



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 31.12.2008**  
**announced on 15.05.2009**

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<b>1. DATA ON THE BANK</b>	
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	32
Review of inancial activities that it may and performs currently according to the founding and operating license issued by the Governor of the National Bank of the Republic of Macedonia	<ol style="list-style-type: none"> <li>1. Financing the commencing of operations and development of small- and medium-sized enterprises in the Republic of Macedonia by providing medium and long-term loans;</li> <li>2. Financing investment works abroad, export and preparation for export of the Macedonian companiees;</li> <li>3. Refinancing of up to 50% of medium and long-term loans for export and investment works abroad, approved by domestic banks and other financial institutions, previoully insured with the Bank against non-commercial risks;</li> <li>4. Issuance of payment guarantees (backing guarantees) and other forms of collateral for loans approved by banks and other financial institutions for projects under point 1 and 2 of this paragraph;</li> <li>5. Temporary association with other banks for issuing gurantees for investment operations of the Macedonian companies abroad in excess of EUR 1,000,000 (banking consortsium);</li> </ol>



	<p>6. Insurance and reinsurance of export receivables against commercial and non commercial risk and insurance of domestic receivables against commercial risks;</p> <p>7. Redeem, sale and collection of receivables;</p> <p>8. Factoring and forfeiting for the account of clients;</p> <p>9. Economic and financial consulting;</p> <p>10. Collecting, processing and analysing information on legal entities' creditworthiness and their standing;</p> <p>11. International payment operations, on its own behalf and for its own account</p>
Review of the financial activities against which ban or restriction is stated by the National Bank of the Republic of Macedonia, i.e. the approval has been withdrawn	None
<b>2. DATA ON THE SHAREHOLDER STRUCTURE OF THE BANK – SHAREHOLDERS WITH QUALIFIED PARTICIPATION</b>	
Name and seat of the shareholder	Government of the Republic of Macedonia Boul. 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%
<b>3. DATA ON THE OWN FUNDS AND CAPITAL ADEQUACY OF THE BANK</b>	
Amount of the initial capital recorded in the Central Registry	MKD 932,400,000.00
Number of shares of each type and class, and nominal amount of shares	Ordinary shares 300,000 Nominal value per share MKD 3,108 Total nominal amount MKD 932,400
Description of the features of the own funds' basic components	Nominal value of paid in shares – MKD 932,400 thousand Reserve fund – MKD 209,036 thousand
Amount of the componenets of	



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the supplementary capital I and supplementary capital II	None
Type of the deductions from the core and supplementary capital and their amount	Intangible assets – MKD 363 thousand
Total amount of own funds as of 31.12.2008	MKD 1,141,073 thousand
Capital adequacy ratio as of 31.12.2008	53.81%
Amount of the capital required for covering the credit risk	MKD 169,623 thousand
Amount of the capital required for covering the currency risk	/
Amount of the capital required for covering the market risk	/
Amount of the capital required for covering 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 for covering those risks is required	/



4. DATA ON THE RISK MANAGEMENT PROCESS	
4.1. STRATEGIES AND PROCESSES OF MANAGEMENT OF EACH RISK	
4.1.1. CREDIT RISK	
Description of the policy for impairment and allocation of special reserve	The impairment losses shown in the balance sheet at the end of the year arise from the different rating and assessments obtained by the established internal rating system. An appropriate exposure classification and in that regard an appropriate determination of the impairment of the active balance claims, i.e. special reserve for the active off-balance claims in compliance with the IAS 39, arise by using this system.
Amount of credit risk exposure, prior and after the allocation of special reserve	<ul style="list-style-type: none"> <li>• Amount of credit risk exposure, prior to allocation of special reserve – MKD 3,373,771 thousand</li> <li>• Amount of credit risk exposure, after allocation of special reserve – MKD 3,208,162 thousand</li> </ul>
Average credit risk exposure for the disclosure period, and exposure by risk categories	MKD 3,474,784 thousand
Amount of due loans	MKD 3,212 thousand
Amount of the credit risk exposures by which impairment is made	MKD 2,395,243 thousand
Geografic distribution of the credit risk exposure	<ul style="list-style-type: none"> <li>• EU member-states - MKD 688,135 thousand</li> <li>• Republic of Macedonia - MKD 2,678,987 thousand</li> <li>• Other countries - MKD 6,649 thousand</li> </ul>
Sector distribution of the credit risk exposure (exposure to banks, other financial institutions, non-financial institutions, non-residents)	<ul style="list-style-type: none"> <li>• Banks - MKD 2,571,224 thousand</li> <li>• Government Agency – MKD 166,608 thousand</li> <li>• Non-financial institutions - MKD 29.476 thousand</li> <li>• Non-residents – financial institutions – MKD 606,463 thousand</li> </ul>
Residual contractual maturity structure of the credit risk exposure (with maturity of up to	<ul style="list-style-type: none"> <li>• Residual contractual maturity structure of up to 1 year – MKD 1,458,356 thousand</li> <li>• Residual contractual maturity structure over 1 year – MKD 1,915,415 thousand</li> </ul>



