10 Years of BSTDB
Challenges, Achievements and Prospects
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A few facts about us
BSTDB was established by 11 countries of the Black Sea Economic Cooperation (BSEC) as a financial pillar of BSEC with a dual mandate to assist economic development of the member countries and to promote regional cooperation.

The Bank’s authorized capital is SDR 3 billion (apx. USD 4.5 billion), subscribed capital – SDR 2 billion. Paid-in portion – 30%.

The current shareholding structure of the Bank includes Greece, Russia and Turkey as the largest shareholders with 16.5% stakes each, followed by Romania with 14%, Bulgaria and Ukraine with 13.5% each, Azerbaijan with 5%, Albania with 2%, Armenia and Moldova with 1% each, and Georgia with 0.5% stake. The Bank’s membership is open to financial institutions and countries- members of BSEC.

The BSTDB staff currently counts 98 employees coming from 14 member and non-member countries.

The Bank gives priority to regional projects and cross-border operations in the key sectors of manufacturing, energy, transportation, telecommunications, financial sector, and supports the development of small business and regional trade. The Bank provides financing to the public and private sector enterprises.

Since 1999, the BSTDB provided financing for 161 operations in all its member countries to the total cumulative amount of about USD 2 billion. As of end 2008, the Bank’s portfolio included 94 operations with the amount of outstanding financing of USD 950 million.

The Bank maintains excellent portfolio quality, with non-performing loans accounting for about 1% of the portfolio.

BSTDB international credit rating from Moody’s - Baa1 long-term and P2 short-term, both with positive outlook.

BSTDB raised over USD 1 billion in the international capital market to finance its operations in the Black Sea region.

BSTDB actively cooperates with other international financial institutions, bilateral donors and commercial banks co-financing projects in the Region. BSTDB signed 16 cooperation agreements with international organizations, IFIs and other international and national business entities active in the region and granted its Observer Status to 5 financial institutions.
Our development highlights
**30 June 1994**
Agreement Establishing BSTDB signed in Tbilisi, Georgia by 11 BSEC countries

**1 June 1999**
Banking Operations started

**May 2000**
BSTDB obtains Observer Status with the World Bank

**May 2004**
First syndicated borrowing from international commercial banks

**December 2007**
BSTDB shareholders decide to triple the authorized capital of the Bank to SDR 3 billion (approx. USD 4.8 billion) and to double the subscribed capital to SDR 2 billion

**October 2008**
Technical Cooperation Special Fund established with the Development Bank of Austria

**October 2008**
BSTDB grants Observer Status to the Nordic Investment Bank

**November 2008**
BSTDB grants Observer Status to the European Investment Bank, Development Bank of Austria and the Association of European Development Finance Institutions

**May 2009**
BSTDB grants Observer Status to the European Investment Bank, Development Bank of Austria and the Association of European Development Finance Institutions

**February 1998**
BSTDB Inaugural Meeting takes place in Thessaloniki, Greece

**March 2000**
Treasury Operations started

**March 2004**
The Bank obtains initial investment grade ratings of long term Baa2 and short term P2 from Moody's Investors Service

**October 2006**
BSTDB credit rating upgraded to Baa1 by Moody's

**October 2008**
Additional BSTDB shares worth SDR 1 billion (approx. USD 1.5 billion) fully subscribed and allocated by existing shareholders

**May 2009**
First bond issue
10 years of BSTDB: Looking back with pride, looking forward with confidence
In 2009 the Black Sea Trade and Development Bank celebrates ten years of its operational activity. The Bank has experienced substantial development over that period and has achieved a sound institutional and operating structure, as well as a balanced portfolio. It has demonstrated a capacity to grow and fulfill its specific dual mandate – to assist economic development in its member countries and to promote the regional cooperation. BSTDB has established itself as a reliable partner for its clients and peer financial institutions active in the Black Sea region and recognized as such by the international financial community.

The initiation and expansion of Bank operations to date has for the most part coincided with benign global and regional market conditions. Real GDP growth in the Black Sea Region from 2000–2008 averaged 6.0% per annum, equal to a cumulative real economic expansion of 6% during this period. As a result, living standards improved, poverty rates dropped, trade and
investment rose, and societies were transformed into dynamic places of increasing sophistication and integration into the broader European and global economic context.

In addition to the increased prosperity resulting from the 2000–2008 period of high growth, the Region’s economies are more open to each other and enjoy a greater degree of interaction and cooperation with the global economy, and particularly western Europe. Flow of people, capital, goods and services have all increased and the economic and business environments have seen significant, and positive, transformations.

The business environment improvement is partly underscored by sovereign credit ratings. Whereas the Black Sea Region had only one country rated investment grade\(^1\) at the end of 1999, it now has four. Significantly, every country in the Black Sea Region has now ‘entered the market’ and received sovereign ratings, an indication of growing maturity and economic progress since such ratings facilitate their ability to raise funds on international capital markets and set benchmarks for the development of domestic financial markets. As foreign direct investments (FDI) into the Black Sea Region increased from USD 8 billion to an estimated USD 120 billion in 2000–2008, various country risk measures improved, including sovereign credit ratings.

On its part, BSTDB succeeded in securing its first investment grade rating in 2004, which was subsequently upgraded in 2006 reflecting the Bank’s strong financial fundamentals, shareholders’ support and portfolio quality.

Even after the financial crisis first broke out in mid–2007 in the United States, the Black Sea Region continued its robust trend of growth and BSTDB encountered considerable competition from private and official financial institutions in trying to expand its activities in the Region. This trend began to reverse in the middle of 2008 and turned rapidly negative in the last quarter of the year after the September global financial crisis precipitated a regional economic crisis. The sudden halt in activity of global financial markets necessitated a cautious ‘wait and see’ approach by the Bank, as the disappearance of liquidity generated dramatic uncertainties. The climate of insecurity and uncertainty persists into 2009, and it has greatly shaped the Bank’s operating outlook, introducing new challenges. On the one hand, BSTDB draws strength from its status as an international financial institution (IFI), its solid track record, and the high quality of its portfolio. On the other hand, since BSTDB is not an AAA rated IFI, it also finds itself in a more challenging position with respect to securing financing and facing larger spreads than do other IFIs. This creates a tension, for while the Bank desires to operate in a counter-cyclical manner to prevailing conditions and contribute financing to eligible creditworthy Region based firms, it must safeguard its own interests and those of its shareholders, so as to be able to fulfill its mandate on a long term basis.

\(^1\) A Sovereign credit rating of Baa3 or better according to Moody’s, which also rates BSTDB.
The unfortunate freezing up of credit markets has had the paradoxical side effect of reducing immediate competition for the Bank, particularly from private financial institutions, thus opening a ‘window of opportunity’ for the Bank to play a counter-cyclical role judiciously and provide financing, in the absence of alternatives for regional banks and firms. Given the current climate of high risk aversion, even though the Bank expects to face higher borrowing costs, it should be able to lend at higher rates than it has in the past and continue to represent an attractive option in relative terms, for regional clients.

High regional growth facilitated the identification of project opportunities. Overall, 2007 was a turning point towards the newly defined strategic objectives. While many of the achievements were based on a substantial preparatory work and analysis performed already in previous years, they reflect a new degree of business maturity and capability to reach the strategic objectives in due course. It marked the start of a period of substantial managed growth that succeeded to place emphasis on the countries with few active operations, as well as on cross-country operations.

High demand, larger than anticipated operation size, and benign market conditions resulted in rapid portfolio growth during 2007–08. Significantly, the Bank increased profitability while maintaining conservative provisioning procedures, portfolio quality remained excellent, and progress was achieved in meeting certain developmental objectives such as concentrating on smaller and poorer countries, and identifying more infrastructure operations. At end-2008 the Bank had an outstanding portfolio of 94 operations for a total value of USD 950 million.

Continued balanced and manageable growth may only be achieved if strong shareholder support is maintained. The shareholders’ support was recently reaffirmed by the decision to increase the authorized and subscribed capital of the Bank. The three-fold increase of the authorized capital was approved by the BoG in December 2007, raising the total authorized capital to SDR 2 billion (apx. USD 4.6 billion). The Member States additionally subscribed for shares worth SDR 1 billion, raising the total subscribed capital to SDR 2 billion (apx. USD 3 billion). The increase in the capital stock of the Bank was allocated to Member States in October 2008. Further to this development and the overall performance of the Bank, Moody’s Investors Service changed the outlook for the BSTDB credit rating of Baa1 from stable to positive in December 2007.

The capital increase represents a powerful statement of commitment to the institution by its shareholders. It is expected to further enhance the Bank’s capabilities, competitiveness and performance, including the Bank’s ability to attract more funds to the Region, at a moment when mobilization of additional resources is a priority, given the recent rapid growth in the context of constrained global liquidity.
The achievements of the Bank represent a solid ground for further development but should not be a source of complacency. To become a leading IFI in the region, BSTDB needs to regularly and openly review its key strengths and weaknesses, to enhance the former and mitigate the latter.

BSTDB must adapt to the changing conditions in the crisis and post-crisis environment and adopt a strategy which first and foremost seeks to preserve the successes and achievements of the Bank to date, and to place it in a position from which it can react quickly and flexibly to market conditions, so as to safeguard its interests while seeking to fulfill its mandate.

Turning to strategic priorities, the primary operational emphasis of BSTDB in 2009–2010 would not be on portfolio growth, but on maintaining portfolio quality, supervising existing operations, and developing partnerships, while achieving consolidation and improving effectiveness of internal processes.

To be able to measure the degree of achievement of its objectives, the Bank has updated and revised certain broad performance indicators, which will help to gauge progress against planned targets. The Bank will seek to prioritize by focusing more on operations which best meet the dual mandate of promoting economic development and regional cooperation. In practice, this implies a shift towards more public sector or quasi-public sector and related cross-country activities.

After the initial years of emphasizing operational growth, building a track record of activities, and becoming established in the developmental marketplace, at the start of its second decade BSTDB has established contacts and relationships in the development community, and it has gradually embraced the idea of building networks of cooperation and partnerships, which will be an increasingly important mode of operation for BSTDB. With this idea in mind, the Bank inaugurated an Observer Status Policy in 2003 in order to generate interest in the Bank outside the region, and to provide a flexible mechanism to facilitate involvement in the Black Sea Region.

