



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

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Pursuant to Article 48 paragraph 1 item 3 of the Law on the National Bank of Macedonia ("Official Gazette of the Republic of Macedonia" no. 158/10 and 123/12), Article 49 of the Statute of the National Bank of the Republic of Macedonia (St. no. 02-15/IV-1/2011 of 21 April, 2011, and D no. 02-15/III-4/2012 of 29 March, 2012) and item 16 of the Decision on accounting and regulatory treatment of foreclosed assets ("Official Gazette of the Republic of Macedonia" no. 50/13), the Governor of the National Bank of the Republic of Macedonia adopted the following

### **INSTRUCTIONS**

#### **for implementing the Decision on the accounting and regulatory treatment of foreclosed assets ("Official Gazette of the Republic of Macedonia" no. 107/13)**

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

1. These Instructions shall set forth the application of the Decision on the accounting and regulatory treatment of foreclosed assets (hereinafter the Decision).

The terms defined in the Decision shall apply in these Instructions.

2. The bank shall fill in and submit to the National Bank of the Republic of Macedonia (hereinafter: the National Bank) the following reports:

- Report on foreclosed assets – FA Form;
- Report on foreclosed securities and stakes – FSS Form and
- Reports on foreclosed assets sold in the current year – FAS Form

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

#### **II. REPORT ON FORECLOSED ASSETS**

3. Report on foreclosed assets - FA Form shall contain data on all foreclosed assets, excluding foreclosed securities and stakes, as of the reporting date.

This report contains information on foreclosed assets with a net value greater than or equal to zero, including assets that are not sold and for which revaluation reserve is excluded from the amount of supplementary capital, according to the Decision on the methodology for determining capital adequacy.

4. When completing this report, the following rules shall apply:
- Column 1 - "reference number" shall state the ordinal number of the foreclosed asset. The bank shall separately enter the assets foreclosed until 1 January, 2010, assets foreclosed from 1 January, 2010 to 11 April 2013 (date of entry into force of the Decision) and assets foreclosed after April 11, 2013;

- Column 2 - "client" shall state the name and surname or the name of the client holder of assets subject to foreclosure.
- Column 3 - "type of foreclosed asset" shall state the foreclosed asset, in accordance with the Chart of Accounts (land, buildings, equipment, residential properties and other values). If two assets or more are foreclosed from a single client, the bank shall indicate the foreclosed assets in separate rows, in chronological order;
- Column 4 - "description of the foreclosed asset" shall state a brief description of the foreclosed asset (location, squaring, purpose, etc.);
- Column 5 - "foreclosure date" shall indicate the date of foreclosure of the asset, in chronological order;
- Column 6 - "Derecognized impairment / special reserve" shall state the amount of impairment / special reserve the bank has derecognized from the balance sheet as a result of the recovery of outstanding claim by foreclosing the asset, where this amount does not include the amount of impairment / special reserve the bank has derecognized from the balance sheet on the basis of the write-off made in accordance with item 2 subitem 2.6, paragraph 2 of the Decision or has retained in the balance sheet if there are prospects for recovery of the remaining portion of claim on other grounds;
- Column 7 - "write off" shall state the amount of write-off made by the bank of the portion of the claim not recovered by the foreclosed asset;
- Column 8 - "initial value" shall state the initial accounting value of foreclosed asset;
- Column 9 - "impairment at foreclosure" shall state the amount of impairment at foreclosure recognized in the balance sheet on the foreclosure date;
- Column 10 - "initial revaluation reserve" shall state the difference between the amount of derecognized impairment / special reserve of column 6 and the amount of impairment at foreclosure of column 9;
- Column 11 - "total impairment" shall state the total amount of impairment at foreclosure recognized in the balance sheet from the foreclosure date to the reporting date;
- Column 12 - "net value of the foreclosed asset" shall state the difference between the initial accounting amount of column 8 and the total amount of impairment at foreclosure of column 11, plus the amount of taxes and other related costs;
- Column 13 - "released revaluation reserve" shall state the amount of the revaluation reserve that is released for every foreclosed asset;
- Column 14 - "revaluation reserve" shall state the difference between the initial revaluation reserve of column 10 and the amount of the revaluation reserve that is released from column 13;
- Column 15 - "date of expected sale" shall state the date of expected sale of the foreclosed asset, specified in the plan for sale. This column might not be filled in for assets foreclosed over the last three months prior to the reporting date;
- Column 16 - "expected sales value" shall state the expected sales value according to the expected selling price indicated in the plan for sale. This column might not be filled in for assets foreclosed over the last three months prior to the reporting date;
- Row "total" and column 12 shall state the sum of the net value of all foreclosed assets;

- Row "total amount for determining the limits under Article 78 of the Banking Law" and column 12 shall state the sum of the net value of foreclosed assets not sold within three years from the foreclosure date.