one year and over one year)	
Structure of the credit risk exposure by activities and detail description of the data of the largest exposure	<ul style="list-style-type: none"> <li>Financial intermediation – MKD 3.123.597 thousand               <ul style="list-style-type: none"> <li>- amount of due loans – MKD 3.212 thousand</li> <li>- amount of exposure by which the impairment is made - MKD 2.398.706 thousand</li> <li>- amount of performed impairment – MKD 126.064 thousand</li> </ul> </li> <li>Public administration – MKD 166.608 thousand</li> <li>Other – MKD 83.566 thousand</li> </ul>
Amount of restructured claims in conformity with the Decision on the supervisory standards for regulating Bank's past due claims	None
Movement of the allocated special reserve during the disclosure period	31.03.2008 – MKD 163.101 thousand 30.06.2008 – MKD 162.217 thousand 30.09.2008 – MKD 164.063 thousand 31.12.2008 – MKD 165.609 thousand
Measurement system and internal reporting system	<p>Credit risk measurement may be</p> <ul style="list-style-type: none"> <li>on an individual basis</li> </ul> <p>Basic indicators for credit risk measurement on individual basis are exposure, probability of liquidation, solvency decrease, claim recovery, etc.,</p> <ul style="list-style-type: none"> <li>on a total portfolio basis</li> </ul> <p>Methodology of expected losses is used when measuring the Bank's total portfolio risk. The Bank established a reporting system by which management bodies receive complete, comparable and timely reports in order to make decisions related to on time credit risk management.</p>
	<ul style="list-style-type: none"> <li>System of limits</li> </ul> <p>Limit exposure system is the main instrument for restriction and control of the Bank's credit risk.</p>



<p>Protection and mitigation policy</p>	<ul style="list-style-type: none"> <li>• Quality of the collateral</li> </ul> <p>MBDP instruments for protection and mitigation of the credit risk include the quality of the collateral, i.e. the possibility to sale the receivables, documented colateral as well as the possibility for forced collection of colateral.</p> <ul style="list-style-type: none"> <li>• Providing timely, complete, specific and accurate information</li> <li>• Accurate evaluation of the credit risk components in the credit, insurance and guarantee agreements</li> <li>• Making decisions for future credit indebtedness depending on the strucutre and contents of the existing portfolio</li> <li>• Rejecting credit exposure with low creditworthiness on the basis of previously defined criteria</li> </ul> <p>Management of problematic exposure, etc.</p>
<p><b>4.1.2. MARKET RISK</b></p>	
<p>Trade portfolio structure by types of financial instruments</p>	<p>None</p>
<p>Policies for distributing certain position in the trade portfolio or the Bank's activities portfolio</p>	<p>MBDP distributes the positions included in the trade portfolio and the Bank's activities portfolio by using objective criteria pursuant to the international standards and continuously applies those criteria.</p> <p>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 classical 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 Bank's activities portfolio.</p>
<p><b>4.1.3. OPERATIONAL RISK</b></p>	



