulation¹, the National Bank of the Republic of North Macedonia once a year performs calculations for the purposes of identifying systemically important banks in the Republic of North Macedonia, determines the capital buffer for each systemically important bank and by 30 April the year, publishes the identified systemically important banks on its website.

The systemic importance of individual banks is an indicator solely of their importance to the banking system and the economy and should not be associated with the risk profile of the individual banks. The additional capital buffer for each systemically important bank contributes to further strengthening of their capital position, thereby increasing their stability and resilience to shocks, which in turn contributes to strengthening the stability of the overall banking system.

In assessing the systemic importance, the National Bank applies the quantitative approach, i.e. the criteria and the quantitative indicators specified in Section II of the Decision on the methodology for identifying systemically important banks. The quantitative approach for identifying systemically important banks relies on four criteria of systemic importance: size, substitutability, interconnectedness and complexity. Each criterion makes an equal contribution (equal weight of importance) to the determination of the summary assessment of the systemic importance of each bank and consists of one or more quantitative indicators. The average of the value of the quantitative indicators included in the individual criteria, determines the importance of each bank according to each criterion. According to the Decision (item 12 paragraph 3), the National Bank is obliged to reassess the intervals of the individual subcategory of systemic importance, at least once every three years. These intervals for the first time were determined as of 31 December 2016, and this year the National Bank reassessed the intervals of each subcategory of systemic importance on the basis of the calculations as of 31 December 2019. These intervals will remain fixed up to three years.

¹ Banking Law (Official Gazette of the Republic of Macedonia No. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16 and 7/19 and Official Gazette of the Republic of North Macedonia No. 101/19), https://www.nbrm.mk/content/banking_law_nm.pdf, Decision on the methodology for determining systemically important banks (Official Gazette of the Republic of Macedonia No.26/17), https://www.nbrm.mk/content/Regulativa/Odluka_identifikovanje_sistemske_znacajni_banki_ENG.pdf Instructions for implementing the Decision on the methodology for determining systemically important banks (Official Gazette of the RM No. 34/17, and Official Gazette of the Republic of North Macedonia No. 110/20), https://www.nbrm.mk/content/Regulativa/Upatstvo_Odluka_identifikovanje_sistemske_znacajni_banki_ENG.pdf.

Systemic importance criteria and quantitative indicators

Systemic importance criterion (weight of importance)	Quantitative indicator (calculated for each bank, as a ratio of individual position for each bank and same position for the banking system)	Weight of the quantitative indicator within the criterion	Weight of the quantitative indicator in the total calculation
Size (25%)	On-balance sheet and off-balance sheet activities	100%	25%
Substitutability (25%)	Credit exposure to non-financial entities	25%	6.25%
	Deposits of non-financial entities	25%	6.25%
	Credit exposure to the 20 largest debtors non-financial entities at banking system level	25%	6.25%
	Intrabank payment operations	25%	6.25%
Interconnectedness (25%)	Turnover on the interbank market	33.3%	8.33%
	Turnover on foreign exchange market	33.3%	8.33%
	Payment operations through payment systems	33.3%	8.33%
Complexity (25%)	Placements in and liabilities to foreign financial institutions	50%	12.5%
	International payment operations	50%	12.5%

Based on the criteria and the quantitative indicators of this Table that are presented in details in Annex 1 of the Instructions for implementing the Decision on the methodology for determining systemically important banks, for each bank in the Republic of North Macedonia, a summary assessment is calculated, as an average value of the criteria for that bank. The Development Bank of North Macedonia AD Skopje is excluded from the calculations for identifying systemically important banks. All banks whose summary assessment is equal to or greater than the cut-off point between systemically important and systemically unimportant banks (determined by the regulation at the level of 350 basis points) are systemically important banks.

According to the calculations based on the data as of 31 December 2019, seven banks are identified as systemically important banks, which is less by one bank compared to the previous year calculation (in alphabetical order):

- Komercijalna Bank AD Skopje
- NLB Bank AD Skopje
- Ohridska Bank AD Skopje
- ProCredit Bank AD Skopje
- Stopanska Bank AD Skopje
- Halk Bank AD Skopje
- Sparkasse Bank Macedonia AD Skopje.

Depending on the summary assessment and their subcategory of systemic importance, the systemically important banks are obliged to maintain a capital buffer for systemically important banks, whose amount may be from 1% to 3.5% of the risk-weighted assets.

Intervals of each subcategory of systemic importance and the corresponding amount of the capital buffer for systemically important banks are given in the table below.

Capital buffer for each subcategory of systemic importance

Subcategory of systemic importance	Intervals	Capital buffer for systemically important banks
5	over 3,097	3.5%
4	over 2,410 up to 3,097	2.5%
3	over 1,724 up to 2,410	2.0%
2	over 1,037 up to 1,724	1.5%
1	350 up to 1,037	1.0%

According to the latest calculations as of 31 December 2019, the identified systemically important banks should maintain capital in the amount between 1% and 2.5% of the risk-weighted assets.

The systemically important banks that are published on this list are obliged to fulfill the determined capital buffer by 31 March 2021.

National Bank of the Republic of North Macedonia