



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 69 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), Article 2 paragraph 1 item 29 and Article 64 paragraph 3 of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/2007) and item 128 of the Decision on methodology for determining capital adequacy ("Official Gazette of the Republic of Macedonia" no. 159/2007, 32/2008 and 31/2009), the Governor of the National Bank of the Republic of Macedonia adopted the following

INSTRUCTIONS

for enforcing the Decision on the methodology for determining the capital adequacy
("Official Gazette of the Republic of Macedonia" no. 43/2009)

I. GENERAL PROVISIONS

1. These Instructions set forth the method of applying the Decision on the methodology for determining the capital adequacy (hereinafter: Decision).

2. For the purposes of determining the capital adequacy, the bank shall fill-in and submit to the National Bank of the Republic of Macedonia (hereinafter: National Bank) the following reports:

- Report on bank's own funds - SS Form,
- Report on the total bank's activities - VA Form;
- Report on the bank's trading book - PT Form
- Report on credit risk weighted assets - APKR Form and APKRV Forms,
- Report on capital requirement for currency risk - KPVR Form,
- Report on capital requirement for specific risk of investments in debt instruments - SR-DI Form,
- Report on capital requirement for general risk of investments in debt instruments - GR-DI Form,
- Report on capital requirement for risk of investments in equities - SHV Form,
- Report on capital requirement for settlement/delivery risk - RI Form,
- Report on capital requirement for counterparty risk - RDDS Form,
- Report on capital requirement for exceeding the exposure limits - NLI Form,
- Report on capital requirement for commodity risk - RPCS Form,
- Report on capital requirement for market risks arising from option positions - O Form, and
- Report on capital adequacy ratio - AK Form.

The bank which fulfills the requirement referred to in item 28 of the Decision, shall not submit the Report on capital requirement for currency risk (KPVR Form). The bank which fulfills the requirements referred to in item 29 of the Decision, shall not submit the reports specified in paragraph 1 indents 6, 7, 8, 9, 10 and 13 of this item.

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

II. OWN FUNDS REPORT

3. The Own Funds Report (SS Form) shall contain data on the bank's own funds, used for determining the capital adequacy ratio and other prudential limits.

II.1 Core Capital

4. When determining its core capital, the bank shall employ the following rules:

4.1 Row 1 - "paid-in and subscribed common and non-cumulative preference shares and premium on such shares" shall state the sum of rows 1.1 and 1.2:

a) Row 1.1 - "nominal value" shall state the nominal value of paid-in and subscribed common and noncumulative preference shares of the bank, as a sum of row 1.1.1 - "nominal value of common shares" and row 1.1.2 - "nominal value of non-cumulative preference shares".

The item of row 1.1 has been recorded on accounts: 902 (in absolute amount, i.e. with positive sign) and 903;

b) Row 1.2 - "premium" shall state the premium on sale of common and noncumulative preference shares, recorded on account 901, as a sum of row 1.2.1 - "premium on sale of common shares" and row 1.2.2 - "premium on sale of non-cumulative preference shares".

When the premium is negative, it shall be recorded with a negative sign.

4.2 Row 2 - "reserves and retained profit or loss" shall present the amount of reserves and retained unallocated profit or loss, which is the sum of row 2.1, row 2.2 and row 2.4 less the sum of row 2.3 and row 2.5,

a) Row 2.1 - "reserve fund" shall state the amount of bank's reserves allocated from the taxed profit.

Reserves have been recorded on accounts: 9041, 9048 and 9049;

b) Row 2.2 - "retained profit restricted for distribution to shareholders" shall state the retained profit unencumbered by any future liability, but restricted for allocation to shareholders in the future.

The retained profit is recorded on account 90601 and may be included in the core capital only if the requirements defined by the Decision have been met,

c) Row 2.3 - "accumulated loss from previous years" shall state the accumulated loss from previous years, recorded on account 0961,

d) Row 2.4 - "current profit" shall state the current profit that meets the requirements set under the Decision,

e) Row 2.5 - "unrealized loss from equities available for sale" shall state the respective part of account 9051 (only the part which refers to the loss from equities available for sale).

4.3 Row 3 - "positions as a result of consolidation" shall state positions resulting from the consolidation, i.e. the sum of row 3.1 - "minority interest", row 3.2 - "reserves from exchange rate differentials" and row 3.3 - "other differentials".

Positions resulting from the consolidation shall be a part of the bank's core capital if their sum has a positive value. If the positions resulting from the consolidation have a negative value,

they shall be presented on row 18 - "positions as a result of consolidation (negative amounts)", as a part of the group of "deductions from core capital and additional capital I".

4.4 The total amount of deductions from the core capital shall be presented on row 4 - "deductions" as a sum of the amounts of rows 4.1, 4.2, 4.3, 4.4, 4.5 and 4.6,

a) Row 4.1 - "loss at the yearend or current loss" shall state a loss arising from bank's operations at the yearend or a loss from its current operations,

b) Row 4.2 - "own shares", shall state the amount of own shares recorded on account 902 (in absolute amount),

c) Row 4.3 - "Intangible assets", shall state the goodwill, patents, licenses, concessions and brands recorded on accounts 002, 003 and 0041, less the respective part of account 009 which pertains to these assets,

d) Row 4.4 - "net-negative revaluation reserves" shall state the amount of net-negative revaluation reserves and other differentials from valuation of hedging of net-investments in foreign currency (respective part of account 9055), noncurrent assets kept for sale or groups for disposal (respective part of the account 9052) the effective part of hedging of the cash flows (respective part of the account 9056) and the amount of other similar revaluation reserves and other differentials.

e) Row 4.5 - "difference between the amount of required and performed impairment / special reserve" shall state the difference between the amount of impairment/ special reserve as defined by the classification methodology set by the National Bank and the impairment/allocated special reserve as recorded on the respective accounts, except for the difference resulting from the accounting time lag.

f) Row 4.6 - "amount of unallocated impairment and special reserve resulting from accounting time lag" shall state the amount of impairment and the special reserve the bank failed to recognize as a result of the accounting time lag.

4.5 Row 5 - "common shares, reserves and retained profit and deductions" shall state the sum of row 1.1.1, row 1.2.1, row 2 and row 3, less the amount of deductions of row 4.

4.6 Row 6 - "amount of other items that may be included in the core capital" shall state the lesser of the amount of row 5, and the sum of row 1.1.2 (par value of noncumulative preference shares) and row 1.2.2 (premium from the sale of noncumulative preference shares).

4.7 The amount of core capital shall be recorded on row I - "core capital" and shall be the sum of row 5 and row 6.

II.2 Additional capital I

5. The amount of additional capital I shall be presented by using the following rules:

5.1 Row 7 - "paid-in and subscribed cumulative preference shares and premium based on such shares" shall state the amount of subscribed and paid-in cumulative preference shares and the premium on sale of such shares, derived as a sum of row 7.1 - "nominal value of cumulative preference shares" and row 7.2 - "premium"

The nominal value of cumulative preference shares is recorded on account 9120, and the premium on sale of such shares is recognized on account 9122.

5.2 Row 8 - "revaluation reserves" shall state the unrealized profit from revaluation of equities and debt instruments available for sale (80% of this amount). This unrealized profit is recorded on the respective part of account 9051.

5.3 Row 9 - "hybrid capital instruments" shall state hybrid capital instruments that meet the requirements set out in the Decision and that are recorded on the respective part of accounts 908 and 910.

5.4 Row 10 - "subordinated instruments" shall state subordinated instruments that meet the requirements set out in the Decision and that are recorded on the respective part of account 911.

The amount of subordinated instrument included in the additional capital I over the last five years of the maturity or repayment date, shall be calculated as follows:

- subordinated instrument shall be included in the overall amount, if there is more than 5 years and one day to the maturity or repayment date,
- subordinated instrument shall be included in the amount of 80% if the maturity or repayment date is between 4 years and one day and 5 years,
- subordinated instrument shall be included in the amount of 60% if the maturity or repayment date is between 3 years and one day and 4 years,
- subordinated instrument shall be included in the amount of 40% if the maturity or repayment date is between 2 years and one day and 3 years,
- subordinated instrument shall be included in the amount of 20% if the maturity or repayment date is between 1 year and one day and 2 years.

In the last year to the maturity or repayment date, the subordinated instrument shall not be included in the additional capital I.

5.5 Row 11 - "amount of subordinated instruments which may be a part of the additional capital I" shall state either the lesser of:

- the amount of subordinated instruments (row 10), or
- 50% of the amount of core capital (row I).

5.6 Row II - "additional capital I" shall state the total amount of additional capital I, which is a sum of rows 7, 8, 9 and 11.

II.3 Deductions from the core capital and the additional capital I

6. The amount of deductions from the core capital and the additional capital I shall be presented by applying the following rules:

6.1 Row 12 - "investments in capital of other banks or financial institutions constituting over 10% of the capital of such institutions" shall state the net-accounting value of the bank's investments as determined by item 17 paragraph 2 subitem a) of the Decision.

The net-accounting value of the positions of paragraph 1 of this subitem shall present:

- the purchase value of investments, recognized on the respective part of the accounts 075, 0785, 085, 0885, 095, 0985 corrected by the amount of revaluation or impairment,
- purchase value of equities investments which, according to the Decision, are not a part of the bank's trading book and which are recorded on the respective account of classes 3 and 4, corrected by the amount of impairment, the amount of premium or the discount, and the changes in the fair value.

6.2 Row 13 - "investments in subordinated and hybrid capital instruments and other instruments of the institutions of row 12", shall state the net-accounting value of the investments in subordinated and hybrid capital instruments and other instruments (item 17 paragraph 2 subitem b) of the Decision).

