



## NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

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Pursuant to Article 47 paragraph 1 item 6 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" no. 158/10 and 123/12) and Article 103 paragraph 1 subitem 3) of the Banking Law ("Official Gazette of the Republic of Macedonia" no. 67/07, 90/09, 67/10 and 26/13), the National Bank of the Republic of Macedonia Council adopted the following

### **DECISION** **on the accounting and regulatory treatment of foreclosed assets** **("Official Gazette of the Republic of Macedonia" no. 50/13)**

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

1. This Decision sets out the methodology for the accounting and regulatory treatment of foreclosed assets.

2. The terminology used in this Decision shall have the following meaning:

2.1. Foreclosed assets shall denote all foreclosed tangible assets (property in land, buildings, equipment, etc.), other than foreclosed securities and stakes.

An asset shall be considered foreclosed at the moment of acquiring a legal ground for subscribing the ownership, which is regarded as a foreclosure date.

2.2. The appraised value of the foreclosed asset shall equal the appraised fair value of the foreclosed asset determined by a certified appraiser in accordance with the law, less expected costs for sale, which will be charged to the bank.

Notwithstanding paragraph 1 of this item, the appraised value of foreclosed assets whose value is less than Denar 1,000,000, shall not necessarily be determined by a certified appraiser, but by the bank, in accordance with its internal regulations, less the expected costs for sale, which will be charged to the bank.

Expected costs for sale shall include costs that are directly related to the sale of the foreclosed asset, such as notary fees, taxes, etc.

2.3. The purchase value of the foreclosed asset shall be the value specified in the act, adopted by the competent authority, which will be a legal ground for the bank to acquire property rights of the foreclosed asset.

2.4. Initial accounting value shall be either the appraised value applicable on the date of acquisition or the purchase value of the foreclosed assets, whichever is lower.

2.5. Net-value of the foreclosed asset shall be the initial accounting value less the total amount of impairment.

2.6. Uncollected claim shall mean any claim which is settled, in full or in part, through foreclosing the asset referred to in subitem 2.1 of this item, which served as collateral for such claim.

The bank may write-off a part of the claim which remained unsettled with the foreclosed asset, in accordance with the relevant provisions of the Decision on credit risk management.

2.7. Derecognized impairment / special reserve shall mean the amount of impairment / special reserve the bank has derecognized in the balance sheet as a result of the settled claim by foreclosing the asset that served as collateral for such claim, and this amount shall not include the amount of the impairment / special reserve the bank derecognized in the balance sheet based on the write-off referred to in subitem 2.6 paragraph 2 of this item.

## **II. INITIAL RECOGNITION OF THE FORECLOSED ASSETS**

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

4. The bank shall provide an appraisal of the fair value of foreclosed asset which is valid on the date of acquisition of the asset.

5. The bank shall recognize the impairment of at least 20% of the initial accounting value of the foreclosed assets in the balance sheet on the date of acquisition of the asset.

6. If the amount of derecognized impairment / special reserve is greater than the impairment referred to in item 5 of this Decision, the bank shall recognize this differential as a revaluation reserve on the date of acquisition of the asset.

Revaluation reserve referred to in paragraph 1 of this item shall be a part of the supplementary capital of the bank and may be excluded from the amount of supplementary capital if the terms and conditions specified by the Decision on the methodology for determining capital adequacy, are observed.

## **III. SUBSEQUENT MEASUREMENT OF THE FORECLOSED ASSETS**

7. At least once in a twelve months period, the bank shall determine the appraised value of the foreclosed asset and recognize impairment loss in the income statement equal to at least the higher between:

- the negative difference between the appraised value and the net-value of the foreclosed asset and
- 20% of the net-value of the foreclosed asset.

In the period between two appraisals of the fair value of the foreclosed asset, the bank shall recognize an additional amount of impairment loss in the income statement equal to the negative difference between the net-value and the amount of announced reduced selling price of the foreclosed asset.

8. If the bank fails to sell the foreclosed asset within five years after the foreclosure date, at the end of the fifth year it shall reduce the net-value of the foreclosed asset to zero.

#### **IV. MEASURING THE ALREADY FORECLOSED ASSETS**

9. As for the assets foreclosed before the date of entry into force of this Decision, the bank shall determine the appraised value and recognize the impairment loss in accordance with item 7 of this Decision.

10. If the bank fails to sell the assets foreclosed until 1 January 2010 no later than 1 January 2017, on 1 January, 2017 it shall reduce their net value to zero.

11. Assets foreclosed in the period from 1 January 2010 until the date of entry into force of this Decision, the bank shall make the first recognition of the impairment loss referred to in item 9 of this Decision no later than 1 January 2014.

If the bank fails to sell the already foreclosed assets referred to in paragraph 1 of this item no later than 1 January, 2018, on 1 January, 2018 it shall reduce their net value to zero.

#### **V. REGULATORY TREATMENT**

12. When determining the limits under Article 78 paragraphs 6 and 7 of the Banking Law, the net-value of the foreclosed assets shall be taken into account.

#### **VI. MANAGEMENT OF FORECLOSED ASSETS**

13. The bank shall establish and apply internal foreclosed asset management act/s that at least refer to:

- the activities, terms and conditions of sale of foreclosed assets;
- the plan for sale of each foreclosed asset comprising at least the selling price, the allowed deviation of the selling price, the method of sale and the maximum period for the sale and the operations for finding a buyer;
- the monitoring of the implementation of the plan for sale and monitoring of market trends that may affect the implementation of the plan;
- the conditions that may change the plan for sale;
- the responsibilities of the bank's persons/bodies for the implementation of the plan for sale, for the monitoring of its implementation and its change;
- the contents and frequency of reporting to the bank's competent authorities on the foreclosed assets.

14. Over a period of three months after the date of foreclosing the asset, the bank shall adopt a decision and a plan for sale of the foreclosed asset.

The Decision referred to in paragraph 1 of this item shall be adopted by a competent body in the bank, in accordance with the internal regulations referred to in item 13 of this Decision.

15. The bank's Management Board shall, at least quarterly, report to the Supervisory Board on:

- the amount and type of foreclosed assets,
- the actions taken for their sale,
- the status of realization of the plans for sale of the foreclosed assets,
- the change in plans for sale and the reasons behind those changes (e.g. changes in market conditions, impairment of the foreclosed asset, etc.)
- the amount of foreclosed assets sold.

Despite the reports referred to in paragraph 1 of this item, at least once a year the Management Board shall inform the Supervisory Board on the amount of total impairment per individual foreclosed asset.

## **VII. CLOSING PROVISIONS**

16. The Governor of the National Bank of the Republic of Macedonia may adopt Instructions for the implementation of this Decision.

17. The provisions of sections V and VI of this Decision shall apply to foreclosed securities and stakes.

18. The provisions of the Decision on the methodology for recording and valuation of accounting items and preparation of financial statements shall apply to matters not provided for by this Decision.

19. The provisions of this Decision concerning banks shall also apply to savings houses in the Republic of Macedonia.

20. This Decision shall enter into force on the eighth day of its publication in the "Official Gazette of the Republic of Macedonia".

21. On the date of entry into force of this Decision it shall supersede the Decision on the accounting and regulatory treatment of foreclosed assets ("Official Gazette of the Republic of Macedonia" no. 79/07 and 74/12).

**D no. 02-15/III-3/2013**

March 28, 2013

Skopje

**Dimitar Bogov**

Governor

Chairman  
National Bank of the Republic of  
Macedonia Council