

## ***I. ACTIVITIES OF THE BANKING SUPERVISION IN THE YEAR 2001***

### **1.1. Changes and Improvement of the Legal Framework of the Banking Supervision**

#### ***1.1.1. Review of the Changes in the Supervisory Regulation***

In the year 2001, the activities of the National Bank of the Republic of Macedonia in this domain of the supervisory function were focused on completion of the process that followed after the adoption of the Banking Law ("Official Gazette of the Republic of Macedonia" No. 63/2000), primarily directed towards:

- clarification of certain provisions of the Banking Law by adoption of adequate by-laws, as well as compliance of the existing supervisory standards with the provisions contained in this Law; and
- further compliance of the domestic supervisory regulation and the supervisory practices with the international supervisory standards and the 25 Core Principles for Effective Banking Supervision.

Therefore, in the first half of 2001, the package of new supervisory decisions was completed, which replaced the existing decisions passed in 1995 and 1996. The new supervisory decisions incorporate the contemporary Basle Principles and Practices for Prudent Operations of banks and regulate the core supervisory standards, such as calculation of the banks' capital adequacy, credit risk assessment by prescribing a methodology for classification of the banks' assets risk, identification, measuring and monitoring the country risk; identification, measuring and monitoring the credit concentration limits etc.

With regard to the complexity of these supervisory standards, the application of which also requires adequate changes in the banks' internal systems and software programs, as well as considering the expected effects on the financial position of the banks, an adjustment period of the banks to the new by-laws by March 31, 2002 inclusive, was set, which is the date of enforcement of these standards by the banks.

The overview of the more important aspects implemented in the new supervisory decisions, follows:

- 1. Decision on the Methodology for Determining the Banks' Risk-Weighted Assets ("Official Gazette of the Republic of Macedonia" No. 50/2001).** After the changes were made in the methodology for determining the banks' guarantee capital in 2000, the changes in the methodology for determining the risk-weighted assets followed. These two categories are basis for calculation of the banks' capital adequacy ratio, which is one of the basic prudent standards in their operations. The changes in the methodology for determining the guarantee capital and the risk-weighted assets are directed towards more comprehensive compliance and implementation of the so-called Basle Capital Accord (adopted by the Basle Committee for Banking Supervision, in July 1988 and revised in April 1997).

The more important changes in the methodology for determining the risk-weighted assets refer to the following:

- besides the credit risk, the exchange rate risk is also anticipated when determining the capital adequacy ratio, as one of the major risks involved in the banks' operations. This novelty requires the banks to allocate adequate part of their capital to cover the possible

losses arising from this risk. By including the exchange rate risk, or the open aggregate foreign exchange position in the calculation of the capital adequacy ratio, certain reduction in the banks' capital position is expected. However, based on the test – application of the new Decision, a conclusion was drawn that this change is not expected to endanger the solvency position of neither bank in the Republic of Macedonia, meaning that the banks' capital adequacy will remain higher than the prescribed minimum of 8%;

- besides the common off-balance sheet positions, the specific off-balance sheet items (financial derivatives) are incorporated in the calculation of the risk weighted off-balance sheet assets, for the first time;
- novelties pertaining to more precise determination and differentiation of the active balance and off-balance sheet positions according to the characteristics of the debtor and type of collateral, as well as differentiation of the claims against other banks according to their residual maturity.

**2. Decision on Determining the Methodology for Classification of the Banks' Active On-balance Sheet and Off-balance Sheet Positions According to their Risk Degree ("Official Gazette of the Republic of Macedonia" No. 50/2001).** The determination of adequate methodology for classification of the banks' active on-balance sheet and off-balance sheet positions is of essential relevance since it gives the basis for determining the credit risk level and loan loss level, arising from this risk. The new Decision caused the following changes in the methodology for classification of the banks' active on-balance sheet and off-balance sheet positions:

