МАКЕДОНСКА БАНКА ЗА ПОДДРШКА НА РАЗВОЈОТ

MACEDONIAN BANK FOR DEVELOPMENT PROMOTION

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Pursuant to the Decision of the National Bank of the Republic of Macedonia for publishing reports and data by the banks (Official Gazette of RM, no. 134/2007), the Macedonian Bank for Development Promotion announces

REPORT AND DATA

as of 31.12.2011

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1. DATA ON THE BANK	
Name	Macedonian Bank for Development Promotion
Head office address	Skopje, Veljko Vlahovic Str. no. 26
Registration number	5240425
Organizational structure	Enclosed at the end of the report
Number of employees at 31.12.2011	36
Review of financial activities that the Bank may and performs currently according to the founding and operating license issued by the Governor of the National Bank of the Republic of Macedonia	1. Inland financing, including financing commercial transactions, 2. Issuance of payment guarantees, backing guarantees and other forms of collateral, 3. Redeem, sale and collection of receivables, 4. Domestic and international payment operations on its own behalf and for its own account, 5. Factoring and forfeiting for the account of clients, 6. Collecting, processing and analyzing information on legal entitiesôcreditworthiness and their selling, 7. Economic and financial consulting, 8. Credit insurance against commercial and political risks.
Review of financial activities that the Bank performs currently and for which consent by the Governor of the National Bank of the	1. Inland financing, including financing commercial transactions, 2. Domestic and international payment operations on its own behalf and for its own account, 3. Collecting, processing and analyzing information on legal entitiesôcreditworthiness and their selling,

Republic of Macedonia is obtained	4. Credit insurance against commercial and political risks.
Review of the financial activities against which ban or restriction is stated by the Governor of the National Bank of the Republic of Macedonia, i.e. the approval has been withdrawn	/
2. DATA ON THE SHAREHOLDER STRUCTURE OF THE BANK – SHAREHOLDERS WITH QUALIFIED PARTICIPATION	
Name and seat of the shareholder	Government of the Republic of Macedonia Blvd Ilinden bb.
Percentage share in the total number of shares	100%
Percentage share in the total number of issued voting shares in the Bank	100%
3. DATA ON THE OWN FUNDS AND CAPITAL ADEQUACY OF THE BANK	
Amount of the initial capital recorded in the Central Registry	MKD 1,193,792 thousand
Number of shares of each type and class, and nominal amount of shares	Ordinary shares 384,103 Nominal value per share MKD 3,108 Total nominal amount MKD 1,193,792 thousand
Description of the features of the own fundsôbasic components and amount and components of the core capital	Nominal value of paid in shares ï MKD 1,193,792 thousand Reserve fund ï MKD 507,043 thousand
Amount of the componenets of the supplementary capital I and supplementary capital II	/
Type of the deductions from the core and supplementary capital and their amount	Intangible assets ï MKD 33 thousand
Total amount of own funds as of 31.12.2011	MKD 1,700,802 thousand
Capital adequacy ratio as of 31.12.2011	16,51%
Amount of the capital required for covering the credit risk determined in accordance with the Methodology for determining the capital adequacy	MKD 712,012 thousand
Amount of the capital required for	

covering the currency risk determined in accordance with the Methodology for determining the capital adequacy	MKD 112,210 thousand
Amount of the capital required for covering the market risk set pursuant to the Methodology for determining the capital adequacy, with the amount of the capital requirement for the general and specific risk of investment in equities and investments in debt instruments from the trading portfolio and the amount of capital requirement for the settlement/delivery risk and the counterparty risk	/
Amount of the capital required for covering the commodity risk	/
Amount of the capital required for covering the exceeding of exposure limits	/
Amount of the capital required for covering the operational risk	/
Amount of the capital required for covering the other risks, if the Bank by own assessment determined that additional capital requirement for covering those risks is required, or if the NBRM determined additional amount of required capital, as a result of the nature, the type and the scope of activities the Bank performs and the risks it is exposed to as a result of such activities	/
4. DATA ON THE SYSTEMS AND THE RISK MANAGEMENT PROCESS	
4.1. STRATEGIES AND PROCESSESS OF MANAGEMENT OF EACH RISK	
4.1.1. CREDIT RISK	
Description of the policy for impairment and allocation of special reserve	On each date for determining the impairment/special reserve, the Bank assesses if there is objective evidence for impairment of the financial asset. Financial assets are impaired only if there is an objective evidence of impairment arising from one or more events which occurred after the initial recognition of the assets and the event influences the anticipated future cash flow of the asset.

