



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

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Pursuant to Article 48 paragraph 1 item 3, Article 68 paragraph 3 of the Law on the National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15 and 6/16) and item 231 of the Decision on the methodology for determining the capital adequacy (Official Gazette of the Republic of Macedonia No. 47/12, 50/13, 71/14, 223/15 and 218/16), the Governor of the National Bank of the Republic of Macedonia adopted the following

### **INSTRUCTIONS**

#### **amending the Instructions for enforcing the Decision on the methodology for determining the capital adequacy (Official Gazette of the Republic of Macedonia No. 11/2017)**

1. In the Instructions for enforcing the Decision on the methodology for determining the capital adequacy (Official Gazette of the Republic of Macedonia No. 63/12, 109/12, 106/15 and 18/16), section **II. REPORT ON THE OWN FUNDS** shall be amended and read as follows:

#### **"II. REPORT ON THE OWN FUNDS**

3. The Own Funds Report (SS Form) shall contain data on the bank's own funds, which represent the sum of the Tier 1 capital, as defined under part 1 of this section and the Tier 2 capital, as defined under part 4 of this section.

3.1. Row 1 - "own funds" shall state the sum of rows 2 and 5.

##### **1. Tier 1 capital**

4. Row 2 - "Tier 1 capital" shall state the sum of rows 3 and 4.

##### **2. Common Equity Tier 1 capital**

5. When determining its Common Equity Tier 1 capital, the bank shall observe the following rules:

5.1. Row 3 - "Common Equity Tier 1 capital (CET1)" shall state the sum of rows 3.1, 3.2, 3.3, 3.4 and 3.5.

5.2. Row 3.1 - "positions in CET1" shall state the sum of rows 3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.1.5, 3.1.6 and 3.1.7.

5.3. Row 3.1.1 - "capital instruments of CET1" shall state the nominal value of paid-in capital instruments of the bank that meet the requirements of item 14 of the Decision.

5.4. Row 3.1.2 - "premium on the capital instruments of CET1" shall state the premium on the sale of the capital instruments shown in row 3.1.1 of this Form. When the premium is negative, it shall be shown with a negative sign.

5.5. Row 3.1.3 - "mandatory general reserve (general reserve fund)" shall state the amount of bank's reserves allocated from the taxed profit.

5.6. Row 3.1.4 - "retained undistributed profit" shall state the amount of the retained undistributed profit that meets the requirements of item 13 subitem 13.4 of the Decision.

5.7. Row 3.1.5 - "(-) accumulated loss from previous years" shall state the amount of the accumulated loss from previous years, with a negative sign.

5.8. Row 3.1.6 - "current profit or year-end profit" shall state the amount of the current profit or year-end profit, if the requirements of item 15 of the Decision are met.

5.9. Row 3.1.7 - "accumulated other comprehensive income" shall state other gains and losses that are not shown in the bank's income statement (e.g. the revaluation reserve for the assets available for sale, the revaluation reserve for foreclosed assets and other gains and losses that are not shown in the bank's income statement).

5.10. Row 3.2 - "(-) deductions of CET1" shall state the sum of rows 3.2.1, 3.2.2, 3.2.3, 3.2.4, 3.2.5, 3.2.6, 3.2.7, 3.2.8, 3.2.9, 3.2.10 and 3.2.11, which shall be shown with a negative sign.

5.11. Row 3.2.1 - "(-) loss at the year-end or current loss" shall state a loss arising from bank's operations at the year-end or a loss from current operations.

5.12. Row 3.2.2 - "(-) intangible assets" shall state the intangible assets of item 16 subitem 16.2 of the Decision, reduced by the amount of accumulated depreciation and impairment losses.

5.13. Row 3.2.3 - "(-) deferred tax assets that rely on bank's future profitability" shall state the amount of deferred tax assets in accordance with item 16 subitem 16.3 of the Decision, with the exception of the positions of item 17 paragraph 2 of the Decision.

5.14. Row 3.2.4 - "(-) investments in own capital instruments of CET1" shall state the sum of rows 3.2.4.1, 3.2.4.2, 3.2.4.3 and 3.2.4.4. This sum shall include the positions of item 16 subitem 16.4 of the Decision.

5.15. Row 3.2.4.1 - "(-) direct investments in own capital instruments of CET1" shall state the amount of direct investments in own capital instruments of the Common Equity Tier 1 capital, with a negative sign.

5.16. Row 3.2.4.2 - "(-) indirect investments in own capital instruments of CET1" shall state the amount of indirect investments in own capital instruments of the Common Equity Tier 1 capital, with a negative sign.