- precise coverage and definition of the credit exposure category. The scope of this category was expanded, including certain components which may contain adequate level of credit risk, such as deposits with domestic and foreign banks and uncovered performance guarantees;
- extension of the range of objective and subjective criteria for classification of the banks' active on-balance sheet and off-balance sheet items, thus providing higher degree of flexibility of the banks when classifying the customers;
- defining first-class instruments for securing banks' credit exposure, as well as defining first-class banks. In this sense, the first-class securing instruments include placed money deposit or funds in a depository the conditions for which prescribed by the Decision, have been met; securities of the Republic of Macedonia and the National Bank of the Republic of Macedonia and securities of the Governments and the central banks of the European Community member-states, Switzerland, Canada, Japan, and USA; irrevocable guaranties or super-guarantees issued by domestic or first-class foreign banks; unconditional guarantees payable at first written call issued by the Republic of Macedonia and the Governments and the central banks of the European Community member-states, Switzerland, Canada, Japan, and USA; according to the Decision, the first-class bank is a bank having at least a BBB rating, (based on the credit rating system of Standard & Poor's Fitch IBCA and Thompson Bank Watch) or Baa3 (based on the Moody's rating).
- Defining the country risk and consequently, revising the methodology for classification of the credit exposure of a customer - foreign person, by including the country risk, thus, taking into account the percentage of risk determined by the home country of the customer. That is how a more real assessment of the potential loan losses is made, which not only incorporates the potential loan losses emanating from the commercial risk related to that particular customer, but also, those resulting from the country risk of the customer's home country.

3. **Decision on the Amount and Manner of Establishing Banks' Special Reserves for Covering Loan Losses (Official Gazette of the Republic of Macedonia no.50/2001).** Along with the changes in the methodology for classification of the banks' active on-balance sheet and off-balance sheet positions in accordance with the degree of risk, changes were also made in the amount and the manner of establishing the special reserves. The inclusion of a special amount of reserve for covering the potential loan losses arising from the country risk is one of the essential changes made in this area. Also, the changes lead to more clear presentation of the special reserves in the banks' balance sheets. The bank is required to calculate and to allocate the necessary special reserve at the moment of allowing credit exposure, and it is required to calculate and to allocate the necessary special reserve for the total banks' credit exposure, at the end of each quarter.
4. **Decision on Application of Article 35 and 36 of the Banking Law (Official Gazette of the Republic of Macedonia no. 41/2001).** The amendments to this Decision, also implement the changes contained in the Decision on Determining the Methodology for Classification of the Banks' Active On-balance Sheet and Off-balance Sheet Positions According to the Degree of Risk (Official Gazette of the Republic of Macedonia no. 50/2001) and the Decision on Defining and the Manner of Identifying Affiliated Entities in Accordance with the Banking Law (Official Gazette of the Republic of Macedonia no. 28/2001). This Decision defines the more specific conditions for applying the provisions contained in Articles 35 and 36 of the Banking Law, pertaining to the limits of credit exposure to a single borrower, bank shareholder, having share exceeding 5% of the total number of shares with managing right, individual companies in which the bank has capital parts, and bank's insiders. In other words, this Decision stipulates the methodology for defining the credit exposure, which is a basis for calculation of the established limits for credit concentration in individual entities. Moreover, it stipulates the obligation of the banks regarding the manner of notification of the National Bank of the Republic of Macedonia on the large-scale credit exposures; credit exposures to insiders; credit exposures to bank's shareholders, having share above 5% of the total number of shares with managing right; credit exposures to individual companies in which the bank has capital parts. In order to apply this Decision properly, each bank is required to develop an adequate information system and policies and procedures for monitoring of the credit exposure to individual entities and systems for identification and monitoring the customer affiliation.
5. **Decision on Defining and the Manner of Determining Affiliated Entities in Accordance with the Banking Law (Official Gazette of the Republic of Macedonia no. 28/2001).** The Banking Law contains provisions, which generally define the basis on which two entities are regarded as affiliates. This definition more rigorously defines the affiliated entities and it is a means for reaching higher compliance with the European Union Directives and the Basle Principle for Effective Banking Supervision, no. 10. Thus, the definition of affiliated entities provided in the respective European Union Directive is accepted, according to which two or more entities are regarded as affiliates if they represent a single risk, since one of them exercises direct or indirect control in the other entity or in several other entities. The restriction for control of one entity by another one is reduced from 35% to 20% at minimum, and it pertains to the direct or indirect ownership or takeover of at least 20% of the shares with managing right. In addition, the subjective criteria are more precisely identified and defined, based on which two or more entities are deemed affiliated, thus more closely regulating the business affiliation between customers, as one of the possible aspects of affiliation between customers.
6. **Decision on the Methodology for Determining the Banks' Net-debtors (Official Gazette of the Republic of Macedonia no. 28/2001).** The net-debtor category covers all entities – bank's customers, with the average annual liabilities towards the bank being higher compared to the average annual claims on the bank and the nominal value of the

assets invested in the bank's capital. This Decision made changes in the methodology for determining the bank's net-debtors, meaning that in the estimation of the total annual liabilities of the customer, not only the liabilities recorded in the off-balance sheet are taken into a consideration, but also the customer's liabilities, which the bank consecutively, at least in two quarters, classified in D risk category, according to the Decision on Supervisory Standards for Regulation of Banks and Savings Houses' Overdue Claims (Official Gazette of the Republic of Macedonia no. 26/96 and 27/98). The banks are required to submit the list of net-debtors to the National Bank of the Republic of Macedonia, immediately after the annual stockholder meeting.