The net-accounting value of the positions of paragraph 1 of this subitem shall present their accounting value corrected by the amount of impairment, the amount of premium or the discount, and the changes in the fair value of such investments (on the respective part of accounts 509, 519, 529 and other respective accounts of classes 3 and 4 which record subordinated and hybrid capital instruments and other institutions' instruments of row 12, which are not a part of the trading book).

6.3 Row 14 - "aggregate amount of investments in capital, subordinated and hybrid instruments and other instruments exceeding 10% of the sum of row I and row II", shall state the aggregate amount of the net-accounting value of the bank's investments referred to in item 17 paragraph 2 subitem c) of the Decision. This position shall specify only the aggregate amount which exceeds 10% of the sum of the core capital and the additional capital I of the bank, before being reduced by the deductions of this part.

The net-accounting value of the positions of paragraph 1 of this subitem shall present their accounting value recorded on the respective part of accounts 075, 0785, 085, 0885, 095, 0985, 509, 519, 529 and other respective accounts of classes 3 and 4, corrected by the part of these accounts that refers to the revaluation or the impairment, the allocated impairment, the amount of premium or discount and changes in the fair value. The aggregate amount shall include all investments in capital, subordinated and hybrid instruments and other instruments which are not a part of the trading book.

6.4 Row 15 - "direct investments in the capital of insurance and reinsurance companies and pension funds management companies" shall state the net-accounting value of bank's direct investments in the capital of the insurance and reinsurance companies and the pension funds management companies.

The net-accounting value of the positions of paragraph 1 of this subitem shall present their accounting value recorded on the respective part of accounts 0753, 0754, 0785, 0853, 0854, 0885, 0953, 0954, 0985 and other respective accounts of classes 3 and 4, corrected by the part of these accounts that refers to the revaluation or the impairment, the allocated impairment, the amount of premium or discount and changes in the fair value. The positions of paragraph 1 of this subitem shall also include direct investments in capital of the insurance and reinsurance companies and the pension funds management companies, which are part of the bank's trading book.

6.5 Row 16 - "investments in financial instruments issued by insurance and reinsurance companies and pension funds management companies" shall state the net-accounting value of the investments in financial instruments issued by the insurance and reinsurance companies and pension funds management companies, which as specified by the regulations, are included in the determination of the capital of these companies.

The net-accounting value of the positions of paragraph 1 of this subitem shall represent their accounting value recorded on the respective part of accounts 509, 519, 529 and other respective accounts of classes 3 and 4, corrected by the part of these accounts that refers to the impairment, the amount of premium or discount and changes in the fair value. The positions of paragraph 1 of this subitem shall also include financial instruments included in the capital of the insurance and reinsurance companies and the pension funds management companies, which are part of the bank's trading book.

6.6. Row 17 - "amount of excess of limits on investments in nonfinancial institutions" shall state the limit excess referred to in the Banking Law concerning individual capital holding (15%) and aggregate i.e. total amount of capital holdings in nonfinancial institutions (30%).

This position shall register only the amount of excess over the set limit. If the bank exceeds both limits, the higher amount between the excess of the both limits, shall be taken as a deduction.

6.7. Row 18 - "positions as a result of consolidation (negative amounts)" shall state the negative value of the positions resulting from consolidation.

6.8. Row III - "deductions" shall state the total amount of deductions which is a sum of rows 12 to 18.

6.9. The sum of core capital and the additional capital I shall be reduced by the deductions referred to in row III, as follows: 50% of the deductions shall be covered by core capital and 50% of the deductions shall be covered by the additional capital I. If the amount of deductions referred to in row III, which is to be deducted from the additional capital I, exceeds its amount, the remaining amount of deductions shall be deducted from the core capital.

The amount of core capital after deductions and of the additional capital I after deductions, derived as specified under paragraph 1 of this item, shall be indicated in rows IV and V, respectively.

II.4 Additional capital II

7. Row 19 - "subordinated instruments from additional capital II" shall state the subordinated instruments which according to item 18 of the Decision are a part of the additional capital II (recorded on the respective part of account 911).

8. Row 20 - "additional capital I and II" shall state the sum of rows V and 19.

9. Row 21 - "allowed amount of additional capital I and II" shall state the lesser of:

- row 20 (additional capital I and II); or
- row IV (core capital after deductions).

Based on the amount in row 21, rows 21.1 and 21.2 shall state the respective amounts of the allowed amount of additional capital I and II. Row 21.1 shall be filled-in by observing the following rules:

- 1) if the sum of the additional capital I and II is lower than the amount of the core capital after deductions (the amount in row 20 is lower than the amount in row IV), it shall state the amount specified in row V,
- 2) if the sum of the additional capital I and II exceeds the amount of the core capital after deductions, and the additional capital I after deductions is lower than the core capital after deduction, it shall state the amount specified in row V,

- 3) if the sum of the additional capital I and II exceeds the amount of the core capital after deductions, and the additional capital I after deductions exceeds the core capital after deductions, it shall state the amount specified in row 21.

Row 21.2 shall state the difference between row 21 and row 21.1.

10. Row 22 - "excess core capital" shall state the excess core capital not used for covering the credit risk, the commodity risk, the counterparty risk, the settlement risk and the currency risk. This amount shall be the difference between the amount of core capital after deductions (row IV) and the sum of rows 4, 7, 9, 10.5, 10.6 and 10.7 of the AK Form.

The amount of row 22 multiplied by 150%, i.e. 250% shall be stated in rows 21.1 and 22.2, respectively.

11. Row VI - "allowed amount of additional capital II" shall state either the amount of rows 21.2 or 22.1, whichever is lower.

As an exception to paragraph 1 of this item, if the additional capital II of row 21.2 exceeds the excess core capital of row 22.1, and the allowed amount of additional capital I and II (row 21) does not exceed the excess core capital of row 22.2, this row shall state the amount of row 21.1.

II.5 Own Funds

12. Row VII - "core capital" shall state the amount of row IV.

Row VIII - "additional capital I" shall state the amount of row 21.1.

Row IX - "additional capital II" shall state the amount of row VI.

Row X - "own funds" shall state the total amount of bank's own funds as a sum of the core capital of row VII, the amount of additional capital I of row VIII and the amount of the additional capital II of row IX.

III. REPORT ON THE BANK'S TRADING BOOK

13. The report on the bank's trading book (PT Form) includes data on the trading book positions, i.e. the long and the short positions in financial instruments and goods held for trading on their own behalf and for their own account and on behalf and for the account of the bank's clients, positions resulting from the bank's authorization to act as a market maker and positions for hedging of the value of other positions in the book

The report on the bank's trading book (PT Form) shall be filled-in by using the following rules:

13.1 Column 3 shall state the total amount of long positions in financial instruments which are part of the trading book, and column 4 shall state the total amount of short positions in these instruments (in absolute amount). The sum of long positions (column 3) and short positions (column 4) in financial instruments, which, as specified by the Decision, are a part of the trading book, shall be recognized in column 5.

When recognizing the positions in the trading book, each financial instrument shall be included in the total amount of long i.e. short position on a net-basis, as defined by item 56 of the Decision.

13.2 Row 1 - "securities" shall state separately the debt securities, the equities and the convertible securities which are a part of the trading book.

The long and short positions of the securities in the trading book are recorded on the respective part of the accounts 36, 40, 46, 79 and 89, as well as all other accounts which record long and short positions in the securities which, according to the Decision, are a part of the trading book.

13.3 Row II - "commodities" shall state the amount of commodities allocated to the trading book.

13.4. Row III - "financial derivatives" shall recognize financial derivatives allocated to the trading book as follows: interest rate futures/forward, debt instrument futures/forward, exchange rate forward, equity futures/forward, stock exchange index futures/forward, interest rates swap, currency swap, equities and options swap. These positions include derivatives recorded on the respective part of accounts 35 and 45, i.e. 75 and 85. The embedded derivatives and derivatives held for risk management shall be presented in this position (they are a part of the trading book), only if they refer to instruments which are a part of the trading portfolio. The remaining embedded derivatives and derivatives held for risk management, which do not refer to instruments which are a part of the trading book, shall be included in the banking book and shall be recognized in the credit risk weighted assets (APKR Form).

13.5 Row IV - "other financial instruments" shall state other financial instruments which are a part of the trading book, as follows: underwriting contracts, repo agreements and agreements on lending/borrowing of securities or goods, fees, compensations, interests, dividends and margins based on financial derivatives traded on the stock market and directly related to the positions included in the trading portfolio and other instruments, which as defined by the Decision, are a part of the trading book, also including credits and other instruments held for trading.

13.6. Row V - "trading book", column 3 shall state the sum of all long positions, and column 4 - shall state the sum of all short positions of the trading book. The sum of all long and all short positions in the trading book shall be recognized in column 5.

IV. REPORT ON CREDIT RISK WEIGHTED ASSETS

14. The Report on credit risk weighted assets shall be submitted on two Forms:

- APKR Form and
- APKRV Form.

III.1. APKR Form

15. APKR Form shall be filled-in by applying the following rules:

15.1. Column 3 - "accounting value" – shall state the accounting value of the respective on-balance sheet asset item referred to in column 2, which includes the changes in the fair value and the amount of premium or discount, but does not include the accumulated amortization and impairment.

Column 4 - "impairment" shall state the amount of impairment by the respective on-balance sheet asset item of column 2.

Column 5 – "net-amount" – shall represent the difference between the amounts referred to in columns 3 and 4.

The risk weights of the respective on-balance sheet asset items shall be recognized in column 6 - "weight".

Column 7 – "weighted amount" shall state the product of the net-amount (column 5) and the risk weight (column 6).

15.2 The rows in APKR Form shall be filled-in as follows:

Items subject to 0% risk weight:

1) Cash, gold and deposits with the National Bank.

