

## OFFERING CIRCULAR



### BLACK SEA TRADE AND DEVELOPMENT BANK

(an international financial institution)

EUR 2,000,000,000

### Euro Medium Term Note Programme

---

Under this programme (the “**Programme**”) the Black Sea Trade and Development Bank (the “**Issuer**”) may from time to time issue notes (the “**Notes**”) in any currency up to a maximum aggregate outstanding principal amount of EUR 2,000,000,000 (or equivalent in other currencies). This Offering Circular has not been approved by any competent authority for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”), or any other purposes, as any Notes which may be issued hereunder are outside the scope of the Prospectus Regulation (as a result of the Issuer’s status as a public international body of which a European Union member state is a member) and no election has been made for the Notes to be treated as being within the scope of the Prospectus Regulation. However, application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for any Notes to be issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of Euronext Dublin (the “**Official List**”) and to trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II.

*For a discussion of certain factors regarding the Issuer and the Notes which should be considered by prospective purchasers, see “Risk Factors”.*

Notes issued hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered: (a) in the United States only to qualified institutional buyers (as defined in Rule 144A under the Securities Act (“**Rule 144A**”) (“**QIBs**”)) in reliance on Rule 144A; and (b) to persons located outside the United States in reliance on Regulation S (“**Regulation S**”) under the Securities Act. Each purchaser of Notes will be deemed to have made the representations described in “*Subscription and Sale*” and is hereby notified that the offer and sale of Notes to it is being made in reliance on the aforementioned applicable exemptions from the registration requirements of the Securities Act. In addition, until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A. See “*Subscription and Sale*” and “*Transfer Restrictions*” for additional information about eligible offerees and transfer restrictions.

Notes will not be offered or sold in any Member State (as defined herein) except and to the extent that the approval of such Member State has been obtained, in accordance with Article 18(1)(a)(i) of the Establishing Agreement, for the offer and sale of the Notes within its territory. Notes will not be denominated in the currency of a Member State except and to the extent that the approval of such Member State has been obtained, in accordance with Article 18(1)(a)(ii) of the Establishing Agreement, for such denomination.

The Issuer has been rated A2 and A-, respectively by Moody’s Investors Service Limited (“**Moody’s**”) and Standard & Poor’s Financial Services LLC (“**S&P**”). Moody’s is established in the UK and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). S&P is not established in the EEA or in the UK but the rating it has given to the Notes to be issued under the Programme is endorsed by S&P Global Ratings Europe Limited, which is established in the EEA and registered under the CRA Regulation. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Issuer. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Arranger

J.P. MORGAN

Dealers

HSBC

J.P. MORGAN

SOCIÉTÉ GÉNÉRALE  
CORPORATE & INVESTMENT BANKING

14 May 2020

## TABLE OF CONTENTS

Important Notices .....	1
Service of Process and Enforcement of Civil Liabilities .....	3
Presentation of Financial and certain other Information .....	4
Exchange Rates .....	5
General Description of the Programme .....	6
Risk Factors .....	11
Use of Proceeds .....	29
Information Incorporated by Reference .....	30
Forms of the Notes .....	31
Terms and Conditions of the Notes .....	38
Form of Pricing Supplement.....	61
Summary of Provisions Relating to the Notes While in Global Form .....	71
Description of the Issuer.....	74
Risk Management.....	87
Management .....	96
Capital Structure.....	102
Selected Financial and Other Information.....	104
Black Sea Region .....	108
Taxation.....	113
Certain ERISA Considerations.....	114
Subscription and Sale .....	116
Transfer Restrictions .....	120
General Information .....	123

## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to HSBC Bank plc, J.P. Morgan Securities plc and Société Générale (together, the “**Dealers**”) that this Offering Circular contains all information which is (in the context of the issue, offering and sale of any Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any fact necessary to make such information, opinions, predictions or intentions (in the context of the issue, offering and sale of the Notes) not misleading in any material respect; and all proper enquiries have been made to ascertain or verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Dealers.

Neither the Dealers nor any of their respective affiliates have independently verified the information contained herein or authorised the whole or any part of this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the offering of the Notes. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the offering of the Notes or their distribution or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Dealer) in connection with the issue and offering of the Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Issuer or the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

**WARNING:** The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction or to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer and sale of the Notes in the United States, the United Kingdom, the Member States (as defined below), Japan, Singapore, Hong Kong and Switzerland.

For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular and other offering material relating to the Notes, see “*Subscription and Sale*”.

