

**BSTDB president: BSTDB can preserve portfolio quality in world crisis (INTERVIEW)**

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**Mr. Hayrettin Kaplan**  
President of BSTDB

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Since mid-2010 the reins of government pass from Turkey to Russia in the Black Sea Trade and Development Bank (BSTDB). According to the decision taken at an extraordinary meeting of Governors of the Bank in December 2009, current vice-president of the bank, the representative of Russia Andrei Kondakov, who will assume his duties in July 2010 was appointed BSTDB new president.

Kondakov was elected BSTDB president until 2014. Turkey has been leading the bank since its establishment - since 1999. The current head of the bank is Hayrettin Kaplan.

Hayrettin Kaplan, BSTDB President spoke in an interview with [Trend Capital](#).

**Q. As we know you leave the president's position at BSTDB in July. How do you estimate the results of Bank's activity for the period of your rule, which was coincided with the difficult processes in the global financial system? Has the world crisis affected the volume of BSTDB operations?**

**A.** In July 2010 I will complete my four-year term in office as President of BSTDB. It was an interesting and challenging time, and I am satisfied with the results achieved by the Bank during my term. The Bank's credit rating was upgraded from Baa2 to Baa1 by Moody's in 2006, with its outlook increased from stable to positive in 2007, which is higher than that of the BSTDB shareholding countries. BSTDB managed to double its portfolio over the period, showing significant operational growth - 60 percent in 2007 and 30 percent in 2008 - to \$950 million, while maintaining excellent portfolio quality. The global economic crisis presented a number of challenges for the Bank, mainly with respect to raising funds in the capital market at affordable terms to finance our operations in the region. On the other hand, the freezing up of credit markets increased demand for the Bank's financing from regional banks and firms. At the same time, BSTDB had to be careful to protect the quality of its portfolio and to safeguard its rating. This inevitably led to a slowdown in our lending activities, but the Bank managed to largely maintain the portfolio quality and posted a positive net profit for the sixth consecutive year, while preserving its credit rating.

Apart from this, the Bank considerably increased its international profile over the period, having attracted leading international finance institutions, such as European Investment Bank, Nordic Investment Bank, etc. and bilateral European donors (DEG of Germany, Development Bank of Austria and PROPARCO of France, etc) to join BSTDB as Observers.

But most importantly, the Bank's performance received a strong support from its shareholding countries, which decided to double the BSTDB subscribed capital to SDR 2 billion (about USD 3 billion) in 2008, with new capital payments starting this year. I am happy that the Azerbaijan government expressed particular confidence in the Bank by increasing its share in the subscribed capital from 2 to 5 percent.

**Q. How effective is the coordination between the Black Sea Trade and Development Bank and the Organization of the Black Sea Economic Cooperation today? Does the bank finance the concrete projects within the BSEC?**

**A.:** The Bank has developed and maintains good cooperation and coordination with BSEC at all levels. Apart from regular participation in the meetings of BSEC governing bodies and the coordination mechanism established among the BSEC family institutions, we contribute to the project-oriented activities of BSEC Working Groups. The Bank actively participates in the work of Steering Committees established within BSEC to elaborate potential regional projects of the Black Sea Ring Highway and Motorways of the Sea. We contribute to the discussions held under the Working Groups on Banking and Finance and on Energy and otherwise support the BSEC activities relevant to the Bank's mandate. For example, last year BSTDB sponsored and prepared an analytical material on the regional impact of the global crisis for the BSEC-World Bank Workshop in Istanbul, as well as for a similar event co-organized by UNDP, International Center for Black Sea Studies, BSEC Business Council and BSTDB in Thessaloniki. In February this year we had a joint meeting of the BSTDB Board of Directors and the BSEC Committee of Senior Officials where our cooperation received a positive assessment. BSTDB reconfirmed that we are ready to consider financing of any bankable project initiated by BSEC which comes in line with our mandate.

**Q: How has the increase in Azerbaijan's share in BSTDB capital enabled the bank to expand its operations in the country?**

**A.** Azerbaijan belongs to the group of the Bank's smaller shareholders to which we attach priority in terms of developing our operations. BSTDB lending to this group of countries was growing faster than the overall portfolio, especially in 2007-2008. Currently, Azerbaijan ranks 6 in the Bank's loan portfolio with 13 signed operations for the total amount of over USD 80 million, while at the end of 2006 we had only about USD 30 million.

There is no direct link between the country's share in the Bank's capital and the amount of financing, which is assessed from the risk perspective.

At the same time, the increased share of Azerbaijan in the BSTDB capital strengthened its voting power in the Bank's decision making bodies.

**Q. Which new lines of cooperation can be included in a new strategy of the bank for Azerbaijan? Which perspectives of cooperation can be considered within the memorandum signed with Azerbaijan Investment Company?**

**A.** The current BSTDB country strategy for Azerbaijan which covers the period of 2006-2010 was elaborated in cooperation with Azerbaijan Government to support the national development priorities mostly in the non-oil sector. The Bank aims to providing financing for bankable operations in the country, with special emphasis in the manufacturing and development of micro, small and medium-sized enterprises (SMEs), trade financing particularly for promoting imports of capital goods and manufacturing equipment, infrastructure, telecommunications, transportation, agriculture and agribusiness.

While our current operational portfolio in Azerbaijan mostly represents financing facilities aimed to support SME sector development, the Bank pays growing attention to the real sector. In 2010 we have already approved two projects in Azerbaijan in the chemical industry and construction sector.

The next country strategy for 2011-2014 will be developed in accordance with the Bank's new medium-term strategy and business plan which is currently under preparation. After the approval of the medium-term strategy by the Bank's Board of Governors, the Bank will determine its operational priorities in Azerbaijan together with the Government and other interested parties, with due regard given to the Memorandum of Understanding between Azerbaijan Investment Company (AIC) and BSTDB, which focuses on non-oil sector investments.

**Q. Which new projects are scheduled to realize in the countries of the region in 2010, and which spheres can they cover?**

**A.** After a slowdown in the Bank's growth in 2009 due to the economic crisis which hit the Black Sea region, we are expecting a certain revival in 2010. Currently, our pipeline includes about 30 operations on different stages of preparation, which cover all countries of operation. Most of the operations are related to the Bank's support for small and medium-sized business development (SMEs) that we provide through local financial institutions in our member countries, including Azerbaijan. We are also considering participation in a number of equity investment funds financing SME and energy infrastructure development. A number of projects will be financed in the manufacturing sector and renewable energy, such as hydro and solar power generation.