



## **NATIONAL BANK OF THE REPUBLIC OF MACEDONIA**

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Pursuant to Article 69 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 3/02, 51/03, 85/03, 40/04, 61/05 i 129/06), Article 68 paragraph 1 and Article 69 paragraph 2 of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/2007) and item 47 of the Decision on the credit risk management ("Official Gazette of the Republic of Macedonia" no. 17/2008), the Governor of the National Bank of the Republic of Macedonia passed the following

### **INSTRUCTIONS**

#### **for implementation of the Decision on the credit risk management ("Official Gazette of the Republic of Macedonia" no. 130/2008)**

#### **I. GENERAL PROVISIONS**

1. For the purpose of uniform implementation of the Decision on credit risk management (hereinafter referred to as: the Decision), the bank shall prepare a Report on classifying credit risk exposure (Form KA).

#### **II. Form KA**

2. Form KA shall represent an overview of the structure of the following:

- credit risk exposure on individual basis;
- credit risk exposure on group basis for retail credit portfolio; and
- exposure on group basis for group of similar financial instruments by individual sub-portfolios.

3. The total amount of all claims (on-balance sheet and contingent) on individual clients, which in conformity with the Decision are subject of bank's classification, shall be presented in Form KA, according to:

- the type of claim, presented in columns from 3 to 9;
- the classification of the credit risk exposure on individual basis (part I) and group basis (part II).

4. Form KA shall consist of two parts that are filled in by applying the following rules:

- Part I - "classification of the credit risk exposure on individual basis" shall be filled in according to the risk category the exposure is classified in;
- Part II - "classification of the credit risk exposure on group basis" shall show individually all retail credit portfolios (A. Retail credit portfolio) and all sub-portfolios of group of similar financial instruments (B. Similar financial instruments) by stating the similarity according to which the credit risk exposures are grouped in separate homogeneous sub-portfolios.

5. Column no. 3 and 4 - "regular credits" shall state separately the undue and due part of the regular credits' principal. This position shall include the accounts from:

- group 13 - interbank transactions in Denars, with exception to the accounts of this group, the suspicious and contested claims and impairment are recorded on;
- group 31 - current accounts in foreign currency with domestic and foreign banks and group 33 - interbank transactions in foreign currency, with exception to the accounts belonging to these groups, the suspicious and contested claims and impairment are recorded on, as well as with exception to the account 3118;
- class 5 (credits and placements) with exception to groups 57, 58 and 59 and accounts belonging to this class the suspicious and contested claims and impairment are recorded on;

6. Column no. 5 - "nonperforming (suspicious and contested) credits" shall encompass the special analytical accounts within classes 1, 3 and 5 (accounts: 1390, 3120, 3390, 50090, 50190, 5030, 50590, 507090, 507190, 50890, 50990, 51090, 51190, 5130, 51590, 517090, 517190, 51890, 51990, 52090, 52190, 5230, 52590, 527090, 527190, 52890, 52990, 53590, 53890, 5490, 55590, 55890, 5690), suspicious and contested claims are recorded on, with exception to the accounts belonging to the groups 57, 58 and 59 and accounts for recording the impairment of suspicious and contested claims.

Column no. 5 shall not be filled in for the credit risk exposure on group basis (part II).

7. Column no. 6 - "regular interest", shall encompass the analytical accounts of group 15, without taking into consideration the accounts for recording the impairment and the suspicious and contested claims based on interest.

8. Column no. 7 - "nonperforming (suspicious and contested) interest" shall encompass the accounts 15x90 and 15xx90.

Column no. 7 shall not be filled in for the credit risk exposure on group basis (part II).

9. Column no. 8 - "other claims" shall cover the respective accounts belonging to the following groups, where claims on specific clients representing credit risk exposure are recorded:

- from group 12 - Claims on clients and other claims;
- group 16 - Fees and compensation receivables;
- group 19 - Deferred income;
- group 37 - Securities and other financial instruments in foreign currency available for sale;
- group 38 - Securities and other financial instruments in foreign currency held to maturity;
- group 41 - Securities and other financial instruments in Denars available for sale;
- group 42 - Securities and other financial instruments in Denars held to maturity;
- group 47 - Securities and other financial instruments in Denars with FX clause available for sale;
- group 48 - Securities and other financial instruments in Denars with currency clause held to maturity;
- group 57 - Claims based on purchased claims (factoring and forfeiting);
- group 58 - Financial leasing in Denars;
- group 59 - Financial leasing in foreign currency.

This column shall include also the accounts of the stated groups where suspicious and contested claims are recorded.

This column shall not take into consideration the accounts from each of the stated groups for recording the impairment.

