



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 71 paragraph 8 and Article 72 paragraph 3 of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 31/2008), the Governor of the National Bank of the Republic of Macedonia passed the following

INSTRUCTIONS for implementation of the Decision on the exposure limits ("Official Gazette of RM" no. 78/2008)

I. GENERAL PROVISIONS

1. These Instructions shall set forth the manner of implementation of the Decision on the exposure limits (hereinafter referred to as: the Decision).
2. For the purpose of uniform implementation of the Decision, the bank shall be required to fill in and submit to the National Bank of the Republic of Macedonia (hereinafter referred to as: the National Bank) a Report, which shall contain the following forms:
 - Statement on connection with persons with special rights and responsibilities, shareholders and credit borrowers of the bank;
 - Form P1 - Bank's exposure to persons with special rights and responsibilities in the bank;
 - Form P2 - Bank's exposure to subsidiaries and shareholders with qualified holding in the bank;
 - Form P3 - Capital holdings of the bank in nonfinancial institutions;
 - Form P4 - Large exposures of the bank;
 - Form P5 - Summary review of the bank's exposure and the capital holdings in nonfinancial institutions.

The forms under paragraph 1 of this item shall represent an integral part of these Instructions.

II. STATEMENT ON CONNECTION WITH PERSONS WITH SPECIAL RIGHTS AND RESPONSIBILITIES, SHAREHOLDERS AND CREDIT BORROWERS OF THE BANK

3. The persons with special rights and responsibilities and the shareholders with qualified holding in the bank shall be required to review the list of persons with special rights and responsibilities, shareholders and credit borrowers of the bank at the beginning of every year as of December 31 of the previous year.

After the performed review, the persons/entities under paragraph 1 of this item shall fill in and sign a Statement on the connection with persons with special rights and

responsibilities, shareholders and credit borrower, in which they shall state the persons with special rights and responsibilities, shareholders and credit borrowers, which pursuant to the Banking Law and by-laws resulting thereof, shall be considered connected.

4. The filled in statements shall be submitted to the National Bank, within the deadlines prescribed in item 41 of the Decision.

III. BANK'S EXPOSURE TO PERSONS WITH SPECIAL RIGHTS AND RESPONSIBILITIES (FORM P1)

5. Form P1 shall state the bank's exposure to persons with special rights and responsibilities of the bank, the limit under item 14 of the Decision pertains to.
6. Column 2 shall state each person with special rights and responsibilities separately. The bank's total exposure to these persons shall be presented together with the bank's exposure to persons/entities considered connected with them.

By exception to paragraph 1 of this item, the bank may not include person with special rights and responsibilities in this form, which, together with the persons/entities connected with them, are not bank's credit borrowers, i.e. the bank's total exposure to that person and persons/entities connected thereto is equal to zero.

7. Column no. 3 - "ID number", shall state the ID number of the person with special rights and responsibilities and its connected persons/entities.
8. Column no. 4 - "credit risk exposure" shall state the bank's exposure arising from the banking book, determined in line with item 4 of the Decision, including also the investments and claims measured at fair value through the profit and loss account.
9. Column no. 5 - "market risk exposure" shall state the bank's exposure arising from the trading book, determined in line with item 5 of this Decision.
10. Column no. 6 - "total exposure" shall show the bank's total exposure to individual person with special rights and responsibilities, as a total of the columns no. 4 and 5.
11. Column no. 7 - "deductions" shall state the amount of the deductions, which in line with item 18 of the Decision are not taken into consideration when determining the exposure limit to a person with special rights and responsibilities.
12. Column no. 8 - "exposure" shall be obtained as a difference between columns no. 6 and 7 and it shall pertain to the bank's exposure used as a basis for determining the exposure limit to a person with special rights and responsibilities.
13. Column no. 9 - "SS1" shall include the amount of own funds determined pursuant to item 9 paragraph 2 of the Decision (sum of Core capital and Supplementary capital I, reduced by the deductions of Core capital and Supplementary capital I), while column 10 - "SS2" pertains to the amount of the own funds set forth in line with item 9 paragraph 1 of the Decision.
14. Column no. 11 - "% of SS" shall represent the proportion between the exposure used as a basis for determining the exposure limit (column no. 8) and the bank's own funds.

