Review of Accounting policies and Operating Methodologies for existing development banks

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Summary of Existing Development Banks

Name of Bank		Year of Establishment	Head-office Location	Auditor	Date of latest audit report
IDB	**Inter-American Development Bank**	1959	Washington , USA	E+Y, Washington	03/11/11
AFDB	**African Development Bank**	1964	Tunis, Tunisia	KPMG, Paris	03/24/10
ADB	**Asian Development Bank**	1966	Manila Philippine	Deloitte, Singapore	03/05/10
EBRD	**The European Bank for Reconstruction and Development**	1991	London, U.K.	PwC, London	02/23/10
NADB	**North American Development Bank**	1993	San Antonio, Texas, USA	E+Y	03/31/10
BSTDB	**Black Sea Trade and Development Bank**	1999	Thessaloniki, Hellenic Rep.	E+Y, Athens	04/16/10

Functional Currency, Reporting Currency and Capitals

Banks	Functional Currency	Reporting Currency	Capital	
			Callable	Paid-in
IDB	Currencies of all its members	US$	100,641	4,339
AFDB		UA	19,458	2,188
ADB		US$	56,640	4,110
EBRD		Euro	14,596	5,198
NADB	US$	US$		405
BSTDB	SDR	SDR	1,400	599

Functional Currency: the main currency used by a business or unit of a busi ness.
Reporting Currency: The **currency** used in published **reports** and financial documents
Callable Capital: refers to the portion of the capital not yet paid in by shareh olders.

Accounting Standards Adopted

U.S. GAAP (Generally Accepted Accounting Principles)

IDB,ADB, and NADB adopted U.S. GAAP

IFRS (International Financial Reporting Standard)

EBRD, AFDB, and BSTDB adopted IFRS

- Harmonization between U.S. GAAP and IFRS is pro ceeding.
- Need for Determination of Prevailing Accounting Sta ndards

Ordinary Capital vs. Special Funds

Most of existing development banks operates by two channels, i.e. Ordinary Capital Resource and Special Funds,

See next pages for illustration for special funds

Illustration of Special Funds

IDB	FSO (Fund for Special Operations), IFFA (Intermediate Financing Facility Account), IDB Grant Facility
AFDB	ADF (African Development Fund), NTF (Nigeria Trust Fund)
ADB	Asian Development Fund, Technical Assistance Special Fund, Japan Special Fund, Asian Development Bank Institute Special Funds , Asian Tsunami Fund, Pakistan Earthquake Fund, Regional Cooperation and Integration Fund, Climate Change Fund, Asia Pacific Disaster Response Fund
EBRD	The Balkan Region Special Fund, The Baltic Investment Special Fund, The Central Asia Risk Sharing Special Fund , The EBRD Shareholder Special Fund , The EBRD SME Special Fund , The EBRD Technical Cooperation Special Fund , The Financial Intermediary Investment Special Fund, The Italian Investment Special Fund
NADB	BEIF (Border Environmental Infrastructure Fund)
BSTDB	N/A

Bank’s Key Operation Systems

Set-up of business line: Lending, guarantying, and/or technical assistance

Set-up Loan Policy

Evaluation Process

Liquid management

Sourcing of Funds: Ordinary fund, special funds, borrowings

Set-up Borrowing Policy

Supporting Group, Planning, IT, Accounting, Legal, Internal Controls

Key Financial Risk Management Areas

Credit Risk : loan portfolio or country credit and commercial credit - Lending Limitation, Capital Adequacy, NPL Management

Market risk: interest rate, spread and exchange rate

Liquidity risk :funding and liquidation

Operational risk

Credit Risk Management, IDB

The IDB has multiple sources of protection from the loan portfolio credit risk, including an overall lending limitation, a comprehensive capital adequacy framework, a policy for the treatment of non-performing loans and a policy for the maintenance of a loan loss allowance. The loan portfolio credit risk is determined by the credit quality of, and exposure to, each borrower.

The IDB's Agreement limits the total amount of outstanding loans and guarantees to the subscribed capital, plus reserves and surplus, exclusive of income assigned to certain reserves. Furthermore, the IDB's lending capacity is also limited by its borrowing policy.

The IDB's policy is to limit the amount of its Net Borrowings to the subscribed callable capital stock of its non-borrowing member countries (the United States, Canada, Japan and the other non-regional members).

Credit Risk Management , AfDB

The AfDB manages credit risk at the global country exposure limit (combined sovereign guaranteed and non-sovereign portfolios) by ensuring that in the aggregate, the total country exposure limit to any country does not exceed 15% of the AfDB's total risk capital. The credit exposure on the non-sovereign portfolio is further controlled and managed by regularly monitoring the exposure limit with regard to the specific industry/sectors, equity investments and single obligor. In addition, the AfDB generally requires a range of collateral from project sponsors to partially mitigate the credit risk for direct private sector loans.

In addition to these minimum rating requirements, the AfDB operates within a framework of exposure limits based on the counterparty credit rating and size, subject to a maximum of 8% of the Bank's total risk capital for any single counterparty. Individual counterparty credit exposures are aggregated across all instruments using the Bank for International Settlements (BIS) potential future exposure methodology and monitored regularly against the AfDB's credit limits after considering the benefits of any collateral.

Credit Risk Management , Others

ADB: Article 12, paragraph 1 of the Charter of the ADB provides that the total amount outstanding of loans, equity investment and guarantees made by ADB shall not exceed the total of ADB's unimpaired subscribed capital, reserves, and surplus.

EBRD : For the banking exposures, the Board of Directors approves a Credit Process document that defines the procedures for the approval, management and review of banking exposures by the Operations Committee. The Audit Committee reviews the Credit Process annually and its review is submitted to the Board for approval.

Credit Risk Management , Others

NADB : The Bank's operations are subject to certain limitations outlined in the Charter. The Bank performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. The Bank evaluates the creditworthiness of each customer on a case-by-case basis and continually monitors the financial stability of each borrower.

BSTDB : The Establishing Agreement places a number of institutional limitations on the use of the Bank's capital for its ordinary operations. Treasury investments, comprising the Bank's investment of its capital and those assets held for liquidity purposes, are considered auxiliary to the Bank's ordinary operations. The Bank's institutional gearing ratio, the statutory limit on the total amount of ordinary operations (outstanding loans, equity investments and guarantees) is 150% of the Bank's unimpaired subscribed capital, reserves and surpluses.

Tax Exemption

All development banks, their property, other assets, income and the operations and transactions it carries out pursuant to the Establishment Agreement are immune from all taxation and from all customs duties in its member countries.

Some bank has a individual agreement for headquarters agreement.