These items in the bank accounting are recorded on accounts: 100, 101, 1054, 1080, 300, 3080 and 3118.

2) Claims on the National Bank and claims collateralized by securities issued by the National Bank.

This item shall state the claims recorded on the accounts: 14, 1550, 165 (on the respective part), 3750, 3850, 3950, 39950, 4150, 4250, 4350, 43950, 4750, 4850, 4950, 49950, 5050, 5150, 5250, 5350, 5450, 5550, 5850, 5950, 59950, and all other accounts that record claims collateralized by securities issued by National Bank.

3) Claims on the Republic of Macedonia and claims collateralized by irrevocable guarantees payable on first written call and securities issued by the Republic of Macedonia.

These items shall include claims recorded on the respective part of accounts: 1510, 161, 3710, 3810, 3910, 39910, 4110, 4210, 4310, 43910, 4710, 4810, 4910, 49910, 5010, 5110, 5210, 5710, 5810, 5910, 59910 and all other accounts that record claims collateralized by irrevocable guarantees payable on first written call and securities issued by the Republic of Macedonia.

4) Claims on the European Central Bank and governments and central banks of the EU member states, Switzerland, Canada, Japan, Australia, Norway and the USA, and claims collateralized by irrevocable guarantees payable on first written call and securities issued by the European Central Bank and governments of these countries or their central banks.

These positions are recorded on the respective part of the accounts: 1581, 1585, 168, 3781, 3785, 3881, 3885, 3981, 3985, 39981, 39985, 4181, 4185, 4281, 4285, 4381, 4385, 43981, 43985, 4781, 4785, 4881, 4885, 4981, 4985, 49981, 49985, 5081, 5085, 50985, 5181, 5185, 51985, 5281, 5285, 52985, 5385, 5585, 5781, 5785, 5881, 5885, 5981, 5985, 59981, 59985 and all other accounts that record claims referred to in paragraph 1 of this subitem.

5) Claims on multilateral development banks and claims collateralized by irrevocable guarantees and securities issued by these banks.

This position shall recognize claims registered on the respective part of the accounts 1585, 168, 332, 3785, 3885, 3985, 39985, 4185, 4285, 4385, 43985, 4785, 4885, 4985, 49985, 5085, 50985, 5185, 51985, 5285, 52985, 5385, 5785, 5885, 5985, 59985 and all other accounts that record claims collateralized by irrevocable guarantees payable on first written call and securities issued by multilateral development banks.

6) Claims collateralized by cash deposit or cash in a depot, up to the amount of cash deposit, i.e. cash in the depot – shall include all claims and parts thereof, fully collateralized by Denar

or foreign currency deposit with the bank, i.e. by cash deposited in the depot. The cash deposit or cash in the depot might be considered collateral only if the requirements referred to in item 40 subitem f) of the Decision that refer to claims with 0% risk weight are met.

7) All on-balance sheet asset items which as specified by section II of the Decision represent deductions from the own funds or their components.

Items subject to 20% risk weight:

8) Claims covered by other type of collateral provided by the Republic of Macedonia, the European Central Bank, governments and central banks of the EU member states, Switzerland, Canada, Japan, Australia, Norway and the USA, other than claims subject to 0% risk weight, and claims on entities established by these institutions, the operations and liabilities of which are fully covered by explicit guarantee issued by such institutions.

9) Claims collateralized by gold (up to the amount of collateral), with the requirements referred to in item 40 subitem f) of the Decision that refer to claims with 0% risk weight, being met.

10) Claims on first-rate banks and claims collateralized by irrevocable, unconditional guarantees and securities issued by these banks.

This item shall state the respective part of accounts: 13, 1551, 1585, 165, 168, 301, 310, 311, 315, 316, 319, 332, 335, 3751, 3785, 379, 3851, 3885, 3951, 3985, 39951, 39985, 4151, 4185, 419, 4251, 4285, 4351, 4385, 43951, 43985, 4751, 4785, 479, 4851, 4885, 4951, 4985, 49951, 49985, 5051, 5085, 5088, 50951, 50985, 5151, 5185, 5188, 51951, 51985, 5251, 5285, 5288, 52951, 52985, 5385, 5585, 5751, 5785, 5851, 5885, 5951, 5985, 59951, 59985 that refers to claims on first-rate banks.

This item shall also include all claims recorded on other balance sheet accounts, collateralized by irrevocable guarantees and securities issued by first-rate banks.

11) Claims on domestic and foreign banks that are not considered first-rate banks, with residual maturity of up to one year and claims with residual maturity of up to one year collateralized by irrevocable guarantees and securities issued by these banks.

These items shall include the respective part of accounts 13, 1551, 1552, 1585, 165, 168, 301, 310, 311, 315, 316, 319, 332, 335, 3751, 3785, 379, 3851, 3885, 3951, 3985, 39951, 39985, 4151, 4152, 4185, 419, 4251, 4252, 4285, 4351, 4352, 4385, 43951, 43952, 43985, 4751, 4752, 4785, 479, 4851, 4852, 4885, 4951, 4952, 4985, 49951, 49952, 49985, 5051, 5052, 5085, 5088, 50951, 50952, 50985, 5151, 5185, 5188, 51951, 51985, 5251, 5252, 5285, 5288, 52951, 52952, 52985, 5385, 5585, 5751, 5752, 5785, 5851, 5852, 5885, 5951, 5985, 59951, 59985 that refers to claims on domestic and foreign banks that are not considered first-rate banks, with residual maturity of up to 1 year.

This item shall also include all claims recorded on other balance sheet accounts, with residual maturity of up to one year and collateralized by irrevocable guarantees and securities issued by domestic and foreign banks that are not considered first-rate banks.

12) Claims covered by other type of collateral provided by multilateral development banks, other than claims with 0% risk weight.

Items subject to 50% risk-weight:

13) Claims on government funds and state agencies in the Republic of Macedonia and claims collateralized by irrevocable securities issued by these entities.

This item shall recognize the respective part of accounts: 1512, 161, 3712, 379, 3812, 3912, 39912, 4112, 419, 4212, 4312, 43912, 4712, 479, 4812, 4912, 49912, 5012, 5112, 5212, 5712, 5812, 5912, 59912 and claims recorded on all other balance sheet accounts, that represent claims on government funds and agencies, and claims collateralized by irrevocable guarantees and securities issued by these entities.

14) Claims based on housing loans fully collateralized by mortgages on residential facilities where the client has resided or will reside, or has rented for residing.

This item shall recognize claims recorded on the respective part of the accounts: 1571, 1587, 167, 168, 39971, 39987, 43971, 43987, 49971, 49987, 50711, 5087, 51711, 5187, 52711, 5287, 587, 5887, 597, 5987, 5997, 59987, and all other accounts that record claims of this item.

15) Claims on regional or local authorities of the EU member-states, Switzerland, Canada, Japan, Australia, Norway and the USA.

This item shall recognize claims recorded on the respective part of the accounts: 168, 3781, 379, 3881, 3981, 39981, 4181, 419, 4281, 4381, 4781, 479, 4881, 4981, 49981, 5081, 5181, 5281, 5781, 5881, 5981, 59981 and other accounts that record claims of this item.

Items subject to 100% risk weight:

16) Land, property and equipment, recorded on accounts 01 and 02.

17) Investments in capital, subordinated instruments and hybrid capital instruments and other investments in the capital of other banks and financial institutions which, as defined by Section II of the Decision, are not regarded as deductions from the own funds.

Claims included in this item are recorded on the respective part of accounts 075, 0785, 085, 0885, 095, 0985, 5095, 50985, 5195, 51985, 5295, 52985, classes 3 and 4 and other accounts that record claims of this item.

18) Long-term claims on banks not included in claims with 20% risk weight recorded on the respective part of the accounts: 13, 1551, 1552, 1585, 165, 168, 301, 310, 311, 315, 316, 319, 332, 335, 3751, 3785, 379, 3851, 3885, 3951, 3985, 39951, 39985, 4151, 4152, 4185, 419, 4251, 4252, 4285, 4351, 4352, 4385, 43951, 43952, 43985, 4751, 4752, 4785, 479, 4851, 4852, 4885, 4951, 4952, 4985, 49951, 49952, 49985, 5051, 5052, 5085, 5088, 50951, 50952, 50985, 5151, 5185, 5188, 51951, 51985, 5251, 5252, 5285, 5288, 52951, 52952, 52985, 5385, 5585, 5751, 5752, 5785, 5851, 5852, 5885, 5951, 5985, 59951, 59985, and other accounts that record claims of this item.

19) Claims on credits, interests and other claims, other than claims subject to other risk weights. This item shall state positions recorded on the respective part of the accounts: 15, 16, 39, 43, 49, 50, 51, 52, 53, 54, 55, 57, 58 and 59.

20) Other assets – shall state the sum of all other on-balance sheet asset items which are not included in the other items of this Form and which, according to the Decision, are a part of the bank's banking book.

This item shall also include all due and nonperforming claims (accounts for suspicious and contested claims), paid guarantees, L/Cs (account 56), backing guarantees and other on-

balance sheet claims arising from the off-balance sheet exposure of the bank, irrespective of the risk weight category of the claim, except for due and nonperforming claims subject to higher risk weight.

Items subject to 125% risk weight:

21) Exposure to natural persons based on used overdrafts on transaction accounts (allowed and disallowed) and used credits based on credit cards.

This item shall also include all due and nonperforming claims arising from the exposure specified by paragraph 1 of this subitem.

This item shall record exposure recognized on the respective part of the accounts: 1571, 1587, 167, 168, 39971, 379, 39987, 419, 43971, 43987, 479, 49971, 49987, 50714, 50715, 5087, 5088, 51714, 51715, 5187, 5188, 52714, 52715, 5287, 5288 and other accounts that record claims of this item.