In this Offering Circular, unless otherwise specified, references to a “**Member State**” are references to each of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, the Hellenic Republic, Moldova, Romania, Russia, Turkey and Ukraine. References to “**€**”, “**EUR**” or “**Euro**” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. References to “**SDRs**” are to Special Drawing Rights the international reserve assets created by the International Monetary Fund (the “**IMF**”).

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or person(s) acting on behalf of the any Stabilising Manager(s)) in the relevant Pricing Supplement may over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of Notes. Any stabilisation action or over-allotment must be conducted by any Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

### **FORWARD LOOKING STATEMENTS**

This Offering Circular contains statements that are, or may be deemed to be, “forward-looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “projects”, “aims”, “anticipates”, “intends”, “targets”, “may”, “will”, “plans”, “continue” or “should” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. Forward-looking statements appear in a number of places throughout this Offering Circular and include but are not limited to, statements regarding the intentions, beliefs or current expectations of the Issuer concerning, amongst other things, its investment objectives and investment policies, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, growth strategies and the markets in which it, directly and indirectly, currently operates or may in the future operate.

### **NOTE ON SOURCES**

Economic and other data concerning the Black Sea Region contained in this Offering Circular are provided by the Issuer based on calculations from the National Statistical Agencies of the countries of the Black Sea Region and the IMF IFS Database. Additional sources employed include the Global Economic Prospects publications of the World Bank, the World Economic Outlook publications of the IMF and publications of the Economist Intelligence Unit.

### **PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE**

The Pricing Supplement in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the “SFA”). The Issuer will make a determination in relation to such issue about the classification of the Notes being offered for purposes of Section 309B(1)(a) of the SFA. Any such legend included on the relevant Pricing Supplement will constitute notice to “relevant persons” for purposes of Section 309B(1)(c) of the SFA.

## **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is an international financial institution established under the Agreement Establishing the Black Sea Trade and Development Bank (the “**Establishing Agreement**”). Under the Establishing Agreement, the Issuer enjoys immunity from every legal process, subject to certain important exceptions. The exceptions comprise cases arising out of or in connection with the exercise of its powers to borrow money, to guarantee obligations, or to buy and sell or underwrite the sale of securities. In such cases (including in relation to Notes issued under the Programme) actions may be brought against the Issuer in a court of competent jurisdiction in the territory of the Member State in which the Issuer has its headquarters or in any country where the Issuer has appointed an agent for the purpose of accepting service or notice of process or has issued or guaranteed securities.

Further, in the Terms and Conditions of the Notes the Issuer has expressly agreed to the jurisdiction of the English Courts and that any documents required to be served in relation to any proceedings arising from or connected with any Notes issued under the Programme may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London, EC2X 7EX, England.

The Establishing Agreement also provides that all property and assets of the Issuer shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Issuer. The effectiveness of these provisions of the Establishing Agreement in any other country except in the Member States, would be a question of the laws of the relevant country.

## **PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION**

The financial information of the Issuer set forth in this Offering Circular is presented in Euro, the Issuer's functional currency.

The financial statements of the Issuer for the year ended 31 December 2019 have been audited by Deloitte Certified Public Accountants S.A. and the financial statements of the Issuer for the year ended 31 December 2018 have been audited by KPMG Certified Auditors S.A., and, in each case, have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

## EXCHANGE RATES

### Euro/U.S. dollar

The table below sets forth the Euro/U.S. dollar exchange rates as certified by the European Central Bank (“ECB”). No representation is made that the U.S. dollar amounts referred to below could have been converted into Euro at any particular rate indicated or at any other rate. The rates below may differ from the rates used in the Issuer’s financial statements and other financial information appearing in this Offering Circular. The average amounts set forth below under “Average” are calculated as the average of the ECB rates for Euro on the last business day of each month.

	<u>Low</u>	<u>High</u>	<u>Average</u>	<u>End of Period</u>
	<i>(U.S. Dollars per Euro)</i>			
2013.....	1.2805	1.3791	1.3308	1.3791
2014.....	1.2141	1.3850	1.3211	1.2141
2015.....	1.0579	1.1305	1.1046	1.0887
2016.....	1.0541	1.1403	1.1032	1.0541
2017.....	1.0597	1.1993	1.1370	1.1993
2018.....	1.1318	1.2457	1.1793	1.1450
2019.....	1.0889	1.1535	1.1195	1.1189

The table below shows the high and low ECB rates for Euro for each month during the full six months prior to the date of this Offering Circular.

