



Published on 31.07.2012

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 30.06.2012

### CONTENTS

1. Data on the Bank
2. Data on the shareholder structure of the Bank – shareholders with qualified holding
3. Data on the own funds and the capital adequacy of the Bank
4. Data on the systems and the risk management process

| 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 30.06.2012  | 39   |
| Review of financial 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. Inland financing, including financing commercial transactions,</li> <li>2. Issuance of payment guarantees, backing guarantees and other forms of collateral,</li> <li>3. Redeem, sale and collection of receivables,</li> <li>4. Domestic and international payment operations on its own behalf and for its own account,</li> <li>5. Factoring and forfeiting for the account of clients,</li> <li>6. Collecting, processing and analyzing information on legal entities' creditworthiness and their turnover,</li> <li>7. Economic and financial consulting,</li> <li>8. Credit insurance against commercial and political risks.</li> </ol> |
| Review of financial activities that the Bank performs currently and for which consent by the Governor  | <ol style="list-style-type: none"> <li>1. Inland financing, including financing commercial transactions,</li> <li>2. Domestic and international payment operations on its own behalf and for its own account,</li> <li>3. Factoring,</li> <li>4. Collecting, processing and analyzing information on legal entities' creditworthiness and their turnover,</li> </ol>   |



|   |   |
|---|---|
| of the National Bank of the Republic of Macedonia is obtained   | 5. 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or restriction is stated by the Governor of the National Bank of the Republic of Macedonia, i.e. the approval has been withdrawn | /   |
| <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<br>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%  |
| <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 1,193,792 thousand  |
| Number of shares of each type and class, and nominal amount of shares   | Ordinary shares 384,103<br>Nominal value per share MKD 3,108<br>Total nominal amount MKD 1,193,792 thousand |
| Description of the features of the own funds' basic components and amount and components of the core capital  | Nominal value of paid in shares – MKD 1,193,792 thousand<br>Reserve fund – MKD 612,216 thousand             |
| Amount of the components of the supplementary capital I and supplementary capital II  | /   |
| Type of the deductions from the core and supplementary capital and their amount   | Intangible assets – MKD 14 thousand   |
| Total amount of own funds as of 30.06.2012  | MKD 1,805,994 thousand  |
| Capital adequacy ratio as of 30.06.2012   | 15.73%  |
| Amount of the capital required for covering the credit risk determined in accordance with the Methodology for determining the capital adequacy  | MKD 794,247 thousand  |
| Amount of the capital required for covering the currency risk   | MKD 124,404 thousand  |



|  |  |
|--|--|
| determined in accordance with the Methodology for determining the capital adequacy   |  |
| 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         | /  |
| <b>4. DATA ON THE SYSTEMS AND THE RISK MANAGEMENT PROCESS</b>  |  |
| <b>4.1. STRATEGIES AND PROCESSES OF MANAGEMENT OF EACH RISK</b>  |  |
| <b>4.1.1. CREDIT RISK</b>  |  |
| Description of the policy for impairment and allocation of special reserve   | On each date of determining the impairment/special reserve, the Bank assesses whether 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. |



|  |   |
|--|---|
|  | <p>The Bank makes assessment of the objective evidence for impairment on each individual exposure. The amount of the impairment is determined as the 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.</p> <p>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.</p> <p>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.</p> |
| 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 11,671,279 thousand</li> <li>• Amount of credit risk exposure, after allocation of special reserve – MKD 11,523,820 thousand</li> </ul>   |
| Average credit risk exposure for the disclosure period, and exposure by risk categories  | <p>MKD 11,485,200 thousand</p> <p>A – 98.6%</p> <p>B – 0.2%</p> <p>V – 0.0%</p> <p>G – 0.0%</p> <p>D – 1.2%</p>   |
| Amount of due loans  | /   |
| Amount of the credit risk exposures by which impairment is made, i.e. special reserve is allocated   | MKD 287,033 thousand  |
| Geografic distribution of the credit risk exposure – the Republic of Macedonia, EU member-states, the other European countries, the OECD member-states (with the exception to the European | <ul style="list-style-type: none"> <li>• Republic of Macedonia – MKD 10,458,745 thousand</li> <li>• EU member-states – MKD 1,163,010 thousand</li> <li>• Europe (other countries) – MKD 46,251 thousand</li> </ul>  |



