



NATIONAL BANK OF THE REPUBLIC OF NORTH MACEDONIA

Pursuant to Article 48 paragraph 1 item 3 and Article 68 paragraph 3 of the Law on the National Bank of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18 and Official Gazette of the Republic of North Macedonia No. 110/21) and item 91 of the Decision on the methodology for credit risk management (Official Gazette of the Republic of North Macedonia No. 57/23), the Governor of the National Bank of the Republic of North Macedonia adopted these

INSTRUCTIONS for implementation of the Decision on the methodology for credit risk management (Official Gazette of the Republic of North Macedonia No. 174/23)

I. GENERAL PROVISIONS

1. These Instructions set forth the method of and the procedure for submitting the report on the implementation of the Decision on the methodology for credit risk management (hereinafter: the Decision) referred to in item 88 of the Decision and the notifications referred to in item 89 paragraph 1 indents 3 (on the performed write-offs of the individually insignificant credit exposures), 4, 8, 9 and 10 of the Decision, as well as the form and the contents of the forms.

The bank shall submit the notifications referred to in item 89 paragraph 1 indents 1, 2, 3 (with the exception of the performed write-offs of the individually insignificant credit exposures), 5, 6 and 7 of the Decision to the National Bank of the Republic of North Macedonia (hereinafter: the National Bank), in accordance with item 89 paragraph 2 of the Decision.

The terms that are used in these Instructions shall have the same meaning as in the Decision.

2. The report on the implementation of the Decision consists of the Form for credit risk exposure (KA Form) which is submitted to the National Bank, in accordance with the deadlines referred to in item 88 paragraphs 2 and 3 of the Decision.

The notifications referred to in item 89 paragraph 1 indents 3 (on the performed write-offs of the individually insignificant credit exposures), 4, 8, 9 and 10 of the Decision consist of the following forms that are submitted to the National Bank in accordance with the deadlines referred to in item 88 paragraphs 2 and 3 of the Decision:

- Form for the sale of overdue, non-performing and written-off claims (PR Form);
- Form for the transfer of credit exposures to the accounts for off-balance sheet records and for the write-off of the individually insignificant credit exposures (VE/ON Form);

- Form for the recovery of the credit exposures that have previously been written-off (NO Form);
- Form for the green finances approved (ZK Form).

In addition to the forms referred to in paragraphs 1 and 2 of this item, the bank shall be obliged to determine the initial effect of the implementation of the Decision on the volume of non-performing credit exposures (EP Form) and to submit it to the National Bank.

The forms referred to in paragraphs 1, 2 and 3 of this item shall be an integral part of these Instructions.

II. CREDIT RISK EXPOSURE

3. The Form for credit risk exposure (KA Form) shall include data on:
- credit risk exposure on an individual basis and
 - credit risk exposure on a collective basis.

Data referred to in paragraph 1 of this item shall be presented as of the end of the month for which the report is produced.

4. Credit risk exposure data shall be presented in the KA Form by:
- type of claim (columns 3 to 9) and
 - credit risk exposure on an individual basis (part 1) and/or on a collective basis (part 2).

Investments in debt instruments that are a part of credit risk exposure shall be presented in the respective rows of part 1 and/or of part 2 by risk category.

5. Part 1 "credit risk exposure on an individual basis" shall include data on:
- credit exposures for which the bank has not determined impairment, i.e. has not allocated special reserve in accordance with item 15 of the Decision (No. 1);
 - credit exposures subject to classification and calculation of impairment and special reserve on an individual basis by the bank, in accordance with sections II and III of the Decision, by their risk category (No. 2, 3, 4, 5 and 6).

6. Part 2 "credit risk exposure on a collective basis" shall include data on credit exposures from certain loan portfolios, for which the bank calculates impairment and special reserve on a collective basis and allocates the exposures in the risk categories pursuant to section III of the Decision, stating the similarity used to group the credit risk exposures in certain loan portfolios.

Credit exposures in certain loan portfolios subject to calculation of impairment and special reserve on a collective basis shall be recognized according to their risk category (A, B, C, D and E), pursuant to item 28 paragraph 3 of the Decision.