If the total exposure of the bank to a person with special rights and responsibilities includes only a credit risk exposure, when determining the proportion under paragraph 1, the amount of own funds presented in column no. 9 (SS1) is taken into consideration. If the total exposure includes also the market risk exposure, when determining the

proportion under paragraph 1 of this item, the amount of own funds in column no. 10 (SS2) is taken into regard.

This column shall show the bank's adherence to the exposure limit to a person with special rights and responsibilities.

15. Column no. 12 - "exposure to credit risk/SS1" shall present the proportion between the credit risk exposure and own funds presented in column no. 9. This proportion should not exceed 3%.
16. Columns no. 13, 14 and 15 shall be filled in only in instances when the bank exceeded the exposure limit to a person with special rights and responsibilities, in line with item 20 of the Decision.

Column no. 14 shall be filled in by using the following signs:

- A1 - if the exposure resulted from merger and acquisition of legal entities;
- A2 - if the exposure resulted from reasons beyond control of the bank;
- A3 - if the exceeding resulted from market risk exposure.

IV. BANK'S EXPOSURE TO SUBSIDIARY WITH QUALIFIED HOLDING (FORM P2)

17. Form P2 shall state the total exposure of the bank to a bank's subsidiary and shareholder with qualified holding in the bank, for which exposure limits under items 12 and 13 of the Decision are applied to.
18. The Form P2 shall consist of two parts. The first part states the total exposure of the bank to its subsidiaries (for each subsidiary individually), while the second part states the total exposure of the bank to each shareholder with a qualified holding in the bank and the persons/entities connected thereto.
19. When filling in the form P2, the rules for filling in the form P1, explained in Chapter III of these Instructions shall be adequately applied.

V. CAPITAL HOLDINGS IN NONFINANCIAL INSTITUTIONS (FORM P3)

20. Form P3 shall encompass the bank's capital holdings in nonfinancial institutions, for which the limits under items 23 and 24 of the Decision pertain to.
21. The Form P3 shall be filled in by applying the following rules:
 - Column no. 2 shall state all nonfinancial institutions (companies) the bank has capital holdings in, together with their connected persons/entities which are bank's clients;
 - Column no. 3 - "ID number" shall state the ID number of the nonfinancial institutions and their connected persons/entities;
 - Column no. 4 - "capital holding" shall state the sum of the amount of the bank's capital holding in nonfinancial institutions, which is credit risk exposure (on a net basis), the amount of the holding representing market risk exposure (item 5 of the Decision) and the amount of the holding in the nonfinancial institution measured at fair value through the profit and loss account;
 - Column no. 5 - "deductions" shall state the amount of the deductions that are not taken into consideration when determining the capital holding limits in nonfinancial institutions, in conformity with item 25 of the Decision;

- Column no. 6 - "capital holding (net)" shall state the difference between the capital holding (column no. 4) and the amount of the deductions (column no. 5) and serves as a basis for determining the capital holding limits in nonfinancial institutions;
- In column no. 7 - "SS 1" shall state the amount of own funds set in line with item 9 paragraph 2 of the Decision (sum of Core capital and Supplementary capital I, reduced by the deductions of Core capital and Supplementary capital I);
- Column no. 8 - "% of SS 1" shall represent the proportion between the capital holding serving as basis for determining the limit (column no. 8) and own funds of the bank (column no.7). This column shall state the bank's adherence to the capital holding limit in individual nonfinancial institutions;
- Column no. 9 shall be filled in only in instances when the bank exceeded the limit of the capital holdings in nonfinancial institutions, in conformity with item 27 of the Decision.

