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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Board of Governors of Black Sea Trade and Development Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Black Sea Trade and Development Bank (the Bank), which comprise the statement of financial position as at 31 December 2021 and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Black Sea Trade and Development Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as these have been incorporated into Greek legislation. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We have been independent of the Bank during the whole period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as incorporated into Greek legislation and the ethical requirements in Greece relevant to the audit of the financial statements and we have fulfilled our ethical requirements in accordance with the applicable legislation and the above mentioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw your attention to note 28 of the financial statements where it is described the negative impact of the geopolitical turmoil in Ukraine and Russia, that begun in February 2022, on the quality of some of the Bank's assets.

Our report is not qualified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters and the assessed risks of material misstatements were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Expected Credit Loss on Loans at amortized cost	
<p>Loans at amortized cost of the Bank amounted to EUR 2,329 million as at 31 December 2021 (EUR 2,030 million as at 31 December 2020) and loss impairment to EUR 44 million (EUR 56 million as at 31 December 2020) as presented on the Statement of Financial Position.</p> <p>The Bank measures Expected Credit Losses (ECL) for loans at amortized cost both on an individual and a collective basis.</p> <p>The estimation of ECL on loans at amortized cost is considered a key audit matter as it is a complex calculation that involves the use of a number of assumptions and parameters such as probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) as well as assumptions around the inputs used and probability weight of the multiple economic scenarios.</p> <p>Significant Management judgements also relates to the criteria used for the staging assessment of loans at amortized cost.</p> <p>Management provided further information about principles and accounting policies for determining the allowance for impairment on loans at amortized cost and the management of credit risk in notes 3.6, 5, 12 and 15 to the financial statements.</p>	<p>Based on our risk assessment and following a risk based approach, we have evaluated the impairment methodologies applied and assumptions made by Management in relation to this key audit matter, which included, inter alia, the following audit procedures:</p> <ul style="list-style-type: none"> - we obtained an understanding of the procedures and evaluated the design and implementation of relevant internal controls within the business process. - we assessed the appropriateness of the Bank's IFRS 9 impairment methodologies. - with the support of our internal financial risk modeling specialists we assessed the reasonableness of Management's assumptions and input data used in the model, including the analysis of the forecasted macroeconomic variables. We tested the mechanical elements of the calculations such as the EAD, the PD and stage allocation and reperformed the calculation of the ECL on a sample basis. - we tested the accuracy and completeness of critical data used in the ECL calculation by agreeing a sample of ECL calculation data points to source systems or documentation. - on a sample basis we assessed the reasonableness of the estimated expected credit loss for the individually assessed credit impaired exposures. <p>We assessed the adequacy and completeness of the Bank's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Bank is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as these have been incorporated into Greek legislation, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, as these have been incorporated into Greek legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Athens, 6 June 2022

The Certified Public Accountant

Alexandra Kostara

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INCOME STATEMENT

For the year ended 31 December 2021

Presented in thousands of EUR	Note	2021	2020
Interest and similar income	7	105,171	97,856
Interest and similar expense	8	(58,492)	(61,048)
Net interest income (expense) on derivatives	9	13,799	7,427
Net interest income		60,478	44,235
Net fees and commissions	10	1,971	2,040
Dividend income		-	164
Net gains from equity investments through profit or loss	16	182	284
Net gains (losses) on derecognition of debt investment securities at fair value through other comprehensive income		4,855	(1,752)
Net (losses) on derecognition of financial liabilities at amortized cost		-	(2,049)
Unrealized net fair value gains (losses) on derivative instruments		(16,602)	7,410
Fair value gains (losses) on loans measured at fair value through profit or loss		683	(229)
Fair value (losses) on equity investments measured at fair value through profit or loss		-	(7)
Foreign exchange (losses) income		(559)	78
Other (losses) income		(4)	(4)
Operating income		51,004	50,170
Personnel expenses	11,26	(16,352)	(16,097)
Administrative expenses	11	(4,574)	(4,161)
Depreciation and amortization	18,19	(478)	(525)
Income before impairment		29,600	29,387
Impairment gains (losses) on loans measured at amortized cost	12	11,882	(12,894)
Impairment gains (losses) on debt investment securities measured at fair value through other comprehensive income		2,415	(2,278)
Income for the year		43,897	14,215

The accompanying notes, on pages 11 to 74 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

Presented in thousands of EUR	Note	2021	2020
Income for the year		43,897	14,215
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses) gains on defined benefit scheme	24	2,310	(2,036)
Gains (losses) on equity investments financial assets	24	6,047	(3,577)
Items that are or may be reclassified subsequently to profit or loss:			
Gains (losses) on investment securities financial assets	24	(9,747)	4,697
Gains (losses) on cash flow hedges	24	(493)	-
Other comprehensive (expense) income		(1,883)	(916)
Total comprehensive income		42,014	13,299

The accompanying notes, on pages 11 to 74 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