As of March 2009, BSTDB’s Observers include: the KfW Banking Group (Germany), the European Investment Bank (EIB), the Development Bank of Austria (OeEB), the Association of European Development Finance Institutions (EDFI), and the Nordic Investment Bank (NIB). Observer Status will be a key tool in coming years to develop relations with non-Black Sea actors and entities who wish to become engaged in the Region.
The development of partnerships in part responds to the increased interest of external actors in the Region, but it is also the result of a Bank strategy of increased outreach, in order to achieve greater leveraging of own resources, improved risk sharing and the establishment of new networks of financing. However, BSTDB intends to extend resource mobilization beyond just financing of operations, for policy coordination and consistency are also crucial features in generating value for the Bank’s shareholders and for regional firms and banks. Thus, the Bank will be more active in dialogue with partners, as a way to mobilize knowledge resources, share experiences, design and coordinate policy responses, and engage in promotional activities both for the Bank and for the Black Sea Region.

Looking 10 years ahead, the BSTDB intends to be recognized globally, and by its shareholders in particular, as a prominent development finance institution for the Black Sea Region providing well-focused development assistance and solutions. As such, BSTDB would become a preferred partner in the Region for multilateral and bilateral donors and for other partners in development.
Independent analysts about us
The Black Sea region is coming together again. Only half a year after the end of the Soviet Union, eleven Black Sea nations, covering the whole coastline, gathered in the Bosporus to form the Black Sea Economic Cooperation. They were: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine. In 2004, also Serbia and Montenegro joined. All the countries with access to the Black Sea joined, and one of the world’s original economic communities was once again coming together.

In 1999, the BSEC evolved into the more formal Organization of the Black Sea Cooperation. Two years earlier, the eleven original members of the Black Sea Economic Cooperation formed the Black Sea Trade and Development Bank (BSTDB). Its aim was to support economic development and regional cooperation. In the last decade, this region has recorded tremendous economic success, and the Black Sea region has emerged as an economically integrated region with so far two institutions.

Out of these countries, all but Greece and Turkey had socialist economic systems until 1990. A little noticed success is how they have all shed these dysfunctional systems and adopted normal market economies. The building
of capitalism is by now common history, but few regions have been as successful in the face of adverse circumstances as those in the Black Sea region. The three pillars of the construction of capitalism were deregulation of prices and trade, financial stabilization, and privatization, and they have all been built.

The countries of this region entered post-communist transition in quite a poor shape, many of them new and uncertain of their prospects. Several states, from Yugoslavia via Moldova to all the nations in the Caucasus, suffered initially from armed conflicts, which aggravated economic decline and delayed market reforms. By 2000, however, all the countries in the region had become full-fledged market economies by the standards of the European Bank for Reconstruction and Development (EBRD).

Financial stabilization was late in coming but has been an astounding success. Today, it is even difficult to remember that in 1993 both Armenia and Ukraine had an inflation exceeding 10,000 percent, and all the former Soviet countries plus Bulgaria had some year with over 1,000 percent inflation. To combat inflation is no mystery. The road to success goes through fiscal adjustment, which usually means cutting unjustified subsidies rather than raising more taxes. In addition, reasonably strict monetary policy and a realistic exchange rate regime are also needed. Inflation has come down and from 2003 until 2007 the region had an average inflation of 7–8 percent a year, which is quite respectable for such fast-growing economies.

The third necessary precondition of capitalist economic growth was privatization. Politically, privatization was a slow and sordid political story in every post-communist country, but by 2000 privatization had advanced so far that most of GDP originated in the private sector in every country. At present it generates more than 70 percent of GDP, according to the EBRD.

With these three ingredients of a market economy in place by 2000, the economy took off. From 2002 to 2008, the Black Sea region was one of the most dynamic in the world with an average annual economic growth of 8 percent, peaking at 9.5 percent in 2006. The undisputed growth leader has been Azerbaijan with a steady double-digit growth peaking at an incredible 30.5 percent in 2006, spurred first by large foreign direct investment and then by resulting oil production.

As everywhere else, economic expansion has been spearheaded by globalization. From 2000 until 2007, regional exports have expanded at an impressive average of 14 percent a year. This great surge has been facilitated by trade liberalization. Greece, Romania and Turkey were already members of the World Trade Organization (WTO), and half a dozen countries that were not previously members have joined it, namely Albania, Armenia, Bulgaria, Georgia, Moldova, and Ukraine. Only Azerbaijan and Russia remain outside of the WTO, but both are close to accession. Universal membership of the WTO will further promote regional integration.

Another major institutional development of significance for trade has been each country’s relationship with the European Union, but in this regard the Black Sea region remains badly split. Greece has been a member of the EU since 1980; Bulgaria and Romania were admitted in 2007, while the others have trade and cooperation agreements of varied affinity and quality. The European Union has tried to accommodate Ukraine,
Moldova, and the Caucasus in its European Neighborhood Policy since 2003, but much remains to be done on the EU’s integration with these countries.

On September 15, 2008, Lehman Brothers went bankrupt in New York, and as a consequence international financial markets froze throughout the world. The global financial crisis was a fact. Nobody was prepared for this horrendous shock, but all countries outside of the euro zone were badly hit. GDP is set to fall in almost all countries in this region in 2008, while forecasts stay extremely volatile.

Most exchange rates in the region were or became floating and soon they plummeted. The only exceptions were Greece with its euro and Bulgaria that had introduced a currency board with a fixed exchange rate to the euro to escape its hyperinflation in 1997. Both the countries that have devalued and those that have not are suffering. Tied to the euro, Greece and Bulgaria are finding it harder to export because their competitiveness has fallen in relation to the many countries that have had their currencies depreciated by 30-50 percent. Inevitably, their growth will suffer.

The countries that have devalued have become more competitive, but they face troubles in their financial sector. All these countries have taken large foreign loans, which now become much more expensive to pay back or refinance. Most of these credits have been taken by private companies, many of which go bankrupt just because of one poorly timed foreign loan. These problems are concentrated to the banking sector. So far, many local banks are being helped by being subsidiaries of European banks, which are set to refinance and recapitalize their subsidiaries as long as they can afford doing so. Numerous banks have given local loans in foreign currency, and after devaluation of the local currency quite a few customers cannot afford to pay them back such loans, leaving banks with large volumes of non-performing loans.

Although the crisis is global, as usual domestic flaws aggravate the situation. The outstanding weakness of the Black Sea region was large current account deficits of almost all countries, save Russia and Azerbaijan, the two big oil exporters, which have substantial current account surpluses. In 2007, Bulgaria and Georgia had current account deficits as large as 20 percent of GDP, and the region had an average current account deficit of 7 percent of GDP, while 5 percent of GDP is usually considered to be the permissible limit.

To a considerable extent, these large current account deficits were justified. Much of them were financed with long-term foreign direct investment. Most of the bank loans came from European banks with subsidiaries in the region, being akin to equity as the headquarters were as unlikely to withdraw their funds in a crisis. Yet the accumulated foreign loans were excessive and rendered all countries vulnerable.

The large currency inflows also boosted inflation, with average inflation surging to 11.4 percent in 2008. The global overheating and inflation contributed as well. The countries that endured the highest inflation were largely those with fixed or pegged exchange rates, notably Ukraine, Moldova, Russia, and Bulgaria plus the over-heating oil producer Azerbaijan. In May 2008, Ukraine’s annualized inflation peaked at 31 percent.

From September 2008 and for half a year, financial panic ruled the world. As is customary, capital fled from the periphery...
to the center in search of a safe haven disregarding returns. That meant that currency flew from all countries in the world to US dollars, euro, yen and gold but hardly anywhere else. Most freely floating currencies sharply depreciated. Such a financial panic was a typical market fail. Governments are supposed to provide the counterbalance to such market failures.

On the global arena, the International Monetary Fund (IMF) is the dominant international financial institution and crisis manager and it has provided forceful counterbalancing. The first in the new wave of IMF program was Georgia, which had required an IMF program already after the war in August 2008. In October, Ukraine initiated and concluded a two-year IMF program with financing of $16.4 billion. Turkey, Romania and Armenia have followed suit.

All these IMF programs have involved far larger amounts than previously have been the case, because global finance and foreign debt exposure has grown so much in recent years. The conditionality has been standard, simple and comparatively uncontroversial: more or less balanced budgets, a realistic, preferably floating exchange rate, and restructuring of the damaged banking system. Yet, adjustment costs are as huge as inevitable. The World Bank, the EBRD, and also the European Investment Bank have provided additional financing.

Here the Black Sea Trade and Development Bank (BSTDB) enters the stage. This region needs more inter-governmental finance. The EBRD is supposed to be commercial rather than a development bank, and the EIB has limited rights to lend outside of the European Union. Fortunately, the BSTDB has no such limitations, and the current crisis shows that it would be advantageous if it possessed more capital.

Another reason for the need of the BSTDB is that trading infrastructure was badly neglected in the old days when regional trade was held back for political reasons. The last decade of massive trade expansion requires corresponding investments in roads and ports. The BSTDB is partially designed for that purpose, though again larger resources would be desirable.

As this quick overview suggests, the most obvious institutional shortfall of this regional economy rests in trade arrangements.

The question of a Black Sea free trade arrangement would be natural to raise. However, today such an idea would naturally run into opposition from both the EU and Russia that have their own ideas of trade zones around themselves, but more needs to be done to facilitate trade. The most immediate urge is for Russia and Azerbaijan to finally join the WTO.

Quietly, the Black Sea region has established itself as one of the fastest growing regions in the world. All economies in the region have benefited from rapid economic development in the last decade. The foundation of this growth has been deregulation, financial stabilization, and privatization or capitalist development. The opening of borders for trade has been key for the rapid economic integration. The current global financial crisis is likely to represent only a brief interlude which will help the region to identify the most urgent problems that should be resolved in the future. The main weakness that it has revealed here is an overreliance of most countries on private foreign credit, but international financial institutions, including the BSTDB, are acting vigorously to counteract this financial dearth of the private sector.
Bogdan Preda is an independent journalist with extensive experience in Romania and Eastern Europe since 1989. In 1990-1997, he was staff writer and correspondent for the Associated Press and Dow Jones Newswires in Bucharest. As of 1997, he started and developed the news operations of Bloomberg News in Bucharest for a period of 10 years, as senior correspondent. He also lectured at the Faculty of Journalism & Communication in Bucharest as well as at the Centre for Independent Journalism. Currently, Mr. Preda is a columnist for Prague-based Business New Europe. In addition to his journalistic formation, Mr. Preda also works as an international communication and public relations specialist.

