



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 31 and 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. 3/2002, 51/2003, 85/2003, 40/2004, 61/2005 and 129/2006) and Article 103 of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/2007), the National Bank of the Republic of Macedonia Council passed the following

DECISION

on the accounting and regulatory treatment of foreclosed assets ("Official Gazette of the Republic of Macedonia" no. 79/2007)

I. GENERAL PROVISIONS

1. This Decision sets out the methodology for the accounting and regulatory treatment of foreclosed assets.
2. For the purposes of this Decision, foreclosed assets shall be all tangible assets (property in land, buildings, equipment, etc.) and other foreclosed valuables, other than foreclosed securities and stakes.
3. Asset shall be considered foreclosed at the moment of acquiring a legal ground for subscribing the ownership, considered to be a foreclosure date.

Within 3 months after the foreclosure date, the bank's competent body shall, observing the bank's internal acts, adopt a decision on selling and a plan of selling the foreclosed asset including at least the selling price, allowed deviation from the selling price, method of selling and period of implementing the sale and identify the activities for finding a buyer.

4. The bank's board of directors shall submit reports to the Supervisory Board on the amount and the type of foreclosed assets, the undertaken activities for their sale and the status of implementing the selling plans and/or the changes in the plans of selling the foreclosed assets and the amount of the sold foreclosed assets, at least quarterly.

II. INITIAL RECOGNITION OF THE FORECLOSED ASSETS

5. The foreclosed asset shall be recognized in the bank's balance sheets at initial accounting value on the foreclosure date.

Initial accounting value shall be either the amount of the appraised value, less the expected selling costs on the burden of the bank, or the purchase value of the foreclosed assets, whichever is lower.

The appraised value shall be determined by an authorized appraiser. The bank shall have the foreclosed asset appraised on the foreclosure date.

As an exception to paragraph 3 of this item, the appraised value of foreclosed assets below Denar 1,000,000, may also be determined by other person empowered by law.

Selling costs shall be costs directly associated with the sale, such as notary expenses, taxes, etc.

Purchase value shall be the value indicated in the act, adopted by a competent body, which is a legal ground for acquiring a title.

6. When the appraised value of the foreclosed asset is lower than the purchase value, the bank shall recognize an impairment loss in the income statement in the amount of the difference between the two values.

III. SUBSEQUENT MEASUREMENT OF THE FORECLOSED ASSETS

7. At least once every twelve months, the bank shall have the value of the foreclosed asset appraised by three authorized appraisers at least two of whom are external appraisers not employed with the bank.

For the purposes of subsequent measurement of the foreclosed asset, the appraised value shall be the amount of the lowest appraisal made as specified by paragraph 1 of this item.

As an exception to paragraph 1 of this item, the bank may have the value of the foreclosed asset appraised by only one authorized appraiser, unless the initial accounting value of the foreclosed asset less the total amount of impairment loss exceeds Denar 2,000,000.

8. If, according to the appraisal referred to in item 7 of this Decision, the appraised value less the selling costs is lower than the amount of the initial accounting value less the total amount of impairment loss, the bank shall, in its income statement, recognize additional amount of impairment loss, to the amount of the appraised value.

In the period between two appraisals of the value of the foreclosed asset, as specified by Article 7 of this Decision, the bank shall, in its income statement, recognize additional amount of impairment loss, to the amount of the announced reduced purchase price of the foreclosed asset.

If, according to the appraisal referred to in item 7 of this Decision, the appraised value less the selling costs exceeds the amount of the initial accounting value less the total amount of impairment loss, the bank shall not recognize this difference in its income statement.

9. If the bank fails to sell the foreclosed asset within 5 years from the foreclosure date, it shall write off such asset in full, i.e. shall reduce its value to zero.

IV. MEASURING THE ALREADY FORECLOSED ASSETS

10. Once this Decision enters into force, the bank shall have the already foreclosed asset appraised by an authorized appraiser, as specified by item 7 of this Decision, within 3 months after the date this Decision enters into force.

The appraised value of the foreclosed asset or the value of the foreclosed asset recognized to the date of effectiveness of this Decision, whichever is lower, shall be the initial accounting value of the already foreclosed assets.

If the appraised value is lower than the value at which the foreclosed asset has been recognized to the date of effectiveness of this Decision, the bank shall recognize an impairment loss in the income statement to the amount of the appraised value.

11. The bank shall subsequently measure the already foreclosed assets as specified by Chapter III of this Decision, with the date of effectiveness of this Decision being regarded as a date of foreclosing such assets.

V. REGULATORY TREATMENT

12. When determining the limits under Article 78 of the Banking Law, the net-value of the foreclosed assets shall be taken into account.

The net value of the foreclosed asset shall be the initial accounting value less the total amount of impairment loss.

VI. CLOSING PROVISIONS

13. The National Bank of the Republic of Macedonia may prescribe Instructions for enforcing this Decision.
14. The provisions of this Decision concerning banks shall also apply to the savings houses in the Republic of Macedonia.
15. This Decision shall enter into force on the date of its publishing in the "Official Gazette of the Republic of Macedonia", when the Decision on the methodology for allocation of special foreclosure loss provisions ("Official Gazette of the Republic of Macedonia" no. 80/2006) ceases being valid.

D. No. 02-15/VI-1/2007
June 20, 2007
Skopje

Petar Goshev, MSc.
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President of the
National Bank of the Republic of
Macedonia Council