

**STATEMENT BY MR. ANDREY KONDAKOV
BSTDB PRESIDENT
AT THE 25TH MEETING OF THE BSEC
COUNCIL OF MINISTERS OF FOREIGN AFFAIRS
(MOSCOW, 16 DECEMBER 2011)**



Dear Mr. Chairman,
Excellencies,
Ladies and Gentlemen,

This 25th Meeting of the Council concludes the successful Chairmanship of the Russian Federation in BSEC. It reconfirmed Russia's sustained commitment to promoting regional cooperation. On behalf of the BSTDB, I would like to thank our hosts for their warm hospitality and excellent organization of the meetings in Moscow.

As a member of the BSEC family and active partner in the region's development, BSTDB attaches importance to enhancing cooperation with BSEC and its Related Bodies in areas that focus on regional projects and investment opportunities. I am pleased to inform you that BSTDB stepped up its operational activities during 2011, increased its efficiency and maintained good quality of its loan portfolio.

Suffice it to say, the amount of operations approved by the Board of Directors grew by almost 60% over the corresponding number for 2010, while the volume of signed operations increased by 26%. The total BoD approved portfolio now stands close to EUR 1.5 billion. Financial results for this year also look quite encouraging. 2011 will be the seventh year in a row that the Bank will be posting healthy operating income and net profit.

In large part this became possible thanks to continued strong support of our shareholding Governments, majority of which actively participate in second stage of the BSTDB's capital increase. This robust performance is also reflected in the recent rating upgrades of the Bank by the Moody's and Standard and Poor's.

Despite these good strides, the Bank remains vigilant and braces for serious challenges that lie ahead. Lingering global economic and financial uncertainties and still unfolding European sovereign debt crisis will undoubtedly be impacting BSTDB activities, first of all through the highly volatile capital markets. The possibility of a prolonged recession in old Europe should not be underestimated. In spite of recent efforts by the EU governments, there is still a feeling that the "Black Swan" event may be coming to the Eurozone with no "Big Bazooka" around to take care of it.

In this uncertain environment, the Bank is adjusting its operational activities and is taking appropriate steps to ensure business continuity, to safeguard its capital value and financial assets, while remaining responsive to our countries through financial alternatives and innovation.

In parallel, the Bank is enhancing synergies and cooperation with partner development financial institutions. EBRD was granted Observer Status in June, and Vnesheconombank of Russia became the first national development bank from a member country to become BSTDB Observer in September 2011.

Dear Chairman, distinguished delegates,

Using this forum, I would like to draw your attention to the issue related to the Bank's status in Greece. Despite our concerted efforts and numerous promises of our hosting state, this issue has not been resolved for 12 years and has become a serious irritant. I am talking about non-issuance by the Greek Government of the Ministerial Decision mandated in article 12 of the Bank's Headquarters Agreement. This Ministerial Decision is necessary to spell-out the procedures for the non-Greek staff members of the Bank to fully enjoy their status as employees of an IFI stipulated in this Agreement. Over the years, this long-standing omission of the Greek authorities has resulted in a number of inconsistencies and erosions of the set of privileges in practice, hindering activities of the Bank in Greece. I must admit to a certain collective exasperation on behalf of the Bank, and to underline that we stand ready to take all necessary steps for finally resolving this unfortunate issue, including through the mechanism of international tribunal as enshrined in our Headquarters Agreement.

Concluding my statement, I would like to inform you that in June 2012, BSTDB will hold its Annual Meeting of the Board of Governors in Yerevan. In close cooperation with the Armenian Government, the local banking and business communities and our observer institutions we will organize a Business Forum to showcase Armenia's economic reform efforts and achievements and the potential of doing business in Armenia. We look forward to welcoming all BSEC family institutions in our events in Yerevan and encourage their active participation.

On behalf of the Bank, I wish success to the Republic of Serbia, which is taking over the BSEC Chairmanship, in its endeavours to further promote cooperation in the Black Sea region.

Thank you.