I) Total on-balance sheet assets exposed to credit risk –shall be the sum of items referred to in rows 1 to 21, where only the sum for columns 3 and 5 is entered.

II) Total on-balance sheet credit risk weighted asset – shall record the sum of all weighted amounts of the on-balance sheet asset items referred to in column 7.

III) Total off-balance sheet credit risk weighted asset – shall record the amount of total off-balance sheet credit risk weighted asset, derived from row XVII of APKRV – 1 Form.

IV) Total credit risk weighted assets - shall record the sum of row II and row III.

VI.2 APKRV Forms

16. APKRV Form shall consist of two parts:

- APKRV-1 Form; and
- APKRV-2 Form.

APKRV-1 Form shall represent the so-called core off-balance sheet items of the bank, and APKRV-2 Form shall refer to the distribution of financial derivatives.

APKRV-1 Form

17. This Form shall include the off-balance sheet asset items which, by applying proper conversion factors, convert into so-called credit equivalents, and then, by applying the proper risk weights, the credit equivalents shall be weighted.

The core off-balance sheet claims shall be recognized in a net-amount, i.e. the accounting value of the off-balance sheet items (column 3) shall be reduced by the amount of allocated special reserve (column 4).

Some groups of off-balance sheet items may include several different off-balance sheet items, with different risk weight, depending on the category of the potential bank debtor and the type of collateral, taking into account the manner of distribution of some items defined in item 15.2 hereunder.

18. The rules that apply to columns 3, 4 and 5 of the APKR Form shall also apply to columns 3, 4 and 5.

19. The total net-amount of some off-balance sheet items of column 5 shall be distributed to columns 6, 7, 8, 9 or 10, depending on the category of the potential debtor of the bank and the type of collateral. The amounts recognized in columns 6, 7, 8, 9 and 10 shall not be multiplied by the respective risk weights, since the weighting is made at the end of the Form.

20. The APKRV-1 Form items shall be filled-in as follows:

1) Unused revokable credit lines the bank may revoke at any time without prior notice – shall include the unused portion of all concluded credit lines the bank is entitled to revoke at any time, without requiring client's consent. This item includes the off-balance sheet items recognized in the respective part of account 9934, and other accounts which record the off-balance sheet items of this position;

2) Covered guarantees, L/Cs and other covered credit risk-free off-balance sheet items, i.e. do not represent any potential credit liability for the bank – shall include all off-balance sheet items of the bank, which are considered covered off-balance sheet claims. This item includes the off-balance sheet items recorded on the respective part of accounts 9931, 9933, 9934, 9936 and 9938, and other accounts which record the off-balance sheet items of this position;

I) Total amount of off-balance sheet items with 0% conversion factor – sum of the accounting value, special reserve and net-amount of off-balance sheet items which are subject to 0% conversion factor (sum of items of rows 1 and 2). The net-amount of these off-balance sheet items shall be also distributed by individual risk weight;

II) 0% conversion factor;

III) Total amount of credit equivalents with 0% conversion factor – product of items of rows I and II of columns 6, 7, 8, 9 and 10;

3) Unused irrevocable credit lines based on overdrafts on transaction accounts, credit cards and similar type of potential credit risk exposure with maturity of up to one year. This item includes the off-balance sheet items recorded on the respective part of accounts 9933, 9934, 9936, and other accounts which record the off-balance sheet items of this position;

IV) Total amount of off-balance sheet items with 20% conversion factor – sum of the accounting value, the special reserve and the net-amount of off-balance sheet items with 20% conversion factor (item of row 3). The net-amount of this item shall be also distributed by individual risk weight;

V) 20% conversion factor;

VI) Total amount of credit equivalents with 20% conversion factor: product of items of rows IV and V of columns 6, 7, 8, 9 and 10;

4) Unused irrevocable credit lines based on overdrafts on transaction accounts, credit cards and similar type of potential credit risk exposure with maturity of over one year. This item includes the off-balance sheet items recorded on the respective part of accounts 9933, 9934, 9936, and other accounts which record the off-balance sheet items of this position;

5) Performance guarantees – all types of uncovered performance guarantees where the bank is a guarantor, guaranteeing that its client will carry out a certain activity. This item includes the off-balance sheet items recorded in the respective part of account 9930;

VII) Total amount of off-balance sheet items with 50% conversion factor – sum of the accounting value, the special reserve and the net-amount of off-balance sheet items with 50% conversion factor (sum of items of rows 4 and 5). The net-amount of this item shall be distributed by individual risk weight;

VIII) 50% conversion factor;

IX) Total amount of credit equivalents with 50% conversion factor - product of items of rows VII and VIII of columns 6, 7, 8, 9 and 10;

6) Uncovered L/Cs and guarantees – all uncovered L/Cs and guarantees, other than uncovered performance guarantees. This position includes the off-balance sheet items recorded on the respective part of accounts 9930 and 9937, and other accounts which record the off-balance sheet items of this position;

7) Other off-balance sheet assets - shall include all other off-balance sheet items which are not included in the items above, and refer to other off-balance sheet items that represent a credit risk exposure for the bank. This position includes the off-balance sheet items recorded on the respective part of accounts 9932, 9935 and 9939, and other accounts which record the off-balance sheet items of this position;

X) Total amount of off-balance sheet items with 100% conversion factor – sum of the accounting value, the special reserve and the net-amount of off-balance sheet items with 100% conversion factor (sum of items of rows 6 and 7). The net-amount of these off-balance sheet items shall be also distributed by individual risk weight;

XI) 100% conversion factor;

XII) Total amount of credit equivalents with 100% conversion factor – product of items of rows X and XI of columns 6, 7, 8, 9 and 10;

XIII) Total amount of credit equivalents of off-balance sheet items – sum of items of row III, VI, IX and XII;

XIV) Weights – risk weights used for weighting of on-balance sheet assets items: 0%, 20%, 50%, 100% and 125%.

XV) Total weighted amount of off-balance sheet items by weight – product of items of row XIII and XIV;

XVI) Total weighted amount of off-balance sheet items – sum of all amounts stated in columns 6, 7, 8, 9 and 10 of row XV.

XVII) Total off-balance sheet credit risk weighted asset – sum of the item of row XVI of this Form, item of row I column 6 of the APKRV-2/1 Form and the item of row I column 9 of the APKRV-2/2 Form.

APKRV -2 Forms

22. APKRV-2 Forms shall be used for presenting the specific off-balance sheet items - financial derivatives, as follows:

- APKRV -2/1 Form used for presenting the financial derivatives determined by applying the original exposure method,

- APKRV -2/2 Form used for presenting the financial derivatives determined by applying the mark to market method.

Financial derivatives recognized in APKRV-2 Forms shall be the financial derivatives which, according to the Decision, are not included in the trading book (embedded derivatives or hedging derivatives that refer to items which are not a part of the trading book), thus being considered a credit risk exposure. This form also includes the financial derivatives which are a part of the trading book, if the bank, in consistence with the Decision, is not bound to determine the capital requirement for market risks.

APKRV-2/1 Form

22. The financial derivatives shall be divided into two groups depending on the underlying financial derivative contract: interest rate or exchange rate and gold. Both financial derivatives are subject to different conversion factors depending on the due date. Due date shall be the date indicated in the concluded financial derivative contract (contractual maturity).

23. The items of rows 1 to 12 shall state interest rate contracts, depending on the due date and the risk weight.

Items of rows 13 to 24 shall state exchange rate and gold contracts, depending on the due date and the risk weight.

24. Column 3 shall indicate the nominal amount of the financial derivative contract, recorded on the respective part of accounts 950, 951 and 952.

Columns 4 and 5 shall state the respective conversion factors and risk weights. Column 6 shall state the product of columns 3, 4 and 5 and shall represent the weighted amount of the off-balance sheet items presented in this Form.

Conversion factor for financial derivatives with due date of over 2 years shall equal 1% (for interest rate derivative) and 3% (exchange rate and gold derivatives) for each additional year. The following formulas shall be fed into the calculation of the conversion factor of these derivatives:

$$X = 1\% + 1\% * N - \text{for interest rate derivatives}$$

$$Y = 5\% + 3\% * N - \text{for exchange rate and gold derivatives}$$

N - number of residual years following the second year to the due date of the financial derivative

Example: The conversion factor for the 4-year financial derivative (interest rates) will be 3%:

$$X = 1\% + 1\% * 2 = 3\%$$

25. The item of row I - "total" shall present the sum of rows 1 to 24 of columns 3 and 6. The sum of column 6 shall state the weighted amount of financial derivatives calculated according to the original exposure method.

APKRV -2/2 Form

26. The financial derivatives stated in APKRV-2/2 Form shall be divided into five groups depending on the underlying financial derivative contract: interest rate, exchange rate and

gold, equities, precious metals (except for gold) and commodity (except for precious metals). All financial derivatives shall take different conversion factors depending on the residual maturity of the derivative. Residual maturity shall denote the residual period to the contractual due date of the financial derivative.

Derivatives which cannot be distributed to one of the five groups of paragraph 1 of this item, shall be distributed as commodities (other than precious metals) contracts.

27. Items of rows 1 to 12 shall state the interest rate contracts, depending on the due date and the risk weight.

Items of rows 13 to 24 shall state the exchange rate and gold contracts, depending on the due date and the risk weight.

Items of rows 25 to 36 shall state the equity contracts, depending on the due date and the risk weight.

Items of rows 37 to 48 shall state the precious metals (except for gold) contracts, depending on the due date and the risk weight.

Items of rows 49 to 60 shall state the commodity (except for precious metals) contracts, depending on the due date and the risk weight.

