



# Financing Development through Financial Institutions

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# Today's presentation

- Bank Mandate and FI goals
- BSTDB and FI Loan portfolio
- FI products
- Operational principles
- Operation cycle
- FI products main features
- Advantages of working with BSTDB



# BSTDB Mandate

- Facilitate economic development in Member Countries
- Promote regional stability and co-operation among Member Countries

## FI Goals

- Foster financial intermediation
- Support local financial institutions
- Reach eligible end-beneficiaries and SMEs
- Introduce new financing instruments as per market demand



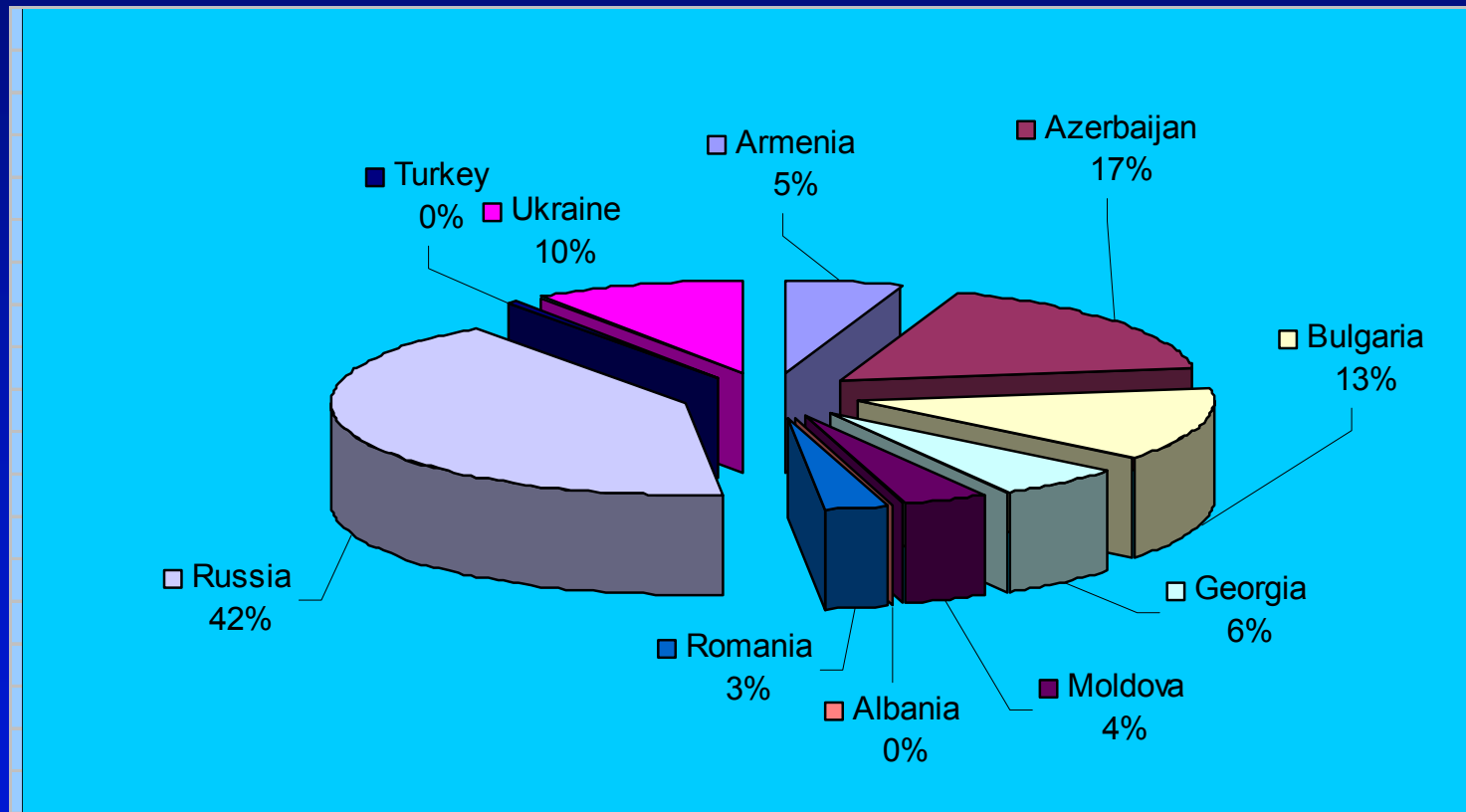
# BSTDB and FI Loan Portfolio

*USD million*  
*30.11.2010*

|                     | Bank Portfolio Amount | FI Portfolio |              |
|---------------------|-----------------------|--------------|--------------|
|                     |                       | Amount       | Percentage   |
| <b>BoD Approved</b> | <b>1,491.9</b>        | <b>532.8</b> | <b>35.7%</b> |
| <b>Outstanding</b>  | <b>846.3</b>          | <b>288.8</b> | <b>34.1%</b> |