5. The bank shall not fill in columns 6, 7, 9, 10, 13 and 14 of FA Form for assets foreclosed by 11 April 2013.

### **III. REPORT ON FORECLOSED SECURITIES AND STAKES**

6. The Report on foreclosed securities and stakes- FSS Form shall contain data on securities and stakes foreclosed (hereinafter: foreclosed securities and stakes) as at the reporting date.

7. When completing this report, the following rules shall apply:

- Column 1 - "reference number" shall be the ordinal number of foreclosed securities and stakes;
- Column 2 - "client" shall state the name and surname or the name of the client holder of the securities and stakes subject to foreclosure;
- Column 3 - "type, number and issuer of the foreclosed securities and stakes" shall state the type, number and issuer of foreclosed securities (stocks, bonds, bills) and stakes. If two types of securities and stakes or more of a same or a different issuer are foreclosed from a single client, the bank shall present the foreclosed securities and stakes in separate rows, in chronological order;
- Column 4 - "foreclosure date" shall state the date of foreclosing the securities and stakes, in chronological order;
- Column 5 - "initial value" shall state the amount at the initial recognition of assumed securities and stakes, on the foreclosure date as determined by the Methodology for recording and valuation of accounting items and for the preparation of financial statements;
- Column 6 - "released impairment / special reserve" shall state the amount of released impairment / special reserve through the income statement as a result of the foreclosed securities and stakes;
- Column 7 - "total impairment" shall state the total amount of the impairment of foreclosed securities and stakes in the balance sheet from the foreclosure date to the reporting date as determined by the Methodology for recording and valuation of accounting items and for the preparation of financial statements;
- Column 8 - "net value of foreclosed securities and stakes" shall state the difference between the amount of initial value of column 5 and the total amount of impairment of foreclosed securities and stakes of column 7;
- Column 9 - "Date of expected sales" shall state the date of expected sales of foreclosed securities and stakes, specified in the plan for sale. This column might not be filled in for securities and stakes foreclosed over the last three months prior to the reporting date;
- Column 10 - "expected sales value" shall state the expected sales value according to the expected selling price specified in the plan for sale. This column might not be filled in for securities and stakes foreclosed over the last three months prior to the reporting date;
- Row "total" and column 8 shall state the sum of net value of foreclosed securities and stakes;

- Row "total amount for determining the limits under Article 78 of the Banking Law" and column 8 shall state the sum of the net value of foreclosed securities and stakes in nonfinancial institutions that represent bank's capital holdings in these institutions, which have been not sold within three years from the foreclosure date.

#### **IV. REPORTS ON FORECLOSED ASSETS SOLD IN THE CURRENT YEAR**

8. Reports on foreclosed assets sold in the current year - FAS Form shall contain data on assets foreclosed and sold in the current year, i.e. from 1 January to the reporting date, including the foreclosed securities and stakes.

9. The FAS Form shall consist of two tables, as follows:

- Table 1 - Report on foreclosed assets sold from 1 January of the current year to the reporting date;
- Table 2 - Report on foreclosed securities and stakes sold from 1 January of the current year to the reporting date.

9.1. In table 1, foreclosed assets sold shall be presented in chronological order, using the following rules:

- Column 1 - "reference number" shall state the ordinal number of the sold foreclosed asset;
- Column 2 - "type of foreclosed asset" shall state the type foreclosed asset, under the Chart of Accounts (land, buildings, equipment, residential properties and other values), sold;
- Column 3 - "description of the foreclosed asset" shall state the brief description of the foreclosed asset (location, squaring, purpose, etc.) sold;
- Column 4 - "foreclosure date" shall state the foreclosure date of the asset sold;
- Column 5 - "initial value" shall state the initial accounting value of the asset sold;
- Column 6 - "total impairment" shall state the total amount of impairment of the foreclosed asset sold, presented in the balance sheet from the foreclosure date to the date of sale;
- Column 7 - "net value of the foreclosed asset" shall state the difference between the initial accounting value of column 5 and the total amount of impairment of column 6, plus the amount of taxes and other similar costs, on the foreclosed asset sold;
- Column 8 - "released revaluation reserve" shall state the amount of revaluation reserve released upon the sale of foreclosed asset;
- Column 9 - "date of sale" shall state the date of sale of the foreclosed asset;
- Column 10 - "sales value" shall state the value of sale of the foreclosed asset;
- Column 11 - "method of sale" shall state the method of sale of the foreclosed asset (cash, credit, reallocation in fixed asset which is in favor of the bank's operations, etc..)
- Row "total" shall be filled in for columns. 7 and 8.