BSTDB Anniversary: Experienced in building future

Ten years after its establishment, what makes the Black Sea Trade and Development Bank (BSTDB) special in a region often flawed by economic and political discrepancies is no longer the fact that it exists, but that it’s clearly needed and therefore has a good reason to last for many more years to come.

The BSTDB’s role as a financial pillar of cooperation in the Black Sea region has become even more important especially in present times, as the worst global financial crisis that’s ever hit the world is also causing serious financing trouble to businesses in nearly all of the 11 countries that are shareholders of the bank.

At the time of the bank’s formal establishment in 1999, most of its founding member states were either trying to cope with or just pulling out from economic or political crises. The consequence of events leading to the fall of the Iron Curtain 10 years before, and the collapse of the former Soviet Union, had caused a systemic vacuum, thus
creating momentum and desire for change and adoption of free-market rules.

With just two exceptions – Greece and Turkey, which had not been experiencing centralized economic models – all of the other 9 members of the BSTDB were attempting to emerge in the early 1990s as independent market economies in the absence of other forms of economic cooperation. That’s how the Black Sea Economic Cooperation Organization, also known as the BSEC, took shape in 1992 upon the initiative of late Turkish President Turgut Ozal. As the regional cooperation format took shape in a number of dimensions – economic, legislative, business and academic, the BSTDB was established as a financial pillar of BSEC. The Agreement establishing the Bank was signed in 1994 and BSTDB became fully operational in 1999.

Russia, for example, one of the BSTDB’s largest shareholders, joined the bank just as it was still trying to pull out from its “ruble crisis,” while Bulgaria was still dealing with the complications of the financial crisis which led to the adoption of the currency board it had introduced in 1997 to help it deal with its structural problems. Romania was also facing serious social unrest in 1999 and political crisis amid violent riots by coal miners. Relations between Armenia and Azerbaijan were still extremely tense due to the dispute over the Nagorno Karabakh region, which also raised Turkey’s political concerns, while the situation in Moldova was far from being calm over its armed conflict with paramilitary troops and leaders in the self-proclaimed Trans Dinester republic.

Looked at from the West, it was quite difficult to imagine that the undertaking of establishing the BSTDB would indeed be possible, especially due to the political and territorial issues at stake, but also due to the perception among western politicians and institutions that it would be very hard to pull together an institution shared by countries whose governments were seen too often as weak managers of the public sector in their own countries. And yet, the BSTDB –a bank shared among nations with such economic, political and perception problems, many of them still remaining even today although dormant and confined in expectation of permanent and generally acceptable solutions– has shown its effectiveness during its 10 years of existence so far. As many as 190 lending operations totaling some $2.5 billion, of which 95 operations outstanding worth $950 million (as of end 2008) stands as proof of such efficiency.

“The Bank has never experienced any problem due to political circumstances or difficulties arising from time to time in or among some member countries,” says BSTDB President Hayrettin Kaplan. “Member countries demonstrated a common will to promote regional projects of mutual interest, while leaving aside political and economic disputes.”

The only country that is a member of the BSEC but not yet a BSTDB shareholder is Serbia. The bank, however, has established and maintains contacts with relevant Serbian authorities on speeding up that country’s membership.

The “secret” of BSTDB’s success-recipe

Looking back at what happened, now everything looks like an extraordinary success under such conditions. Basically, BSTDB is the only efficient institution worldwide of its kind that was established in such a short period of time.
Like other “borrowers’ club organizations” that abide by the principle proclaiming ‘unity through diversity’, the BSTDB had to set forth a number of clear rules in order to exist and, even more than that, to cement its reputation as a reliable partner and boost its role as promoter of cooperation in the Black Sea region, which has a combined population of almost 400 million.

The simplest, yet chief rule is one that has to do with reality rather than perception: the bank’s existence reflects the need for economic cooperation in the Black Sea region, regardless of the political differences and initial levels of economic development. Departing from such premises, all shareholders did was to create from the very start a financial institution adopting best practices, observing standards, and playing by the rules and principles of reputable international financial institutions in terms of corporate governance and business practice.

Each of the bank’s 11 members has a say commensurate with their participation, and none of them can veto decisions taken by the majority. There are, however, decisions that require consensus at the level of the BSTDB’s Board of Governors. The bank doesn’t restrict hiring to professionals coming only from its member countries but is rather based on recruitment of competences, regardless of their national origins. The BSTDB has close to 100 employees.

There is no conditionality or explicit proportionality between a member-country’s holding in the bank and the portion of total lending the BSTDB grants in that country, but rather an effort to balance countries and industries, while serving the purpose of helping the less-developed industries. In order to achieve that, the BSTDB possesses a very important quality: it understands better the national systems, their particularities and the real needs of the region’s business communities. However, the bank is a no-concession lender, meaning it doesn’t lend below real-market conditions, whereas it is a profit-making institution without being profit-maximizing.

The BSTDB thus far succeeded to generate and operate within the framework of a win-win situation: the bank looks deeper into the needs of national governments, business communities and markets in its member countries, while they learn, adapt and benefit from the bank’s international standards of practice.

Such practices helped the bank keep its bad loans portfolio below 1 percent, although fully provisioned. It also helped it enjoy a Baa1 rating with positive outlook from Moody’s, only below the credit rating of Greece, the most developed economy of the region.

How the BSTDB works

Apart from its own capital, the Bank raises funds mainly in international capital markets through syndications with participation of major international commercial banks. Simply put, the bank attracts funds from outside the region for projects in BSEC member countries, while also mitigating the risk of private investors. As a matter of priority, the BSTDB provides financing to cross-border operations and operations whose benefits accrue to at least two Member States, or generate positive neighborhood effects, in order to serve its purpose as regional development bank.

In terms of its status as an International Financial Institution and a Multilateral Development Bank, the BSTDB is similar to its peers - EBRD, Nordic Investment Bank etc. - and is recognized as such by the European Union and international rating agencies.
However, the main difference is that, unlike the EBRD, the World Bank Group and most of other IFIs, the BSTDB do not have a category of “donor” members. All BSTDB member countries are both donors and recipients of the bank’s financing, turning the bank into a unique platform for regional cooperation.

Although BSTDB member countries do not offer any guarantee to the bank’s financial obligations in addition to their subscribed capital, the bank’s ownership structure has a series of advantages. Its ownership by the countries it lends to gives the bank some comfort in terms of expectations from the prevailing legal system. Preferred creditor status protects the BSTDB from certain credit issues. Member States provide input on country strategies to ensure correct customer and product targeting. Given the tight geographical spread of countries, the bank is always involved in all the markets allowing it to be better informed than the occasional participants. The BSTDB was therefore generally able to extend longer tenors, thus becoming more attractive.

Among the bank’s projects with the highest regional cooperation impact are those for regional infrastructure development, supporting economic integration between two or more member countries. Such examples are, as follows: the Trans-Balkan Gas Pipeline bringing Russian gas to Turkey through Moldova, Ukraine, Romania and Bulgaria (2001); participation in equity funds – Trans-Balkan Equity Fund (2000); Balkan Accession Fund (2006), BSTDB trade-finance program (credit lines to local banks to finance intra-regional trade); loans to national companies expanding their production capacity in other member countries – Greek Alumil SA project to expand in Albania, Bulgaria, Romania – 2003; Russian RUSAL building aluminum foil facility in Armenia – 2006; Turkish Kurum International building steel production facilities in Albania – 2008.

The bank also expressed interest in getting involved in preparing and implementing an ambitious initiative of the BSEC to create a Black Sea Ring Highway linked to European transport corridors around the Black Sea and through BSTDB member countries, as well as the motorways of The Sea project, to create and improve ferry links among Black Sea ports.

Hard Work Lies Ahead due to the Global Crisis

The BSTDB’s ability to cope with the credit crunch triggered by the financial crisis in the BSEC’s countries will be a test-case in itself. It will clearly demand more efforts and resources to both find the money in a global market with greater aversion to risk, as well as more cautiousness with the projects it finances.

The global crisis has created a climate of volatility and uncertainty, to which the BSTDB must adapt while adopting strategies which first and foremost seek to preserve the successes and achievements of the Bank to date, and to place it in a position from which it can act and react quickly and flexibly to market conditions. That is to say, to safeguard its interests while seeking to fulfill its mandate.

“In light of ongoing market developments, the primary operational emphasis of the BSTDB in 2009 and 2010 would be on maintaining portfolio quality,” says the BSTDB’s President Hayrettin Kaplan. Asset quality is of paramount importance for the bank.”
The BSTDB must promote development and regional cooperation in its activities while at the same time adhere to even more prudent financial practices in order to make positive net profit after accounting for the risk in its asset portfolio, thus ensuring its long-term financial viability.

In practice, this means a shift towards more public sector or quasi-public sector operations, including public-private partnerships and related cross-country activities. The BSTDB aims at putting greater emphasis on real-economy sectors such as energy, infrastructure, transport, public utilities, and possibly telecommunications. In terms of products, loans will continue to constitute the form of most financing.

So far, the impact of the global financial crisis has been negative on the Black Sea Region, although the extent of damage has varied from country to country.

If in early 2007 the Bank got most of its funding from European banks via the syndicated loan market, and lending commercial banks were keen to lend it money at very tight spreads and increasing amounts, by the end of 2008 spreads were rising and tenors restricted to one year only. That caused the BSTDB to pay higher costs and to extend its geographical funding base with road shows in the Middle- and Far East. In 2009 though, syndicated and bilateral loans have become harder to get from other commercial banks, as those now focus on de-leveraging their balance sheets and reserving lending for favored relationship clients. In other words, funding for the BSTDB is more expensive than for other AAA-rated IFIs.

However, although the bank expects to face higher borrowing costs, the same costs for regional banks and firms have risen even higher, sometimes to prohibitive levels. Thus, even though the bank would have to lend at higher rates than it has in the past in order to cover its own higher costs of borrowing, it would also represent an attractive option in relative terms for regional clients, given the current climate of high risk aversion.

**Breakthrough Option**

Margins in some countries, and not only EU members, had become very competitive before the crisis. This is certainly not the case now. As many of BSTDB member-countries’ economies are faced with large re-financing needs in the near future, lending opportunities have increased substantially. One way for the BSTDB to benefit from current market conditions, while also serving its purpose as a financial pillar for cooperation in the Black Sea region, would be that of revisiting projects in markets that until recently enjoyed much better offers from other commercial banks, namely EU members Greece, Romania and Bulgaria.