7. Columns 3 and 4 "regular loans" shall state the undue (Column 3) and/or the overdue portion (Column 4) of the principal of regular loans. These positions shall include:

- interbank transactions in Denars and in Denars with FX clause, with the exception of non-performing claims and of accumulated depreciation and impairment (impairment of assets) that refer to them;
- the reserve guarantee fund for a payment system according to special regulations;
- the current accounts in foreign currency with domestic and foreign banks and interbank transactions in foreign currency, with the exception of non-performing claims and of accumulated depreciation and impairment (impairment of assets) that refer to them;
- loans and placements, with the exception of non-performing claims and of accumulated depreciation and impairment (impairment of assets) that refer to them.

8. Column 5 "non-performing loans" shall state the non-performing claims, with the exception of accumulated depreciation and impairment of non-performing claims.

Column 5 shall not be filled in for credit exposures for which the bank has not determined impairment and/or special reserve and/or which are classified in A and B risk categories on an individual basis (part 1) and/or on a collective basis (part 2).

9. Column 6 "regular interest" shall state the claims based on interest, with the exception of non-performing claims based on interest and impairment (impairment of assets).

10. Column 7 "non-performing interest" shall state the non-performing claims based on interest.

The bank shall calculate interest on non-performing loans thereby debiting the account on non-performing claims based on interest, while crediting the account on impairment of non-performing claims based on interest. The bank shall recognize income based on interest on non-performing loans at the moment of the interest recovery and upon fulfilling criteria defined in the Decision on exclusion of credit exposure from the category of non-performing credit exposures.

Notwithstanding paragraph 2 of this item, the bank shall cease calculating interest on non-performing loans as required by the terms and criteria specified in internal acts, adopted by the bank's competent body.

Column 7 shall not be filled in for credit exposures for which the bank has not determined impairment and/or special reserve and/or which are classified in A and B risk categories on an individual basis (part 1) and/or on a collective basis (part 2).

11. Column 8 "other claims" shall state:
- claims on buyers and other claims;
 - claims based on fees and compensations;
 - claims in the calculation of business operations and claims in the calculation from work with households;
 - securities and other financial instruments in Denars, in foreign currency and/or in Denars with FX clause at fair value through other comprehensive income;
 - securities and other financial instruments in Denars, in foreign currency and/or in Denars with FX clause at amortized cost;

This column shall also include the non-performing claims that refer to other claims referred to in paragraph 1 of this item, as well as all other on-balance sheet claims that expose the bank to credit risk.

This column shall not take into account the accumulated depreciation and impairment (impairment of assets) for other claims.

12. Column 9 "off-balance sheet items" shall state the off-balance sheet positions considered by the Decision to be credit risk exposure.

13. Column 10 "total credit risk exposure" shall state the sum of columns 3 to 9, except column 7.

14. Column 11 "accumulated depreciation" shall state the amount of accumulated depreciation for credit exposures (by risk category) subject to calculation of impairment and special reserve on an individual and/or a collective basis.

15. Column 12 "impairment/special reserve - expected credit loss" shall recognize the impairment/special reserve for credit exposures (by risk category) subject to calculation of impairment and special reserve on an individual and/or a collective basis.

Column 12 shall not be filled in for credit exposures for which the bank has not determined impairment and/or special reserve, in accordance with item 15 of the Decision.

16. Column 13 "% of impairment/special reserve" shall state the ratio between column 12 and the difference of amounts of columns 10 and 11, multiplied by 100.

Column 13 shall not be filled in for credit exposures for which the bank has not determined impairment and/or special reserve, in accordance with item 15 of the Decision.

17. Row I shall state the total credit risk exposure subject to classification and calculation of impairment and special reserve on an individual basis by the bank.

18. Row II shall state the total credit risk exposure subject to calculation of impairment and special reserve on a collective basis for the loan portfolio by the bank.

