



List of systemically important banks

Pursuant to the regulation¹, the National Bank is required at least once a year, to identify systemically important banks and determine capital buffers for each systemically important bank and by 30 April at the latest, to publish the identified systemically important banks on its web site.

The systemic importance of a bank, under no circumstances, shall be considered as an indicator that the bank is more risky compared to other banks in the country but instead is an indicator exclusively for its significance. The capital buffer for systemically important banks is intended to increase the resilience of these banks that are significant in the banking system due to their size, type of activities and services that they undertake or because of the market segment they cover.

The Methodology for identifying systemically important banks is based on four systemic importance criteria: size, substitutability, interconnectedness and complexity. Each criterion consists of one or more indicators, which are calculated as share of the bank in the overall banking system, for the position which is listed in each indicator.

Systemic importance criteria and quantitative indicators

Systemic importance criteria (weigh of importance)	Indicator (calculated for each bank, as a ratio of the individual position of each bank and the same position on the level of the banking system)	Weigh of indicator within the criteria	Weigh of 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 20 largest debtors-non-financial entities on the banking system level	25%	6.25%

¹ Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15 and 190/16), http://www.nbrm.mk/content/Regulativa/Banking_Law_Unofficial%2007-06-2017.pdf, Decision on the Methodology for identifying systemically important banks ("Official Gazette of the Republic of Macedonia" no. 26/17), http://www.nbrm.mk/content/Regulativa/Odluka_identifikovanje_sistemski_znacajni_banki_ENG.pdf, and Instructions on implementing the Decision on the Methodology for identifying systemically important banks ("Official Gazette of the Republic of Macedonia" no. 34/17), http://www.nbrm.mk/content/Regulativa/Upatstvo_Odluka_identifikovanje_sistemski_znacajni_banki_ENG.pdf.

	Interbank payment operations	25%	6.25%
Interconnected-ness (25%)	Interbank market operations	33.3%	8.33%
	Foreign exchange market operations	33.3%	8.33%
	Payment operations through payment systems	33.3%	8.33%
Complexity (25%)	Placements in and liabilities to financial institutions	50%	12.5%
	International payment operations	50%	12.5%

The calculations for identifying systemically important banks for the period April 2018 – March 2019 were conducted on the basis of data as of 31 December 2017. According to this calculation, the identified systemically important banks are the same ones as in the previous calculation (in alphabetical order):

- "Komercijalna Banka" 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.

Systemically important banks shall maintain higher capital, through the so-called capital buffer for systemically important banks. The higher capital requirement strengthens the capital position of the systemically important banks, increasing their stability and resilience to shocks, which, contributes in strengthening the stability of the overall banking system. The level of capital buffer assigned to each systemically important bank is based on its aggregate assessment.

Capital buffer for each subcategory of systemic importance

Subcategory of systemic importance	Interval of aggregate assessment	Capital buffer for systemically important banks
5	over 3,178	3.5%
4	over 2,471 up to 3,178	2.5%
3	over 1,764 2,471	2.0%
2	over 1,057 up to 1,764	1.5%
1	350 up to 1,057	1.0%

According to the latest calculations, the identified systemically important banks shall maintain higher capital which ranges between 1.0% and 3.5% of the risk weighted assets. The National Bank informs each identified systemically important bank for the level of the capital buffer for systemically important bank that should be maintained, along with the explanation for the method in which the capital buffer is determined for that systemically important bank.

The systemically important banks published in this list are required to comply with the capital buffer rate until 31 March 2019. If the systemically important bank does not meet the required amount of capital buffer, it is limited to distribute earnings, i.e. to pay dividends, bonuses, etc. This limitation ranges from 0% to 100% of the earnings, in accordance with the capital deficiency level for the required capital buffer. This limitation will assist the bank to reinvest earnings in the capital positions of banks, instead of distributing

the earnings in form of dividends, which will assist the bank in reaching the required capital buffer.

National Bank of the Republic of Macedonia