With the accession of Bulgaria and Romania in 2007, the European Union has expanded to the shores of Black Sea, and as the Black Sea Region has grown rapidly economically, interest in the region has increased and can be expected to continue increasing. EU economies have slowly but steadily developed closer ties with the Black Sea Region in recent years, as they sought new opportunities for market expansion and investment. More recently, the European Neighborhood Policy has coincided with an increase of trade and investment with Moldova, Ukraine and the three Caucasus countries. ■
The role of BSTDB as a part of the regional cooperation architecture

The establishment of the BSTDB in 1999 has undoubtedly been one of the most successful projects of BSEC. It was obvious that after the creation of the Organization of BSEC, a financial instrument was necessary to act for the long term economic benefit of the region. This was envisaged by the BSEC forefathers, eventually leading to the establishment of the Bank in 1999.

The BSTDB was created as a tool to assist, in a concrete and practical way, BSEC’s strategic objective of economic development, through active cooperation in the field of banking and finance. As the main financial pil-
lar of BSEC, the BSTDB, from the very start, has been destined to play a pivotal role in the regional cooperation architecture, particularly in the elaboration and implementation of multilateral projects of regional impact.

The Organization of BSEC has a clear vision of the dynamic role the BSTDB has been asked to assume for the benefit of the Black Sea Region, since the BSTDB was born within the BSEC Working Group on Banking and Finance. It is indeed satisfying to note that since its establishment, the BSTDB has played a unique role in the development of the region, in assisting the restructuring of our economies and thus achieving real economic progress.

Not many examples exist worldwide of such a major achievement in regional collaboration between neighboring countries as our own. The BSTDB has contributed significantly to the acceleration of development and the promotion of regional trade, finance and projects. It has effectively supported the transition process of the Member States towards economic prosperity, through financing and promoting regional projects and providing other banking services for public and private sector projects in, and trade activities among, the Member States.

The activities of the BSTDB have facilitated the efforts of the BSEC Member States to create effective links among their economies, supporting the realization of the overall objectives of BSEC. As a multilateral international financial institution that conducts its operations in a competitive environment, we are proud to note that the BSTDB has followed prudent banking principles, ensuring the viability of all its financial activities.

Although the BSTDB is still a “young” bank, it has shown an impressive record of mutually beneficial agreements with other financial institutions and individual companies by providing them with affordable loans in support of projects in the Member States. Project finance, infrastructure development, SME credits, protection of the environment and investments in the energy and telecommunications sectors provide the necessary capital in a framework of long term cooperation between the Bank and other financial institutions.
To create a greater synergy between the work of BSEC and the BSTDB, modalities for BSEC-BSTDB Interaction were adopted in 1999. In 2007, a new period of enhanced relations between the Organization of BSEC and the Bank was inaugurated with a joint meeting of the BSEC Committee of Senior Officials and the Board of Directors of the BSTDB, during which common priorities were identified and practical ways to enhance interaction in a systematic way were decided on.

Within this framework, an increased involvement of the BSTDB in various BSEC Working Groups has contributed to bring forward common initiatives, thus strengthening the performance of the Working Groups with the Bank’s expertise.

The interest of the BSTDB to be involved in major BSEC projects, such as the Black Sea Ring Highway project and the project on the development of the Motorways of the Sea in the BSEC Region, is a significant support to the BSEC cooperation in the area of transport. Moreover, the constructive role of the Bank in sponsoring several BSEC events organized by the BSEC Permanent International Secretariat and the BSEC Related Bodies should also be acknowledged as an important contribution to the activities of our Organization in particular and the regional cooperation architecture in general.

The BSTDB has also been promoting our region through sponsoring various publications related to the region. For example, the Black Sea News which is the joint publication of the BSEC family of institutions—namely, the BSEC Permanent International Secretariat (BSEC PERMIS), the Parliamentary Assembly of BSEC, the BSEC Business Council, BSTDB and the International Centre for Black Sea Studies—published regularly by the BSEC PERMIS, is funded by the BSTDB.
The accomplishments of the BSTDB have been of great value to the BSEC process in other areas, such as BSEC-EU cooperation, as well. The close relations that the BSTDB has established with leading European institutions, its recognition by the EU as a multilateral investment institution and its solid co-financing relationship with the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) have complemented the objective of BSEC to enhance its relations with the EU.

BSEC will continue to be committed to further strengthening its cooperation and coordination with the BSTDB in order to enhance, by joint efforts, its contributions to the economic development of the Black Sea Region. ■
The signing of the Establishment Agreement of the Black Sea Trade and Development Bank by the Fourth Meeting of the Ministers of Foreign Affairs of the BSEC Member States in Tbilisi on 30 June 1994 was an important achievement for the BSEC Member States, representing a major step in introducing the financial dimension of the BSEC process, aimed at undertaking intra-regional projects contributing to the sustainable economic growth of the BSEC countries.

The main goals of the new institution were to contribute to the overall economic development of the Black Sea region, the restructuring towards free market economies integrated into the international economic and commercial system, and the deepening of the multilateral cooperation among its member countries.

PABSEC played a major role in accelerating the ratification of the Agreement Establishing the BSTDB by the National Parliaments of the BSEC Member States. The PABSEC as the parliamentary dimension of the Black Sea Economic Cooperation (BSEC) has proved to be an effective forum for inter-parliamentary dialogue in the Black Sea region. Its main objective is to provide assistance to the national parliaments in enacting the laws that are necessary for the implementation of the projects elaborated within the framework of the Organization of the BSEC and to establish the legislative foundation for successful multilateral economic, political and cultural cooperation in the region. With a membership of 76 parliamentarians representing the national parliaments of the twelve BSEC Member States, the PABSEC facilitates the mobilization of efforts by the national parliaments.
aimed at promoting democratic values, the rule of law, pluralistic society and market economy.

Interaction among the national parliaments in the PABSEC framework paves the way towards bringing the countries closer to each other, strengthens parliamentary diplomacy and contributes to building an atmosphere of cooperation, trust and stability in the region.

Multilateral economic cooperation and the challenges of sustainable development take priority in the agenda of the Assembly. The PABSEC has addressed major issues of regional economic cooperation and has elaborated relevant recommendations aimed at achieving a higher degree of cooperation in the BSEC region.

The PABSEC has since the very beginning provided full support to the BSTDB through its recommendations and a number of initiatives undertaken after 1994, both at the level of the PABSEC Economic, Commercial, Technological, and Environmental Affairs Committee and the PABSEC General Assembly.

Regional developments in the field of banking and finance were addressed in several recommendations adopted by the Assembly, such as: “Development of Cooperation in Banking and Finance among the BSEC Member States”; “Development of Cooperation in the field of Trade and Business among the BSEC Member States”; “The BSEC Free Trade Area: Part of the New European Architecture”; “Harmonisation of Foreign Trade Regimes in the BSEC Participating States”; “The BSEC Stock and Commodities Exchanges”.

Moreover, the Assembly debated and adopted recommendations concerning specifically the BSTDB - Recommendation 33/1999 on “The Black Sea Trade and Development Bank” and Recommendation 65/2002 on “The Black Sea Trade and Development Bank: the Financial Pillar of the Cooperation in the Black Sea region”. Both of them stressed the important role of the Bank in helping the countries of the region to implement structural and sectoral economic reforms, to promote competition, privatisation and entrepreneurship, taking into account the particular needs of the countries. Recognising the increasing work load due to the reconstruction of the economies in the region, the Assembly welcomed the Bank’s expanding range of activities in terms of geography, sectors and instruments which were provided to facilitate the social and economic development of the BSEC Member States.

At the same time, the governments and the parliaments of the BSEC Member States were called upon to enact and enforce necessary legislation, as well as to undertake appropriate institution building, in the sector of banking and finance in the BSEC region according to the international standards and conducive to the implementation of the main objectives of the BSTDB. The Declaration on the occasion of the Fifteenth Anniversary of the PABSEC, adopted by the Presidents of the Parliaments of the BSEC Member States in Athens in June 2008, welcomed the results of the activities of the Black Sea Trade and Development Bank and stressed the necessity for closer coordination of activities of all the BSEC institutions, based on the principle of complementarity.

Extending my warm congratulations to the BSTDB on the occasion of its anniversary, I would like to highlight its central role in the realisation of the common goals of the BSEC Member States as expressed in the BSEC Economic Agenda for the Future. It is my strong belief that the operations of the BSTDB are an indispensable part of the consolidation of the BSEC process and its ability to shape a shared vision of the future, in order to transform the BSEC area into a region of peace, stability and prosperity, fully integrating its countries into the multilateral economic system and the new European architecture.
The Black Sea Trade and Development Bank (BSTDB) is an institution that would not have emerged had the process of regionalism in the wider Black Sea area not taken hold in the post-Cold War era. With the founding of the Black Sea Economic Cooperation (BSEC) in June 1992 and the commitment of its member states to further institutionalise their cooperation, the BSTDB was a logical and necessary creation which within seven years of the BSEC’s creation formally began its operation in June 1999.
From the very beginning, the Bank aimed to address two distinctive features which impeded substantive progress in the Black Sea regionalism process. These were a) the low level of trade among the countries of the region and b) the lack of well-functioning credible institutions in many of the BSEC’s member states to promote trade. The concept of a development bank is one which has acquired significant recognition over time as it provides for financing, knowledge and the convening of services to developing countries. The BSTDB also has another function due to its regional dimension – it possesses a high degree of regional ownership. The regional ownership dimension has been a mainstay of Black Sea regionalism to this day. In the context of the BSTDB, this is reflected in the steady growth of its portfolio and the number of region-wide projects it finances, as well as the three-fold increase of its capital.

The Bank’s contribution to the regional ownership dimension of Black Sea regionalism can only enhance the prospects of further cooperation at the political level among the member states of the BSEC. In fact, the conjuncture between the thematic emphasis of cooperation in areas such as transport, environmental protection, trade, energy, SMEs, and tourism inter alia, and the Bank’s investments, is indicative of the BSTDB’s contribution to regional cooperation. Also, as the aforementioned areas of cooperation possess a trans-regional aspect to them, the Bank’s potential input, importance and influence can only grow.

