

**STATEMENT BY MR. ANDREY KONDAKOV,
BSTDB PRESIDENT,
AT THE 26TH MEETING OF THE BSEC
COUNCIL OF MINISTERS OF FOREIGN AFFAIRS
(BELGRADE, JUNE 11, 2012)**



Madame Chair,
Excellencies,
Ladies and Gentlemen,

I would like to start with expressing appreciation to our gracious Serbian hosts for excellent organization of this Meeting and professional chairmanship of BSEC.

As a committed partner in the development of the region, BSTDB is constantly exploring ways of enhancing cooperation with BSEC and its Related Bodies in their project-oriented activities, with a view to making good use of their strengths and comparative advantages. Over the period of the Serbian Chairmanship, the Bank has actively contributed to the preparation of the updated BSEC Economic Agenda for the Future and to the concept of regional cooperation in the areas of banking and finance. The Bank is also providing its expertise and technical assistance in relation to the promotion of the Black Sea Ring Highway, Motorways of the Sea, and other regional initiatives.

Madame Chair,

Recently, the Bank issued its audited financial statements for 2011 and I would like to use this opportunity to inform this distinguished audience on some of our key achievements.

In fact, last year was one of the best in the Bank's history. Our Board of Directors approved operations totalling about EUR 360 million, which is almost 70% increase over 2010. Project signings during the year grew by about 50%, to nearly EUR 300 million. Our income before provisions exceeded EUR 20 million, which is the highest level ever achieved by the Bank. In a nutshell, despite persisting uncertainties and challenges the BSTDB proved its ability to act in counter-cyclical manner and to support the Black Sea region economic development and regional integration.

Unfortunately, against the backdrop of these good news, the Bank is currently confronted with a serious issue, and I am thankful to the Russian and Turkish delegations for bringing it to the attention of this meeting. I am talking about Greek Government Bonds

totaling Euro 20 million acquired by the Bank several years ago to enhance its purpose-related exposure to the Greek economy. We were surprised to learn that these bonds have been restructured within the framework of so-called Private Sector Involvement (PSI) initiative, something that is not envisaged by the BSTDB Establishing Agreement, which disallows impairment of the Bank's assets via such means. As a result, the Bank lost over EUR 14 million. Needless to say, this has cast BSTDB in a very unfavorable light vis-a-vis peer IFIs, rating agencies and potential investors.

We are thankful to our Greek colleagues who promised to examine this issue attentively and call upon them to find a solution helping us to redress this situation. We believe that every effort should be made to resolve this issue amicably within the BSTDB family.

Madame Chair,

On June 22-24, 2012, BSTDB will hold its Annual Meeting and a Business Forum in Yerevan in close cooperation with the Government and the Central Bank of Armenia, and with the Armenian business community. We have invited the BSEC Chairmanship and all BSEC family institutions together with the Bank's Observers to these events, which will focus on enhancing regional cooperation in partnership with interested development institutions and investors. We are looking forward to welcoming you in Yerevan.

In conclusion, on behalf of the Bank, I would like to wish success to the Republic of Turkey in the forthcoming Chairmanship of BSEC.

Thank you.