19. Row III shall represent the sum of amounts from rows I and II and shall state the bank's total credit risk exposure.

III. SALE OF OVERDUE, NON-PERFORMING AND WRITTEN-OFF CLAIMS

20. The Form for the sale of overdue, non-performing and written-off claims (PR Form) shall include data on the sale of overdue, non-performing or written-off claims of the bank from credit agreements for the month for which the report is produced and shall be completed in accordance with the following rules:

20.1. Columns 3 to 6 shall state the gross carrying amount of the claims from the credit agreements that are subject to sale for the month for which the report is produced, as follows:

- Column 3 "principal" shall state the amount of the principal from the claims from the credit agreements that are subject to sale;
- Column 4 "interest" shall state the amount of the interest from the claims from the credit agreements that are subject to sale;
- Column 5 "other claims" shall state the amount of the other claims from the credit agreements that are subject to sale;
- Column 6 "off-balance sheet positions" shall state the amount of the off-balance sheet positions from the claims from the credit agreements that are subject to sale.

20.2. Column 7 "total" shall state the total amount of the claims from the credit agreements that are subject to sale as a sum of the amounts of columns 3, 4, 5 and 6 of this Form.

20.3. Column 8 "impairment/special reserve of the sold claim" shall state the amount of impairment/special reserve for the claims from the credit agreements that are subject to sale.

20.4. Columns 9 to 11 shall state the treatment of the claims from the credit agreements that are subject to sale for the month for which the report is produced, as follows:

- Column 9 "overdue claim" shall state the overdue amount of the claims from the credit agreements that are subject to sale;
- Column 10 "non-performing claim" shall state the non-performing amount of the claims from the credit agreements that are subject to sale;
- Column 11 "written-off claim" shall state the written-off amount of the claims from the credit agreements that are subject to sale.

20.5. Rows 1 to 3 shall state the aggregate data for columns 3, 4, 5, 6, 8, 9, 10 and 11 of this Form for non-financial legal entities (No. 1), households (No. 2) and other clients (No. 3).

20.6. Row I "total" shall state the sum of rows 1, 2 and 3 for columns 3, 4, 5, 6, 8, 9, 10 and 11 of this Form. Column 7 of this row is a sum of the corresponding amounts, in accordance with sub-item 20.2 of this item.

IV. TRANSFER OF CREDIT EXPOSURES TO THE ACCOUNTS FOR OFF-BALANCE SHEET RECORDS AND WRITE-OFF OF THE INDIVIDUALLY INSIGNIFICANT CREDIT EXPOSURES

21. The Form for the transfer of credit exposures to the accounts for off-balance sheet records and for the write-off of the individually insignificant credit exposures (VE/ON Form) shall be completed for the month for which the report is produced and shall include data on:

- the mandatory transfer of the accounts for off-balance sheet records of credit exposures where twelve months have passed from the date when the bank was obliged to make impairment, or allocate special reserve of 100%, in accordance with item 66 paragraph 3 of the Decision (part 1) and
- the performed write-offs of the individually insignificant credit exposures referred to in item 66 paragraph 2 indent 4 of the Decision (part 2).

22. The columns from this Form shall be filled in by applying the following rules:

22.1. Columns 3 to 6 shall state the amount of credit exposures that have been transferred to the accounts for off-balance sheet records, i.e. the amount of the individually insignificant credit exposures that have been written off in the month for which the report is produced, as follows:

- Column 3 "principal" shall state the amount of the principal of the credit exposures that have been transferred to the accounts for off-balance sheet records, i.e. the amount of the principal of the individually insignificant credit exposures that have been written off;
- Column 4 "interest" shall state the amount of the interest on the credit exposures that have been transferred to the accounts for off-balance sheet records, i.e. the amount of the interest on the individually insignificant credit exposures that have been written off;
- Column 5 "other claims" shall state the amount of the other claims that have been transferred to the accounts for off-balance sheet records, i.e. the amount of the other claims of the individually insignificant credit exposures that have been written off;
- Column 6 "off-balance sheet positions" shall state the amount of the off-balance sheet positions that have been transferred to the accounts for off-balance sheet records, i.e. the amount of the off-balance sheet positions of the individually insignificant credit exposures that have been written off.

22.2. Column 7 "total" shall state the total amount of credit exposures that have been transferred to the accounts for off-balance sheet records and of the individually insignificant credit exposures that have been written off, as a sum of the amounts of columns 3, 4, 5 and 6 of this Form.