It is worth noting though that the region is one of many paradoxes; one of which the Bank’s contribution can play a crucial role in overcoming. As real GDP growth in the region has grown steadily to a 6.0% average since 2000, foreign direct investment has increased four times in 2007 relative to 2000 and intraregional trade has increased at over 350% since 1999, the challenge is to interpret positively these trends in political terms. In other words, the continued existence of protracted conflicts, the absence of diplomatic ties between some of the countries of the region, and the contested notion of neighbourhood between the Russian Federation and its Euro-Atlantic partners imply that much still has to be done, in the sense that it can be disputed that enhanced economic cooperation and prosperity has brought about greater political collaboration and stability.
The aforementioned implies that a closer relationship between the BSTSB and the more political structures of the BSEC (the Council of Ministers of Foreign Affairs, the sectoral ministerials, the Committee of Senior Officials, the working groups, etc.) is both a necessity and quickly becoming a reality. The impact of the growing interest of the European Union (EU) towards the region with its multi-vector policies aimed at enhancing institutions, rule of law, and good governance, can only but enhance the Bank’s contribution and appeal. The EU’s emphasis on finding mutually beneficial solutions to the various protracted conflicts and its emphasis on human security fundamentals can only but benefit the Bank’s purpose and role. Human security with its people –as opposed to state-centered approach to security be it at the global, regional and local levels– brings together both development and security focused imperatives. By focusing on issues such as economic security, environmental security, health security, and food security among others, the human security paradigm can function effectively in a regional context such as the wider Black Sea area if its parts (the member states) agree that the aforementioned concerns can only be tackled collectively with the input of all. The BSTDB with its regional ownership dimension is well placed to invest and support relevant regional development projects which promote both the region’s human security agenda and, by extension, the prosperity of the region as it acquires an ever-growing relevance as both a strategic frontier and an example of continued regionalism.

In fact, the creation of the Bank and its acquired role over time can only suggest that the conceivers of regional cooperation in the Black Sea were correct in their approach in favour of institutions of both a political and an economic nature by the countries of the region. An overall assessment of the process, and as such of the BSTDB, can only be positive given the complexities of the post-Cold War international order, the problematique surrounding the effectiveness of post war institutions and the need for their reform, and the globalised nature of economic and political trends.
As such, the Bank’s ability to gather and assess relevant economic data regarding the wider Black Sea area and develop its future development strategies based on these, is a testament of the quality of its leadership and manpower and the ‘regional ownership’ paradigm that has guided its work and the work of all other BSEC related institutions. It also serves as a reminder that closer cooperation between and among these representative bodies could only further enhance the Bank’s mandate as a regional multinational development bank as well as that of its partners. Albeit the periodic downturns in the global and regional economy, the Bank serves as a steadfast example that collectively much can be achieved in a heterogeneous region such as the one encompassing the wider Black Sea area.
The BSEC Business Council is happy to present its congratulations and best wishes to its fellow-BSEC Related Body, the Black Sea Trade and Development Bank, on the occasion of its 10th anniversary.

The establishment of the BSTDB, against all the difficulties one could reasonably expect from such a major endeavor, represents an early big success of the BSEC Organization. Now, ten years down the road, the Bank is a professionally managed, robust and respected financial institution.

The BSEC Business Council considers itself very close to the BSTDB as these two BSEC Related Bodies both have the objective of creating value for the businesspeople of our region. And while the two bodies have cooperated on various occasions in the past, there is still a much broader scope for cooperation in the future.

Some of that cooperation has involved offering training and creating awareness among SMEs on the banking system and on how to approach banks for business loans. This training service to SMEs can be extended in the future to help new entrepreneurs.
overcome the initial hesitation they have in dealing with banks.

Actually, the BSTDB can do a lot for SMEs in a more direct fashion. Only a very small percentage of small and medium companies in the region are using effectively the services of banks. The latter in general feel more comfortable lending to foreign investors or big local companies. Of course the BSTDB would need a completely different structure and resources to deal directly with SMEs. However, this is worth considering in the future as there is a real need of the private sector in our countries that a regional cooperation bank is well positioned to address.

Furthermore, now that the credibility of the BSTDB and a sound credit-rating are well established, it can leverage on them and start becoming progressively a major conduit of funds into the region from other financial institutions.

Moreover, in its dual role as a commercial enterprise and a BSEC Related Body, the BSTDB can play an even more valuable role in the future in promoting regional development in other, “softer” ways.

For example, the BSTDB can act as partner of the IFC and other international organizations in bringing into the region investment promotion, corporate governance and other similar good practice programs. The BSEC Business Council is actively involved in these areas and would be only too happy to become a contributing part of such partnerships.

I would like to state, in closing, that I am constantly impressed by the professional quality of my friends at the BSTDB. On behalf of the BSEC Business Council I extend to them our congratulations on their first ten years and our wishes for still more decades of success in our Black Sea region. ■
KfW Entwicklungsbank (KfW), the development bank of the German Government, congratulates BSTDB on the occasion of its 10th anniversary for the successful work since its foundation. The weight of BSTDB is reflected by the fact that BSTDB is the only multilateral development bank covering the broader Black Sea Region, thereby putting a very special emphasis on this economically important region of Eastern Europe. KfW views BSTDB as a successful product of a close cooperation between all the member countries in order to promote The Black Sea Region, a cooperation, which is fully supported by Germany and the European Union. BSTDB and KfW share main goals and priorities in the Black Sea Region and have therefore established a bilateral cooperation benefiting from their respective expertise and comparative advantages, manifested by a formal observer status of KfW granted by BSTDB already in 2006. We are proud to state that KfW was the first non member organization which was granted such observer status. We wish BSTDB all the best for the future and are very much looking forward to continuing our promising cooperation.

Doris Köhn
Senior Vice President
Europe, Middle East and North Africa, KfW Entwicklungsbank
Times are changing: when the BSTDB was established in June 1999, EIB was authorised to operate in one of its Member States only; now, just 10 years later, we can operate in all of the BSTDB’s Member States except one.

EIB has always followed the progress of this bank with great interest, and tried to participate in it, both through the secondment of highly experienced staff as well as intense consultation and cooperation. We are honoured to have been rewarded for this by the status of observer.

The countries of operation of the Black Sea Trade and Development Bank are today those or our neighbours, some of which have remained unreachable for us for many years. By bridging this gap, as well as more generally the differences between dissimilar civilisations, cultures, as well as political and economic systems, and by willing to share with us the experience gained from operating in a region of such diversity, the BSTDB has been of great help for EIB.

Now that there is a major overlap of our countries of operations, we look forward to pursuing and intensifying our cooperation, both on project and horizontal levels. Environmental challenges to clean the Black Sea and Trans-European Networks like “Motorways of the Sea” will bring common operations.

May the Black Sea remain a peaceful region and prosper with the valuable assistance from the Black Sea Trade and Development Bank. ■

Dr. Matthias Kollatz-Ahnen
Vice-President, European Investment Bank
Oesterreichische Entwicklungsbank AG (OeEB), the Development Bank of Austria, has established a EUR 500,000 Trust Fund at BSTDB in order to promote Small and Medium Enterprises (SMEs). It has been established in the framework of the OeEB’s Observer Status with BSTDB and is aimed at facilitating the access of private sector enterprises of the Black Sea Region to financing provided by non-regional financial institutions. It intends to support SMEs with regards to the preparation of business plans, feasibility studies, balance sheets complying with international reporting standards and methods and other project-related technical assistance. Furthermore this Trust Fund can be used to fund trainings for specific needs, such as risk management or balance sheet analysis at financial sector institutions. The Fund will be used in the following BSTDB member countries: Albania, Armenia, Azerbaijan, Georgia, Moldova, Turkey and Ukraine. The means for the Fund are provided by the Advisory Programmes of OeEB which are funded by the Austrian Federal Ministry of Finance.

OeEB, the official Development Bank of Austria, acts on behalf of the Federal Government. It is specialised in realising private-sector projects that require long-term financing and that can service their borrowings out of their own cash flow and have a sustainable impact on the regional economic development. As a wholly-owned subsidiary of Oesterreichische Kontrollbank AG (OeKB), it is a private financial entity with a public mandate. At the same time, it benefits from the network and international know-how of OeKB Group.
Co-operation between two regionally owned IFIs

Black Sea Trade and Development Bank (BSTDB) and Nordic Investment Bank (NIB) may now build further on a fruitful co-operation that has started more than 5 years ago. A first long term loan program from NIB to BSTDB in the amount of EUR 15 million was signed in 2004. Since then the co-operation has evolved and now covers a number of business activities. Co-operation between the environmental experts of BSTDB and NIB is one practical example of this valuable co-operation under the form of exchange of views that benefits clients of both banks. The latest development in enhancing the co-operation is the observer status that NIB was granted at BSTDB in 2008.

Both BSTDB and NIB have their distinctive features and strengths stemming from their unique position as European regionally owned IFIs. Exchange of experiences is thus particularly fruitful and benefits from the specific regional knowledge and presence of each bank. When BSTDB and NIB join their forces, companies from both NIB’s member countries located in the Baltic Sea Region and BSTDB’s member countries located in the Black Sea region benefit from this pooling of experiences on a practical level. Under the current global economic circumstances it is even more important that IFIs combine their efforts in order to provide sustainable long term financing solutions to their clients. In this sense co-operation between BSTDB and NIB is a bridge between the Baltic and Black Sea regions that is a powerful tool for enhancing of competitiveness of both regions.

On the occasion of BSTDB’s 10th anniversary NIB would like to take this opportunity to congratulate BSTDB on its fine achievements and wish success for the future.
The INTERACT Members congratulate the BSTDB for its 10th Anniversary and look forward to continued cooperation

BSTDB is a member of INTERACT and joined the Association in January 2008.

INTERACT is the association of a group of 20 European institutions which provide finance and other support for the private and public sectors in developing and reforming economies.

INTERACT was established in 1973 and consists of the 16 EDFI members, Agence Française de Développement (AfD), Black Sea Trade and Development Bank (BSTDB), Kreditanstalt für Wiederaufbau (KfW) and the European Investment Bank (EIB).

INTERACT is a forum for the exchange of views on development topics and has established a number of working groups which meet regularly and a CEO group which meets annually.

EDFI is the Association of European Development Finance Institutions, a group of 16 bilateral institutions which provide long-term finance for private sector enterprises in developing and reforming economies. Since its foundation in Brussels in 1992, EDFI’s mission has been to foster co-operation among its members and to strengthen links with institutions of the European Union and other development finance institutions.
Our business at a glance and what the clients say
Contributing to regional cooperation

BSTDB gives priority to financing cross-border operations involving two or more countries of the region.

