



BLACK SEA TRADE AND DEVELOPMENT BANK

QUESTIONNAIRE FOR EVALUATION OF FINANCIAL INSTITUTIONS

All requested information is to be provided as of the end of the last three fiscal years, or otherwise as specified in the question. When it is considered relevant, the analyst may ask that certain information also be provided as of the end of the last quarterly reporting period.

PART I: QUALITATIVE SECTION

1) OWNERSHIP STRUCTURE

- a) List the shareholder structure of your institution at present, at the end of the last two fiscal years and any future changes, if known, in Table 1 below. Give details of the identity of the ultimate beneficial owners¹ (if any), and include any changes in ultimate control over the last 12 months (if control of a particular shareholder and/or beneficial owner had changed hands). Please provide information about the extent of each current shareholder's involvement in your institution.

Table 1 - Ownership Structure

Shareholder's name	Country of Incorporation	Industry/Activity	Amount Held currently (at _ _)	Amount Held at 31/12/_ _	Amount Held at 31/12/_ _
Shareholder 1					
Shareholder 2					
Shareholder X					
Total			100%	100%	100%

- b) Are there any explicit or implied guarantees from one or more shareholders?

2) OPERATIONAL FRAMEWORK

- a) Indicate whether your institution was in breach of any regulatory ratios and/or requirements. If yes, when did they occur, the reason for the non-compliance and what were the consequences, (i.e. fines) if any. Enclose a copy of the most recent regulatory report including any recommendations by the regulatory authorities.
- b) Is the external supervision (e.g. Central Bank, tax authorities, etc.) done on-site, off-site? What is involved in the regulatory review?
- c) Is there deposit insurance/legislation? If yes, provide details indicating whether your institution takes membership in the deposit insurance organization.
- d) Is your institution covered against loan losses due to fraud through a relative insurance policy?
- e) Please describe Central Bank's requirements with regards to mandatory reserves your institution is obliged to keep on account with the Central Bank. Indicate whether your institution was in breach with the requirements indicating timing, reasons and fines (if any).
- f) Provide a report detailing in Bank's latest regulatory ratios with the Central Bank, including ratio calculations. If there are any breaches, please indicate why and when they will be in compliance.

¹ the natural person(s) who ultimately owns or controls the customer, directly or indirectly



BLACK SEA TRADE AND DEVELOPMENT BANK

- g) Is there a legal system/arbitration procedure in place to settle and enforce legal rulings? Has this process been successful from your institution's experience?
- h) What are the laws on collateral enforcement? Has the process been successful from your institution's experience?
- i) If the accounting firm has been changed at anytime during the last three years, give reasons for the change. If your institution is operating in a hyperinflationary environment, has IAS 29 been adopted? Provide the name and contact number of the institution's external auditor. We may also require your authorization to contact your external auditor for clarifications regarding your financial statements. If available, provide a copy of the most recent management letter issued by the institution's auditors.
- j) List all litigations and claims against your institution (if any) indicating date of origination, nature, amount, current status, the possible outcome assumed by in-house lawyers.

3) MANAGEMENT AND ORGANIZATIONAL STRUCTURE

- a) Provide details (i.e. name, title, experience, etc.) of the Supervisory Board. List any changes in the last 12 months to the structure of the Supervisory Board.
- b) Provide a brief description of the institution's Board of Directors, including size, composition and functions. How often does it meet? Also provide a brief resume of each Director (one paragraph on each).
- c) Provide a brief resume of the institution's key managers, including their banking experience and qualifications (one paragraph on each).
- d) What is the organizational structure of your institution? Attach an up-to-date organizational chart.
- e) Has there been any management restructuring in the last 12 months? If yes, please describe its nature and include details of any changes that have occurred to the management committees of the institution.
- f) Are there any forthcoming plans to restructure the organization of your institution? If yes, what are they?
- g) What was the number of staff as of the end of the last three fiscal years? What is the current number of staff?
- h) How many training days were attended in the last two years? Are there training/managerial programs available?
- i) Does your institution engage in twinning programs with western banks?

