



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

Pursuant to Article 64 paragraph 1 item 22 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" No. 3/2002, 51/2003, 85/2003, 40/2004, 61/2005 and 129/2006) and Article 73 of the Banking Law ("Official Gazette of the Republic of Macedonia" No. 67/2007), the National Bank of the Republic of Macedonia Council adopted the following

D E C I S I O N

on the supervisory standards for regulating banks' past due claims ("Official Gazette of the Republic of Macedonia" No.134/2007)

I. GENERAL PROVISIONS

1. This Decision shall set forth the supervisory standards for regulating the banks' past due claims on the basis of principal, interest and other claims.
2. Maturity date, according to this Decision, shall denote the last date on which the client (hereinafter referred to as the person/entity) is required to pay certain amount of funds, in conformity with the concluded agreement with the bank. After the expiration of this deadline, the claim shall be considered due.

At the moment of full or partial maturity of the claim, the portion that matured shall be transferred to the accounts for due claims.

The claim arising from the bank's payment based on guarantee, letter of credit, or other type of off-balance sheet item, shall be transferred to the due claims accounts, if the person/entity failed to settle the liability based on the guarantee, letter of credit, or other type of off-balance sheet item, provided that no credit agreement between the bank and the person/entity has previously been concluded.

II. EXTENSION OF THE MATURITY DATE

3. The extension of the maturity date shall mean to prolong the settlement date, with the extension not resulting from the deteriorated financial standing of the person/entity (for ex. incapability for regular servicing of the liabilities by the person/entity), but from the changes in the financial services the bank offers, and/or changes in the operating of the person/entity and/or the bank.

The bank may extend the maturity date referred to in the concluded agreement with the person/entity only by an annex to the agreement.

4. The extension of the maturity date of one claim twice, or several times, shall be subjected to verification by Risk Management Board or Credit Committee.

The bank shall be obliged to analyze the reasons for the extension whenever the maturity date is extended.

The body under paragraph 1 of this item shall submit to the Supervisory Board a Report on the claims the maturity date of which has been extended in the preceding month, at least once a month.

The Report from paragraph 3 of this item shall state separately each claim equal to or exceeding 1.000,000 MKD on the date the extension was made, as well as the total amount of the claims the maturity date of which is extended.

5. The provisions under item 4 of this Decision shall not pertain to the extension of the maturity date of the deposits placed with domestic and foreign banks.

III. CLAIM RESTRUCTURING

6. Claim restructuring shall mean a creation of new credit exposure by the bank in order to replace the existing one, with significant changes to the agreed terms and conditions being made, resulting from the deteriorated financial standing of the person/entity. The following changes to the agreed terms and conditions shall be deemed significant aimed at reducing the financial burdening of the person/entity:

- extension of the maturity date;
- interest rate reduction;
- decrease in the amount of the claim (principle and/or due interest and commission) through a write-off;
- capitalization of interest, fulfilling the terms and conditions under item 8 of this Decision;
- consolidation of several claims into one claim by changing the agreed terms and conditions; and
- other similar activities.

7. According to this Decision, the capitalization of interest shall denote a transformation of a claim based on interest into a claim based on principle, i.e. adding the accrued unpaid interest on principal and/or conversion of the accrued unpaid interest into new credit exposure.

8. The capitalization of interest shall be allowed only under the following conditions:

- if the capitalization is part of the formal consolidation of several types of claims from one person/entity into one claim;
- if classification of the new claim results in impairment and/or special reserve, that adequately compensates the avoidance of the booking of the non-performing interest, occurring as a result of the capitalization of the interest.
- capitalization of the commitment fee with the long-term loans has been made.

9. The net effect of the claims restructuring should not result in increase in the bank's financial result, except in case of a decrease in the credit exposure as a result of a payment.

10. With respect to the claim restructuring, the criteria for classification of on-balance sheet and off-balance sheet asset items of the banks according to their risk,

prescribed in a by-law, should be adhered to, and the claim may not be classified in better risk category from the one it holds on the date of restructuring, within a six-month period after the performed restructuring.

11. By exception to item 10 of this Decision, the bank may allot better risk category, only if qualified changes related to the possibility for collection of the claim have been determined, or if the claim is secured with first-class collateral instruments, defined by the National Bank of the Republic of Macedonia (hereinafter referred to as: the National Bank).

12. The bank shall be required to analyze the reasons for every claim restructuring whenever it occurs. On the basis of the analysis, the Risk Management Board, or the Credit Committee, shall adopt Decision on claim restructuring.

The body under paragraph 1 of this item, shall, at least on a monthly basis, submit to the Supervisory Board a Report on claims restructured during the previous month.

13. The bank shall be required to notify the National Bank on every restructured claim representing large exposure, pursuant to the Banking Law, within ten days from the day the Decision was adopted.