28. Column 3 shall present the nominal amount of financial derivative contract recorded on the respective part of accounts 950, 951 and 952.

Column 4 shall state the respective conversion factors.

Column 5 shall present the potential exposure as a product of the nominal amount of financial derivative (column 3) and the respective conversion factor (column 4).

Column 6 shall state the amount of current exposure determined as a derivative replacement cost (item 46, paragraph 1, indent 1 of the Decision). This column shall not be filled-in for the single-currency swap contracts based on which both contractual parties exchange inflows based on variable interest rates.

Credit equivalent (column 7) shall be the sum of the potential exposure (column 5) and the current exposure (column 6).

Column 8 shall indicate the respective risk weights, and column 9 shall state the weighted amount of each off-balance sheet items recognized in this Form (product of columns 7 and 8).

29. Item of row I - "Total" shall state the sum of the items of rows 1 to 60 for columns 3, 5, 6, 7 and 9.

The sum of column 9 shall state the weighted amount of financial derivatives calculated by mark to market method.

IV. REPORT ON TOTAL BANK'S ACTIVITIES

30. The Report on the total bank's activities (VA Form) shall be filled-in following the rules below:

- 1) Total on-balance sheet asset (net) - shall state the amount of the total on-balance sheet credit risk weighted assets of row I column 5 of the APKR Form.

- 2) Risk off-balance sheet items - shall recognize the sum of net-amounts of off-balance sheet items recognized in rows I, IV, VII and X of column 5 of APKRV-1 Form.
- 3) Trading book asset items - shall state the total amount of asset items of the trading book from row V column 3 of the PT Form.
- 4) Financial derivatives of the banking book - shall state the total nominal amount of all financial derivative contracts of row I column 3 of APKRV-2/1 Form and the APKRV-2/2 Form.
- 5) Total activities - shall state the sum of rows 1 to 4 of this Form.
- 6) Trading book - shall state the amount of row V column 5 of the PT Form.
- 7) Trading book/ total activities - shall state the trading book -to- total activities ratio.

VI. REPORT ON CAPITAL REQUIREMENT FOR CURRENCY RISK

31. The Report on capital requirement for currency risk (KPVR Form) shall be divided into two parts, the first determining the aggregate currency position of the bank, and the second, determining the bank's net-position in gold.

32. The first part of KPVR Form determining the aggregate currency position of the bank shall be filled-in by applying the following rules:

32.1 The bank shall fill-in all Form columns for each currency of the bank's assets and liabilities items that represent currency risk exposure, thus presenting the positions included in the net-currency position in one currency, as specified in item 52 of the Decision.

By way of derogation from paragraph 1 of this item, the bank may present, in aggregate, all currencies in the bank's balance sheet, which do not exceed 10% of the total on-balance sheet and off-balance sheet assets in foreign currency and in Denar with FX clause (row - other currencies). This row shall be filled-in by applying the same rules applicable to the fulfillment of the items of each currency.

32.2 On-balance sheet and off-balance sheet asset items shall be recognized on a gross basis i.e. shall not be reduced by the respective amount of impairment, i.e. special reserve.

32.3 Column 1 shall state the on-balance sheet items in each currency, and column 2 shall state the on-balance sheet liabilities items in such currency.

Column 3 shall state the off-balance sheet items in each currency in a net-amount, determined as a difference between the off-balance sheet assets and the off-balance sheet liabilities for each currency of the bank's off-balance sheet items representing a currency risk exposure. If the off-balance sheet assets exceed the off-balance liabilities (long position), the difference thereof shall be recognized with a positive sign. If the off-balance sheet assets are lower than the off-balance sheet liabilities (short position), the difference shall be recognized with negative sign.

The on-balance sheet and off-balance sheet assets and liabilities items shall be reported in their nominated currency, except for items of row - other currencies, reported in Denars, by applying the middle exchange rate of the National Bank on the date of preparation of the KPVR Form.

32.4 Column 4 - "net-foreign currency position in currency" shall state the sum of amounts of columns 1 and 3, less the amount of column 2. The long positions (foreign exchange on-balance sheet and off-balance sheet assets exceeding foreign exchange on-balance sheet and off-balance sheet liabilities) shall be recognized with a positive sign, and the short positions (foreign exchange on-balance sheet and off-balance sheet assets lower than foreign exchange on-balance sheet and off-balance sheet liabilities) shall be recorded with a negative sign.

32.5 Column 5 - "NBRM middle exchange rate" shall present the National Bank middle exchange rate on the date of drawing up the Report on capital requirement for currency risk.

This column shall not be filled-in for the row - "other currencies".

32.6 Column 6 - "net-foreign currency position in Denars" shall state the product of the net-foreign currency position in currency (column 4) and the National Bank middle exchange rate (column 5).

For the row - "other currencies", this column shall state the amount reported in column 4.

32.7 Row I - "total long currency position" shall present the sum of all long positions of column 6.

Row II - "total short currency position" shall present the sum of all short positions of column 6, in absolute value.

Row III - "aggregate currency position" shall state the higher value between the total long currency position (row I) and the total short currency position (row II).

33. The second part of KPVR Form, determining the net-position of the bank in gold shall be filled-in by applying the following rules:

33.1 Columns 1 to 4 shall be filled-in for each gold position. The rules that apply to the first part of the KPVR Form shall be observed in the filling-in of each column, with each item being presented in Denars.

The numismatic collections and stocks of coins for sale shall not be considered a separate gold position.

33.2 Row IV - "net-gold position" shall state the sum of items of column 4, with the net-position in gold being the difference between the long gold positions and short gold positions.

34. Row V - "capital requirement for currency risk" shall state the sum of aggregate currency position (row III) and the net-position in gold (row IV), multiplied by 8%.

VII. REPORT ON THE CAPITAL REQUIREMENT FOR SPECIFIC RISK OF INVESTMENTS IN DEBT INSTRUMENTS

35. The Report on the capital requirement for specific risk of investments in debt instruments (SR-DI Form) shall state the capital requirement for specific risk arising from investments in debt instruments which are a part of the trading book of the bank.

The report shall be filled-in by applying the following rules:

35.1. The positions in debt instruments shall be presented as follows:

- For each instrument, where the long and the short position in the same debt instrument may be netted only if the netting criteria referred to in item 56 of the Decision are met. Otherwise, the long and the short position in a same debt instrument shall be reported as separate positions.
- According to the features of the issuer: risk-free positions, qualified positions (with residual maturity up to 6 months, from 6 to 24 months and over 24 months) and other positions.

35.2. Column 3 - "currency" shall state the currency of each debt instrument of the trading book (Denars, Euros, US Dollars, etc.)

Column 4 shall state the amount of the accounting value of the long position of each debt instrument.

Column 4 shall state the amount of the accounting value of the short position of each debt instrument (with a negative sign).

Column 6 shall state:

- The difference between the long and the short position of the bank in a debt instrument, if the netting requirements of the positions in a same debt instrument are met. The difference between the long and the short position shall be presented in an absolute amount.
- The absolute amount of the long and the short position of each debt instrument, if the netting requirements are not met.

The debt instruments included in this Form are defined in item 72 of the Decision, and the manner of determining their accounting value is specified in items 56, 58, 59, 60, 61, 62, 63, 66, 67, 68 and 70 of the Decision. The accounting value of debt instruments included in this Form shall be recorded on the respective part of the accounts 35, 36, 40, 45, 46, 75, 79, 85 and 89, and other accounts which records the debt instruments which are a part of the trading book.

35.3 Column 7 - "weigh" shall state the percentages used by the bank to weight the positions of debt instruments.

The bank shall weight the positions according to the weights defined in table 4 of the Decision on the basis of the classification by residual maturity.

Positions with undeterminable residual maturity shall be distributed within the respective time period by determining the probability and frequency of interest rate fluctuation of these positions.

35.4 Column 8 - "weighted position" shall recognize the weighted amount of each position, which is a product of the absolute value of the net-amount of column 6 and the respective weight for each position (column 7).

35.5 Row I shall state the total weighted amount of risk-free positions.

Row II shall state the total weighted amount of qualified positions (sum of the total weighted amounts of the positions with residual maturity up to 6 months, positions with residual maturity from 6 to 24 months and positions with residual maturity of over 24 months).

Row III shall state the total weighted amount of other positions.

35.6 Row IV - "capital requirement for specific risk of investments in debt instruments" shall state the total amount of capital requirement for specific risk arising from investments in debt instruments, which is the sum of the amounts under row I, row II and row III of column 8.

VIII. REPORT ON CAPITAL REQUIREMENT FOR GENERAL RISK OF INVESTMENTS IN DEBT INSTRUMENTS

36. The Report on capital requirement for general risk of investments in debt instruments shall present the capital requirement for general risk arising from investments in debt instruments which are a part of the bank's trading book.

The report shall consist of two parts:

- GR - DI/1 Form; and
- GR - DI/2 Form.

The Forms shall be filled-in separately for each currency.

These Forms shall be filled-in by applying the following rules:

GR - DI/1 Form

36.1 Debt instruments shall be grouped by the residual maturity and the interest rate.

Positions with undeterminable residual maturity shall be distributed within the respective time period by determining the probability and frequency of interest rate fluctuation of these positions.

36.2 Column 5 - "long position" shall state the long positions in debt securities, and column 6 - "short position" shall state the short position in each debt instrument.

The long and the short position shall represent the accounting value of each position of debt instrument included in this Form, as specified by items 72 and 77 of the Decision. The manner of determining the accounting value is specified by items 56, 58, 59, 60, 61, 62, 63, 66, 67, 68 and 70 of the Decision. The accounting value of debt instruments included in this Form are recorded on the respective part of accounts 35, 36, 40, 45, 46, 75, 79, 85 and 89, and other accounts which recognize the debt instruments that are a part of the trading portfolio.