	<u>Low</u>	<u>High</u>
	<i>(U.S. Dollars per Euro)</i>	
November 2019.....	1.0982	1.1158
December 2019.....	1.1285	1.1454
January 2020.....	1.1001	1.1194
February 2020.....	1.0790	1.1066
March 2020.....	1.0707	1.1456
April 2020.....	1.0772	1.0963

The Euro versus the U.S. dollar exchange rate on 13 May 2020 was U.S.\$1.0875 per €1.00

## GENERAL DESCRIPTION OF THE PROGRAMME

### Overview of the Issuer

The Issuer is an international financial institution with supranational status and a mandate to foster economic growth and regional cooperation through financing projects and providing financial services to public and private sector entities in the Black Sea Region. The Issuer primarily extends project financing, corporate loans and short-term trade financing to public and private sector entities within its eleven founding member states, which consist of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, the Hellenic Republic (Greece), Moldova, Romania, Russia, Turkey and Ukraine (together, the “**Member States**”). The Issuer also provides other financial products such as guarantees, equity investments and leasing to such entities. As part of its mandate, the Issuer focuses on lending to specific strategic sectors, including energy, manufacturing, transport, public utilities, financial institutions, telecommunications, municipal services, environmental protection and small and medium-sized enterprises (“**SMEs**”). In addition, the Issuer participates in larger-scale projects with other international financial institutions through co-financing agreements and guarantees.

The Issuer’s principal business activity consists of making loans, predominantly in Euros and U.S. Dollars, to public and private sector borrowers within the Member States. The Issuer’s income is primarily derived from its lending activities as well as from investment securities. The Issuer views its fund investment activities as a minor portion of its overall business.

To comply with the requirements of its mandate and to achieve financially acceptable operating results, the Issuer targets borrowers and projects that (i) operate in or take place in one or more of the Member States (ii) have potential to meet requirements to promote economic development and / or regional co-operation and (iii) are financially viable (or economically viable in the case of sovereign operations) and thus generate sufficient return so the Issuer’s involvement will be profitable and the undertaking will prove sustainable beyond the Issuer’s involvement.

The Issuer was established as an international financial institution under the Agreement Establishing the Black Sea Trade & Development Bank (the “**Establishing Agreement**”) as agreed by the member states of the Black Sea Economic Cooperation (“**BSEC**”) in Tbilisi, Georgia on 30 June 1994 and subsequently ratified by each member state. The BSEC was itself established in 1992 to promote stability through enhanced relations amongst its member states and its charter calls for promoting regional cooperation. The Establishing Agreement is a United Nations registered treaty. In accordance with Article 61 of the Establishing Agreement, the Issuer was established when the Establishing Agreement came into force on 24 January 1997. The Issuer commenced operations on 1 June 1999.

The Issuer is the financial pillar of the BSEC. For a sovereign state to become a member of the Issuer, it must first be a member of the BSEC (a “**BSEC Participating State**”). BSEC Participating States may become members of the Issuer either directly or through their designated representatives. Membership is also open to other multilateral banks and financial institutions upon the approval of the Board of Governors, on terms and conditions recommended by the Board of Directors.

The Issuer is a non-political organisation and its Establishing Agreement provides that each Member State must respect its non-political character and must refrain from any attempts to influence any member of the management, director, officer or member of the Issuer’s staff in the discharge of their duties.

The Issuer cooperates with various international organisations, including affording observer status to the following institutions: KfW Bankgruppe, a development bank owned 80 per cent. by the German government and 20 per cent. by the German Länder; the Development Bank of Austria, a subsidiary of Oesterreichische Kontrollbank AG (“**OeKB**”); the Austrian Export Credit Agency; the European Development Finance Institutions, an association of 17 bilateral development finance institutions from EU member countries plus Norway and Switzerland; Proparco, a development bank for the private sector which is 63 per cent. owned by AFD, a French governmental agency; the International Investment Bank, a Budapest based lender owned by a number of countries including Russia, Bulgaria and Romania; the European Investment Bank; the European Bank for Reconstruction and Development; the International Finance Corporation; the Nordic Investment Bank; Vneshcombank, a Russian development bank; the Asian Development Bank and the Islamic Corporation for the Development of the Private Sector, part of the Islamic Development Bank Group. The Issuer aims to enhance cooperation and increase the exchange of project-related information with these organisations with a view to

potential co-financing for projects, as well as other types of funding. The observers have the right to attend and speak at the Issuer's annual meetings.

As at 31 December 2019, the Issuer had total assets of EUR 2,343.4 million. For the year ended 31 December 2019, the Issuer realised a net profit of EUR 13.7 million, which represents an increase compared to the net profit of EUR 5.2 million for same period in 2018. As at 31 December 2019, the Issuer had EUR 1,851.3 million in gross loans and equity investments.