14. The bank shall be required to notify the National Bank on the intention for performing capitalization of interest, at least ten days prior its execution, by exception to the capitalization under line 3 of item 8 of this Decision. Otherwise, it shall be considered that the capitalization is performed contrary to the provisions of this Decision.

15. The notification under items 13 and 14 of this Decision should contain:

- data on all significant changes to the agreed terms and conditions (maturity date, interest rate, amount of the claim, type of collateral);
- review of the claims that are restructured, labeled with the risk category in which these claims were classified prior to the restructuring and risk category which the restructured claim shall be classified in;
- the amount of the total allocated impairment and/or special reserve for the claims that are to be restructured, including the non-performing interest;
- explanation of the performed claim restructuring, encompassing the reasons for violating the agreed maturity date by the person/entity, the reasons for failing to undertake actions for forced payment of the claim and assessment of the probability for collecting the claims in the extended due date, i.e. given changes in other agreed terms and conditions.

IV. CREDITING INTENDED FOR COLLECTION OF CLAIMS

16. The bank may not extend credit for collecting the claims based on principle and those based on interest.

17. A credit extended, or guarantee issued to a person/entity having due liabilities, or which certain liability to the bank falls due within 30 days shall not be deemed as

granting a credit, only if the bank can provide documented evidence that the approved credit, i.e. guarantee will not be used for repayment of the liabilities towards the bank.

Crediting intended for collection of claim from person/entity, having no due liabilities to the bank shall not be deemed such only if the granting of the credit provides more favorable terms and conditions for the person/entity.

The approval of the credit limits on credit cards and allowed overdrafts on transaction accounts of natural persons shall not be deemed as crediting intended for collection of claims only if in the moment of the approval the person/entity has no due liabilities to the bank.

18. The bank shall undertake measures to ensure that the extended credit, i.e. the guarantee under paragraph 1 item 17 shall not be used for payment of the liabilities to the bank.

V. CLAIMS WRITE-OFF

19. The bank shall write-off the claims after on the basis of formal court decision all possibilities for collection of claim are exhausted (in case when final court decision for insubstantiality of the claim is adopted, if bankruptcy proceeding, i.e. liquidation procedure is completed, etc.).

20. The bank may write-off the claims without final court decision, if inability and/or unreadiness of the person/entity to pay the liability are surely determined, and the bank has no valid instruments to undertake forced payment of the claim.

21. Decision on complete claim write-off shall be adopted by the bank's Supervisory Board, after adopting previously prepared study relating the write-off. The study shall contain the following elements:

- the reason for suggesting a claim write-off;
- the undertaken measures for the collection of the claim and the results thereof;
- persons/entities participating in granting the approval;
- the reasons for absence or inappropriateness of the claim collateral;
- estimation whether the business and credit policies and procedures of the bank were adhered to when granting, monitoring, collecting and writing-off the claim;
- in cases where the person/entity is related to the bank, the shareholders and the persons with special rights and responsibilities of the bank shall be stated, which are considered connected to person/entity the claim of which is written-off pursuant to the Banking Law and the respective by-law.

22. The bank may perform partial write-off of the claims within the loan restructuring procedure, which stipulates partial write-off of the claim.

23. The Decision on partial claim write-off shall be adopted by the bank's Supervisory Board in the procedure under item 21 of this Decision.

24. The voting of individual members of the Supervisory Board for both partial and full write-off shall be obligatory stated in the minutes from the meeting of the Supervisory Board.

25. After the Decision is adopted by the Supervisory Board, the written-off claims shall be transferred to special off-balance sheet account, for which the bank maintains special record for both complete and partial write-off.

If after the expiration of at least three years from the moment when the claim was written off no real opportunity for at least partial collection of the claims occurs, the bank may decide to transfer the written-off claim from the off-balance sheet account it is recorded on to another off-balance sheet account on which the written-off claims without any probability for being collected are recorded.

26. The bank shall be required to notify the National Bank within ten days after the Decision on partial or complete claim write-off is adopted.

VI. TRANSITIONAL AND CLOSING PROVISIONS

27. The claims found in the off-balance sheet record, in compliance with item 22 of the Decision on supervisory standards for regulating past due claims of banks and savings houses ("Official Gazette of the Republic of Macedonia" No. 26/96 and 27/98) shall stay on the respective off-balance sheet account until their final payment, or until the Decision on their write-off, with regard to item 25, paragraph 2 of this Decision, is adopted.

28. The provisions of this Decision that pertain to banks shall also be applied to the savings houses and the foreign banks' branches in the Republic of Macedonia.

29. This Decision shall enter into force the eighth day from its publishing in the "Official Gazette of the Republic of Macedonia".

30. Once this Decision enters into force, the Decision on the supervisory standards for regulating past due claims of bank and savings houses (Official Gazette of the Republic of Macedonia" No. 19/2003) shall become void.

D.No. 02-15/X-3/2007
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Skopje

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