4) OPERATIONS AND MARKET POSITION

- a) List all subsidiaries and affiliate companies of your institution, indicating the business/activity of each, the percentage of shares held and the amount of investment as of the end of the last three fiscal years. Specify subsidiaries and affiliate companies experiencing financial problems. Discuss the institution's future investment commitments, if any.
- b) State how many branches and sub-branches your institution had as of the end of the last three fiscal years. How many branches are forecasted to be opened during the next 12 months?



BLACK SEA TRADE AND DEVELOPMENT BANK

- c) Identify the key products and services provided in the past 12 months.
- d) Identify new key products that will be offered in the next 12 months.
- e) Provide estimates of market share for each key product offered.
- f) Are all operational and procedural manuals in place? (e.g. Credit, Treasury, Operations, Job Descriptions, etc).
- g) Are there an operational budget and/or strategic plan in place? If yes, for which period? Provide a copy, if available. How often is the budget reviewed and compared to actual results?
- h) How often are key financial reports generated? Is the Board of Directors supplied with the financial reports? If yes, how often and which reports are they supplied with?
- i) Provide the details of the internal audit function and the Audit Committee existing within your institution (if any); describe its reporting line and the scope of its activities.
- j) Attach any policies/procedures in place to detect and prevent money laundering, terrorism financing, fraud, corruption and knowing and accepting the customer. Please answer the following:
 - Has the bank appointed a money laundering and terrorism financing reporting officer? Has a report been made to the appropriate law enforcement agency? Has this officer produced an annual report on money laundering, fraud, corruption and terrorism financing activities, results and conclusions (i.e. monitor compliance) and a recently prepared independent review of related policies and procedures?
 - Does the bank provide training and guidance to staff in the operation of procedures and controls relating to money laundering, fraud, corruption and terrorism financing and their obligations under the law?
 - Does the bank have procedures for the on-going monitoring of high risk accounts, for the facilitation of co-operation with law enforcement agencies, for the recognition and reporting of suspicious transactions, for maintaining records of transactions, for ensuring compliance with relevant legislation?
 - Does the bank have a Code of Conduct for their officials and employees?

5) INFORMATION TECHNOLOGY

- a) Discuss the changes to your institution's IT structures in the past 12 months. Also, discuss the plans for IT investments over the next 12 months.
- b) Is the institution's management information system up-to-date? Are all the systems fully integrated?
- c) What is used as the institution's core banking system?
- d) Does your institution have a separate back up site and contingency plan?
- e) Outline any problems that remain with telecommunications and outline the impact these have on your institution.

PART II: QUANTITATIVE SECTION

6) GENERAL FINANCIAL INFORMATION



BLACK SEA TRADE AND DEVELOPMENT BANK

- a) Please provide audited (in accordance with International Standards on Auditing) financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the last three fiscal years. These statements are to include:
 - i) Auditor's reports on those financial statements;
 - ii) Income Statement;
 - iii) Balance Sheet;
 - iv) Cash Flow Statement;
 - v) Statement of Changes in Shareholders' Equity;
 - vi) Notes to the Financial Statements.
- b) In addition, provide the following information (if available):
 - i) Accounting or regulatory changes affecting the results and their reporting;
 - ii) Any significant events, if any, subsequent to the issuance of the latest IFRS financial statements;
 - iii) Financial projections for the next three fiscal years (include balance sheets, income statements, statements of changes in shareholders' equity and assumptions used in their preparation).

7) CAPITAL ADEQUACY

- a) What was the capital ratio according to the Central Bank guidelines at the end of the last three fiscal years?
- b) Provide a breakdown of Basle capital adequacy ratio calculations: Tier 1, Tier 2, risk-weighting of balance sheet assets and of the off-balance sheet items, credit equivalent conversion and any adjustments or deductible items, etc., at the end of the last three fiscal years.
- c) Have you calculated your capital adequacy ratio according to the latest version of Basel II? Will the new Accord lead to a decrease or increase in your capital coverage requirements?
- d) Do you plan to implement the new Basel II Capital Accord? Which of the options offered by the proposed new Accord relating to credit risk are you planning to adopt: Internal Rating Based (IRB) approach or the Standardized approach?
- e) Discuss the success of any new capital issues in the past 12 months. Also, discuss plans for any additional capital issues in the next 12 months.
- f) If your institution's equity is listed, please discuss price movements during the past 12 months, indicating average monthly volume of trading.
- g) Discuss the institution's dividend payout policy.

