



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 64 paragraph 1 item 22 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 3/02, 51/03, 85/03, 40/04, 61/05 and 129/06) and Article 68 paragraph 1 and Article 69 paragraph 2 of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/2007), the National Bank of the Republic of Macedonia Council adopted the following

DECISION on amending the Decision on credit risk management ("Official Gazette of the Republic of Macedonia" no. 31/2009)

I. The Decision on credit risk management ("Official Gazette of the Republic of Macedonia" no. 17/2008) shall be amended as follows:

1. In Section II item 5 paragraph 1, the words "subject to classification by the bank" shall be deleted.
2. In section III item 15 paragraph 3, the words: „effective interest rate“, shall be followed by coma and the word: "presented".
3. In section III, after the item 26, new part III.3 shall be added, reading:

"III.3 Classification of credit risk exposure and determination of impairment on individual basis for investments in securities available for sale

27. The Bank shall not classify the credit risk exposure in risk categories and shall not calculate the impairment for investments in securities available for sale according to the method specified in parts III.1 and III.2 of this Decision.

28. When the bank considers that, in accordance with items 7 and 8 of this Decision, the investment in securities available for sale is impaired, the bank shall calculate an amount of impairment equal to the negative difference between the fair value and the amortized cost.

The fair value of the investment in securities available for sale is calculated at its current market price in an active market.

If the debt security is not traded on an active market, the bank shall estimate the fair value by discounting the expected future cash flows from the debt security by using current market price of similar securities issued in same currency and with same or similar maturity date as the currency and the maturity date of the expected collection.

If the equity is not traded on an active market, the bank shall estimate the fair value by discounting the expected future cash flows by using the current market rate of return on investments in similar financial instruments.

29. The bank shall, in its books, record the determined amount of impairment for the investments in securities available for sale, as follows:

- It shall reenter the amount on a respective account within the revaluation reserves from the reserves and shall record it in the income statement on a respective account for impairment of the assets available for sale;
- It shall reenter the amount from the respective account for changes in the fair value to the respective account for impairment within the accounts for investments in securities available for sale;
- It shall record all additional amounts of impairment in the income statement on a respective account for impairment of the assets available for sale and on the respective account for impairment within the accounts for investments in securities available for sale

30. For the debt securities available for sale for which the bank predetermined to be impaired, in case of increase in the fair value, the bank shall record, in its books, the amount of released impairment in the income statement on a respective account for impairment of the assets available for sale and on the respective account for impairment within the accounts for investments in securities available for sale.

When the amount of the new fair value exceeds the amount of estimated impairment, the bank shall record the difference as an increase in the fair value on the respective account of the revaluation reserves and on the respective account for changes in the fair value within the accounts for investments in securities available for sale.

The bank shall not release the impairment for the investments in equities available for sale.

31. The provisions of item 26 of this Decision shall respectively apply to the investments in securities available for sale."

4. Items 27 to 50 shall become items 32 to 55.

5. In Section V, item 37, which becomes item 42, subitem i) shall be followed by new subitem j), reading:

"j) definition of acceptable level of source of repayment relative to the credit risk exposure to natural persons and monitoring of the structure of total exposure of the bank to natural persons according to the amount of the source of repayment. When defining the acceptable level of source of repayment, the bank shall take account of the relevant indicators for the development of the consumer prices."

6. In section V, item 37, which becomes item 42, subitems j), k), l), m), n), o), p) and q) become subitems k), l), m), n), o), p), q) and r).

7. In section VII, item 46, which becomes item 51, shall be amended and read:

"51. The provisions of the Decision on the methodology for recording and evaluating accounting items and for compiling financial reports shall respectively apply to issues that have not been addressed in this Decision.

For the purposes of calculating the present value of the on-balance sheet and off-balance sheet claims for which there was no obligation for discounting the expected

future cash flows at the moment of their occurrence, the bank may discount the expected future cash flows by applying the agreed interest rate."

II. This Decision shall enter into force on the eighth day after its publishing in the "Official Gazette of the Republic of Macedonia", except for item 5 which shall start being applied on December 31, 2009.

D. no. 02-15/II-5/2009
February 26, 2009
Skopje

Petar Goshev, MSc.
Governor

President
of the National Bank of the Republic of
Macedonia Council