

Board of Governors Meeting
Tirana, 19 June 2011
OPENING STATEMENT BY THE PRESIDENT

Dear Mr. Chairman,
Esteemed Governors,
Excellences,
Ladies and Gentlemen,

It is my great pleasure to welcome you to Tirana for the Thirteenth Annual Meeting of the Board of Governors of the Black Sea Trade and Development Bank. Starting from the **Adriatic**, going all the way across the **Black Sea**, and reaching out to the **Caspian**, our Bank covers a broad geographic range of growing political and economic importance. Despite its name limiting it to the Black Sea region, in reality BSTDB remit reaches over an extensive part of the European continent. This provides a vibrant, diverse background giving us ample opportunities to support our shareholders' efforts to develop their economies and to enhance cooperation with their neighbors.

Last year, most of the countries of our operations started to bounce back vigorously from the economic downturn that hit the region in the aftermath of the global financial crisis of 2008. Our latest estimates suggest that the Black Sea area as a whole experienced real GDP growth of 4%, reversing much of the downturn of 2009 and demonstrating all necessary prerequisites to resume a path of sustained growth and rising living standards in 2011. We are also optimistic about those member states that were less successful in 2010. No doubt, the difficult measures they undertook will bear fruit in coming years.

Esteemed Governors,

I am pleased to inform you that last year the Black Sea Trade and Development Bank made further progress to achieving the vision, which our shareholders have laid out at its inception.

It was a year of recovery in operational terms, as Board approvals rose 36 percent relative to 2009; new signings were up 90 percent, while disbursements increased 45 percent. By the end of 2010, our active portfolio had grown year on year by almost 7 percent to over Euros 670 million.

For the sixth consecutive year the Bank posted positive outturns. Income before provisions increased 94 percent relative to 2009 to almost Euros 20 million, while net income rose 12 percent to about Euros 11 million. Notably, the quality of the operational portfolio remained high, without any new problem projects appearing during the year.

An important milestone of 2010 was the adoption of the *Bank's Medium Term Strategy and Business Plan* for the period 2011-14. This important document laid out ambitious operational targets, seeking to increase the Bank's portfolio by 70%, to enhance regional cooperation as well as resource mobilization.

This Business Plan is to be complemented by individual Country Strategies, which break down operational directions and targets for each member state within the overall operating context. To better align these documents with needs and priorities of our shareholders we have organized country missions to our member states. 11 country strategies prepared as a result of these missions have already been approved by our BoD and become operational.

At the very end of last year the Governors made another important decision – to *adopt EURO as a new functional and reporting currency*. We have already reported to our shareholders the results of the completion of the first phase of this project – conversion of our paid-in capital. Today we expect from our Governors a green light to proceed with legal aspects of this transition. We believe that we have designed a reasonable and efficient approach involving minimal amendments to the Bank's Establishing Agreement and count on support from our member states in this critically important area.

One more highlight of last year was the *upgrading of BSTDB to A3 by Moody's*. That it occurred at a time of prevailing risk aversion and sovereign downgrades of some member states makes it all the more noteworthy. The upgrade demonstrated the importance of shareholder support and commitment to the institution. The same support played a critical role in a decision made by S&P just a few days ago to assign to our institution a long-term rating of A and a short-term of A-1. These ratings from an agency known for its conservatism are even higher than those of the Moody's and are about 5 notches higher than the average sovereign rating of our member states. As an institution, we firmly count on further unwavering support from our shareholders, including through timely capital payments. We are fully committed to putting these payments to work for the benefit of our clients in member states.

In 2010, the Bank continued its efforts to strengthen and expand a network of cooperation with peer IFIs operating in the Black Sea region. At our last BoG in Istanbul we welcomed two new observers - the International Finance Corporation, and the French Development Agency, PROPARGO. Another prominent institution – EBRD – has recently applied for observer status, and today Governors will review this application.

We intend to pursue similar proactive stance in the future reaching out to our development partners, coordinating with them, learning from them, and mobilizing in the process resources for our clients. Talking about resource mobilization, it gives me a pleasure to inform you that we have recently signed with two of our observers (KfW and NIB) new credit lines, which will be used to finance projects in the region. Similar credit line will be signed today with the President of PROPARGO Mr. Etienne Viard.

In conclusion, please allow me to express our sincere appreciation to our gracious Albanian hosts for the excellent organization of this event and for giving us again the opportunity to see again this beautiful city of Tirana. I look forward to the success of the 2011 Annual Meeting of the Board of Governors of the Black Sea Trade and Development Bank, and thank you sincerely for your continued support and commitment to our institution.