8) LOAN PORTFOLIO

- a) Discuss the institution's loan approval process/credit committee including composition, how often they meet and what documentation is required.
- b) Describe the institution's internal loan rating system, and the distribution of loans among the various ratings, as well as trends in the distribution.



BLACK SEA TRADE AND DEVELOPMENT BANK

- c) Provide all credit risk management limits.
- d) What is the institution's policy for the establishment of loan loss reserves and for ceasing the accrual of interest for problem loans?
- e) What is the institution's policy of extending loans to related parties?
- f) What is the institution's policy on valuing collateral? How often is collateral being revalued? Which discount rates, per type of security, does your institution apply to collateral values before arriving at maximum loan amount it can extend?
- g) Discuss portfolio review/monitoring. What policies and procedures are in place to deal with client default, including rescheduling of maturities, interest rate relief or collateral foreclosure?
- h) List the industries that have produced healthy growth and the industries that were most distressed in the past 12 months.
- i) Discuss the institution's internal provisioning methodology. Provide details on how your institution defines and assesses (including no. of overdue days) the overdue loans into "loss", "doubtful", "substandard", "watch" and/or "non-performing" (or equivalent)? What level (percentage) of provisioning is applied to each category? Are the definitions for overdue personal loans different from those of corporate loans?
- j) If not properly disclosed in the audited financial statements and their footnotes, please review the portfolio of gross loans and advances to customers and describe its quality by providing the following data, as of the end of the last three fiscal years:
 - i) Breakdown of gross loans and advances to customers analyzed by economic sector, as of the end of each year.
 - ii) Breakdown of gross loans by geographic area, as of the end of each year, including the following areas: each country your institution operates, OECD countries and non-OECD countries.
 - iii) Analysis of the loan portfolio classification using the definitions mentioned at point 8 i) above and table 2 below, as of the end of each year:

Table 2 - Loan portfolio classification

Risk Category	Gross Loans (Amount)	Provisions (Amount)
Pass		
Watch		
Sub-standard		
Doubtful		
Loss		
Total Loans/Provisions		

- iv) Breakdown of loans written off and collected (including amount) during each year. In addition provide the institution's policy for writing off loans.



BLACK SEA TRADE AND DEVELOPMENT BANK

- v) Analysis of the loan portfolio's collateralization including what type of collateral was used and the total amount of loans secured by that type of collateral, as of the end of each year. If there are unsecured loans in the portfolio, please give explanations and include the total amount.
- vi) List of exposures to related parties to your institution (including outstanding balances of loans and other credits extended to them), using table 3 below as of the end of each year:

Table 3 - Related party loans (Include only those borrowers exceeding 5% of the equity)

Name of Related Party	Type of exposure	Amount of exposure	Type of collateral	Collateral est. market value	Extended on fair commercial terms (Y/N) – Comments
Related Party 1					
Related Party 2					
Related Party X					
Total					

- vii) List of blocked, restricted or disputed balances with other banks, as of the end of each year.



BLACK SEA TRADE AND DEVELOPMENT BANK

viii) List of your institution's twenty largest credit exposures, using table 4 below as of the end of each year:

Table 4 - 20 Largest Obligors as of 31/12/XX

Obligor	Gross Loans/ advances	Guarantees	Other	Total Exposure	Maturity	Collateral Type	Collateral Est. Market Value	Status: current, prolonged, overdue	Level of Provisioning	Industry	% of IFRS Equity	Risk Category assigned by your institution
1												
2												
Etc.												
20												
Total												

ix) List of your institution's ten largest non-performing loans, using table 5 below as of the end of each year:

Table 5 - 10 Largest Non-Performing Loans (NPLs) as of 31/12/XX

Obligor	Gross Loans/ advances	Guarantees	Other	Total Exposure	Collateral Type	Collateral Est. Market Value	Date Loan Originally Classified NPL	Industry	Risk Category and Amount of Provision	% Net Exposure to IFRS Equity	Details of Collection
1											
2											
Etc.											
10											
Total											