Trans-Balkan Gas Pipeline Project
Phase I and II - Regional Project

Construction of a new compressor on the existing Anan- yev-Izmail gas pipeline at Tarutino, Ukraine. The project represented the first phase of a programme aimed to increase the delivery of Russian gas to Turkey and other southern European countries.

After a successful completion of Phase I, BSTDB participated in phase II of the Trans-Balkan Gas Pipeline Project, which involved the financing of the engineering, procurement, construction and commissioning of approximately 75 km looping gas pipeline on the Southern Ukrainian section of the Pipeline for the increase of existing gas capacity.

As a result of the Project, Russia will increase gas deliveries to, and transit through, Ukraine, Turkey, Romania and Bulgaria. The developmental impact of the Project also includes increased demand for equipment in Russia and Ukraine, transit fees and tax revenues in transit countries.

The client company is a joint venture between Ukrainian, Turkish and Russian corporate entities. The Project fully meets BSTDB energy sector strategy calling for the priority of cross-border energy infrastructure projects.

Both phases are structured and co-financed by EBRD.

Project cost: USD 194 million
BSTDB financing: USD 18 million

Avin International - Black Sea Shipbuilding Project

Construction of an oil/product tanker vessel for the fleet of the Vardinoyannis-Avin International Group (Greece) at the “Black Sea Shipbuilding Yard” at Nikolaev, Ukraine. The Project represents part of a long-term shipbuilding programme between the Greek group and the Ukrainian shipyard. The developmental impact of the project includes the modernization of the fleet and strengthened sustainability of operations of the Greek company and higher utilization of production capacity and employment for the Ukrainian shipyard, which may also improve its operational standards as a result of the closer co-operation with an advanced international shipping group.

The operation is in line with the mandate of BSTDB to promote cooperation among enterprises of the BSTDB member states. It has a strong potential for facilitating mobilization of domestic and foreign capital.

Project cost: USD 36 million
BSTDB financing: USD 10 million
ALUMIL S.A.
Greece

The operation involves a long-term corporate loan to Alumil Milonas SA, the leading Greek manufacturer of aluminium building materials, for the financing of its capital-expenditure programme to be carried out in Greece as well as Albania, Bulgaria and Romania. The strategy of the Alumil Group is to expand its operations in the Black Sea region and to increase the production of aluminium extrusion components for the European automotive and shipping industries.

Alumil Group is one of the most advanced companies in the areas of research, development and production of aluminium-extruded products in Greece.

The operation is significant in its regional dimension: Alumil imports raw material from Russian producers such as Rusal and SUAL, has production facilities in Bulgaria and Romania and is expanding in Albania, and sells approximately one third of its products in the BSEC countries (excluding Greece). It is also important for its job creation effect in Albania, Romania and Bulgaria, as well as in the Northern Greek regions of Macedonia and Thrace.

**BSTDB financing:** EUR 20 million

Balkan Accession Fund

BSTDB participated with EUR 10 million in establishing the Balkan Accession Fund, a private equity fund, committed to investing in small and medium-size companies that are most promising to benefit from the economic growth of the second-wave of EU accession countries, primarily in Romania and Bulgaria. The Fund supports companies that are industry leaders having strong management, growth potential in their sectors, and clear domestic and regional expansion capabilities. The Fund seeks investments predominantly in financial services, retail, logistics, consumer products, healthcare, information technology, telecommunications, media, and other consumer related services. BSTDB funds are invested in companies operating in the Bank’s member countries – Albania, Bulgaria, Moldova, Romania, and Ukraine.

**Total amount:** EUR 100 million

**BSTDB participation:** EUR 10 million
Kürüm Steel-Elbasan

Kürüm Steel-Elbasan is the sole steelmaker in Albania, with its hot rolled long products favorably lying along the domestic demand curve, beyond its importance as one of the few biggest employers and tax payers in the economy, through operating a complex heavy industry to transform domestic inputs into regionally demanded steel products. The Black Sea Trade and Development Bank (BSTDB), as a regional finance institution that has serviced Albanian economy through well prepared financial products for promoting private sector growth and reforms, has courageously developed a fast-track sustainable working relationship with the Kürüm Steel to help it realize and commission one of its most critical investments to promote further efficiency as required mostly in today’s competitive business environment. During the last two years, thanks to co-operation with the BSTDB, in addition to domestic financing institutions, the company has been able to offer its diverse steel products to the regional markets that have good access from Elbasan, with the increase of production from 900ton/day to 1,600 ton/day through erecting the second Electric Arc Furnace (Albania EAF2), ladle furnace and integrated de-dusting plant, a facility that directly addresses the hearts of the public. In other words, the BSTDB and Kürüm cooperation has accomplished an unprecedented change in the country, by transforming Albania from net importer of steel to a net steel exporting country. As a thumb rule, tailored financial products for developing regional economies in transition through private sector financing are critical to promote competitive and diverse lending market so that companies may grow and have access to innovation, and the policy and procedures of the BSTDB are definitely addressing this key concern, and Kürüm Steel-Elbasan intends to further strengthen this relationship to venture into more challenging projects within Albanian economy.

Rifat Esen
Chief Finance & Treasury Officer & Member of the Executive Committee, KÜRÜM HOLDING, Turkey

Kürüm International Ltd. Albania

BSTDB extended a € 20 million loan to Kürüm International Ltd. Albania, the largest steel producer in Albania. The company belongs to Kürüm Group (Turkey).

This medium-term facility is used to finance the working capital needs of the company associated with its investment programme aimed to increase capacity, modernise and automate the production facilities in Albania and respective increase in quality and value added production capability, as well as cost cuts. In this project, BSTDB joined hands with DEG (Germany) and Raiffeisen Bank (Austria) which financed the investment expenditures.

The support for this Turkish investment in Albania reflects the BSTDB priority to promote regional cooperation.
Modernization and Environmental loans to Petrom SA, Romania

Petrom SA is a long standing client of BSTDB and the largest Romanian oil and gas company.

BSTDB provided Petrom two loan facilities, one of USD 10 million in 2002 for restructuring and modernization and a second facility of EUR 25 million in 2009 to finance the Company’s environmental programme. The first loan helped achieve privatization with OMV of Austria at the end of 2004.

The second loan will finance the Company’s environmental investment programme which includes, among others, pollution clean-up, pipeline replacement, and health and safety measures aimed at increased energy efficiency.

The operation which was co-financed with the EBRD and a group of commercial banks at the time of credit crunch is expected to have a high development impact as well as a demonstration effect on the other oil and gas players in Romania.

**BSTDB financing:** USD 10 million in 2002, and EUR 25 million in 2009, with maturity of 7 years

The business relationship between Petrom and BSTDB started before privatization of the company, back in 2002.

In August 2002 BSTDB granted a long term loan of USD 10 million, under a co-financing arrangement amounting to EUR 150 million with EBRD and a group of commercial banks for restructuring and modernization of Arpechim Refinery. The funds were used for three projects associated with the Fluid Catalytic Cracking (FCC) Unit, modernisation of the refinery Process Control Systems and incineration of toxic wastes from the Acrylonitrile Units. The overall result of these projects was a better efficiency and safety at reduced operating costs.

Recently, Petrom and BSTDB signed a EUR 25 million loan, with 7 years maturity with the purpose to finance environmental and energy efficiency projects. Also this time a co-financing with EBRD and a group of commercial banks, a total loan of EUR 300 million was concluded.

This loan will help to finance Petrom’s environmental investment programme, which includes, among others, pollution clean-up, pipeline replacement, health and safety measures, energy efficiency and other environmental remediation investments.

All projects are of environmental or health and safety nature and their implementation will result in related benefits. Each project proposed for financing will be subject to a strict environmental review process, and all projects to be included in this loan will satisfy pertinent national and EU environmental standards.

The transaction, which was signed despite the adverse conditions in the international financial markets, reflects the successful partnership between Petrom and BSTDB. With this loan BSTD supports Petrom’s efforts to ensure a sustainable development of the business as well as the transition of Romania to reach EU environmental standards.

**Mariana Gheorge**
Chief Executive Officer, Petrom S.A.
KCM S.A. Environmental and Technical Improvements Project, Bulgaria

This operation is to provide financing to the Kombinat za Czvetni Metali S.A. (KCM) zinc-lead smelter in Plovdiv for its environmental improvements programme. KCM is the largest employer and revenue generator in the area. The main objective of the operation is to bring the production facility into the EU environmental compliance and to prevent production restrictions or shut-down. Other benefits from the Project will be modernization of the production in line with international industry standards, increased levels of workers’ health and safety, potential production increases from eliminating the environmental constraints and subsequent increase of revenues. The Project has strong potential for facilitating mobilization of domestic and foreign capital.

The Project is co-financed by the Japan Bank for International Cooperation (JBIC) and Marubeni Corporation.

**Project cost:** USD 75 million  
**BSTDB financing:** USD 9.2 million
Contributing to the regional infrastructure development

Infrastructure is a key sector for economic development and as such is a priority area of the BSTDB activities. The Bank financed 16 infrastructure projects for a total of USD 352 million.

Reliable business partners are essential for the successful development of any business. For Teleset Networks (“Teleset”), a leading alternative telecom operator in the Volga Region of the Russian Federation, the Black Sea Trade and Development Bank (“BSTDB”) has become a trusted and supportive financial partner as a provider of both debt and equity finance.

Teleset Networks provides a comprehensive package of telecommunications services, including fixed telephony, internet access, cable TV and value-added business services, to residential and corporate clients in Kazan and Naberezhnye Chelny - the fastest growing cities of the Republic of Tatarstan - and in Ulyanovsk, the capital of the Ulyanovsk region.

Telecommunications require continuous investment in areas such as new equipment, software and personnel training. This investment has been crucial to the success achieved by Teleset which is currently building a Next Generation Network as part of a continuing drive to provide the most up-to-date telecommunication services in a competitive market.

The loans from BSTDB have formed a central part of funding Teleset’s strategy of expanding its network infrastructure and delivering reliable services to its customers. The Company’s relationship with BSTDB started in 2004 with a USD 10 million loan, which was used to accelerate the growth of Teleset Networks. The second USD 20 million loan, agreed in 2007, is being invested in the organic development of Teleset as well as carefully selected acquisitions in line with the Company’s consolidation strategy for the Volga region.

We have been impressed by the extensive knowledge and experience of BSTDB managers which we believe is a significant factor in the value that Teleset management is creating in the business.

Yiannis Demetriou
Chief Executive Officer, Teleset Networks, PCL

Teleset, Russia

BSTDB provided two loans to the total of USD 30 million and USD 3 million as equity investment to Teleset, a leading private fixed-line telecom network operator in Kazan, Russia.