**7. Decision on Determining and Calculating Banks' Open Foreign Exchange Positions (Official Gazette of the Republic of Macedonia no.103/2001 – revised text).** In 2001, amendments to the existing Decision regulating the determination and calculation of the open foreign exchange positions were adopted, primarily pertaining to the following:

- deadlines within which the banks are required to submit Reports on open foreign exchange positions to the National Bank of the Republic of Macedonia;
- increase in the limit open foreign exchange position in Euro currency, and consequently, increase in the limit for open aggregate foreign exchange position;
- abolishment of the limit for open aggregate Denar position of the banks, which is within the activities for gradual compliance of the regulation with the international standards and practices for regulation of the exchange rate risk.

**8. Decision on the Documentation Necessary for Issuing Approvals and Submitting Notification According to the Provisions of the Banking Law (Official Gazette of the Republic of Macedonia no.111/2000 and no. 28/2001).** In 2001, amendments to the existing Decision on the Documentation Necessary for Issuing Approvals and Submitting Notification According to the Provisions of the Banking Law were made. The amendments pertain to the procedure and the documentation necessary for obtaining approval for opening representative office of a foreign bank or other financial organization.

In order to complete the legal framework, the National Bank of the Republic of Macedonia prepared Manuals on uniform implementation of the provisions of the laws and by-laws.

Also, in 2001, the National Bank of the Republic of Macedonia continued preparing supervisory circulars, which are adequate means for providing guidelines and directions for more effective implementation of certain legal requirements, banking activities and their incorporation within the international supervisory standards and practices. Thus, the following circulars were adopted in 2001:

- Supervisory Circular No.3 – buying out own shares. The purpose of this Supervisory Circular is to clarify certain law provisions which pertain to the own stock buy-out, and treats the issue of buying out own shares and the proper book entry which are to be implemented during the buy-out process or later, during the resale of those shares;
- Supervisory Circular No.4 – Systems of bank corporate governance. This Circular gives the basic guidelines for providing efficient system of corporate governance, with special attention paid to the definition of the rights and responsibilities of the bodies involved in the bank corporate governance system, such as the Board of Directors, Risk Management Board, Auditing Board and executive body.

### *1.1.2. Review of the Changes in the Other Legal Framework*

In 2001, the Anti-Money Laundering Law (“Official Gazette of the Republic of Macedonia” No. 70/2001) was adopted, which stipulates the measures and actions for money laundering identification and prevention, as well as the entities authorized to undertake these measures and actions.

The National Bank of the Republic of Macedonia has been involved in the anti-money laundering process, through the provisions of this Law, primarily through the control of the anti-money laundering systems the banks and the savings houses are required to establish. The control encompasses analysis of the overall process of management of this specific (operational) risk the banks are exposed to in their operations: establishment and application of adequate policies and procedures, adequacy of the customer identification system and adequacy of the management information system and bank’s internal control.

### **1.2. Licensing Function**

Within the framework of the licensing activities, in 2001, the National Bank of the Republic of Macedonia issued a founding and operating license to Euroswiss Banka a.d. Skopje and three licenses for the following status changes: for acquiring Zemjodelska Banka a.d. Skopje by Sileks Banka a.d. Skopje, for acquiring Pelagoniska Banka a.d. Prilep by Komercijalna Banka a.d. Skopje, and for merger between Teteks Banka a.d. Skopje and Kreditna Banka a.d. Bitola. After the registration was made in the Trade Registry, Zemjodelska Banka a.d. and Pelagoniska Banka a.d. Prilep ceased operating as individual legal entities, while Teteks Banka a.d. Skopje and Kreditna Banka a.d. Bitola operate as a new legal entity, under the name Teteks Kreditna Banka a.d. Skopje.

A license for reorganization of Postal Savings House a.d. Skopje into Postal Bank a.d. Skopje, while the founding and operating license granted to the savings house Zegin Viktorija and Others DOO, was revoked.