BLACK SEA TRADE AND DEVELOPMENT BANK

9) SECURITIES PORTFOLIO

- a) Discuss or provide a copy of your institution's investment and trading policy.
- b) Is your institution involved in equity investments? If yes, provide the names of the entities, purpose, type, and amount invested and what percentage of equity these investments constitute, as of the end of the last three fiscal years.
- c) Provide a breakdown of the institution's securities portfolio (excluding equity investments) as of the end of the last two fiscal years. Include the date of purchase, purpose (i.e. trading, held to maturity), recent price quote and volumes.

10) FUNDING, LIQUIDITY AND FOREIGN EXCHANGE (FX) RISK

- a) If not included in your institution's audited financial statements, provide a liquidity gap analysis of the institution's assets and liabilities as of the end of the last three fiscal years.
- b) If not included in your institution's audited financial statements, provide a currency analysis of the institution's assets and liabilities as at the end of the last three fiscal years.
- c) If not included in your institution's audited financial statements, provide an interest rate analysis of the institution's assets and liabilities as at the end of the last two fiscal years.
- d) Provide a list of all lines of credit issued to your institution, as at the end of the last three fiscal years. Include name of financial institution, initial amount, outstanding balance, rate of interest, maturity date, repayment schedule for long-term borrowings, collateral issued by your institution and if the loans are subordinated. Provide a description of assets pledged, if any.
- e) Provide a list of your institution's twenty largest customer deposits (both individual and corporate accounts), as of the end of the last two fiscal years. Also include the amount and maturity of these deposits.
- f) If not included in your institution's audited financial statements, provide a breakdown of the off-balance sheet commitments (including guarantees, LCs, undrawn credit lines and un-matured FX transactions) as of the end of the last three fiscal years. Discuss what effect they may potentially bear on the institution's liquidity position.
- g) Explain your institution's system of setting counterparty and trading limits and allocating these limits among the various types of counterparties, instruments and trading locations/desks.
- h) If your institution is active in trading derivatives, please explain how the institution controls these activities.
- i) Describe the risk related with funding (i.e. pricing risk).
- j) Describe your institution's future funding needs and strategy.

PART III: OTHER

(If your institution is interested in participating in the Black Sea Trade and Development Bank's Trade Finance Programs, please complete the next section).

11) TRADE FINANCE ACTIVITY



BLACK SEA TRADE AND DEVELOPMENT BANK

- a) Please provide information about Export and Import transactions carried out through your institution in the last 12 months, broken down by a method of payment under an export-import contract (in USD):

	Letter of Credit		Bank Guarantee	Documents against Payment	Documents against Acceptance	Cash in Advance	TOTAL
	Confirmed	Unconfirmed					
EXPORTS							
EXPORTS TO ALL COUNTRIES*							
Total Amount							
Total Number							
EXPORTS TO BSEC COUNTRIES**							
Total Amount							
Total Number							
IMPORTS							
IMPORTS FROM ALL COUNTRIES*							
Total Amount							
Total Number							
IMPORTS FROM BSEC COUNTRIES**							
Total Amount							
Total Number							

* Including exports to BSEC countries

**BSEC countries include: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine.

- b) How much pre-export financing (by USD value) was provided by your institution over the last 12 months? How many pre-export finance transactions were supported?
- c) How much import financing (by USD value) was provided by your institution over the last 12 months? How many import finance transactions were supported?
- d) In the event that BSTDB were in position to offer a trade finance facility to your institution, what would be the appropriate amount of such facility considering that:
- A pre-export financing facility may be used by your institution to provide such financing to your customers for exports to all countries, and
 - A multiple buyer credit facility may be used by your institution to provide such financing to your customers for only imports from BSEC countries.

12) PLEASE PROVIDE A LETTER INDICATING YOUR APPROVAL FOR THE BLACK SEA TRADE AND DEVELOPMENT BANK TO SEEK REFERENCE FROM YOUR CORRESPONDENT BANKS.