# Breakdown of outstanding FI Portfolio (end-Nov 2010)





# FI products

- Trade Finance Facilities
- SME Credit lines
- Credit lines for mortgage financing
- Multipurpose facilities
- Leasing financing
- Subordinated debt
- Equity/ Venture capital financing
- Participation in Syndicated Loans/Parallel loans with other IFIs



# Operational Principles

- **Current Single Obligor Limit:**
  - USD 47 million for debt
  - USD 19 million for equity (3% of BSTDB Capital)
- **Country Risk Limits**
  - preventing risk concentration
  - max 30% of approved commitments
- **Environmental policies**
- **Negative List of Goods**
- **AML and anti-corruption guidelines**



# Operation Cycle

- Preliminary eligibility review or concept clearance
- Mandate Letter
- Due diligence
- Term Sheet
- Credit committee approval
- Board of Directors approval
- Loan and Security Agreements
- Disbursements
- Supervision and monitoring



# Trade Finance through FI

- Due Diligence performed on FI
- BSTDB bears risk on the FI
- End-borrower risk assessment by the FI
- Financial discipline through covenants
- Minimum financing amount: USD 3 m
- Tenor - up to 360 days
- Financing 100% of the project amount
- Unsecured
- Revolving



# SME Finance through FI (1/3)

- BSTDB due Diligence performed on FI
- Further risk assessment of end borrower by the FI
- BSTDB bears risk on the FI
- Eligibility criteria for Sub-borrowers
- Limitation criteria for Sub-loans
- Tenor – typically up to 5 years
- Security



# SME Finance through FI (2/3)

## Eligibility criteria for sub-borrowers

- Registered and conducting business in a member country
- No more than 250 employees
- Annual turnover < EUR 40 m
- Net assets < EUR 27 m



# SME Finance through FI (3/3)

## Main criteria for sub-loans

- Purpose: financing of specific projects, working capital, export and pre-export
- Max sub-loan amount agreed to reach SMEs
- No more than 50% of the cost of investment
- No re-financing of existing loans



# Credit Lines for Mortgage Financing (1/2)

- Due Diligence performed on FI
- Further risk assessment of end borrower by the FI
- BSTDB bears risk on the FI
- Mortgage lending criteria
- Tenor - up to 7 years
- Secured (First ranking pledge over rights on Mortgage certificates & sub-loans)
- Collateralisation ratio > 115%



# Credit Lines for Mortgage Financing (2/2)

## Mortgage Lending Criteria

- Eligible are private individuals residents of the Member Country
- Purpose: buying, renovating, repairing or re-mortgaging of residential property
- Tenor – min 3 years, max 20 years
- Payment-to-Income ratio max 40%
- Loan-to-Value ratio max 80%



# Multipurpose Loans

- To finance general lending operations
- Tenor - up to 360 days
- Might be extended for another term
- Bullet repayment
- Unsecured
- Financial discipline through covenants



# Equity/Quasi-equity investments (1/2)

## Equity Investments

- Direct participation in eligible financial institutions

## Subordinated Loans (quasi-equity)

- Tier 2 capital
- Multiplier effect

## Investments in Private Equity Funds

- Direct participation in PE Funds to reach eligible investee companies across sectors



# Equity/Quasi-equity investments (2/2)

- Equity exposure max limit 3% from paid-in capital of BSTDB
- To support FI's capital base
- Exit strategy (for equity)
- Tenor - up to 7 years (quasi equity)
- Equity options for quasi equity
- Board Seat
- Unsecured
- Financial discipline through covenants



# Advantages of Working with BSTDB

- Long-term standing partner of local Financial Intermediaries
- Extensive knowledge of local markets and practices
- Ability and willingness to take risks in all Member Countries due to regional expertise
- Capacity to provide short- and medium-term funding in all Member Countries
- Broad range of products



**For further information  
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**Thank You !**