36.3 Column 7 - "weight" shall present the percentages used by the bank to weight the debt instruments positions.

Weights applied to the calculation of weighted long and short positions in each debt instrument are specified in table 5 of the Decision.

36.4 Column 8 - "weighted long position" shall state the amount of weighted long position in each debt instrument, which is a product of the amount of long position (column 5) and the respective weight (column 7).

Column 9 - "weighted short position" shall state the amount of weighted short position in each debt instrument, which is a product of the amount of short position (column 6) and the respective weight (column 7).

36.5 When filling-in the GR - DI/1 Form, the amount shall be recognized for each position in debt instrument, i.e. within one group, each position shall be stated separately, rather than aggregately (according to the example of group 1, provided in the Form).

The GR - DI/1 Form shall serve as a base for filling-in the GR - DI/2 Form.

GR - DI/2 Form

36.6 Column 3 - "weighted long position" shall state all long weighted positions aggregately for each group of residual maturity of columns 8 of the GR-DI/1 Form.

Column 4 - "weighted short position" shall state all short weighted positions aggregately for each group of residual maturity, in an absolute amount of columns 9 of the GR-DI/1 Form.

36.7 The weighted long or the weighted short position, whichever is lower, in each group of residual maturity shall be considered matched weighted position of that group of residual maturity and shall be recognized in column 5 - "matched weighted position per group".

The total amount of matched weighted position for the groups of each zone shall be recognized in column 5, as follows:

- Row I for the groups of zone 1 (AI);
- Row II for the groups of zone 2 (AII);
- Row III for the groups of zone 3 (AIII).

The sum of AI, AII and AIII of column 5 (amount A) shall result in a sum of matched weighted positions of all groups of residual maturity.

36.8 The residual amount (the difference which could be with positive or negative sign) of the weighted long and weighted short position in each group of residual maturity shall be considered a mismatched weighted long position (column 6) or mismatched weighted short position of that group of residual maturity (column 7).

For each group of residual maturity, only one of either column 6 or column 7 shall be filled-in. If the amount of column 3 exceeds the amount of column 4, column 6 shall be filled-in. If the amount of column 3 is lower than the amount of column 4, column 7 shall be filled-in.

Rows I, II and III shall state the sum of all mismatched weighted long positions (column 6) and all mismatched weighted short positions (column 7) in each zone, thus producing the amount of mismatched long position for each zone and the amount of mismatched short position for each zone.

36.9 Column 8 shall state the mismatched long or the mismatched short weighted position, whichever lower, for each zone, where only rows I, II and III shall be filled-in. The resulting amount shall represent the amount of matched weighted position of each zone (BI for zone 1, BII for zone 2 and BIII for zone 3).

The difference between the mismatched weighted long position and the mismatched short position for each zone shall be considered mismatched weighted position of the respective zone, and it is recognized in column 9, as follows:

- Row I for zone 1 (CI);
- Row II for zone 2 (CII);
- Row III for zone 3 (CIII)

The amounts referred to in paragraph 2 of this subitem shall be recognized in a nominal value, i.e. the negative difference between the mismatched long and short position in each zone shall be recognized with negative sign.

The sum of CI, CII and CIII of column 9 (amount C) equals the amount of the residual position.

36.10 The absolute amount of mismatched weighted position in zone 1 (CI) shall be compared with the absolute amount of the mismatched weighted position in zone 2 (CII), only if these two positions have different sign. The lower amount of these two positions shall be considered matched weighted position between zones 1 and 2 and shall be recognized in field D of column 10.

The difference between CI and CII in absolute amount shall be compared with the absolute amount of mismatched weighted position in zone 3 (CIII), only if these two positions have different sign. The lower amount of the difference between CI and CII and the mismatched weighted position in zone 3 (CIII) shall be recognized in:

- Field E, if the difference between CI and CII is a result of higher absolute amount of CI than CII;
- Field F, if the difference between CI and CII is a result of higher absolute amount of CII than CI.

If the positions compared in paragraph 1 of this subitem has the same sign, the bank shall not fill-in the fields D, E and F. If the positions compared in paragraph 2 of this subitem have the same sign, the bank shall not fill-in the fields E and F.

36.11 Row IV shall state the capital requirement for general risk of investments in debt instruments. This amount is a sum of:

- 10% of the amount of matched weighted position of each group of the residual maturity (10% of the amount A);
- 40% of the amount of matched position of zone 1 (40% of the amount BI);
- 30% of the amount of matched position of zone 2 (30% of the amount BII);
- 30% of the amount of matched position of zone 3 (30% of the amount BIII);
- 40% of the amount of matched position between zones 1 and 2 (40% of the amount D);
- 40% of the amount of matched position between zones 2 and 3 (40% of the amount E);
- 150% of the amount of matched position between zones 1 and 3 (40% of the amount F);
- 100% of the amount of residual position (100% of the amount C).

IX. REPORT ON THE CAPITAL REQUIREMENT FOR RISK OF INVESTMENT IN EQUITIES

37. The Report on the capital requirement for risk of investments in equities (SHV Form) shall include the equities which are a part of the trading book, specified under item 82 of the Decision.

The Report shall be filled-in using the following rules:

37.1 Column 2 - "description" shall state all equities recognized according to the national market where the bank trades in such security, with the equities being divided into four groups: shares, stock exchange indices, equities, which are a part of a financial derivative, and other equities.

37.2 Column 3 - "long position" shall state the long position of each group of equities, and column 4 - "short position" shall recognize short positions of each group of equities. The long and the short position shall be recognized in absolute amount.

Positions referred to in paragraph 1 shall be recognized according to their accounting value specified under items 56, 58, 62, 64, 66, 67, 68 and 70 of the Decision. The accounting value of the equities included in this Form are recorded on the respective part of accounts 35, 36, 40, 45, 46, 75, 79, 85 and 89, and other accounts recording the debt instruments which are a part of the trading book.

37.3 Column 5 - "gross position" shall state the gross position of all equities for each national market, which equals the sum of the values referred to in columns 3 and 4.

Column 6 - "net-position" shall state the difference of values referred to in columns 3 and 4.

The resulting values for the gross and net-positions shall be stated in absolute amount (without signs).

37.4 Row I - "total", column 5 shall present the total gross position as a sum of all gross position for each national market.

Column 6 of this row shall present the total net-position as a sum of the net-positions of all equities for each national market.

37.5 The capital requirement for the specific risk of investments in equities (row II) shall be a product of the amount of row I of column 5 multiplied by 4%.

37.6 The capital requirement for general risk of investments in equities (row III) shall be a product of the amount of row I of column 6 multiplied by 8%.

X. REPORT ON CAPITAL REQUIREMENT FOR SETTLEMENT/DELIVERY RISK

38. The Report on the capital requirement for settlement/delivery (RI Form) shall be used for determining the capital requirement for settlement/delivery risk, i.e. the risk associated with all transactions in debt instruments, equities, currencies and commodities in the trading book which have not been settled on the settlement/delivery date.

Delivery date shall be the settlement date agreed between the bank and the other contractual party.

The RI Form shall be filled-in by applying the following rules:

38.1 Column 2 - "description" shall state transactions in debt instruments, equities and other transactions grouped according to the number of business days past delivery date.

38.2 Column 3 shall recognize the contractual settlement price, and column 4 shall present the current market price of the respective instrument.

38.3 Column 5 - "exposure" shall recognize the difference between the contractual settlement price and the current market price of the respective instrument.

The amount of column 5 shall be filled-in only if the difference between the contractual settlement price and the current market price of the specified instrument entails a loss for the bank (in case of purchasing, when the current market price exceeds that of the contractual

price, or in case of sale, when the current market price is below the contractual settlement price). Otherwise, this column remains empty, i.e. it shall state zero.

38.4 Column 6 - "weight" shall recognize the specified percentages used for weighting the bank exposure as defined in table 6 of the Decision.

38.5 Column 7 - "capital requirement" shall indicate the product of the bank exposure and the specified weight.

38.6 Row 4 - "Capital requirement for settlement/delivery risk" shall state the sum of all amounts of column 7.

XI. REPORT ON CAPITAL REQUIREMENT FOR COUNTERPARTY RISK

39. The Report on capital requirement for counterparty risk (RDDS Form) shall state the capital requirement for counterparty risk which affected the unsettled positions of the trading book.

RDDS Form shall consist of five tables, as follows:

- table 1 - Capital requirement for counterparty risk in case of free deliveries;
- table 2 - Capital requirement for counterparty risk from repo-agreements for sale or purchase of securities and commodities and the agreements on borrowing or lending of securities and commodities;
- table 3 - Capital requirement for counterparty risk from positions in the financial derivatives traded over the counter;
- table 4 - Capital requirement for counterparty risk from other positions of the trading book; and
- table 5 - Capital requirement for counterparty risk - summary report.

Table 1 - Capital requirement for counterparty risk in case of free deliveries

40. Column 3 - "exposure" shall present the accounting value of the securities, the currency, the commodity or the cash claimed by the bank, with each claim (security, commodity or cash) presented separately.

Column 4 - "credit risk weight", shall state the respective weights used for exposure weighting: 0%, 20%, 50%, 100% and 125%, in line with item 15.2 of these Instructions.

Column 5 - "weighted exposure" shall state the product between the value of security, currency, commodity or cash claimed by the bank and the respective credit risk weight.

Column 6 - "capital requirement", shall present the amount of weighted exposure for each claim multiplied by 8%.

Row 6 - "total capital requirement" shall state the total amount of capital requirement for counterparty risk in case of free deliveries, which equals the sum of all amounts of column 6.