The loans were utilized to finance the company’s fixed line network expansion plan, which included the construction of a fiber optic network and internet infrastructure to meet the growing local demand for quality phone and internet services. The maturity of the loans was up to 7 years.

The BSTDB loans were partially used to refinance the Company’s existing short-term debt acquired at less attractive terms, as well as for business expansion through acquisitions.

**BSTDB financing:** Loans - USD 10 Million and USD 20 Million  
**Equity Investment:** USD 3 million
Ankara Esenboğa Airport, Turkey

BSTDB extended a EUR 18 million loan to TAV Esenboğa Yatırım Yapım Ve İşletme A.S., a joint stock company, which won a public tender to design, construct and operate a new international and domestic passenger terminal at Ankara Esenboğa Airport.

The proceeds of the loan were used to finance the construction of a new domestic and international terminal with a capacity of 10 million passengers per annum to standards similar to those in Western Europe, apron extension by 225,000 m², car park creation for 4,000 cars, and others.

The Operation has high developmental impact with socio-economic benefits to the region and the locality due to additional employment, both during construction and operation of the airport. Construction related materials and services are supplied by the domestic industries.

Implementation of the Project mobilized significant capital investments from outside the region to finance the total Project costs of about EUR 196 million. The readers of Project Finance magazine have selected the Ankara Airport transaction as the European Transportation Deal of the Year 2005.

Port of Iliychevsk Grain Terminal, Ukraine

The BSTDB financing of USD 9 million supported the development of the grain terminal into one of the leading installations of its type in the Black Sea region. With completion of the expansion programme, the terminal has an increased storage capacity, high-speed vessel loading systems, modern laboratory, computerized weight and rail discharge systems, etc. The capacity of the terminal will reach 6 million tons with opportunities for further expansion.

The Port of Ilychevsk is one of the major Ukrainian harbours on the Black Sea and handles cargoes from Batumi and Poti (Georgia), Burgas and Varna (Bulgaria), Constanta (Romania), Istanbul (Turkey) and Thessaloniki (Greece). Additionally, new international traffic includes the Far East, the Middle East, and the EU.

The operation will contribute to the improvement of an important element of transport and international trade infrastructure on the Black Sea. It will generate a favorable effect on expanding exports from Ukraine.

**Total operation cost:** USD 27.7 million  
**BSTDB financing:** USD 9 million
Supporting the small and medium-sized business development in the Region

Support for small and medium-sized (SME) business development is a major priority for BSTDB as a development bank. The BSTDB SME Support Programme has been implemented through 37 financial intermediaries in 9 countries for the total amount of USD 534 million.

Europlan CJSC, Russia

Over several years of successful cooperation, BSTDB provided three SME leasing facilities to Europlan for financing lease transactions of commercial vehicles, industrial equipment and other capital goods for small businesses in Russia.

Leasing is one of the most efficient financing tools for small and medium-sized businesses. With a view to penetrating new markets with an innovative banking product, BSTDB cooperates with leasing institutions in the Region. The SME Leasing Facility complements the Trade Finance and SME products by reaching to the SMEs and offering the advantages of the leasing financing scheme.

Amount: USD 34,000,000
Type of facility: SME Leasing Facility

We at Europlan have built a Russian leading automobile leasing company relying on our values, people, partners and clients. Our financing parties always were a very important component of our business. With the most reliable and motivated of them we have fully shared our success and leadership in the SME segment of the Russian leasing market. Since our establishment in 1999, we believed in availability of long term financing from international financial institutes. Before the first syndications of loans from commercial banks that we achieved in 2006, we were building our credit history with leading IFI’s as BSTDB - for many years, step-by-step.

We started our cooperation with BSTDB in 2003 when we were very small in comparison to nowadays. A small USD 5 million BSTDB loan opened a window for further transactions totaling USD 34 million in 6 subsequent years. That very first financing was really important to Europlan. Foreign money became more affordable for Russian companies via Europlan’s leasing services. We concentrated our efforts on SME leasing and even focused on automotive part of it, just because market capacity and need for capex in Russia were so incredibly high that almost every type of fixed assets in the country needed to be either renovated or just purchased anew.

Today, Europlan employs over 750 people and utilises a distribution network of 45 offices covering over 68 regions of the Russian Federation, delivering leasing services to over 12,000 companies – all that attracting funding from more than 30 different financial institutions. The company leads the small-ticket leasing segment and holds a strong market share in it. Its management is proud of the business built, a business which is very attractive and reliable for creditors and investors, a business where every single lease contract financed is some entrepreneur’s idea realised for his benefit and the benefit of the country.

Alexander Mikhaylov
Business Development Director Europlan, Russia
Working with ProCredit Bank Georgia to support the SME sector

BSTDB extended two Micro and SME loan facilities to ProCredit Bank Georgia (former Microfinance Bank of Georgia). The credit lines intend to finance sub-loans offered by Procredit Bank Georgia to micro, small and medium-sized enterprises in Georgia. The support that BSTDB is giving through Procredit Bank Georgia will benefit Georgian enterprises and deliver the much-needed medium-term financing to the Georgian market.

ProCredit Bank Georgia is a development oriented full service bank, offering a wide range of banking products and services. The Bank focuses on lending to micro, small and medium-sized enterprises in order to improve access to financing for the dynamic and fast-growing SME sector in the country.

Total amount: USD 11,000,000
Type of financing: Micro and SME Finance Facility
Supporting the energy sector in the Region

Energy sector is one of the main priority areas of BSTDB activity. BSTDB financed 15 projects in the energy sector (oil and gas, power supply, etc) to the total amount of USD 251 million.

JSC Galnaftogaz, Ukraine

BSTDB extended two corporate loans to Galnaftogaz to the total of USD37 million. The first facility of USD23 million was provided in 2004 and the second one of USD14 million in 2007.

Galnaftogaz, is one of the top five petroleum retail networks in Ukraine. Established in 1995, Galnaftogaz is a Ukrainian light-petroleum distribution company employing more than 5,000 people.

BSTDB’s financing was provided to support the company’s investment program, which includes network expansion and modernization of existing gas filling stations (GFS), mainly in Western and Central Ukraine. The proceeds of the loan were used for the modernization of the Company’s network according to European standards, reduction of harmful emissions and diversification of distribution sources in the local market. The operation has a solid regional cooperation effect from servicing regional transportation flows running through Ukraine. BSTDB’s loan is for a tenor of 7 years for the first facility and 8 years for the second facility.

The Operation was co-financed with EBRD, IFC and Raiffeisenbank Ukraine.

BSTDB financing: USD 37 million

OJSC “Concern Galnaftogaz” (Galnaftogaz) have dealt with BSTDB (the Bank) since 2004. During that time the Bank has provided our business with excellent support in the areas of debt financing and other banking services. Summarizing such cooperation I may speak favorably of the Bank taking into account high standards of work, professional qualification, and solid advantages on the market. Their work has been a major factor in our investment programme development, helping us to become one of the top three companies on a Ukrainian oil retail market. Based on our experience, BSTDB demonstrates a wonderful initiative and a positive attitude toward successful project accomplishment. Our cooperative working relationship with the Bank allowed us to develop a more socially responsible company with the best practices of corporate governance and EHS standards. The Bank provides excellent post-closing services which include informative, legal, and other kinds of support.

On behalf of the company I would like to express my gratitude and appreciation to BSTDB and all its personnel for high professionalism, client’s commitment, attitude, innovative spirit and great efforts provided while working with our company. I will recommend the Bank with enthusiasm to our business colleagues and if given the opportunity, we would cooperate with you again for future development.

All those qualities and advantages have made Black Sea Trade and Development Bank a valuable and reliable business partner providing Galnaftogaz with all needs in relation to various projects.

Andriy Khudo
Investment Director UIGroup and Member of the Board of Directors, OJSC “Concern Galnaftogaz”, Ukraine
Maritza East I Project, Bulgaria

BSTDB committed EUR 18 million for 16 years to finance the construction of a 600 MW net lignite-fired power plant in Bulgaria. The new power plant built to EU standards is operated by a special purpose company – subsidiary of AES, one of the world’s largest power producers.

The new plant will replace older, less efficient generation and lower the economic cost, thus benefiting consumers. The proposed project is a high priority for Bulgaria, utilizing the country’s limited domestic fuel source. The Project is structured to strengthen the development of a liberalized electricity market. It significantly contributes to the advancement of the restructuring of the Bulgarian energy sector required for the country’s EU accession.

The Project will also bring the following benefits to the country and the power sector:
• 10,000 jobs within the framework of the whole project
• Orders to local companies for over BGN 200 million as a result of the implementation
• BGN 40 million from tax revenues
• BGN 80 million annual revenues to Mini Maritza Iztok for coal delivery
• The Project is the largest green field investment in Central and Eastern Europe.

The readers of Project Finance magazine have selected the Maritza East I project as the European Power Deal of the Year 2005.
Promoting regional trade

Trade finance is one of the priority activities of BSTDB. The Bank has developed its trade finance programme through 30 financial intermediaries in 9 member countries for a total of USD 200 million.

Pre-Export Finance Facility to Turk EXIMBANK

Turk Eximbank was selected as the BSTDB first financial intermediary for lending Trade Finance products in Turkey. Turk EXIMBANK is the official Export Credit Agency (ECA) of the country, supporting exports with various programs including loans, guarantees and insurance. The revolving BSTDB Pre-Export Finance Facility with Turk EXIMBANK was operational from 2000 to 2008, with the cumulative support to the Turkish exports provided under the Facility exceeding USD 300 million. Funds disbursed to Turk EXIMBANK are on-lent to their clients –Turkish exporting companies– solely for the purpose of their producing and performing under export contracts. The credit line provides Turk EXIMBANK with additional funding, specifically targeted at promotion of Turkish exports to countries in the Black Sea region.

Working with financial intermediaries helps BSTDB promote intra-regional trade among the BSEC countries. Turk EXIMBANK, as well as other leading commercial banks in Turkey and other member countries, are well positioned to deliver BSTDB trade finance products to a large number of the local companies. Moreover, in this way BSTDB can support the countries' financial services sector, rather than compete with it.

The relation between BSTDB and Turk EXIMBANK has begun by the pre-export finance agreement that was signed on September 4, 2000, in Istanbul. This agreement represented BSTDB's USD 16,250,000 loan to Turk EXIMBANK on a revolving basis of 180 days. The objective of the facility was to support economic development and regional cooperation by providing financing for projects and trade transactions to public and private enterprises in its countries of operation: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine.

