



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 48, paragraph 1, item 3 of the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15 and 6/16) and item 12 of the Decision on the methodology for determining maximum distributable amount of earnings (Official Gazette of the Republic of Macedonia No. 26/17), the Governor of the National Bank of the Republic of Macedonia adopted the following

INSTRUCTIONS for implementing the Decision on the methodology for determining maximum distributable amount of earnings (Official Gazette of the Republic of Macedonia No. 34/17)

I. GENERAL PROVISIONS

1. These Instructions sets forth the implementation of the Decision on the methodology for determining maximum distributable amount of earnings (hereinafter: Decision).

Terms set out in the Decision shall also be applied in these Instructions.

2. For the purpose of determining the distribution factor when calculating the maximum distributable amount of earnings, the bank shall fill in the distribution factor report (FR form), as specified in section II of these Instructions and submit it to the National Bank of the Republic of Macedonia (hereinafter: the National Bank).

The report referred to in paragraph 1 of this item shall be an integral part of these Instructions.

II. DISTRIBUTION FACTOR REPORT

3. The distribution factor report (FR form) consists of five sections:
- minimum capital requirements as set in items 4, 5, 6 and 7 of these Instructions;
 - additional capital requirements as set in items 8 and 9 of these Instructions;
 - capital buffers as set in items 10, 11 and 12 of these Instructions;
 - distribution factor as set in items 13 and 14 of these Instructions;
 - capital adequacy data as set in item 15 of these Instructions;

Minimum capital requirements

4. Row 1 – "CET 1 ratio" shall be stated by applying the following rules:

4.1. Column 5 - "capital requirement" shall state the product between row 4 and the amount of risk weighted assets of row 14 of column 3.

4.2. Column 6 – “coverage with CET1” shall present CET1 of row 15 of column 3 needed to cover the capital requirement of column 5 of this row.

4.3. Columns 7 and 9 of this row shall not be filled in.

4.4. Column 8 – “coverage with Tier 1 capital” shall be the sum of the amounts of columns 6 and 7, which gives the total amount of capital requirement of column 5 which is covered by Tier 1 capital.

4.5. Column 10 – “coverage with own funds” shall be the sum of the amounts of columns 8 and 9, which gives the total amount of capital requirement of column 5 which is covered by own funds.

5. Row 2 – “Tier 1 capital ratio” shall be filled in by applying the following rules and sequence of filling in the columns of this row:

5.1. Column 5 – “capital requirement” shall be filled in by applying the rules referred to in item 4 subitem 4.1 of these Instructions.

5.2. Column 2 – “coverage with Additional Tier 1 capital” shall present the amount of Additional Tier 1 capital of row 16 of column 3 needed to cover the capital requirement of column 5 of this row. The maximum amount of Additional Tier 1 capital the bank may use to cover the Tier 1 capital ratio (6%) shall be 1.5% of the risk weighted assets (row 14 of column 3).

5.3. If the bank does not hold sufficient amount of Additional Tier 1 capital to cover the maximum amount referred to in subitem 5.2 of this item, it shall use the excess CET1 that is not used to cover CET1 ratio (difference between the CET1 of row 15 of column 3 and the amount of row 1 of column 6) to cover the shortage of capital required to meet Tier 1 capital ratio.

5.4. Column 6 - "coverage with CET1" shall state the amount of CET1 used by the bank to cover Tier 1 capital ratio, and shall be equal to the sum of row 1 of this column and the shortage of subitem 5.3 of this item.

5.5. Column 8 shall be filled in by applying the rules referred to in item 4 subitem 4.4 of these Instructions.

5.6. Column 9 of this row shall not be filled in.

5.7. Column 10 shall be filled in by applying the rules referred to in item 4 subitem 4.5 of these Instructions.

6. Row 3 – “capital adequacy ratio” shall be filled in by applying the following rules and sequence of filling in the columns of this row:

6.1. Column 5 – “capital requirement” shall be filled in by applying the rules referred to in item 4 subitem 4.1 of these Instructions.

6.2. Column 9 - "coverage with Tier 2 capital" shall state the amount of Tier 2 capital of row 17 of column 3 needed to cover the capital requirement of column 5 of this row. The

maximum amount of Tier 2 capital the bank may use to cover the capital adequacy ratio (8%) shall be 2% of the risk weighted assets (row 14 of column 3).

6.3. If the bank does not hold sufficient amount of Tier 2 capital to cover the maximum amount referred to in subitem 6.2 of this item, it shall use the excess Additional Tier 1 capital that is not used to cover Tier 1 capital ratio (difference between the Additional Tier 1 capital of row 16 of column 3 and the amount of row 2 of column 7) to cover the shortage of capital required to meet the capital adequacy ratio.

The maximum amount of Additional Tier 1 capital the bank may use to cover the shortage referred to paragraph 1 of this subitem shall be 2% of the risk weighted assets (row 14 of column 3).

6.4. Column 7 - "coverage with Additional Tier 1 capital" shall state the amount of Additional Tier 1 capital used by the bank to cover the capital adequacy ratio, and shall be equal to the sum of row 2 of this column and the amount of the shortage referred to in subitem 6.3 paragraph 1 of this item, i.e., the maximum amount referred to in subitem 6.3 paragraph 2 of this item.