Table 2 - Capital requirement for counterparty risk from repo-agreements for sale and purchase of securities and commodities and agreements on borrowing or lending securities and commodities

41. Column 3 - "market value" shall state the market value of the securities and commodities sold/purchased or lent/borrowed, with each position being recognized separately.

Column 4 - "exposure" shall present the bank exposure to:

- a) repo-agreements for sale of securities and commodities and agreements on lending securities and commodities, the bank's exposure, as a difference between:
 - the market value of the securities and commodities sold/lent, and
 - the cash or the market value of the collateral provided to the bank based on such agreement;
- 6) repo-agreements for purchasing securities and commodities and agreements on borrowing securities and commodities from counterparty, as a difference between:
 - paid cash, i.e. market value of the collateral provided to the counterparty and
 - market value of securities and commodities purchased/borrowed from the counterparty.

In both cases, the bank includes such difference (exposure) in the calculations of the capital requirement for counterparty risk arising from such agreements, only if it is positive. Otherwise, this column shall remain empty, i.e. states zero.

Column 5 - "credit risk weight" shall recognize the respective weights used for exposure weighting: 0%, 20%, 50%, 100% and 125%, in line with item 15.2 of these Instructions.

Column 6 - "weighted exposure" shall state the product of the bank's exposure and the respective credit risk weight.

Column 7 - "capital requirement" shall state the amount of weighted exposure for each specific claim (column 6) multiplied by 8%.

The sum of all amounts of column 7 shall provide the total amount of capital requirement for counterparty risk arising from repo-agreements for sale or purchase of securities and commodities and the agreement on lending or borrowing securities and commodities (row 6)

Table 3 - Capital requirement for counterparty risk arising from positions in the financial derivatives traded over the counter

42. Column 2 - "description" shall state the financial derivatives traded over the counter, grouped based on the underlying (interest rate contracts, exchange rate and gold contracts, equity contracts, precious metals, other than gold, contracts, and commodities contracts) and the maturity date (up to one year, from one to five years and over five years) with each financial derivative being presented separately.

Column 3 - "nominal value" shall state the contractual value of the principal of the financial derivative traded over the counter, recorded on the respective part of account 95.

Column 4 - "conversion factor" shall state the respective conversion factor as specified by table 2 of the Decision.

Column 5 - "potential exposure" shall state the product of the nominal value of the financial derivative and the respective conversion factor.

Column 6 - "current exposure", shall state the derivative replacement cost which represents the market value of the derivative, i.e. the amount payable by the bank in case of a need of derivative replacement. If the replacement cost has a negative value, this column shall state zero.

Column 7 - "exposure" shall state the sum of the potential exposure and the amount of current exposure.

The second part of table 3 shall be filled-in with the proper application of the rules that apply to table 1.

Row 6 - "total capital requirement" shall state the sum of all amounts of column 6 and shall present the total amount of capital requirement for counterparty risk for positions in the financial derivatives traded over the counter.

Table 4 - Capital requirement for counterparty risk for other positions of the trading book

43. Table 4 shall be filled-in by implementing the same rules applicable for fulfilling table 1.

Row 6 - "total capital requirement" shall state the sum of all amounts of column 6 and shall represent the total amount of capital requirement for counterparty risk for other positions of the trading book.

Table 5 - Capital requirement for counterparty risk - summary report

44. Table 5 shall state the total amount of capital requirement for counterparty risk for each unsettled position of the trading book. The total capital shall be a sum of the capital requirement determined in the tables above, as follows:

- Capital requirement of counterparty risk in case of free deliveries (row 6 of table 1);
- Capital requirement for counterparty risk arising from repo-agreements for sale or purchase of securities and commodities and the agreements on borrowing or lending of securities and commodities (row 6 of table 2);
- Capital requirement for counterparty risk arising from positions in the financial derivatives traded over the counter (row 6 of table 3);
- Capital requirement for counterparty risk arising from other positions of the trading book (row 6 of table 4).

Row 5 shall state the sum of rows 1 to 4 and provides the total capital requirement for counterparty risk arising from the unsettled positions of the trading book.

XII. REPORT ON CAPITAL REQUIREMENT FOR EXCEEDING THE EXPOSURE LIMITS

45. Report on the capital requirement for exceeding the exposure limits (NLI Form) serves for determining the capital requirement for each exceeding of the exposure limits specified by the Banking Law resulting from the higher amount of exposure from the trading book.

NLI Form shall be composed of four tables, as follows:

- table 1 - Total amount of exposure from each exceeding;
- table 2 - Net-exposure from positions in the trading book for each exceeding;
- table 3 - Capital requirement for each exceeding of the exposure limit; and
- table 4 - Total capital requirement for exceeding of the exposure limits.

Tables 1, 2 and 3 shall be filled-in for each exceeding of the exposure limits specified under the Banking Law, and table 4 is a summary report on the total amount of capital requirement for exceeding of the exposure limits.

Table 1 - Total amount of exposure from each exceeding

46. Columns 3 and 5 shall be filled-in only for the instruments presented in rows 5 and 7 of this Form. The weight under column 3 of table 2 shall be specified as a weight. Column 5 shall be the product of columns 3 and 4 for rows 5 and 7 of this Form.

Rows in table 1 shall be filled-in by applying the following rules:

- 1) Own funds - shall state the amount of own funds from row X of the SS Form.
 - 2) Allowed exposure amount - shall state the product of the amount of own funds (row 1) and the respective exposure limit applied to the specific bank exposure, as defined by the Banking Law and the bylaws derived from this Law.
 - 3) Exposure from positions in the banking book - shall state the amount of exposure to credit risk which is the sum of all on-balance sheet and off-balance sheet asset claims of the bank on individual person and persons connected thereto which are part of the banking book.
- The exposure to positions in the banking book shall be presented in a net-amount, as a difference between the accounting value and the respective amount of impairment i.e. special reserve, the amount of premium or discount and the effects of the change in the fair value.
- 4) Amount of available own funds - shall recognize the difference between rows 2 and 3 and present the allowed amount of exposure from positions of the trading book, which will not cause noncompliance of the respective limit.
 - 5) Net-exposure from positions in the trading book - shall state the net-exposure from positions in the trading book of table 2 of this Form. All instruments (in a net-amount) of the bank's trading book which are issued and represent exposure to an individual person or persons connected thereto, the noncompliance for which will be calculated, shall be indicated separately. Row 5 shall state the total net-exposure by instrument.
 - 6) Exceeding of the exposure - shall indicate the difference between the net-exposure from positions in the trading book and the amount of available own funds (rows 4 and 5).
 - 7) Net-exposure from positions in the trading book subject to calculation of capital requirement for the exceeding of the exposure limit - shall indicate the sum of the amount and of the weighted position of all net-positions of the trading book included in the amount of the exceeding (respective amount of columns 4 and 5 of table 2). The amount of net-exposure for which the capital requirement is calculated shall be at least equal to the amount of the exceeding specified under row 6 of this Form.

Instruments included in this Form position shall be determined as specified by item 96 of the Decision. This implies that if the bank holds available own funds, it shall exclude from this position the instruments with low specific risk weights (for debt instruments and equities), i.e. low weights for the calculations of the capital requirement for counterparty/delivery risk. Such exclusion shall be made up to the amount of available own funds.

If the bank holds more instruments with a same weight, it shall take the instruments with total net-position equal to the amount of available own funds. If the bank cannot identify instruments with a net-position equal to the available own funds, it shall take the instruments with a net-position approximately equal to the amount of available own fund. In that case, the net position of all instruments included in the calculation of the capital requirement for

exceeding of the exposure limit, must exceed the amount of the allowed exceeding from row 6 of this Form.

Table 2 - Net-exposure from positions in the trading book for each exceeding

47. Table 2 shall present a detail review of the bank exposure from positions in the trading book for each exposure where the bank exceeded the limits specified by the Banking law, as defined in table 1.

Table 2 shall be filled-in by applying the following rules:

47.1 The bank shall present each position of the trading book that refers to individual person and persons connected thereto (for the needs of this Form, all these positions are included in the term "instrument").

Derivatives shall be treated as positions of the underlying, as specified by the Decision.

47.2 Column 3 shall state the respective weight, as follows:

- for debt instruments - the respective specific risk weight defined by column 4 of SR-DI Form;
- for equities - the respective specific risk weight for investments in equities (4%).

47.3 Column 4 shall state the amount of exposure, with the amount of long and the short position being recognized separately for each instrument.

As for positions based on underwriting securities, the amount of security issue underwritten by the bank shall be recognized as a long position, and the amount of securities transferred to third parties that purchased such securities or assumed the liability to sub-underwrite the issue shall be recognized as a short position.

Positions representing settlement/delivery risk and counterparty risk exposure shall be considered long positions, and the exposure stated in RI and RDDS Forms shall be stated for these positions.

The difference between the long and the short position provides the net-exposure by instrument which is stated in the row which recognize the instrument (e.g. for instrument 1 the net-exposure is recognized in row 1).

The bank has an exposure based on instruments of the trading book, only if the long position exceeds the short position in the respective instrument. If the difference between these two positions is negative, the bank shall not fill-in the row that refers to net-exposure by instrument and shall not fill-in column 5 for that instrument.

47.4 Column 5 shall indicate the capital requirement for the respective risk (specific risk arising from debt instruments and equities, settlement/delivery risk and the counterparty risk) and is a product of the weight of column 3 and the amount of exposure of column 4.

47.5 Row I - "net-exposure from positions in the trading book" shall state the total amount of exposure from positions in the trading book which is a sum of the net-exposure of all instruments included in this Form.

The bank shall arrange all instruments according to the amount of weighted position of column 5, which is a product of the net-exposure of each instrument and the respective weight

of column 3. The arranging starts from the instrument with the highest amount of weighted position to the instrument with the lowest amount of weighted position.