After the enactment of the new Banking Law in August 2000, as well as due to the need of registering the banks in the Trade Registry of the court, in the second half of 2000, the National Bank of the Republic of Macedonia was involved in intensive activities related to processing of applications for issuing prior approvals for adopting new statutes and appointing banks’ executive body. Therefore, special attention should be paid to the provision of the Banking Law introducing the “four eye” principle in bank governance and management. This imposes an obligation for the banks to appoint an executive body composed of at least 2 persons, for which prior approval from the National Bank of the Republic of Macedonia is needed.

More precisely, in 2001, in the area of issuing approvals on various bases, in accordance with the provisions of the Banking Law, the National Bank of the Republic of Macedonia performed the following activities:

- out of the total number of 36 applications submitted for issuing prior approval for appointing an executive body (7 applications were submitted in 2001), 27 approvals were granted, 6 applications were refused, while 3 applications were withdrawn;
- out of the total number of 21 applications submitted for issuing prior approval for statutory changes (9 applications submitted in 2000), 20 approvals were granted, and 1 application was withdrawn;

- out of the total number of 8 applications submitted for issuing prior approval for change in the ownership structure of the shares with managing right, 3 approvals were granted, 3 applications were refused, while the procedure for 2 applications has been underway;
- 1 application was submitted for issuing prior approval for establishing a brokerage company authorized to operate on its behalf and for its account, an approval for which has not been granted;
- approvals were granted for 2 applications (one of which transferred from 2000) for issuing approval for change in the name (SBS Agro Banka International Macedonia a.d. Skopje in International First Private Bank a.d. Skopje and T.Z. Ziraat Bankasi, branch office Skopje – Republic of Macedonia in T.Z. Ziraat Bankasi subsidiary Skopje – Republic of Macedonia);
- 3 approvals were granted for the applications for issuing a prior approval for access to a report.

### **1.3. Examination of the Operations of the Banks and the Savings Houses**

In accordance with the Law on the National Bank of the Republic of Macedonia (“Official Gazette of the Republic of Macedonia” No. 29/96, 37/98 - revised text and 37/98) and the Banking Law (Official Gazette of the Republic of Macedonia no. 63/2000), as well as the respective by-laws and supervisory procedures, the National Bank of the Republic of Macedonia, as an elementary regulatory institution of the banks and savings houses, is authorized to conduct permanent supervision of their operations. Basis of the examination, that is the implementation of this aspect of the supervisory function, is the assessment of the level of risk of each of the banking institutions, and overall assessment of the compliance of their operation with the supervisory standards and regulations.

The supervisory function of the National Bank of the Republic of Macedonia is carried out through the following:

- off-site surveillance of the operations of banks and savings houses, by regular monitoring and analysis of the reports submitted to the National Bank of the Republic of Macedonia;
- on-site examination of the operations of banks and savings houses, consisted of direct insight in the documentation and the procedures of the financial institution when performing the everyday business activities, as well as insight in the systems for identification, monitoring, measuring and control of the risks involved in its operations. Depending on the volume, or the subject of the examination, the on-site examination may be full-scope or targeted.

Within the framework of the on-site examination, in 2001, the National Bank of the Republic of Macedonia carried out 47 on-site supervisory examinations, 19 of which full-scope supervisory examinations and 28 targeted supervisory examinations.

The full-scope on-site examination was carried out in 9 banks and 10 savings houses. Moreover, 28 targeted examinations were carried out in 12 banks and 5 savings houses. These targeted examinations of banks were carried out in order to assessing the responsiveness, that is the manner of undertaking certain corrective actions imposed by the Governor of the National Bank of the Republic of Macedonia, verifying certain segments of the operations, such as credit portfolio, shareholder structure, operations related to deposit accounts, verifying certain movements and conditions identified through the off-site surveillance of the bank, etc. Targeted examination was carried out in one savings house based on the submitted application for cessation of its activities. Apart from verification of the responsiveness of the

institutions to the measures imposed by the Governor of the National Bank of the Republic of Macedonia, targeted on-site examinations were also carried out in order to verify the findings from the off-site surveillance, verification of the shareholder structure, as well as verification of the fulfillment of the recommendations given by the auditing house Arthur Andersen given after the completion of the diagnostic studies in 2000. In addition, in 2001, all savings houses were covered with 10 targeted examinations, in order to determine whether they comply with item 4 of the Decision on Determining the Volume and the Manner of Operations of the Savings Houses.