<p>Measurement system and internal reporting system</p>	<p>MBDP introduces a process of selfevaluation, i.e. qualitative assessment 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.</p> <p>The Bank established a reporting system enabling the management bodies to receive complete, comparable and timely reports in regard with making decisions on time related to the operational risk management.</p>
<p>Approach used for the calculation of the capital required for covering the operational risk</p>	<p>Base indicator</p>
<p>Protection and mitigation policy</p>	<ul style="list-style-type: none"> <li>• Insurance</li> <li>• Infrastructure</li> <li>• Continuous activities intended for environment improvement, i.e. the whole atmosphere in the Bank, understanding and behaviour related to the operational risk exposure</li> <li>• Introducing Continuity of operations plan</li> <li>• Introducing Renewal of operations plan</li> <li>• Introducing regular control and inspection of transactions, accounts, etc.</li> </ul>
<p><b>4.1.4. RISK ARISING FROM THE CAPITAL INVESTMENTS WHICH ARE NOT PART OF THE TRADE PORTFOLIO</b></p>	
<p>Short description of the Bank strategy for acquiring capital parts in other legal entities</p>	<p>MBDP as a state-owned bank has no strategy for acquiring capital parts in other legal entities.</p>
<p>Short description of the bank policy for accounting measurement of the capital investments</p>	<p>/</p>
<p>Amount of capital investments and their classification by type (investments for which active</p>	<p>/</p>



market exists or those having no such market)	
Sector structure of the 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	/
<b>4.1.5. LIQUIDITY RISK</b>	
Measurment and reporting system	<ul style="list-style-type: none"> <li>• Planning, management and provision of adequate amount of liquid assets</li> <li>• Monitoring the adequate maturity structure</li> <li>• Establishing liquidity indicators</li> <li>• Monitoring the potential liabilities from the off-balance operations</li> <li>• Planning measures in case the Bank faces liquidity crisis</li> </ul> <p>The Bank established a reporting system enabling the management bodies to receive complete, comparable and timely reports in regard with making decisions on time related to the taking and management of liquidity risk.</p>
Protection and mitigation policy	<p>The Bank established internal control system of liquidity implemented by all employees in the Bank and established infrmation system which permits timely and continuous measuring, monitoring, control and reporting in the process of making decisions on liquidity risk management.</p>
<b>STRUCTURE AND ORGANIZATION OF THE RISK MANAGEMENT FUNCTION</b>	





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The Bank establishes organizational structure with clearly defined competences and responsibilities for risk management.	
Supervisory board	<ul style="list-style-type: none"> <li>- Approves risk management strategy and monitors its implementation,</li> <li>- Approves the policies of management of each risk and monitors their implementation,</li> <li>- Discusses the reports on management of each risk,</li> <li>- Approves the exposure limits for each risk,</li> <li>- Provides conditions and monitors the efficiency of the internal control systems as integral part in the risk management system,</li> <li>- Provides conditions for efficient implementation of the internal audit on management of each risk,</li> <li>- Other activities pursuant to the legal regulations and internal acts.</li> </ul>
Risk management committee	<ul style="list-style-type: none"> <li>- Establishes and implements risk management strategy,</li> <li>- Establishes and implements the policy of management of each risk,</li> <li>- Monitors and assesses the efficiency of the whole process of risk management,</li> <li>- Analyses the Bank's risk exposure reports,</li> <li>- Determines and regularly reviews the exposure limits of each risk category,</li> <li>- Defines the possible exceptions in relation with the defined limits,</li> <li>- Other activities pursuant to legal regulations and internal acts.</li> </ul>
Board of directors	<ul style="list-style-type: none"> <li>- Develops and implements procedures for identification, measurement, monitoring, control and diminishing of each risk category,</li> <li>- Monitors the implementation of policies and procedures on risk management,</li> <li>- Develops information system, as well as system for reporting to the Supervisory Board and Risk Management Committee,</li> <li>- Defines the responsibilities of each employee/division in the risk management process,</li> <li>- Provides environment for efficient implementation of the risk management process, including accurate and timely notifying of all Bank employees participating in the risk management process.</li> </ul>
	<ul style="list-style-type: none"> <li>- Implementation of the risk management policies and procedures,</li> </ul>



Risk management department	<ul style="list-style-type: none"><li>- Measurement, monitoring, control of all material risks,</li><li>- Monitoring the risk exposure limits,</li><li>- Reporting to the Risk Management Committee and other bodies of the Bank on the Bank's exposure to individual risk category.</li></ul>
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