22.3. Columns 8 and 9 shall state the amount of the collateral instruments of the credit exposures that have been transferred to the accounts for off-balance sheet records, i.e. of the individually insignificant credit exposures that have been written off, as follows:

- Column 8 "with eligible collateral instrument" shall state the amount of the collateral instruments that are considered eligible collateral instruments in accordance with item 25 of the Decision, of the credit exposures that have been transferred to the accounts for off-balance sheet records, i.e. the amount of the collateral instruments of the individually insignificant credit exposures that have been written off;
- Column 9 "without eligible collateral instrument" shall state the amount of the collateral instruments that do not meet the conditions for eligible collateral instruments referred to in item 25 of the Decision, of the credit exposures that have been transferred to the accounts for off-balance sheet records, i.e. the amount of the collateral instruments of the individually insignificant credit exposures that have been written off.

22.4. Column 10 "total" shall state the total amount of the collateral instruments of the credit exposures that have been transferred to the accounts for off-balance sheet records and of the individually insignificant credit exposures that have been written off, as a sum of the amounts of columns 8 and 9 of this Form.

23. The rows from this Form shall be filled in by applying the following rules:

23.1. Part 1 "transfer to the accounts for off-balance sheet records" and part 2 "write-off of individually insignificant credit exposures" shall state the aggregate data for columns 3, 4, 5, 6, 8 and 9 of this Form, for non-financial legal entities (No. 1), households (No. 2) and other clients (No. 3).

23.2. Rows I and II "total" shall state the sum of rows 1, 2 and 3 for columns 3, 4, 5, 6, 8 and 9 of this Form. Columns 7 and 10 of these two rows shall represent the sum of the corresponding amounts, in accordance with item 22 sub-items 22.2 and 22.4 of these Instructions.

V. RECOVERY OF THE CREDIT EXPOSURES THAT HAVE PREVIOUSLY BEEN WRITTEN-OFF

24. The Form for the recovery of the credit exposures that have previously been written-off (NO Form) shall include data on the recovery of the credit exposures that have previously been written off or transferred to the accounts for off-balance sheet records in accordance with item 66 paragraphs 2 and 3 of the Decision, in the month for which the report is produced and shall be completed in accordance with the following rules:

24.1. Columns 3 to 6 shall state data on the previously written-off credit exposures, i.e. for the credit exposures that have previously been transferred to the accounts for off-balance sheet records, and which have been collected in the month for which the report is produced, as follows:

- Column 3 "principal" shall state the amount of the principal of the credit exposures that have previously been written off or transferred to the accounts for off-balance sheet records, and which have been recovered in the month for which the report is produced;
- Column 4 "interest" shall state the amount of the interest on the credit exposures that have previously been written off or transferred to the accounts for off-balance sheet records, and which have been recovered in the month for which the report is produced;
- Column 5 "other claims" shall state the amount of the other claims that have previously been written off or transferred to the accounts for off-balance sheet records, and which have been recovered in the month for which the report is produced;
- Column 6 "off-balance sheet positions" shall state the amount of the off-balance sheet positions that have previously been written off or transferred to the accounts for off-balance sheet records, and which have been recovered in the month for which the report is produced.

24.2. Column 7 "total" shall state the total amount of the credit exposures that have previously been written off or transferred to the accounts for off-balance sheet records, and which have been recovered in the month for which the report is produced, as a sum of the amounts of columns 3, 4, 5 and 6 of this Form.

24.3. Column 8 "amount of the recovery" shall state the amount of the credit exposures that have previously been written-off or the credit exposures transferred to the accounts for off-balance sheet records which have been collected in the month for which the report is produced.

24.4. Rows 1 to 3 shall state the aggregate data for columns 3, 4, 5, 6 and 8 of this Form, for non-financial legal entities (No. 1), households (No. 2) and other clients (No. 3):

24.5. Row I "total" shall state the sum of rows 1, 2 and 3 for columns 3, 4, 5, 6 and 8 of this Form. Column 7 of this row shall represent a sum of the corresponding amounts, in accordance with sub-item 24.2 of this item.