The full-scope on-site examination is carried out on the basis of the CAMEL rating system, which covers risk analysis and assessment of several segments of the operations of the financial institutions. The composite rating of an institution, ranking from “1” to “5”, is determined on the basis of the on-site examination, with “1” being the highest rating denoting sound and stable operations, while “5” denotes the lowest rating, which is the greatest concern for the supervisors.

The composite rating reflects the overall operation of the institution and indicates the level of risk it faces with, the weaknesses in the operations, the manner of risk management, the degree of compliance with the legal framework.

After the completion of the full-scope on-site examinations in 2001, three banks and two savings houses were given composite rating “2”, two banks and three savings houses got composite rating “3”, while three banks and four savings houses were given composite rating “4”. No composite rating is determined for one bank and one savings house. No institution was given composite rating “1” or “5”. According to the findings from the full-scope on-site examinations, the largest problems of the financial institutions are related to the credit portfolio of the institutions, which are even more emphasized because of the political and security crisis in the country in 2001.

The table below presents the structure of the banks and savings houses in the Republic of Macedonia, according to their composite rating on December 31, 2000 and December 31, 2001.

*Table 1*

<i>Composite rating</i>	<i>31.12.2000</i>		<i>31.12.2001</i>		<i>Comparasion 2001/2000</i>	
	<i>banks</i>	<i>savings houses</i>	<i>banks</i>	<i>savings houses</i>	<i>banks</i>	<i>savings houses</i>
<i>1</i>	-	-	-	-	-	-
<i>2</i>	<i>5</i>	<i>3</i>	<i>6</i>	<i>4</i>	<i>1</i>	<i>1</i>
<i>3</i>	<i>7</i>	<i>9</i>	<i>6</i>	<i>7</i>	<i>-1</i>	<i>-2</i>
<i>4</i>	<i>7</i>	<i>1</i>	<i>6</i>	<i>3</i>	<i>-1</i>	<i>2</i>
<i>5</i>	<i>1</i>	<i>2</i>	-	-	<i>-1</i>	<i>-2</i>
<i>No rating</i>	<i>2</i>	<i>4</i>	<i>3</i>	<i>3</i>	<i>1</i>	<i>-1</i>
<i>Total</i>	<i>22</i>	<i>19</i>	<i>21</i>	<i>17</i>		

The comparative analysis of the structure of banks, according to their composite ratings indicates that in 2001 the total number of banks with composite rating “2” increased by 1 bank, while the total number of banks with composite rating “3”, “4” and “5” decreased by 1 bank, respectively. At the end of 2001, no bank was given composite rating “5”. Furthermore, no bank was given the highest composite rating “1”. The comparative analysis of the structure of savings houses indicates that the total number of savings houses with composite rating “2” increased by 1 savings house, the number of savings houses with composite rating “3” decreased by 2 savings houses, the number of savings houses with composite rating “4” increased by 2 savings houses and the number of savings houses with

composite rating “5” decreased by 2 savings houses. In 2001, no savings house was given neither composite rating “5”, nor composite rating “1”.

The bank-by-bank analysis (the operations of which were subject to full-scope on-site examination in 2001), indicates that the composite rating of one bank deteriorated, while in three banks it was upgraded. In the analyzed period, the composite rating of 2 savings houses was upgraded (the composite rating of one of them was upgraded from 3 to 2, while in the second one it was upgraded from 5 to 4), while the composite rating of one savings house deteriorated from 3 to 4.

The on-site supervisory examinations and on-going off-site surveillance of the banks and savings houses in 2001 confirm the already identified problem segments of their operations. The credit risk remains to be dominant in the operations of the banks and savings houses. The weak credit procedures of the institutions, followed by the influence of certain external factors, such as the undermined political and security situation, the deteriorated economic situation, the inefficiency of the court procedures, etc., impede the smooth collection of the banks’ claims and high percentage of bad loans in their balance sheets. Additionally, some banks have difficulties in preserving the liquidity position, caused by the political and security crisis in the Republic of Macedonia due to the substantial deposit outflow from the banks, typical for the first half of 2001. Besides, the conducted on-site examinations in some of the banking institutions further identifies inadequate accounting procedures and weaknesses in the bookkeeping, as well as weaknesses in the operation of the internal control systems and in the Internal Audit Department, thus resulting in certain deviations from the laws and by-laws.