	The Bank makes assessment of the objective evidence for impairment on each individual exposure. The amount of the impairment is determined as difference between the accounting value of the asset and the present value of the future cash flows discounted by applying the effective interest rate on the financial asset. The amount of the special reserve for the off-balance sheet asset items is equal to the present value of the expected future cash flows from MBDP payments based on assumed contingent liabilities and from collections from the client, discounted by the current market price of risk-free securities issued in the same currency and same maturity date as the currency and the maturity date of the expected payment or collection. Discount is not made on the expected future cash flows of the credit risk exposure with residual maturity date shorter than one year from the date of determining the amount of credit risk loss. In this case, the amount of the loss is equal to the difference between the accounting value and the amount of expected future payments and collections based on credit exposure.
Amount of credit risk exposure, prior and after the allocation of special reserve	• Amount of credit risk exposure, prior to allocation of special reserve ï MKD 10,456,985 thousand • Amount of credit risk exposure, after allocation of special reserve ï MKD 10,318,244 thousand
Average credit risk exposure for the disclosure period, and exposure by risk categories	MKD 8,996,664 thousand A ï 98.3% B ï 0.2% V ï 0.0% G ï 0.0% D ï 1.5%
Amount of due loans	/
Amount of the credit risk exposures by which impairment is made, i.e. special reserve is allocated	MKD 213,566 thousand
Geografic distribution of the credit risk exposure ï the Republic of Macedonia, EU member-states, the other European countries, the OECD member-states (with the	• Republic of Macedonia ï MKD 9,623,912 thousand • EU member-states ï MKD 681,408 thousand