9.2. In table 2, the foreclosed securities and stakes sold shall be presented in chronological order, using the following rules:

- Column 1 - "reference number" shall state the ordinal number of foreclosed securities and stakes sold;
- Column 2 - "type, number and issuer of foreclosed securities and stakes" shall state the type, number and issuer of foreclosed securities and stakes sold;
- Column 3 - "foreclosure date" shall state the foreclosure date of securities and stakes sold;
- Column 4 - "initial value" shall state the amount on initial recognition of foreclosed securities and stakes sold;
- Column 5 - "total impairment" shall state the total amount of impairment of foreclosed securities and stakes sold presented in the balance sheet from the foreclosure date to the date of sale;
- Column 6 - "net value of foreclosed securities and stakes" shall state the difference between the initial value of column 4 and the total amount of impairment of foreclosed securities and stakes sold of column 5;
- Column 7 - "date of sale" shall state the date of sale of foreclosed securities and stakes;
- Column 8 - "sales value" shall state the value of sale of foreclosed securities and stakes;
- Column 9 - "method of sale" shall state the method of sale of foreclosed securities and stakes (in cash, credit, etc..)
- Row "total" shall be filled in for column 6.

## **V. ACCOUNTING TREATMENT**

10. The bank shall record the foreclosed asset on the respective account of group 06 - "Foreclosed assets" of the Chart of Accounts.

11. The bank shall recognize the foreclosed assets in the accounting records, excluding foreclosed securities and stakes, as follows:

11.1. On the foreclosure date, foreclosed assets shall be recognized in the balance sheet of the bank at initial accounting value, thus fully or partially derecognizing the outstanding claim (based on principal, interest, fees). The amount of derecognized impairment / special reserve has no effect on the income statement, but it is redistributed within the balance sheet. One part shall be recorded in the respective impairment accounts of account group 06 (impairment of foreclosed assets of at least 20% of the initial accounting value of foreclosed assets), and the rest shall be recorded on the revaluation reserve account (account 90592).

For written-off claim recorded on the off-balance sheet accounts records, which is fully or partially derecognized by foreclosed asset, the bank shall identically recognize the foreclosed asset, impairment and revaluation reserve (in the balance sheet) in the accounting records and shall simultaneously close any accounts for off-balance sheet records (accounts 9903 and 9953).

11.2. At the subsequent measurement of the foreclosed asset, the bank shall recognize an additional amount of impairment loss in the income statement and shall recognize impairment for the foreclosed asset in the balance sheet.

11.3. On the date of sale, the bank shall derecognize the foreclosed asset and the amount of impairment recorded in the balance sheet. Depending on the sales value of the foreclosed asset, the bank shall record a capital gain (account 659) or capital loss (account 639) for the difference between market value and net asset value of the foreclosed asset.

The bank shall derecognize the foreclosed asset and the amount of impairment recorded in the balance sheet even if it reallocates the foreclosed asset into fixed asset in favor of the bank. The bank shall recognize the fixed asset in the accounting records under the Methodology for recording and evaluation of accounting data and for the preparation of financial statements.

The bank shall derecognize the revaluation reserve for foreclosed asset, by releasing the impairment through the income statement (account 64251).

The bank shall derecognize the revaluation reserve in accordance with paragraph 3 of this sub-item when the asset is not sold, but the revaluation reserve is excluded from the amount of supplementary capital, according to the Decision on the methodology for determining capital adequacy.

12. The bank shall recognize the foreclosed securities and stakes in the accounting records under the Methodology for recording and valuation of accounting items and for the preparation of financial statements.

## **VII. REPORTING PERIODS OF THE NATIONAL BANK**

13. The Bank shall prepare the reports under item 2 of these Instructions on a semi-annual basis.

The bank shall submit reports under item 2 of these Instructions to the National Bank, within 30 days after the reporting date.

14. The Bank shall prepare the first reports of item 2 of this Decision as of 30 June, 2013 and shall submit them to the National Bank not later than 1 October 2013.

## **VIII. CLOSING PROVISIONS**

15. The provisions of these Instructions relating to banks shall also apply to the savings houses in the Republic of Macedonia.

16. These Instructions shall come into force on the eighth day after the publication in the "Official Gazette of the Republic of Macedonia".

**I no. 24995/2  
25 July, 2013  
Skopje**

**Dimitar Bogov  
Governor**