



Published on 27.07.2016  
Modified on 15.11.2016

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 30.06.2016

**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

<b>1. DATA ON THE BANK</b>	
Name	Macedonian Bank for Development Promotion
Registered office	Skopje, Dimitrie Chupovski Str. no. 26
Corporate number	5240425
Organizational structure	Enclosed at the end of the report
Number of employees at 30.06.2016	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 of the National Bank of the Republic of Macedonia is obtained	<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><li>5. Credit insurance against commercial and political risks.</li></ol>



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or restriction is stated by the Governor of the National Bank of the Republic of Macedonia, i.e. the approval has been withdrawn	/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 Skopje, 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 Nominal value per share MKD 3,108 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 Reserve fund – MKD 1,168,019 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	/
Total amount of own funds as of 30.06.2016	MKD 2,208,465 thousand
Capital adequacy ratio as of 30.06.2016	26.52%
Amount of the capital required for covering the credit risk determined in accordance with the Methodology for determining the capital adequacy	MKD 567,412 thousand
Amount of the capital required for covering the currency risk determined in accordance with the Methodology for determining the capital adequacy	MKD 71,429 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	MKD 27,424 thousand
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	Amount of the capital required for covering the other risks – MKD 136,133 thousand

#### **4. DATA ON THE SYSTEMS AND 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	<p>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> <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>
--	---



	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.
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 16,200,600 thousand</li> <li>• Amount of credit risk exposure, after allocation of special reserve – MKD 16,191,553 thousand</li> </ul>
Average credit risk exposure for the disclosure period, and exposure by risk categories	<p>MKD 16,424,221 thousand</p> <p>A – 99.05%</p> <p>B – 0.17%</p> <p>V – 0.04%</p> <p>G – /</p> <p>D – 0.75%</p>
Amount of due loans	/
Amount of the credit risk exposures by which impairment is made, i.e. special reserve is allocated	MKD 72,059 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 countries), other countries	<ul style="list-style-type: none"> <li>• Republic of Macedonia – MKD 14,439,317 thousand</li> <li>• EU member-states – MKD 1,600,313 thousand</li> <li>• Europe (other countries) – MKD 41,701 thousand</li> <li>• The OECD member-states (with the exception to the European countries) – MKD 81 thousand</li> <li>• Other countries – MKD 110,141 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 13,055,493 thousand</li> <li>• State – MKD 477,398 thousand</li> <li>• Non-financial institutions – MKD 21,367 thousand</li> <li>• Non-residents – MKD 1,752,237 thousand</li> <li>• National Bank – MKD 884,642 thousand</li> <li>• Other – MKD 416 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 6,840,697 thousand</li> <li>• Residual contractual maturity structure over 1 year – MKD 9,350,856 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 13,940,135 thousand <ul style="list-style-type: none"> <li>- amount of due loans – /</li> <li>- amount of exposure by which the impairment is made – /</li> </ul> </li> <li>• Non-residents – MKD 1,752,237 thousand</li> <li>• Other – MKD 499,181 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	<table> <tr> <td>As at 01.01.2016 -</td> <td>MKD 180,767 thousand</td> </tr> <tr> <td>Additional impairment -</td> <td>MKD 1,758 thousand</td> </tr> <tr> <td>Release of impairment -</td> <td>MKD (3,815) thousand</td> </tr> <tr> <td>Effects of exchange differences -</td> <td>MKD 281 thousand</td> </tr> <tr> <td>Claims written-off -</td> <td>MKD (177,446) thousand</td> </tr> <tr> <td>As at 30.06.2016 -</td> <td>MKD 1,545 thousand</td> </tr> <tr> <td>Special reserve</td> <td></td> </tr> <tr> <td>As at 01.01.2016 -</td> <td>MKD 13,029 thousand</td> </tr> <tr> <td>Additional reserves -</td> <td>MKD 2,577 thousand</td> </tr> <tr> <td>Release of reserves -</td> <td>MKD (8,104) thousand</td> </tr> <tr> <td>Effects of exchange differences -</td> <td>/</td> </tr> <tr> <td>As at 30.06.2016 -</td> <td>MKD 7,502 thousand</td> </tr> </table>	As at 01.01.2016 -	MKD 180,767 thousand	Additional impairment -	MKD 1,758 thousand	Release of impairment -	MKD (3,815) thousand	Effects of exchange differences -	MKD 281 thousand	Claims written-off -	MKD (177,446) thousand	As at 30.06.2016 -	MKD 1,545 thousand	Special reserve		As at 01.01.2016 -	MKD 13,029 thousand	Additional reserves -	MKD 2,577 thousand	Release of reserves -	MKD (8,104) thousand	Effects of exchange differences -	/	As at 30.06.2016 -	MKD 7,502 thousand
As at 01.01.2016 -	MKD 180,767 thousand																								
Additional impairment -	MKD 1,758 thousand																								
Release of impairment -	MKD (3,815) thousand																								
Effects of exchange differences -	MKD 281 thousand																								
Claims written-off -	MKD (177,446) thousand																								
As at 30.06.2016 -	MKD 1,545 thousand																								
Special reserve																									
As at 01.01.2016 -	MKD 13,029 thousand																								
Additional reserves -	MKD 2,577 thousand																								
Release of reserves -	MKD (8,104) thousand																								
Effects of exchange differences -	/																								
As at 30.06.2016 -	MKD 7,502 thousand																								
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>																								
Risk protection and mitigation policies, as well as procedures for monitoring the efficiency of the policy implementation	<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>																								
<b>4.1.2. MARKET RISK</b>																									
Trade portfolio structure by types of financial instruments	None																								
Policies for distributing certain position in the trade portfolio, or the bank activities portfolio	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.
<b>4.1.3. OPERATIONAL RISK</b>	
Structure of the risk measurement system and internal reporting system	<p>MBDP introduced self evaluation process, 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 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.</p>
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> <li>• Appropriate management structure</li> <li>• Introducing Code of Conduct</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-relized gains/ losses from capital investments	/
<b>4.1.5. LIQUIDITY RISK</b>	
Structure of the risk measurment system and internal reporting system	<p>The Bank provides adequate liquidity through:</p> <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>• 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 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>
Risk protection and mitigation policies, as well as procedures for monitoring the efficiency of the policy implementation	<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>	
<p>The Bank establishes organizational structure with clearly defined competences and responsibilities for risk management.</p>	
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 the policy for use of services from external suppliers and monitors their implementation,</li> <li>- Evaluates the adequacy of the adopted strategy and policies at least once a year</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> </ul>



	<ul style="list-style-type: none"> <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>- Establishes the policy for use of services from external suppliers,</li> <li>- Monitors and assesses the efficiency of the whole process of risk management,</li> <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>- Approves and implements the internal act for performing stress test,</li> <li>- Approves and implements internal act for introducing new product or system of the Bank,</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, clearly and accurately,</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>