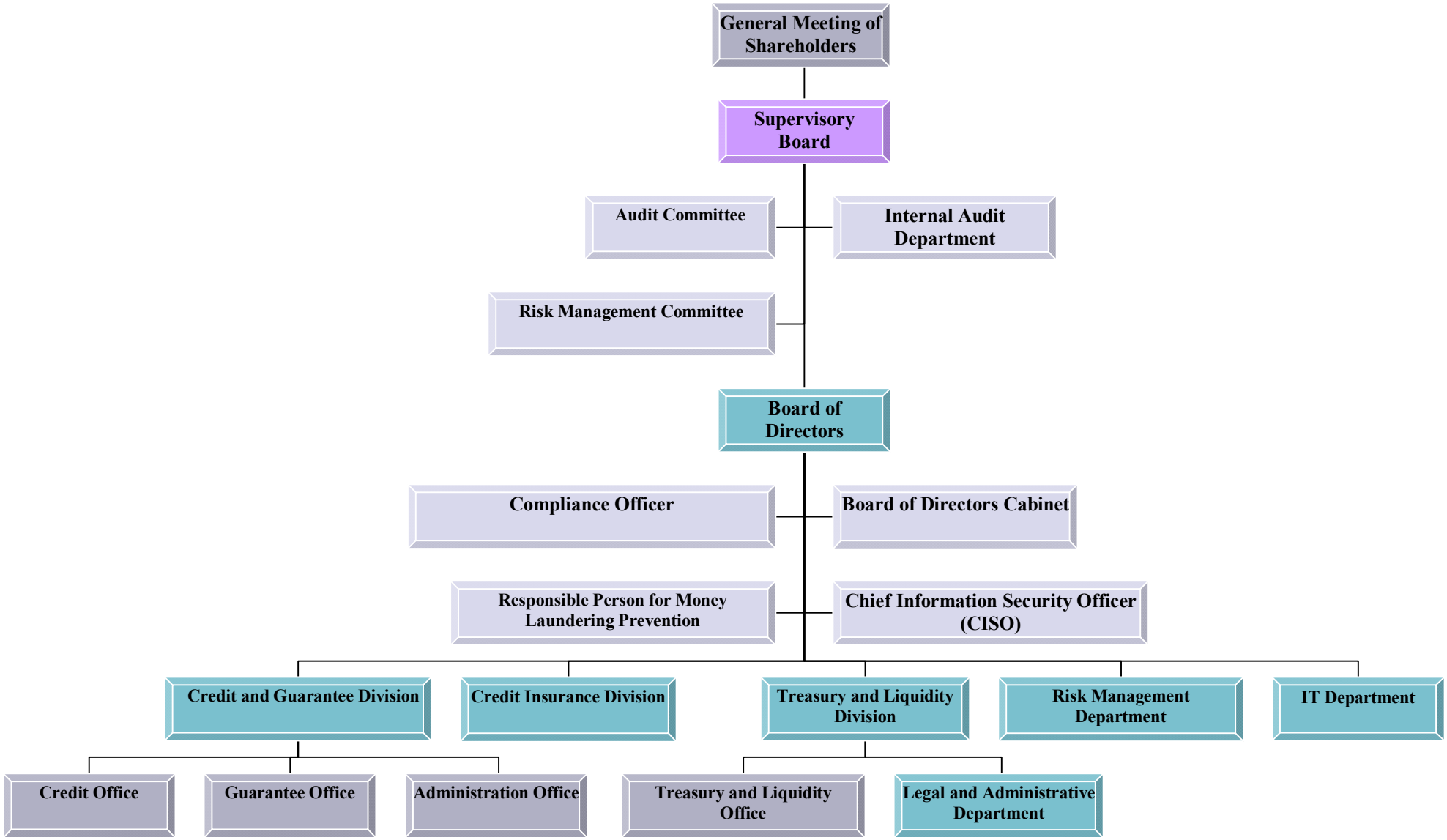
exception to the European countries), other countries	• Other European countries ï MKD 12,044 • OECD member-states (with the exception to the European countries) ï MKD 880 thousand
Sector distribution of the credit risk exposure (exposure to banks, other financial institutions, non-financial institutions, non-residents)	• Banks ï MKD 9,545,741 thousand • Government Agency ï MKD 55,739 thousand • Non-financial institutions ï MKD 22,432 thousand • Non-residents ï MKD 694,332 thousand
Residual contractual maturity structure of the credit risk exposure (with maturity of up to one year and over one year)	• Residual contractual maturity structure of up to 1 year ï MKD 6,408,454 thousand • Residual contractual maturity structure over 1 year ï MKD 3,909,790 thousand
Structure of the credit risk exposure by activities and detail description of the data of the largest exposure	• Financial intermediation ï MKD 9,545,741 thousand - amount of due loans ï / - amount of exposure by which the impairment is made - / • Non-residents ï MKD 694,332 thousand • Other ï MKD 78,171 thousand
Amount of restrucured claims in conformity with the Decision on the supervisory standards for regulating bankôs past due claims	/
Movement of the impairment, i.e. allocated special reserve during the disclosure period	31.03.2011 ï MKD 145,262 thousand 30.06.2011 ï MKD 135,731 thousand 30.09.2011 ï MKD 135,563 thousand 31.12.2011 ï MKD 138,741 thousand
Structure of the measurment system and internal reporting system	Credit risk management, i.e. identification, measuring, monitoring and control of the credit risk is performed by the Risk Management Committee, Committee for Classification and Reclassifcation of Assets based on analysis and statements by the competent organizational units of the Bank. Risk Management Committee analyses the Bankôs credit risk exposure reports and monitors the activities undertaken for management of credit risk. Information and data for credit risk are also submitted to the Board of Directors and the Supervisoary Board of the Bank on a regular basis.
	• System of limits

Protection and mitigation policy	Limit exposure system is the main instrument for control of the Bankûs credit risk. • Providing timely, complete, clear and accurate information • Accurate evaluation of the credit risk components in the credit, insurance and guarantee agreements • Making decisions for future credit indebtedness depending on the strucutre and contents of the existing portfolio • Rejecting credit exposure with low creditworthiness on the basis of previously defined criteria • Defining the high risk industrial sectors, markets, etc. • Management of problematic credit risk exposure, etc.
4.1.2. MARKET RISK	
Trade portfolio structure by types of financial instruments	None
Policies for distributing certain position in the trade porfolio, or the bank activities portfolio	MBDP distributes the positions included in the trade portfolio and the bankûs activities portfolio by using objective criteria pursuant to the international standards and continuously applies those criteria. Having in mind the fact that MBDP is established by a special Law on establishing the MBDP, and also that its specific operations differ from the operations of the commercial banks, i.e. operates on its own behalf and for its own account, and the aim of the Bank is, by avoiding the speculative manner of operations, to initiate development through financing of small and medium sized enterpises, the Bank has no positions in the financial instruments which may be included in the trade portfolio, accordingly, the positions are distributed in the bankûs activities portfolio.
4.1.3. OPERATIONAL RISK	
Structure of the risk measurment system and internal reporting system	MBDP introduces a process of selfevaluation, i.e. qualitative asessment of the operational risk exposure, denoting that the process is led by the managers and employees, not by external people. The core of this approach of qualitative assessment is identification and closing of the control gaps which permit growth of the operative risks above the acceptable level. The Bank established a reporting system enabling the