Table 3 - Capital requirement for each exceeding of the exposure limit

48. Table 3 shows the exceeding of a certain limit according to the days of duration of the noncompliance.

Row 1 shall state the net-exposure with noncompliance up to 10 days, and row 2 shall indicate the net-exposure with noncompliance of over 10 days.

Column 3 shall state the amount of weighted position specified in table 1 column 5, depending on the days of duration of the noncompliance.

Column 4 shall indicate the weight used for determining the capital requirement for exceeding of the exposure limits, defined in table 7 of the Decision.

Column 5 shall provide the product of columns 3 and 4.

Row 3 shall present the total amount of capital requirement for the exceeding of a certain exposure limit to individual person and persons connected thereto, as a result of higher amount of the positions of the trading book.

Table 4 - Total capital requirement for the exceeding of the exposure limits

49. Table 4 shall provide the total amount of capital the bank has to allocate to cover the exceeding of all exposure limits defined in the Banking Law, and which is solely a result of the higher amount of the positions in the trading portfolio.

Table 4 shall have as many rows as there are separate tables 1, 2 and 3. Each row presents the amount of capital requirement for the exceeding of a certain exposure limit to individual person and persons connected thereto (row 3 of each table 3).

Row I shall state the total amount of capital requirement for the exceedings of the exposure limits.

XIII. REPORT ON THE CAPITAL REQUIREMENT FOR COMMODITY RISK

50. The Report on the capital requirement for commodity risk (RPCS Form) shall state the total capital requirement for commodity risk for all positions of the banking book and the trading book.

51. The RPCS Form shall be filled-in by applying the following rules:

51.1 Column 2 - "description" shall state the commodity, i.e. the physical product traded on the secondary market (agricultural products, minerals, including oil, precious metals (other than gold), derivatives and other financial instruments that refer to these products).

51.2 Column 3 - "standard measurement units" shall state the measurement unit in which the commodity is presented (e.g. barrels, tons, kilograms).

51.3 Column 4 - "long position" shall state the long position in standard measurement units in each commodity. Column 5 - "short position" shall state the short position in standard measurement units in the specific commodity.

The position in each commodity, the financial derivative or other financial instrument that refers to commodity shall be presented as specified by items 101 and 102 of the Decision.

51.4 Column 6 - "current market price" shall state the market price of each commodity in Denars.

51.5 Column 7 - "net-position in standard measurement units" shall state the absolute amount of the difference between the long and the short position in each commodity, in standard measurement units.

Column 8 - "market value of net-position" shall state the product of the current market price of the commodity and the net-position presented in standard measurement units.

51.6 Column 9 - "gross-position in standard measurement units" shall state the sum of absolute values of the long and the short position in each commodity, in standard measurement units.

Column 10 - "market value of the gross position" shall state the product between the current market price of the commodity and the gross-position in standard measurement units.

51.7 Row I - "total amount of net-position" shall state the sum of all amounts of column 8, i.e. the sum of market values of the net-positions in each commodity.

51.8 Row II - "total amount of gross-position" shall state the sum of all amounts of column 10, i.e. the sum of market values of the gross-positions in each commodity.

51.9 Row III - "capital requirement for commodity risk" shall state the total amount of capital requirement for commodity risk which is a sum of:

- 15% of the net-position of the commodities (row I) and
- 3% of the gross-position of the commodities (row II).

XIV. REPORT ON THE CAPITAL REQUIREMENT FOR MARKET RISKS ARISING FROM OPTION POSITIONS

52. The Report on the capital requirement for market risks arising from option positions (O Form) shall be used for determining the capital requirement for market risks arising from positions in options of interest rates, debt instruments, equities, exchange rate and other financial instruments the bank trades in on the official stock market or over the counter, and all other instruments with similar option features, including the options purchased for hedging of some positions of the trading book.

53. The O Form shall consist of two parts. The first part refers to purchased options for trading, and the second part refers to options purchased for hedging of some positions of the trading book.

The O Form shall be filled-in by applying the following rules:

53.1 The first part of the O Form, column 2 - "type of purchased option" shall state the type of purchased option for trading.

Column 3 - "capital requirement for the underlying of the option" shall state the product of the market value of the underlying, and:

- the sum of the specific and the general risk - for options of debt instruments and equities;
- 8% - for currency options;
- 15% - commodity options.

Column 4 - "market value of the option" shall state the market value of the purchased options.

Column 5 - "capital requirement" shall state the amount of capital requirement for risk arising from purchased option, where the lesser of the amount of columns 3 or 4 shall be indicated.

Row I - "total capital requirement for purchased options for trading" shall state the sum of all amounts of column 5 of the first part of this Form.

53.2 In the second part of the O Form, column 2 - "option for hedging of a position of the trading book" shall state the type of options purchased for hedging of some positions of the trading book.

Column 3 - "capital requirement for the underlying of the option" shall state the product of the market value of the underlying, and:

- the sum of the capital requirement for specific and the general risk arising from the underlying option - for options of debt instruments and equities;
- 8% - for currency options;
- 15% - commodity options.

Column 4 - "intrinsic option value" shall state the intrinsic option value, i.e. the amount which is an income for the option purchaser.

Column 5 - "capital requirement" shall state the difference between columns 3 and 4.

Row II - "total capital requirement for purchased options for hedging of a position of the trading book" shall state the total amount of capital requirement for risk arising from purchased option for hedging of a certain position in the trading book, as a sum of all amounts of column 5 of the second part of this Form.

53.3 Row III - "total capital requirement for market risks arising from option positions" shall indicate the total amount of capital requirement for market risks arising from option position, which is a sum of the amount of capital requirement for market risks arising from the purchased options for trading (row I) and the amount of capital requirement for market risks arising from options purchased for hedging of certain positions of the trading book (row II).

V. CAPITAL ADEQUACY RATIO REPORT

54. The Report on capital adequacy ratio (AK Form) shall be filled-in by applying the following rules.

Credit risk weighted assets

1) On-balance sheet credit risk weighted assets - shall specify the amount of row II, column 7 of the APKR Form.

2) Off-balance sheet credit risk weighted assets - shall specify the amount of row XVII of the APKRV-1 Form.

3) Credit risk weighted assets - shall specify the sum of rows 1 and 2.

4) Capital requirement for credit risk - shall state the amount of row 3 multiplied by 8%.

Currency risk weighted assets

5) Aggregate currency position - shall state the amount of row III of the KPVR Form.

6) Net-position in gold - shall present the amount of row IV of the KPVR Form.

7) Capital requirement for currency risk - shall state the amount of row V of the KPVR Form.

8) Currency risk-weighted assets - shall state the amount of row 7 multiplied by 12.5.

Other risk-weighted assets

9) Capital requirement for commodity risk - shall state the amount of row III of the RPCS Form.

10) Capital requirement for market risks - shall specify the sum of rows 10.1 to 10.8.

10.1) Capital requirement for specific risk of investments in debt instruments - shall state the amount of row IV of the SR-DI Form.

10.2) Capital requirement for the general risk of investments in debt instruments - shall state the amount of row IV of the GR-DI/2 Form.

10.3) Capital requirement for specific risk of investments in equities - shall state the amount of row II column 5 of the SHV Form.

10.4) Capital requirement for the general risk of investments in equities - shall state the amount of row III column 6 of the SHV Form.

10.5) Capital requirement for settlement/delivery risk - shall state the amount of row 4 of the RI Form.

10.6) Capital requirement for counterparty risk - shall state the amount of row 5 of table 5 of the RDDS Form.

10.7) Capital requirement for the exceeding of exposure limits - shall state the amount of row I of table 4 of the NLI Form.

10.8) Capital requirement for the market risks arising from option positions - shall state the amount of row III of the O Form.

11) Capital requirement for other risk - shall state the sum of the amounts of rows 9 and 10.

12) Other risk- weighted assets - shall state the amount of row 11 multiplied by 12.5.

IV) Risk-weighted assets - shall specify the sum of credit risk weighted assets (row 3), currency risk weighted assets (row 8) and other risk weighted assets (row 12).

13) Capital requirement for risks - shall state the amount of row IV multiplied by 8%.

V) Own funds - shall state the amount of row X of the SS Form.

VI) Capital adequacy ratio - shall state the amount of capital adequacy ratio, derived by dividing the amount of own funds (row V) with the risk-weighted assets (row IV).

55. When the National Bank has defined capital adequacy ratio higher than 8%, the determining of the risk weighted assets shall be adequately adjusted to the higher capital adequacy ratio.

VI. TRANSITIONAL AND CLOSING PROVISIONS

56. The provisions of these Instructions that regulate banks shall also apply to savings houses.

Foreign bank branches shall apply the provisions of these Instructions, accordingly, taking into account the provisions of the Banking Law and the bylaws adopted on basis of this Law that govern the operations of the foreign bank branches in the Republic of Macedonia.

57. The bank shall draw up the first reports referred to in item 2 of these Instructions as of March 31, 2009 and submit them to the National Bank by the date specified by item 125 of the Decision.

58. These Instructions shall enter into force on the date of its publishing in the "Official Gazette of the Republic of Macedonia".

59. Once these Instructions enter into force, the Instructions for enforcing the Decision on methodology for determining the capital adequacy no. 926 dated February 7, 2008 ("Official Gazette of the Republic of Macedonia" no. 21/2008) and Instructions for amendments to the Instructions for enforcing the Decision on methodology for determining the capital adequacy no. 2200 dated March 31, 2008 ("Official Gazette of the Republic of Macedonia" no. 47/2008) shall no longer be in effect.

No. 16-6
March 25, 2009
Skopje

Petar Goshev, MSc.
Governor