At 31 December 2021

Presented in thousands of EUR	Note	2021	2020
Assets			
Cash and due from banks	25	170,175	34,328
Deposits in margin accounts		30,740	26,240
Debt investment securities at fair value through other comprehensive income	13	652,448	687,961
Derivative financial instruments – assets	14	24,279	26,701
Loans at amortized cost	5,15	2,329,424	2,030,396
Less: deferred income	15	(14,700)	(13,813)
Less: impairment losses	5,12	(44,223)	(55,937)
Loans at fair value through profit or loss	15	15,014	12,525
Loans		2,285,515	1,973,171
Equity investments at fair value through profit or loss	5,16	791	791
Equity investments at fair value through other comprehensive income	5,16	24,986	25,519
Equity investments at fair value		25,777	26,310
Accrued interest receivable	15	27,181	23,512
Other assets	17	15,954	9,490
Property and equipment	18	368	429
Intangible assets	19	200	298
Right of use assets	22	245	579
Total Assets		3,232,882	2,809,019
Liabilities			
Short-term	20	167,756	111,120
Amounts due to financial institutions	20	438,293	315,992
Debt evidenced by certificates	20	1,657,416	1,465,218
Accrued interest payable	20	10,936	9,384
Borrowings		2,274,401	1,901,714
Margin accounts		16,590	22,920
Derivative financial instruments – liabilities	14	45,869	28,935
Other liabilities	21	10,257	11,359
Lease liability	22	43	383
Total liabilities		2,347,160	1,965,311
Members' Equity			
Authorized share capital	23	3,450,000	3,450,000
Less: unallocated share capital	23	(1,161,500)	(1,161,500)
Subscribed share capital	23	2,288,500	2,288,500
Less: callable share capital	23	(1,601,950)	(1,601,950)
Paid-in share capital		686,550	686,550
Reserves	24	100,312	58,298
Retained earnings		98,860	98,860
Total members' equity		885,722	843,708
Total Liabilities and Members' Equity		3,232,882	2,809,019
Off-balance-sheet items			
Commitments	5	237,471	274,031

The accompanying notes, on pages 11 to 74 are an integral part of these financial statements

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the year ended 31 December 2021

Presented in thousands EUR	Share capital			Reserves	Retained Earnings	Total
	Subscribed	Callable	Payable			
At 31 December 2019	2,288,500	(1,601,950)	-	54,009	89,850	830,409
Income for the year	-	-	-	-	14,215	14,215
Other comprehensive income:						
Net gains (losses) on financial assets at fair value reserve through OCI	-	-	-	1,120	-	1,120
Actuarial (losses) gains on defined benefit scheme	-	-	-	(2,036)	-	(2,036)
Total comprehensive income for the year	-	-	-	(916)	14,215	13,299
Members' contributions	-	-	-	-	-	-
Transfer to general reserve	-	-	-	5,205	(5,205)	-
Total contributions	-	-	-	5,205	(5,205)	-
At 31 December 2020	2,288,500	(1,601,950)	-	58,298	98,860	843,708
Income for the year	-	-	-	-	43,897	43,897
Other comprehensive income:						
Net (losses) gains on financial assets at fair value reserve through OCI	-	-	-	(3,700)	-	(3,700)
Actuarial gains (losses) on defined benefit scheme	-	-	-	2,310	-	2,310
Effective portion of cash flow hedges (losses) gains	-	-	-	(493)	-	(493)
Total comprehensive income for the year	-	-	-	(1,883)	43,897	42,014
Members' contributions	-	-	-	-	-	-
Transfer to general reserve	-	-	-	43,897	(43,897)	-
Total contributions	-	-	-	43,897	(43,897)	-
At 31 December 2021	2,288,500	(1,601,950)	-	100,312	98,860	885,722

The accompanying notes, on pages 11 to 74 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

Presented in thousands of EUR	Note	2021	2020
Cash flows from operating activities			
Income for the year		43,897	14,215
Adjustment for items in income statement:			
Depreciation and amortization		478	525
Impairment losses on loans		(11,882)	12,623
Impairment losses on investment securities		(2,415)	2,278
Fair value losses on loans at FVTPL		(683)	229
Fair value (gains) losses on equity investments at FVTPL		-	7
Net interest income		(46,679)	(36,808)
Realized gains on disposal investment securities at FVTOCI		(4,855)	1,752
Realized losses from debt issued		-	2,049
Cash generated from (used for) operations:			
Proceeds from repayment of loans		903,419	561,715
Proceeds from repayment of equity investments		7,169	1,231
Funds advanced for loans		(1,072,130)	(783,932)
Funds advanced for equity investments		(460)	(732)
Net movement in derivative financial instruments		35,958	(1,190)
Working capital adjustments:			
Interest income received		101,502	98,678
Interest income paid		(56,940)	(63,316)
Decrease (increase) in deposit margin accounts		(4,500)	(20,340)
Decrease (increase) in other assets		(6,464)	2,029
Increase (decrease) in margin accounts		(6,330)	18,370
Increase (decrease) in other liabilities		(1,442)	713
Increase (decrease) in deferred income		887	5,643
Net cash from / (used in) operating activities		(121,470)	(184,261)
Cash flows from investing activities			
Proceeds investment securities at FVTOCI		3,155,700	1,227,280
Purchase of investment securities at FVTOCI		(3,106,219)	(1,459,327)
Purchase of property, software and equipment		(320)	(341)
Net cash from / (used in) investing activities		49,161	(232,388)
Cash flows from financing activities			
Proceeds received from share capital		-	-
Proceeds from borrowings		1,677,859	944,201
Repayment of borrowings		(1,306,724)	(539,074)
Net cash from financing activities		371,135	405,127
Net increase (decrease) in cash and cash equivalents		298,826	(11,522)
Cash and cash equivalents at beginning of year		272,666	284,188
Cash and cash equivalents at end of year	25	571,492	272,666