	management bodies to receive complete, comparable and timely reports in regard with making timely decisions, related to the operational risk management.
Approach used for the calculation of the capital required for covering the operational risk	Base indicator
Protection and mitigation policy	• Insurance • Infrastructure • Continuous activities aimed at environment improvement, i.e. the whole atmosphere in the Bank, understanding and behaviour related to the operational risk exposure • Introducing Continuity of operations plan • Introducing regular control and inspection of transactions, accounts, etc.
4.1.4. RISK ARISING FROM THE CAPITAL INVESTMENTS WHICH ARE NOT PART OF THE TRADE PORTFOLIO	
Short description of the Bank strategy for acquiring capital parts in other legal entities	MBDP as a state-owned bank has no strategy for acquiring capital shares in other legal entities.
Short description of the bank policy for accounting measurment of the capital investments	/
Amount of capital investments and their classification by type, i.e. investments for which active market exists or those having no such market	/
Sector structure of the capital investments (banks, other financial institutions, non-financial institutions, non-residents)	/
Cumulative amount of the realized gains/losses, arising from selling of investments during the disclosure period	/
Total amount of non-relized gains/ losses from capital investments	/
4.1.5. LIQUIDITY RISK	
	The Bank provides adequate liquidity through: • Planning, management and provision of adequate amount of liquid assets

Structure of the risk measurment system and internal reporting system	• Monitoring the adequate maturity structure • Determining liquidity indicators • Monitoring the potential liabilities from the off-balance operations • Planning measures in case the Bank faces liquidity crisis The Bank has established a reporting system enabling the management bodies to receive complete, comparable and timely reports in regard with making timely decisions related to the management of liquidity risk.
Protection and mitigation policy	The Bank has established internal control system of liquidity implemented by all employees in the Bank and information system which permits timely and continuous measuring, monitoring, control and reporting in the process of making decisions on liquidity risk management.
STRUCTURE AND ORGANIZATION OF THE RISK MANAGEMENT FUNCTION	
The Bank establishes organizational structure with clearly defined competences and responsibilities for risk management.	
Supervisory board	- Approves risk management strategy and monitors its implementation, - Approves the policies of management of each risk and monitors their implementation, - Discusses the reports on management of each risk, - Approves the exposure limits for each risk, - Provides conditions and monitors the efficiency of the internal control systems as integral part in the risk management system, - Provides conditions for efficient implementation of the internal audit on management of each risk, - Other activities pursuant to the legal regulations and internal acts.
Risk management committee	- Establishes and implements risk management strategy, - Establishes and implements the policy of management of each risk, - Monitors and assesses the efficiency of the whole process of risk management, - Analyses the Bank's risk exposure reports on each

	risk, - Determines and regularly reviews the exposure limits of each risk category, - Defines the possible exceptions in relation with the defined limits, - Other activities pursuant to legal regulations and internal acts.
Board of directors	- Develops and implements procedures for identification, measurment, monitoring, control and diminishing of each risk category, - Monitors the implementation of policies and procedures on risk management, - Develops information system, as well as system for reporting to the Supervisory Board and Risk Management Committee, - Defines the responsibilities of each employee/division in the risk management process, - Provides environment for efficient implementation of the risk management process, icluding accurate and timely notifying of all Bank employees participating in the risk management process.
Risk management department	- Implementation of the risk management policies and procedures, - Measurment, monitoring, control of all material risks, - Monitoring the risk exposure limits of each risk, - Regular reporting to the Risk Management Committee and other bodies of the Bank on the Bankûs exposure to individual risk category.


General Meeting of Shareholders
Supervisory Board
Audit Committee
Internal Audit Department
Risk Management Committee
Board of Directors
Compliance Officer
Board of Directors Cabinet
Responsible Person for Money Laundering Prevention
Chief Information Security Officer (CISO)
Credit and Guarantee Division
Credit Insurance Division
Treasury and Liquidity Division
Risk Management Department
IT Department
Credit Office
Guarantee Office
Administration Office
Treasury and Liquidity Office
Legal and Administrative Department