As a reflection of good and stable relations between the banks, not only the amount of the loan has been raised to USD 36,000,000, but also the facility has been rolled over 16 times up to September 2, 2008. In this context, the total support of the BSTDB to Turkish exports through Turk EXIMBANK reached over USD 300,000,000. In accordance with the improving market conditions and Turkey's upgraded rating, the BSTDB eased the financial conditions of the loan to accommodate the efficient use of the line. We strongly believe that this close cooperation between the two banks will further be strengthened in a mutually rewarding manner.

Ertan Tanriyakul
Deputy General Manager, Turk Eximbank
Multi-Buyer credit facility for International Bank of Azerbaijan (IBA)

BSTDB provided IBA, the largest bank in Azerbaijan, with a Multi-Buyer credit facility totaling USD 6.5 million to finance intra-regional trade.

In order to meet customers’ demand and diversify sources for financing projects in different areas and trade operations, IBA establishes relations with many foreign financial institutions.

Recently, The Black Sea Trade and Development Bank extended the multiple buyer credit revolving facility in the amount of USD 4.0 million (the “Facility”) to the International Bank of Azerbaijan” (the “IBA”) under the Loan Agreement dated 21 January 2002.

With regard to rapid growth in various areas of local economy and the increasing demand for short-medium term and cheap finance, the IBA recently has applied for increasing the existing amount of the facility to USD 14.5 million.

The purpose of the Facility would be to extend short to medium-term import financing to those of its potential customers in the Azerbaijan Republic that import goods from other member countries.

IBA has utilised the import financing facility to financing short to medium-term import operations in the amount of USD 20 million, which have been extended to financing of 50 transactions of IBA’s customers in the Azerbaijan Republic. These companies present various areas of the non-oil sector of Azerbaijani economy, such as transport, manufacture, energy, food processing etc.

Also, the BSTDB participated in project financing of the first glass factory in Azerbaijan arranged by the IBA with the amount of EUR 5 million and for a 5 year tenor. The glass factory started the production in December, 2008.

Mr. Asker Mamedov
Deputy Chairman of the Board
International Bank of Azerbaijan
Municipal financing to improve living standards and meet public needs

Support for municipal infrastructure development is gaining high importance in the BSTDB activities. In 2007–2008, the Bank financed several projects launched by municipal authorities in the member countries, including Istanbul metro and Adana light rail system development in Turkey, for close to USD 160 million in total.

Istanbul Metro Project, Turkey

BSTDB committed up to EUR 50 million to participate in a club deal with reputable international commercial banks to jointly finance Istanbul Municipality’s Metro Project aimed at the construction of a 21 km double track line to serve 17 metro stations on the Anatolian (Asian) side of Istanbul. The Project is part of the system that will provide connection to the European side of Istanbul through the Bosphorus Tube Tunnel Crossing. The Project is among the priorities of the Istanbul Metropolitan Municipality (IMM) and is aimed at addressing the traffic congestion problems in Istanbul. The developmental impact of the Project includes a decrease in urban air and noise pollution, reduction of the rate of traffic accidents, fuel consumption and traffic jams, as well as a decrease of urban land use for the purposes of building new roads, junctions, car parks, etc.

**Total project costs:** EUR 751 million  
**Amount:** USD 50,000,000  
**Type of financing:** Project Finance Loan

Adana Light Rail Transit System, Turkey

BSTDB provided USD 45 million to a syndicated loan to complete the construction of the Adana Light Rail Transit System. The loan with a maturity of 10 years is extended to the Municipality of Adana and benefits from a guarantee by the Turkish Treasury. A number of reputed international commercial banks took part in the syndication.

The total cost of the Project is USD 667 million and entails the turn-key construction of a complete light rail transit system (LRTS) in Adana, a city with population of almost 1.5 million. The LRTS will be 13.6 km long with bi-directional rail track and will include tunnels, viaduct and a bridge over Seyhan River. The system will serve about 280,000 passengers a day by the year 2011 and is expected to have significant impact in alleviating the traffic problems in Adana and in reducing pollution and traffic accidents.

**Syndication amount:** USD 136.7 million  
**BSTDB participation:** USD 45 million
BSTDB history in photos
BSTDB people

BSTDB Management 1998 - 2009

Mr. Hayrettin Kaplan,
BSTDB President since 2006

Mr. Andrey Kondakov,
Vice President Banking since 2007

Mrs. Sophia Kassidova,
Vice President Finance since 2006

Mr. Vitalii Mygashko,
Vice President Operations since 2007

Mr. George Kottas,
Secretary General since 2007
Mr. Mustafa Gürtin,
BSTDB President 2002 - 2006

Mrs. Valentina Siclovan,
Vice President Banking 2001 - 2004,
Vice President Operations 2004 - 2007

Mr. Mikhail Jernov,
Vice President Banking 2004 - 2007

Mr. Oleh Rybachuk,
Vice President Banking 2001 - 2002

Mr. Plamen Petrov,
Vice President Finance 2004 - 2006

Mr. Vitaliy Lisovenko,
Vice President Operations 2002 - 2004

Mr. Andrey Vernikov,
Vice President Finance 2001 - 2004

Mr. Charalampos Tsarouchas,
Secretary General 2001 - 2006
Mr. Ersoy Volkan,
BSTDB President 1998 - 2002

Mrs. Daniela Bobeva,
Vice President Banking
1998 - 2001

Mr. Andrey Kaslyanenko,
Vice President Finance
1998 - 2001

Mr. Nicolas Zachariadis,
Secretary General,
1998 - 2001
Members of the BSTDB
Board of Governors and Board of Directors

BSTDB Annual Meeting 2008 in St. Petersburg, Russia

Board of Directors

Board of Governors
Members of the BSTDB Board of Governors and Board of Directors

Annual Meeting 2005 in Yerevan, Armenia

Annual Meeting 2006 in Baky, Azerbaijan

Annual Meeting 2007 in Chisinau, Moldova
Members of the BSTDB Board of Governors and Board of Directors

Annual Meeting 2003 in Thessaloniki, Greece

Annual Meeting 2002 in Thessaloniki, Greece
Annual Meeting 2001 in Tbilisi, Georgia

Annual Meeting 2000 in Athens, Greece

Annual Meeting 1999 in Kyiv, Ukraine
BSTDB staff in front of the Bank, 2009
Corporate boat trip, 2008

BSTDB headquarters in Thessaloniki
BSTDB events

Raising funds in international capital markets: signing of syndicated loans

Mr. H. Kaplan, BSTDB President signs the syndicated loan agreement in Thessaloniki, 2008

Ms. S. Kassidova, BSTDB Vice President Finance signs the loan documentation in London, 2006

Mr. D. Pankin, Deputy Minister of Finance of Russia (left) and Mr. H. Kaplan, BSTDB President at the BSTDB Annual Meeting press conference in St. Petersburg, Russia, 2008
BSTDB hosts a meeting of financial directors of IFIs in Thessaloniki in 2007

Mr. A. Kondakov, BSTDB Vice President Banking (left) opens a new gas station in Ukraine financed by the Bank, 2008
BSTDB signed a Joint Corporate Governance Statement with 30 leading financial institutions in Washington, 2007

Mr. P. Doukas, Deputy Minister of Foreign Affairs of Greece (fourth from the left) visits the Bank in 2007
BSTDB project signing ceremonies with clients
Signing ceremony of the Technical Cooperation Special Fund agreement with Greek government in Athens, 2001

Mr. Y. Zafeiropoulos, Deputy Minister of National Economy of Greece (fourth from the left) opening the ceremony
Black Sea Business Day in Chisinau, Moldova in 2007 inaugurated by Mr. V. Tarlev, Prime Minister of Moldova

Mr. M. Pop, Minister of Finance of Moldova (left) and Mr. H. Kaplan, BSTDB President opening the event

Ms. D. Köhn, First Vice President of KfW (Germany) speaking at the event

Mr. M. Pop (right) and Mr. G. Kottas, BSTDB Secretary General at the press conference announcing the BSTDB Annual Meeting and the Business Day in Moldova
BSTDB 10th Anniversary Publication

BSTDB hosts a Meeting of Working Group on Environment of IFIs in Thessaloniki, 2005

BSTDB Joint Seminar with BSEC Business Council for SMEs in Kyiv, Ukraine, 2006
Black Sea Business Day in Baky, Azerbaijan in 2006
Mr. E. Stilianidis, Deputy Minister of Foreign Affairs of Greece (seventh from the left) visits the Bank’s headquarters in Thessaloniki, 2005
BSTDB Business Day in Yerevan, Armenia, 2005

Mr. V. Khachatryan, Minister of Finance of Armenia (right) inaugurating the Business Day
Mr. A. Kinakh, Former Prime Minister of Ukraine, President of Ukrainian Union of Industrialists (speaking) and Mr. V. Khoroshkovskiy, Minister or Economy of Ukraine (center) at the opening session of the event
Mr. F. Nano, Prime Minister of Albania (left) with Mr. M. Gurtin, BSTDB President at the inauguration of the BSTDB Business Day in Tirana, 2004
Black Sea Business Day in Thessaloniki, 2003

Mr. Y. Magriotis, Deputy Minister of Foreign Affairs of Greece representing the EU Chairmanship at the Business Day in 2003

BSTDB partners from Japan Bank for International Cooperation, 2003
Black Sea Business Days in Thessaloniki, 2002

Mr. K. Dervis, Minister of State of Turkey (second from the left) with Mr. A. Tsochadzopoulos, Minister of Development of Greece, Mr. G. Paschalidis, Minister of Macedonia and Thrace and Mr. V. Papageorgopoulos, Mayor of Thessaloniki inaugurating the event in 2002

Ms. T. Paramonova, First Deputy Chairperson of the Central Bank of Russia among guests of the event

Ms. N. Doyle, First Vice President of EBRD, speaker at the Business Day with BSTDB management
Ms. A. Diamantopoulou, EU Commissioner speaking at the BSTDB –EU Conference hosted by BSTDB in Thessaloniki, 2001
Black Sea Business Day in Tbilisi, 2001

Mr. E. Shevardnadze, President of Georgia inaugurates the BSTDB Business Day
Mr. C. Simitis, Prime Minister of Greece (left) visiting BSTDB stand at the International Fair in Thessaloniki, 1999