10. Column no. 9 - "off-balance sheet items" shall include off-balance sheet positions representing potential exposure of the bank to credit risk (unused irrevocable lines of credits, unused irrevocable credits based on overdrafts on current accounts, credit cards and other type of potential credit risk exposure, issued non-backed guarantees, opened non-backed L/Cs, backing guarantees, bank acceptances, non-backed performance guarantees and other types of off-balance sheet positions) recorded within the group 99.

11. Column no. 10 - "total credit risk exposure" shall state the total credit risk exposure as follows:

- for classification of the credit risk exposure on individual basis, as a sum of columns from no. 3 to 9, with exception to column no.7;
- for classification of the credit risk exposure on group basis, as a sum of columns no. 3, 4, 6, 8 and 9.

12. Column no. 11 - "impairment/special reserve" shall contain the impairment/special reserve for each risk category, i.e. for each sub-portfolio. This column shall include those accounts of the groups 12, 13, 15, 16, 19, 31, 33, 37, 38, 41, 42, 47, 48, class 5 and group 92, impairment i.e. special reserve is recorded on.

Row no. 1 of this column shall not be filled in.

13. Column no. 12 - "% of the impairment/special reserve" shall be presented as ratio between the amounts of column no. 11 and column no. 10.

14. Row no. I shall state the bank's total credit risk exposure on individual basis.

15. Rows no. II and III shall be equal to the sum of the individual retail credit sub-portfolios, i.e. similar financial instruments.

16. Row no. IV shall represent a sum of all retail credit sub-portfolios and of similar financial instruments (sum of rows no. II and III).

17. Row no. V shall state the total bank's credit risk exposure on both individual and group basis, i.e. it represents sum of the amounts under rows no. I and IV.

18. Within the specification, the total amount of the impairment /special reserve arising from the credit risk shall be stated separately as follows:

- impairment recorded in classes 3, 4 and 5;
- impairment recorded in group 15;
- impairment recorded in groups 12, 16 and 19;
- special reserve recorded in group 92.

### **III. RECORDING OF THE NONPERFORMING INTEREST**

19. The bank shall continue calculating interest on credits classified as nonperforming credits, with the account for suspicious and contested claims based on interest being debited for the interest amount and the account for impairment of suspicious and contested claims based on interest being credited. The bank should show interest income from nonperforming credits only at the moment of the interest collection.

By exception to paragraph 1 of this item, the bank shall cease calculating interest on credits classified in the category of nonperforming credits in line with the conditions and criteria envisaged in internal acts, adopted by the bank's competent body.

#### **IV. TRANSITIONAL AND CLOSING PROVISIONS**

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

The foreign bank branches shall be obliged to implement appropriately the provisions of these Instructions, having in mind the provisions of the Banking Law and the by-laws resulting thereof, regulating the operations of the foreign banks' branches in the Republic of Macedonia.

21. The bank shall be required to prepare the first report under item 1 of these Instructions as of March 31, 2009 and submit it to the National Bank of the Republic of Macedonia within the deadline set in item 43 of the Decision.

22. These Instructions shall enter into force with the day of their publishing in the "Official Gazette of the Republic of Macedonia" and their implementation shall commence from January 01, 2009.

23. With the implementation of these Instructions, the Instructions for enforcing the Decision on determining the methodology for classification of on-balance and off-balance sheet asset items of the banks according to their risk level no. 1193 from March 28, 2002, Amendments to the Instructions for enforcing the Decision on determining the methodology for classification of on-balance and off-balance sheet asset items of the banks according to their risk level no. 1037 from March 21, 2003, Amendments to the Instructions for enforcing the Decision on determining the methodology for classification of on-balance and off-balance sheet asset items of the banks according to their risk level no. 2478 from July 16, 2003 ("Official Gazette of the Republic of Macedonia" no. 20/2003), Amendments to the Instructions for enforcing the Decision on determining the methodology for classification of on-balance and off-balance sheet asset items of the banks according to their risk no. 4509 from December 09, 2003 ("Official Gazette of the Republic of Macedonia" no. 80/2003), Amendments to the Instructions for enforcing the Decision on determining the methodology for classification of on-balance and off-balance sheet asset items of the banks according to their risk level no. 4314 from 01.09.2004 ("Official Gazette of the Republic of Macedonia" no. 60/2004), Amendments to the Instructions for enforcing the Decision on determining the methodology for classification of on-balance and off-balance sheet asset items of the banks according to their risk level no. 1707 from March 15, 2007 ("Official Gazette of the Republic of Macedonia" no. 35/2007), Manual for keeping credit files no. 2869 from September 04, 2001, Amendments to the Manual for keeping credit files no. 2479 from July 16, 2003 and Amendments to the Manual for keeping credit files no. 7396 from May 09, 2005 ("Official Gazette of the Republic of Macedonia" no. 31/2005), shall become void.

**No. 6462**  
**October 10, 2008**  
**Skopje**

**Petar Goshev, M.Sc.**  
**Governor**