5.17. Row 3.2.4.3 - "(-) synthetic investments in own capital instruments of CET1" shall state the amount of synthetic investments in own capital instruments of the Common Equity Tier 1 capital, with a negative sign.

5.18. Row 3.2.4.4 - "(-) investments in own capital instruments of CET1 that the bank is contractually required to purchase" shall state the amount of investments in own

capital instruments of the Common Equity Tier 1 capital that the bank is contractually required to purchase, with a negative sign.

5.19. Row 3.2.5 - "(-) direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities, where such entities have investments in the bank" shall state the amount of the bank's investments referred to in item 16 subitem 16.5 of the Decision.

5.20. Row 3.2.6 - "(-) direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities in which the bank has no significant investment" shall state the amount of the bank's investments of item 16 subitem 16.6, taking into account the provisions of item 17 paragraph 1 of the Decision.

5.21. Row 3.2.7 - "(-) direct, indirect and synthetic investments in capital instruments of CET1 of the financial sector entities in which the bank has a significant investment" shall state the amount of the bank's investments of item 16 subitem 16.7 of the Decision, with the exception of the positions of item 17 paragraph 2 of the Decision. The presentation of these investments shall take into account the provisions of item 17 paragraph 1 of the Decision.

5.22. Row 3.2.8 - "(-) amount of deductions from AT1 which exceeds the total amount of AT1" shall state the amount of the deductions from the Additional Tier 1 capital, which exceeds the total amount of Additional Tier 1 capital.

5.23. Row 3.2.9 - "(-) amount of excess of limits on investments in non-financial institutions" shall state the amount of the limit excess referred to in the Banking Law, concerning the individual equity holding (15%) and aggregate i.e. total amount of equity holdings in non-financial institutions (30%) as defined by item 16 subitem 16.9 of the Decision.

5.24. Row 3.2.10 - "(-) tax costs" shall state the tax costs that may be established at the time of calculation, unless the bank has adequately adjusted the amount of positions included in the Common Equity Tier 1 capital to the extent to which the tax costs would reduce the amount available to cover risks or losses.

5.25. Row 3.2.11 – "(-) difference between the amount of required and actual impairment/special reserve" shall state the difference between the amount of the impairment/special reserve set by the bank and the required amount of impairment/special reserve as determined by the Decision on credit risk management.

5.26. Row 3.3 - "regulatory adjustments of CET1" shall state the sum of rows 3.3.1, 3.3.2, 3.3.3 and 3.3.4.

5.27. Row 3.3.1 - "(-) increase in CET1 which stems from securitization positions" shall state the increase in the positions of the Common Equity Tier 1 capital which stems from securitization positions, with a negative sign.

5.28. Row 3.3.2 - "(-) gains or (+) losses from protection against cash flow risk" shall state the gains or losses arising from protection against cash flow risk, with the respective sign.

5.29. Row 3.3.3 - "(-) gains or (+) losses on bank's liabilities measured at fair value" shall state the gains or losses arising from the bank's liabilities measured at fair value, with the respective sign, taking into account the provisions of item 19-h paragraph 2 of the Decision.

5.30. Row 3.3.4 - "(-) gains or (+) losses related to liabilities arising from derivatives measured at fair value" shall state the gains or losses arising from liabilities based on derivatives measured at fair value, with the respective sign.

5.31. Row 3.4 – "positions as a result of consolidation" shall state the sum of rows 3.4.1 and 3.4.2. This position shall be filled in by a bank subject to consolidated supervision.

5.32. Row 3.4.1 - "minority interest recognized in CET1 on a consolidated basis" shall state the amount of minority interest of a subsidiary of the bank as defined by item 220-b paragraph 1 of the Decision.

5.33. Row 3.4.2 - "other" shall state the amount of other positions referred to in item 220 paragraph 2 of the Decision, with a respective sign.

5.34. Row 3.5 – "other positions of CET1" shall state other positions of the Common Equity Tier 1 capital not covered in the previous subitems of this item, and meet the requirements prescribed by the Decision, with a respective sign.

### **3. Additional Tier 1 capital**

6. When determining its Additional Tier 1 capital, the bank shall observe the following rules:

6.1. Row 4 - "Additional Tier 1 capital (AT1)" shall state the sum of rows 4.1, 4.2, 4.3, 4.4 and 4.5.

6.2. Row 4.1 - "positions in AT1" shall state the sum of rows 4.1.1 and 4.1.2.

6.3. Row 4.1.1 – "capital instruments of AT1" shall state the nominal value of paid-in capital instruments of the bank that meet the requirements of item 19-a of the Decision.