Alongside the supervision of banks and savings houses, the National Bank of the Republic of Macedonia performs inspection for the application of the regulations in the area of foreign exchange operations. Thus, 111 inspections were carried out in 2001, 13 of which covering the overall foreign exchange operations of the banks, 10 inspections covered certain segments of the foreign exchange operations of the banks, 26 inspections covered certain segments of the banks’ foreign exchange operations, 60 inspections referred to the exchange offices’ operations, while 12 inspections covered the savings houses’ operations.

#### **1.4. Undertaken Corrective Actions against Banks and Savings Houses**

The National Bank of the Republic of Macedonia, within its legal authorizations and in order to preserve the stability and the soundness of the banking institutions and the stability and the soundness of the overall banking system, undertakes corrective actions against banks and savings houses, in which certain irregularities have been identified based on on-site examination and off-site surveillance. According to the Law on the National Bank of the Republic of Macedonia and the Banking Law, the National Bank of the Republic of Macedonia applies wide range of corrective actions in a manner that ensures rapid solution of the problems which can endanger the stability and the soundness of the financial institution.

In 2001, the National Bank of the Republic of Macedonia adopted 31 decisions with corrective measures against 13 banks and 4 savings houses, and it also pressed 8 charges against 4 banks, 2 savings houses and 2 exchange offices. Each undertaken action and the number of banks and savings houses they refer to are given below:

- action for introduction of pre-rehabilitation procedure and appointment of conservator was imposed against 1 bank;
- action for cessation of lending for certain founders was undertaken against 3 banks and 1 savings house;



- action for ban on extending credits and operating with placements other than placements in securities based on sale of deposits of the National Bank of the Republic of Macedonia was taken against 4 banks;
- action for ban on lending for legal entities and prolonging already extended credits was undertaken against 2 banks
- action for ban on customer lending for customer classified in risk categories C, D and E was undertaken against 2 banks;
- action for ban on receiving savings deposits was undertaken against 1 bank;
- action for ban on receiving deposits from legal entities was undertaken against 1 savings house;
- action for ban on capital investments was undertaken against 1 bank;
- action for compliance with Article 35 of the Banking Law was undertaken against 7 banks;
- action for compliance with Article 36 of the Banking Law was undertaken against 1 bank;
- action for compliance with Article 38 of the Banking Law was undertaken against 1 bank;
- action for compliance with Article 39 of the Banking Law was undertaken against 2 banks;
- action for adherence to the Decision on Classification of Active On-balance Sheet and Off-balance Sheet Items of the Banks and Savings Houses according to their risk degree was undertaken against 9 banks and 2 savings houses;
- action for adherence to the Decision on Supervisory Standards for Regulation of Overdue Claims of the Banks and Savings Houses was undertaken against 7 banks and 1 savings house;
- action for adherence to the Decision on Risk Weighted Assets was undertaken against 1 bank;
- action for adherence to the Decision on Determining and Calculating Banks' Open Foreign Exchange Positions was undertaken against 6 banks;
- action for adherence to the Decision on Determining the Volume and the Manner of Operating the Savings Houses with Regard to their Credit Exposure (limit of 10%) was undertaken against 1 savings house;
- action for providing funds based on usage of compulsory reserve of banks directed towards preserving daily liquidity was undertaken against 1 bank;

Other measures: compliance with the Accounting Law (5 banks and 1 savings house), compliance with the Law on Trade Companies (1 bank), intensification of the procedures for collection of overdue claims (1 bank), establishment of an Internal Audit Department (1 bank and 2 savings houses), adherence to the Decision on the Manner and Terms of Buying and Selling Foreign Currency of Legal Entities in the Republic of Macedonia (1 bank), revision of the credit policy and credit procedures (2 savings houses), adjustment of the loan agreements and the Decision on Interest Rates with Deposit Agreement (1 bank), compliance with the

Foreign Exchange Law (1 bank), obligation of the Board of Directors to submit a business plan (2 banks), ban on payment of dividend based on net-income generated in the business year and order for its reinvestment in the bank's capital (1 bank), adherence to the Manual on Performing International Payment Operations (1 bank), submission of financial statements on legal entities (1 bank), submission of evidence for ownership (4 banks), obligation of the Board of Directors to submit a bank's operations report to the Assembly (1 bank), transfer from accounts for activities on behalf of third parties to regular operations accounts (2 banks), preparation of consolidated financial statement (1 bank), application of computer software (1 bank), introduction of proper recording system in accordance with the Decision on Subledger Accounts of the Chart of Accounts of Banks and Savings Houses (1 bank), completion of credit files (1 savings house), amendment to the Decision on Interest Rates (1 bank), correction of the capital investment records (1 bank).