The accompanying notes, on pages 11 to 74 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ESTABLISHMENT OF THE BANK

1.1 Agreement Establishing the Bank

Black Sea Trade and Development Bank (the “Bank”), whose headquarters are located at 1 Komninon Street, Thessaloniki, in the Hellenic Republic, was established as an international financial organization under the Agreement Establishing the Bank dated 30 June 1994 (‘Establishing Agreement’). In accordance with Article 61 of the Establishing Agreement, following the establishment of the Bank the Establishing Agreement came into force on 24 January 1997. The Bank commenced operations on 1 June 1999.

The purpose of the Bank is to accelerate development and promote cooperation among its shareholder countries. As a regional development institution, the Bank is well placed to mobilize financial resources and to improve access to financing for businesses in the whole region as well as for those active only in its individual Member Countries. The Bank offers project and trade financing facilities, equity participations and guarantees. Bank financing of projects and programs is available directly or in cooperation with other national and international development institutions. The Bank may also, where appropriate, provide technical assistance to potential customers.

As at financial position date the Bank's shareholders comprised of the following 11 countries: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, the Russian Federation, Turkey and Ukraine.

1.2 Headquarters Agreement

The status, privileges and immunities of the Bank and persons connected therewith in the Hellenic Republic are defined in the Headquarters Agreement between the Government of the Hellenic Republic and the Bank (‘Headquarters Agreement’) signed on 22 October 1998.

1.3 Governing Bodies

Each of the Member States of the Bank is represented on the Board of Governors (BoG), with all powers of the Bank vested in the BoG. With the exception of certain reserved powers, the BoG has delegated the exercise of its powers to the Board of Directors (BoD), while retaining overall authority.

BoG and BoD members can be changed at any time upon the discretion of the respective Member State.

1.3.1 Board of Governors

Country	Governor
Albania	Ms. Adela Xhemali
Armenia	Mr. Arthur Javadyan
Azerbaijan	Mr. Samir Sharifov
Bulgaria	Ms. Monica Dimitrova-Beecher
Georgia	Mr. Koba Gvenetadze
Greece	Mr. Adonis-Spyridon Georgiadis
Moldova	Mr. Dumitru Budianschi
Romania	Mr. Alin Chitu
Russia	Mr. Timur Maksimov
Turkey	Mr. Murat Zaman
Ukraine	Mr. Yuliia Svrydenko

Notes to the Financial Statements

1.3.2 Board of Directors

Country	Director
Albania	Mr. Arlind Gjokuta
Armenia	Mr. Andranik Grigoryan
Azerbaijan	Mr. Famil Ismayilov
Bulgaria	Ms. Milena Boykova
Georgia	Mr. Ekaterine Guntsadze
Greece	Mr. Ioannis Tsakiris
Moldova	Ms. Elena Matveeva
Romania	Ms. Diana Blindu
Russia	Mr. Dmitry Birichevskiy
Turkey	Dr. Serhat Koksai
Ukraine	Mr. Taras Kachka

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

These financial statements for the year ended 2021 were submitted by the Management Committee to the Board of Directors (BoD) for approval on 6 June 2022 and were approved for issuance on that date.

Pursuant to Article 23 of the Establishing Agreement, these financial statements shall be subject to approval by the Board of Governors (BoG) in their Annual Meeting to be held on 23 June 2022.

Basis of measurement

The financial statements have been prepared on a historical cost basis except for the below assets and liabilities which have been measured at fair value:

- Debt investment securities at fair value through other comprehensive income;
- Loans at fair value through profit or loss;
- Equity investments at fair value through profit or loss;
- Equity investments at fair value through other comprehensive income;
- Derivative financial instruments; and
- Plan assets.

Functional and presentation currency

The Bank's functional currency is the Euro (EUR) as defined by the European Central Bank (ECB). The Euro is most representative of the Bank's operations and environment as a significant percentage of the Bank's lending operations are in Euro, and the administrative expenses and capital expenditures are primarily denominated and settled in this currency. The Bank's presentation currency is the EUR and values are rounded to the nearest thousand unless otherwise stated.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments and use of estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those reported. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.