|  |  |
|--|--|
| countries), other countries  | <ul style="list-style-type: none"> <li>the OECD member-states (with the exception to the European countries) – MKD 3,273 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 9,608,229 thousand</li> <li>State – MKD 175,991 thousand</li> <li>Non-financial institutions – MKD 115,252 thousand</li> <li>Non-residents – MKD 1,212,542 thousand</li> <li>National Bank – MKD 556,466 thousand</li> <li>Other – MKD 2,799 thousand</li> </ul>  |
| Residual contractual maturity structure of the credit risk exposure (with maturity of up to one year and over one year)                      | <ul style="list-style-type: none"> <li>Residual contractual maturity structure of up to 1 year – MKD 4,456,175 thousand</li> <li>Residual contractual maturity structure over 1 year – MKD 7,215,104 thousand</li> </ul>   |
| 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 10,164,695 thousand</li> <li>- amount of due loans – /</li> <li>- amount of exposure by which the impairment is made - /</li> <li>Non-residents – MKD 1,212,542 thousand</li> <li>Other – MKD 294,042 thousand</li> </ul>  |
| Amount of restructured claims in conformity with the Decision on the supervisory standards for regulating bank's past due claims             | /  |
| Movement of the impairment, i.e. allocated special reserve during the disclosure period  | <p>31.03.2012 – MKD 142,999 thousand</p> <p>30.06.2012 – MKD 147,459 thousand</p>  |
| Structure of the measurement system and internal reporting system  | <p>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 Reclassification of Assets based on analysis and statements by the competent organizational units of the Bank. Risk Management Committee analyses the Bank's 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 Supervisory Board of the Bank on a regular basis.</p> |



|  |  |
|--|--|
| <p>Risk protection and mitigation policies, as well as procedures for monitoring the efficiency of the policy implementation</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> <ul style="list-style-type: none"> <li>• Providing timely, complete, clear 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 structure and contents of the existing portfolio</li> <li>• Rejecting credit exposure with low creditworthiness on the basis of previously defined criteria</li> <li>• Defining the high risk industrial sectors, markets, etc.</li> <li>• Management of problematic credit risk exposure, etc.</li> </ul>                                      |
| <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 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 enterprises, 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>Structure of the risk 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>   |



|  |   |
|--|---|
|  | 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  |
| Risk protection and mitigation policies, as well as procedures for monitoring the efficiency of the policy implementation                      | <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 regular control and inspection of transactions, accounts, etc.</li> </ul> |
| <b>4.1.4. RISK ARISING FROM THE CAPITAL INVESTMENTS WHICH ARE NOT PART OF THE TRADE PORTFOLIO</b>  |   |
| 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 measurement 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-realized gains/losses from capital investments   | /   |
| <b>4.1.5. LIQUIDITY RISK</b>   |   |
|  | The Bank provides adequate liquidity through: <ul style="list-style-type: none"> <li>• Planning, management and provision of adequate</li> </ul>  |



|  |   |
|--|---|
| <p>Structure of the risk measurement system and internal reporting system</p>  | <p>amount of liquid assets</p> <ul style="list-style-type: none"> <li>• Monitoring the adequate maturity structure</li> <li>• Determining and monitoring the 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 timely decisions related to the management of liquidity risk.</p>  |
| <p>Risk protection and mitigation policies, as well as procedures for monitoring the efficiency of the policy implementation</p> | <p>The Bank established internal control system of liquidity implemented by all employees in the Bank and established information system which permits timely and continuous measuring, monitoring, control and reporting in the process of making decisions on liquidity risk management.</p>  |
| <p><b>STRUCTURE AND ORGANIZATION OF THE RISK MANAGEMENT FUNCTION</b></p>   |   |
| <p>The Bank establishes organizational structure with clearly defined competences and responsibilities for risk management.</p>  |   |
| <p>Supervisory board</p>   | <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> |
|  | <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> </ul>  |





|                           |   |
|---------------------------|---|
| Risk management committee | <ul style="list-style-type: none"><li>- Analyses the Bank's risk exposure reports on each risk,</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> |