6.5. If the excess Additional Tier 1 capital of subitem 6.3 paragraph 1 of this item is not sufficient to cover the maximum amount referred to in subitem 6.3 paragraph 2 of this item, the bank shall use the excess CET1 that is not used to cover Tier 1 capital ratio (difference between CET1 of row 15 of column 3 and the amount of row 2 of column 6) to cover the shortage of capital required to meet the capital adequacy ratio.

6.6. Column 6 – "coverage with CET1" shall state the amount of CET1 used by the bank to cover the capital adequacy ratio, and shall be equal to the sum of row 2 of this column and the amount of shortage of subitem 6.5 of this item.

6.7. Column 8 shall be filled in by applying the rules referred to in item 4 subitem 4.4 of these Instructions.

6.8. Column 10 shall be filled in by applying the rules referred to in item 4 subitem 4.5 of these Instructions.

7. Row 4 - "excess/shortage to cover the minimum capital requirements" shall present the excess/shortage of CET1, Additional Tier 1 capital, Tier 1 capital, Tier 2 capital and own funds for covering the minimum capital requirements and shall be filled in as follows:

- Column 6 shall state the difference between row 15 of column 3 and the amount of row 3 of column 6;
- Column 7 shall state the difference between row 16 of column 3 and the amount of row 3 of column 7;
- Column 8 shall state the sum of amounts of indents 1 and 2 of this item;
- Column 9 shall state the difference between row 17 of column 3 and the amount of row 3 of column 9;
- Column 10 shall state the sum of amounts of indents 3 and 4 of this item;

Additional capital requirements

8. When filling in row 5 – "additional capital requirements" the bank shall take into consideration the following rules:

8.1. Column 4 - "ratio" shall state the additional capital requirement ratio (over 8% of the risk weighted assets) to be met by the bank by applying a measure taken/prescribed by the Governor of the National Bank in accordance with the Banking Law.

8.2. Column 5 – "capital requirement" shall be filled in by applying the rules referred to in item 4 subitem 4.1 of these Instructions.

8.3. The filling in of columns 6, 7, 8, 9 and 10 shall start with the excess/shortage for covering the minimum capital requirements referred to in the respective columns of row 4, determined under item 7 of these Instructions.

8.4. If the bank holds excess CET1, Additional Tier 1 capital and Tier 2 capital to cover additional capital requirements, it may choose the sequence of covering these requirements.

9. Row 6 - "excess/shortage to cover the minimum and additional capital requirements" shall present the excess/shortage of CET1, Additional Tier 1 capital, Tier 1 capital, Tier 2 capital and own funds for covering the minimum capital requirements of row 3 and for covering additional capital requirements of row 5, and shall be filled in as follows:

- Column 6 shall state the difference between row 15 of column 3 and the sum of row 3 and 5 of column 6;
- Column 7 shall state the difference between row 16 of column 3 and the sum of rows 3 and 5 of column 7;
- Column 8 shall state the sum of amounts of indents 1 and 2 of this item;
- Column 9 shall state the difference between row 17 of column 3 and the sum of rows 3 and 5 of column 9;
- Column 10 shall state the sum of amounts of indents 3 and 4 of this item.

Capital buffers

10. Column 4 - "ratio" shall include the capital buffers ratios, prescribed by the National Bank, in accordance with the Banking Law.

The row presenting the countercyclical capital buffer shall state the countercyclical capital buffer ratio, as determined under the National Bank's methodology for determining countercyclical capital buffer ratio for exposures in the Republic of Macedonia.

11. Column 5 – "capital requirement" shall be filled in by applying the rules referred to in item 4 subitem 4.1 of these Instructions.

12. Row 7 – "amount of capital buffers" shall be the sum of rows 8, 9, 10 and 11.

Columns 6, 7, 8, 9 and 10 shall not be filled in.

Distribution factor

13. Row 12 – "excess CET1/capital buffers" shall present the quotient of the amount of row 6 of column 6 and the amount of row 7 of column 5, which is multiplied by 100, i.e. expressed as a percentage. This row shall be filled in only for column 6.

14. Row 13 – "distribution factor" shall state:

- 0, if the percentage of row 12 is lower or equal to 25%;

- 0.2, if the percentage of row 12 is higher than 25%, but lower than or equal to 50%;
- 0.4, if the percentage of row 12 is higher than 50%, but lower than or equal to 75%;
- 0.6, if the percentage of row 12 is higher than 75%, but lower than 100%;
- 1, if the percentage of row 12 is equal to or higher than 100%.

Capital adequacy data

15. In section V. "capital adequacy data", column 3 shall state data on the risk weighted assets (row 14), CET1 (row 15), Additional Tier 1 capital (row 16), Tier 2 capital (row 17 and own funds (row 18), presented in the forms that are part of the Instructions for implementing the Decision on the methodology for determining the capital adequacy, as of the reporting date.

III. CLOSING PROVISIONS

16. These Instructions shall enter into force on the eighth day from the day of their publication in the Official Gazette of the Republic of Macedonia.

I No. 8288
15 March 2017
Skopje

Dimitar Bogov
Governor