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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 31.12.2009

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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 31.12.2009	32
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"> 1. lending in the country, 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 entities' creditworthiness, 7. economic and financial consulting, 8. credit insurance against commercial and political risks.
Review of financial activities that the Bank performs currently and	<ol style="list-style-type: none"> 1. lending in the country, 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



for which consent by the Governor of the National Bank of the Republic of Macedonia is obtained	<p>behalf and for its own account,</p> <ol style="list-style-type: none"> 5. factoring and forfeiting for the account of clients, 6. collecting, processing and analyzing information on legal entities' creditworthiness, 7. economic and financial consulting, 8. credit insurance against commercial and political risks.
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which ban or restriction is stated by the National Bank of the Republic of Macedonia, i.e. the approval has been withdrawn	/
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 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%
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 3,08 Total nominal amount MKD 1,193,792 thousand
Description of the features of the own funds' basic components	Nominal value of paid in shares – MKD 1,193,792 thousand Reserve fund – MKD 325,407 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 203 thousand
Total amount of own funds as of 31.12.2009	MKD 1,518,997 thousand
Capital adequacy ratio as of 31.12.2009	30.00 %
Amount of the capital required for covering the credit risk determined in accordance with the Methodology for determining the capital adequacy	MKD 258,500 thousand
Amount of the capital required for	MKD 142,260 thousand



covering the currency risk 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	/
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	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"> • Amount of credit risk exposure, prior to allocation of special reserve – MKD 3,924,705 thousand • Amount of credit risk exposure, after allocation of special reserve – MKD 3,752,041 thousand
Average credit risk exposure for the disclosure period, and exposure by risk categories	<p>MKD 4,440,913 thousand</p> <p>A – 95.36% B – 0.15% V – 0.48% G – 0.11% D – 3.90%</p>
Amount of due loans	/
Amount of the credit risk exposures by which impairment is made, i.e. special reserve is allocated	MKD 2,836,919 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"> • EU member-states – MKD 331,542 thousand • Republic of Macedonia – MKD 3,409,979 thousand • Other countries – MKD 10,520 thousand
Sector distribution of the credit risk exposure (exposure to banks, other financial institutions, non-financial institutions, non-residents)	<ul style="list-style-type: none"> • Banks – MKD 3,062,615 thousand • Other financial institutions – MKD 503,733 thousand • Government Agency – MKD 2,834 thousand • Non-financial institutions – MKD 24,847 thousand • Non-residents – MKD 158,012 thousand
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"> • Residual contractual maturity structure of up to 1 year – MKD 1,560,823 thousand • Residual contractual maturity structure over 1 year – MKD 2,191,218 thousand
Structure of the credit risk	<ul style="list-style-type: none"> • Financial intermediation – MKD 3,566,348 thousand - amount of due loans – / - amount of exposure by which the impairment is made



<p>exposure by activities and detail description of the data of the largest exposure</p>	<p>MKD 2,764,863 thousand</p> <ul style="list-style-type: none"> - amount of performed impairment – MKD 113,042 thousand • Non-residents – MKD 158,012 thousand • Other – MKD 27,681 thousand
<p>Amount of restrucured claims in conformity with the Decision on the supervisory standards for regulating bank's past due claims</p>	<p>/</p>
<p>Movement of the impairment, i.e. allocated special reserve during the disclosure period</p>	<p>31.03.2009 – MKD 174,024 thousand 30.06.2009 – MKD 180,486 thousand 30.09.2009 – MKD 177,610 thousand 31.12.2009 – MKD 172,664 thousand</p>
<p>Measurment system and internal reporting system</p>	<p>Credit risk measurement may be</p> <ul style="list-style-type: none"> • on an individual basis <p>Basic indicators for credit risk measurement on individual basis are exposure, probability of liquidation, soveny decrease, claim recovery, etc.,</p> <ul style="list-style-type: none"> • on a total portfolio basis <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>
<p>Protection and mitigation policy</p>	<ul style="list-style-type: none"> • System of limits <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"> • Quality of the collateral <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"> • Providing timely, complete, specific and accurate information • Accurate evaluation of the credit risk components in the credit, insurance and guarantee agreements • Making decisions for future credit indebtedness



	<p>depending on the structure and contents of the existing portfolio</p> <ul style="list-style-type: none"> • 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 portfolio, or the bank activities portfolio	<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>
4.1.3. OPERATIONAL RISK	
Measurement system and internal reporting system	<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>
Approach used for the calculation of the capital required for covering the operational risk	MBDP use the method of base indicator, in order to quantify the operational risk exposure.



Protection and mitigation policy	<ul style="list-style-type: none"> • Insurance • Infrastructure • Continuous activities intended for 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 Renewal 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 parts 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	/
4.1.5. LIQUIDITY RISK	
Measurement and reporting system	<p>The Bank provides adequate liquidity through:</p> <ul style="list-style-type: none"> • Planning, management and provision of adequate amount of liquid assets • Monitoring the adequate maturity structure • Establishing liquidity indicators • Monitoring the potential liabilities from the off-balance operations



	<ul style="list-style-type: none"> • Planning measures in case the Bank faces liquidity crisis <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 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 information system which permits timely and continuous measuring, monitoring, control and reporting in the process of making decisions on liquidity risk management.</p>
STRUCTURE AND ORGANIZATION OF THE RISK MANAGEMENT FUNCTION	
<p>The Bank establishes organizational structure with clearly defined competences and responsibilities for risk management.</p>	
Supervisory board	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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, - 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	<ul style="list-style-type: none"> - Develops and implements procedures for identification, measurement, 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, including accurate and timely notifying of all Bank employees participating in the risk management process.
Risk management department	<ul style="list-style-type: none"> - Implementation of the risk management policies and procedures, - Measurement, monitoring, control of all material risks, - Monitoring the risk exposure limits, - Reporting to the Risk Management Committee and other bodies of the Bank on the Bank's exposure to individual risk category.