6.4. Row 4.1.2 – "premium on the capital instruments of AT1" shall state the premium on the sale of the capital instruments shown in row 4.1.1 of this Form. When the premium is negative, it shall be shown with a negative sign.

6.5. Row 4.2 - "(-) deductions of AT1" shall state the sum of rows 4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.2.5 and 4.2.6, which shall be shown with a negative sign.

6.6. Row 4.2.1 - "(-) investments in own capital instruments of AT1" shall state the sum of rows 4.2.1.1, 4.2.1.2, 4.2.1.3 and 4.2.1.4. When completing rows 4.2.1.1, 4.2.1.2, 4.2.1.3 и 4.2.1.4, the rules of item 5 subitems 5.15, 5.16, 5.17 and 5.18 of these Instructions shall be respectively applied.

6.7. Row 4.2.2 - "(-) direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities, where such entities have investments in the bank" shall state the amount of bank's investments referred to in item 19-c subitem 19-c.2 of the Decision.

6.8. Row 4.2.3 - "(-) direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the bank has no significant investment" shall state the amount of the bank's investments referred to in item 19-c subitem 19-c.3 of the Decision.

6.9. Row 4.2.4 - "(-) direct, indirect and synthetic investments in capital instruments of AT1 of the financial sector entities in which the bank has a significant investment" shall state the amount of the bank's investments referred to in item 19-c subitem 19-c.4 of the Decision.

6.10. Row 4.2.5 - "(-) amount of deductions from T2 which exceeds the total amount of T2" shall state the amount of the deductions from the Tier 2 capital, which exceeds the total amount of Tier 2 capital.

6.11. Row 4.2.6 - "(-) tax costs" shall state the tax costs that may be established at the time of calculation, unless the bank has adequately adjusted the amount of positions included in the Additional Tier 1 capital to the extent to which the tax costs would reduce the amount available to cover risks or losses.

6.12. Row 4.3 - "regulatory adjustments of AT1" shall state the sum of rows 4.3.1, 4.3.2, 4.3.3 and 4.3.4.

6.13. Row 4.3.1 - "(-) increase in AT1 which stems from securitization positions" shall state the increase in the positions of the Additional Tier 1 capital which stems from securitization positions, with a negative sign.

6.14. Row 4.3.2 - "(-) gains or (+) losses from protection against cash flow risk" shall state the gains or losses arising from protection against cash flow risk, with the respective sign.

6.15. Row 4.3.3 - "(-) gains or (+) losses on bank's liabilities measured at fair value" shall state the gains or losses arising from the bank's liabilities measured at fair value, with the respective sign, taking into account the provisions of item 19-h paragraph 2 of the Decision.

6.16. Row 4.3.4 - "(-) gains or (+) losses related to liabilities arising from derivatives measured at fair value" shall state the gains or losses arising from liabilities based on derivatives measured at fair value, with the respective sign.

6.17. Row 4.4 - "positions as a result of consolidation" shall state the sum of rows 4.4.1 and 4.4.2. This position shall be filled in by a bank subject to consolidated supervision.

6.18. Row 4.4.1 - "qualifying Additional Tier 1 capital recognized in AT1 on a consolidated basis" shall state the amount of the qualifying Additional Tier 1 capital of a subsidiary of the bank as defined by item 220-b paragraph 3 of the Decision.

6.19. Row 4.4.2 - "other" shall state the amount of other positions referred to in item 220 paragraph 2 of the Decision, with a respective sign.

6.20. Row 4.5 - "other positions of AT1" shall state other positions of the Additional Tier 1 capital not covered in the previous subitems of this item, and meet the requirements prescribed by the Decision, with a respective sign.

#### **4. Tier 2 capital**

7. When determining its Tier 2 capital, the bank shall observe the following rules:

7.1. Row 5 - "Tier 2 capital (T2)" shall state the sum of rows 5.1, 5.2, 5.3, 5.4 and 5.5.

7.2. Row 5.1 - "positions in T2" shall state the sum of rows 5.1.1, 5.1.2 and 5.1.3.

7.3. Row 5.1.1 - "capital instruments of T2" shall state the nominal value of paid-in capital instruments of the bank that meet the requirements of item 19-f of the Decision.

7.4. Row 5.1.2 - "subordinated loans" shall state the value of subordinated loans of the bank that meet the requirements of item 19-f of the Decision.

7.5. Row 5.1.3 - "premium on the capital instruments of T2" shall state the premium on the sale of the bank's capital instruments shown in row 5.1.1. When the premium is negative, it shall be shown with a negative sign.

7.6. Row 5.2 - "(-) deductions of T2" shall state the sum of rows 5.2.1, 5.2.2, 5.2.3 and 5.2.4, which shall be shown with a negative sign.