VI. LARGE EXPOSURES OF THE BANK (FORM P4)

22. Form P4 shall state all exposures of the bank to individual persons/entities - clients which are equal, or exceed 10% of its own funds.
23. When filling in columns from no. 2 to no. 6, rules under items 6, 7, 8, 9 and 10 of these Instructions shall be applied respectively, while columns no. 7, 8 and 9 shall be filled in by implementing appropriately the rules under items 13 and 14 of these Instructions.
24. Column no. 10 - "deductions", shall state the amount of the deductions, which in line with item 18 of the Decision, are not taken into consideration when determining the limit of the total large exposures amount under item 16 of the Decision.
25. Column no. 11 - "exposure" shall be obtained as a difference between column no. 6 and column no. 10 and it pertains to the bank's exposure representing basis for calculating the limit of the aggregate amount of large exposures.

VI. SUMMARY REVIEW OF THE BANK'S EXPOSURE AND CAPITAL HOLDINGS IN NONFINANCIAL INSTITUTIONS (FORM P5)

26. Form P5 shall contain the summary review of the total bank's exposure and capital holdings in nonfinancial institutions presented in Forms P1, P2, P3 and P4.
27. Column no. 3 - "amount" shall show the appropriate amount of the total exposure, i.e. capital holdings in nonfinancial institutions, such as:
 - Line no. 1 shall include the total exposure to persons with special rights and responsibilities, i.e. the amount under Form P1, line no. I, column no. 8;
 - Line no. 2 shall include the total exposure to bank's subsidiaries and shareholders with qualified holding in the bank, presented in Form P2, line no. III, column no. 8;
 - Line no. 3 shall represent a sum of lines no.1 and 2, i.e. it shall present the total bank exposure to its related persons/entities, representing a basis for determining the exposure limits;
 - Line no. 4 shall state the amount of the total capital holdings of the bank in nonfinancial institutions from Form P3, line no. I, column no. 6;
 - Line no. 5 shall state the total amount of bank's large exposures, i.e. the amount from the Form P4, line no. I, column no. 11.
28. Column no. 4 - "deduction" shall state the exposure to clients occurring as part of the bank's exposure to several groups of connected persons/entities, i.e. capital holding in

nonfinancial institutions occurring as part of the bank's capital holdings in several groups of connected nonfinancial institutions.

For example:

The bank's exposure to a person/entity equals Denar 100. That person/entity is part of the bank's exposure to three groups of connected persons, i.e. in column no. 3 - "amount" total amount of Denar 300 is shown. For the purpose of genuine determination of the aggregate limits, in column no. 4 - "deduction", the amount of Denar 200 is stated.

29. Column no. 5 - "calculation amount" shall denote the difference between the amounts under columns no. 3 and 4, representing a basis for calculating the aggregate exposure limits and capital holdings in nonfinancial institutions.
30. Column no. 6 - "own funds" shall state the amount of the bank's own funds, by applying the following rules:
 - if the total exposure under lines no. 1, 2 and 5 includes also the market risk exposure, this column shall then include the amount of own funds determined in line with item 9 paragraph 1 of the Decision (SS 2). This amount of own funds shall be shown also in line 4 of this column;
 - if the total exposure under lines no. 1, 2 and 5 consists only of the credit risk exposure, this column shall show the amount of the own funds determined in line with item 9 paragraph 2 of the Decision (SS1).
31. Column no. 7 - "% of own funds" shall represent proportion between column no. 5 and 6, illustrating the bank's adherence to the exposure limits under items 15 and 16 of the Decision, i.e. the limit of the aggregate amount of capital holdings in nonfinancial institutions under item 23 of the Decision.

VII. TRANSITIONAL AND CLOSING PROVISIONS

32. The provisions of these Instructions referring to banks shall pertain to savings houses, as well.

The foreign banks' branches shall be required to apply appropriately the provisions of these Instructions, having in mind the provisions of the Banking Law and by-laws resulting thereof, which regulate the operations of the foreign banks' branches in the Republic of Macedonia.

33. These Instructions shall enter into force on the day of its publishing in the "Official Gazette of the Republic of Macedonia", and its implementation shall commence on June 30, 2008.
34. By entering into force of these Instructions, the Instructions for implementing the Decision on implementing Article 35 and Article 36 of the Banking Law no. 2894 from September 04, 2001 shall become void.

No. 4183
June 26, 2008
Skopje

Petar Goshev, M.Sc.
Governor