VI. GREEN FINANCES APPROVED

25. The Form for the green finances approved (ZK Form) shall include data on the green finances approved by the bank in the month for which the report is produced and shall be completed by applying the following rules:

25.1. Column 3 "amount of the green finance approved" shall state the amount of green finances approved by the bank.

25.2. Row 1 "non-financial legal entities" shall state the amount of green finances approved to non-financial legal entities.

25.3. Row 2 "households" shall state the amount of green finances approved to households.

25.4. Row 3 "other clients" shall state the amount of green finances approved to other clients.

25.5. Row I "total" shall state the sum of rows 1, 2 and 3 of this Form.

VII. INITIAL EFFECT OF THE IMPLEMENTATION OF THE DECISION ON THE VOLUME OF NON-PERFORMING CREDIT EXPOSURES

26. The bank shall state the initial effect of the implementation of the Decision on the volume of non-performing credit exposures in the EP Form which shall be completed in accordance with the following rules:

26.1. Data in the EP Form shall be stated separately for households (No. 1), non-financial legal entities (No. 2) and other entities (No. 3).

26.2. Columns 3 and 4 shall state the amount of non-performing credit exposures before and after the implementation of the Decision, as follows:

- Column 3 "31.12.2023" shall state the amount of non-performing credit exposures as of 31.12.2023 determined in accordance with the provisions of the Decision on the methodology for credit risk management (Official Gazette of the Republic of Macedonia No. 149/18 and Official Gazette of the Republic of North Macedonia No. 76/20, 116/20 and 83/22);
- Column 4 "31.1.2024" shall state the amount of non-performing credit exposures as of 31.1.2024, determined in accordance with the provisions of the Decision.

26.3. Column 5 "difference" shall state the difference of columns 3 and 4 of this Form.

26.4. Columns 6 to 9 shall state the amount of the increase or decrease in non-performing loans as of 31 January 2024 (column 4), compared to the balance of non-performing credit exposures as of 31 December 2023 (column 3), according to the basis of that increase or decrease. The increase shall be recognized with a positive sign, while the decrease shall be recognized with a negative sign. The sum of these columns shall be equal to the amount of column 5 of this Form. These columns shall be filled in according to the following bases:

- Column 6 "materiality threshold" shall state the increase or decrease in the amount of non-performing credit exposures for the purpose of meeting the materiality threshold in accordance with item 2 sub-item 2.24 of the Decision.
- Column 7 "unlikeness to pay" shall state the increase or decrease in the amount of non-performing credit exposures for the purpose of meeting the indicators for unlikeliness to pay of item 54 and item 62 sub-item 62.8 of the Decision.
- Column 8 "forborne credit exposures" shall state the increase or decrease in the amount of non-performing credit exposures for the purpose of meeting the conditions referred to in item 58 of the Decision.
- Column 9 "other bases" shall state the increase or decrease in the amount of non-performing credit exposures for the purpose of meeting the other conditions referred to in item 2 sub-item 2.27 of the Decision.

26.5. Row I "total" shall state the sum of all rows of the Form for columns 3 to 9.

VIII. CLOSING PROVISIONS

27. The provisions of these Instructions relating to banks, shall properly apply to savings houses.

28. Foreign bank branches shall properly apply the provisions of these Instructions, taking into account the provisions of the Banking Law and bylaws adopted pursuant to this law governing the operation of foreign bank branches in the Republic of Macedonia.

29. The bank shall be obliged to submit the forms referred to in item 2 paragraph 1 of these Instructions within the deadlines prescribed in items 88 and 89 of the Decision.

30. The bank shall be obliged to submit the form referred to in item 2 paragraph 2 of these Instructions as of 31 January 2024, within the deadline referred to in item 93 of the Decision.

31. These Instructions, once in effect, shall supersede the Instructions for implementation of the Decision on the methodology for credit risk management (Official Gazette of the Republic of Macedonia No. 31/19).

32. These Instructions shall enter into force on the eighth day from the date of their publication in the Official Gazette of the Republic of North Macedonia, and shall apply from 1 January 2024.

I No. 02-27075/1
31 July 2023
Skopje

Anita Angelovska Bezhoska
Governor