7.7. Row 5.2.1 - "(-) investments in own capital instruments of T2" shall state the sum of rows 5.2.1.1, 5.2.1.2, 5.2.1.3 and 5.2.1.4. When completing rows 5.2.1.1, 5.2.1.2, 5.2.1.3 и 5.2.1.4, the rules of item 5 subitems 5.15, 5.16, 5.17 and 5.18 of these Instructions shall be respectively applied.

7.8. Row 5.2.2 - "(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities, where such entities have investments in the bank" shall state the amount of the bank's investments referred to in item 19-g subitem 19-g.2 of the Decision.

7.9. Row 5.2.3 - "(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities in which the bank has no significant investment" shall state the amount of the bank's investments referred to in item 19-g subitem 19-g.3 of the Decision.

7.10. Row 5.2.4 - "(-) direct, indirect and synthetic investments in positions of T2 of the financial sector entities in which the bank has a significant investment" shall state the amount of the bank's investments referred to in item 19-g subitem 19-g.4 of the Decision.

7.11. Row 5.3 - "regulatory adjustments of T2" shall state the sum of rows 5.3.1, 5.3.2, 5.3.3 and 5.3.4.

7.12. Row 5.3.1 - "(-) increase in T2 which stems from securitization positions" shall state the increase in the positions of the Tier 2 capital which stems from securitization positions, with a negative sign.

7.13. Row 5.3.2 - "(-) gains or (+) losses from protection against cash flow risk" shall state the gains or losses arising from protection against cash flow risk, with the respective sign.

7.14. Row 5.3.3 - "(-) gains or (+) losses on bank's liabilities measured at fair value" shall state the gains or losses arising from the bank's liabilities measured at fair value, with the respective sign, taking into account the provisions of item 19-h paragraph 2 of the Decision.

7.15. Row 5.3.4 - "(-) gains or (+) losses related to liabilities arising from derivatives measured at fair value" shall state the gains or losses arising from liabilities based on derivatives measured at fair value, with the respective sign.

7.16. Row 5.4 - "positions as a result of consolidation" shall state the sum of rows 5.4.1 and 5.4.2. This position shall be filled in by a bank subject to consolidated supervision.

7.17. Row 5.4.1 - "qualifying Tier 2 capital recognized in T2 on a consolidated basis" shall state the amount of the qualifying Tier 2 capital of a subsidiary of the bank as defined by item 220-b paragraph 5 of the Decision.

7.18. Row 5.4.2 - "other" shall state the amount of other positions referred to in item 220 paragraph 2 of the Decision, with a respective sign.

7.19. Row 5.5 - "other positions of T2" shall state other positions of the Tier 2 capital not covered in the previous subitems of this item, and meet the requirements prescribed by the Decision, with a respective sign."

2. In item 14 paragraph 2, subitem 4) shall be followed by a new subitem 5) that reads as follows:

"5) Row XII-a column 3 shall state the net amount of the positions referred to in item 17 paragraph 2 of the Decision which are not deductions from the Common Equity Tier 1 capital, and are included in the calculation of the credit risk weighted assets with risk weight of 250%. Column 13 of this row shall state the total weighted assets calculated with risk weight of 250% (excluding the impact of the credit risk mitigation instruments)."

Subitem 5) that becomes subitem 6) shall be amended and read as follows:

"6) Row XIII shall state the capital requirement for credit risk, which is obtained when the sum of credit risk weighted assets from row XII and credit risk weighted assets from row XII-a will be multiplied by 8%.

3. In item 15 subitem 1), the words: "APKR - UIF and APKR - OP" shall be replaced by the words: "APKR - UIF, APKR - OP and the accounting value of the positions referred to in item 17 paragraph 2 of the Decision".

4. In item 43 paragraph 2 subitem 1), the words: "row VIII" shall be replaced by the words: "row 1".

5. In item 56 subitem 1), the words: "the amount of row XII column 13" shall be replaced by the words: "the sum of the amount of row XII column 13 and the amount of row XII-a column 13".

In subitem 14), the percentage: "20%" shall be replaced by the percentage: "17.5%", and the number: "2.5" shall be replaced by the number: "2.2".

In subitem VI), the words: "row VIII" shall be replaced by the words: "row 1".

6. SS and AKPR Total - Forms, shall be replaced by new forms which are an integral part of these Instructions.

7. These Instructions shall enter into force on the eighth day after the date of publication in the Official Gazette of the Republic of Macedonia, and shall apply from 1 March 2017.

**I No. 2608**  
**30 January 2017**  
**Skopje**

**Governor**  
**Dimitar Bogov**