## Overview of the Programme

*The following overview of key features of the Programme does not purport to be complete and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this overview of the key features of the Programme.*

<b>Issuer:</b>	Black Sea Trade and Development Bank.
<b>Risk Factors:</b>	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under " <i>Risk Factors</i> " below.
<b>Arranger:</b>	J.P. Morgan Securities plc
<b>Dealers:</b>	HSBC Bank plc, J.P. Morgan Securities plc, Société Générale and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Fiscal Agent:</b>	The Bank of New York Mellon, London Branch
<b>Registrar:</b>	The Bank of New York Mellon SA/NV Luxembourg Branch
<b>Pricing Supplement or Drawdown Offering Circular:</b>	Notes issued under the Programme will be issued pursuant to this Offering Circular and an associated Pricing Supplement or separate drawdown offering circular (a " <b>Drawdown Offering Circular</b> "). The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as completed to the extent described in the relevant Pricing Supplement or Drawdown Offering Circular. In the case of a Tranche of Notes which is the subject of a Drawdown Offering Circular, each reference in this Offering Circular to information being specified or identified in the relevant Pricing Supplement shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.
<b>Listing and Trading:</b>	Application has also been made to Euronext Dublin for any Notes to be issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of Euronext Dublin (the " <b>Official List</b> ") and to trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.
<b>Clearing Systems:</b>	Euroclear SA/NV (" <b>Euroclear</b> ") and/or Clearstream Banking, S.A. (" <b>Clearstream, Luxembourg</b> ") in the case of Notes represented by the Unrestricted Global Certificate and The Depository Trust Company (" <b>DTC</b> ") in respect of Notes represented by the Restricted Global

Certificate and any other clearing systems as may be specified in the relevant Pricing Supplement

**Programme Amount:** Up to EUR 2,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.

**Issuance in Series:** Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Forms of Notes:** Notes may be issued in bearer form or in registered form.

Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Pricing Supplement, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Pricing Supplement, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes, will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Notes will be represented by either:

- (i) Individual Note Certificates; or
- (ii) one or more Unrestricted Global Registered Notes in the case of Registered Notes sold outside the United States in reliance on Regulation S and/or one or more Restricted Global Registered Notes in the case of Registered Notes sold to QIBs in reliance on Rule 144A,

in each case as specified in the relevant Pricing Supplement.

Each Note represented by an Unrestricted Global Registered Note will either be: (a) in the case of an Unrestricted Global Registered Note which is not to be held under the new safekeeping structure (“**New Safekeeping Structure**” or “**NSS**”), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global

Registered Note will be deposited on or about the issue date with such common depository; or (b) in the case of an Unrestricted Global Registered Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Registered Note will be deposited on or about the issue date with such common safekeeper.

Each Note represented by a Restricted Global Registered Note will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and the relevant Restricted Global Registered Note will be deposited on or about the issue date with the DTC Custodian. Beneficial interests in Notes represented by a Restricted Global Registered Note may only be held through DTC at any time.

- Currencies:** Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Status of the Notes:** The Notes and any Coupons related thereto constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer.
- Issue Price:** Notes may be issued at any price as specified in the relevant Pricing Supplement. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
- Maturities:** Any maturity, subject in relation to specific currencies to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) by the Issuer.
- Redemption:** Subject as described, Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Pricing Supplement.
- Optional Redemption:** Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) in accordance with the Conditions and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or such other method as specified in the relevant Pricing Supplement.

<b>Denominations:</b>	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/ or central bank requirements. See also “ <i>Maturities</i> ” above.
<b>Negative Pledge:</b>	As described in Condition 5 ( <i>Negative Pledge</i> ).
<b>Withholding Taxation:</b>	All payments in respect of the Notes will be made free and clear of any withholding, subject to certain exceptions to the extent provided in Condition 12 ( <i>Taxation</i> ).
<b>Governing Law:</b>	English law.
<b>Ratings:</b>	Each Tranche of Notes may be rated or unrated. Where applicable, the ratings of the Notes will be specified in the relevant Pricing Supplement.
<b>Selling Restrictions:</b>	See “ <i>Subscription and Sale</i> ” below.

### Recent Developments

The ongoing COVID-19 outbreak (“**COVID-19**” or “**coronavirus**”) emanating from China at the beginning of 2020 has resulted in increased travel restrictions, extended quarantine or “lockdown” measures and closure of certain businesses and a general decrease in market activity since February 2020. See also “*Risk Factors – Risks relating to investments in the Black Sea Region – The economic conditions in the Black Sea Region will be adversely affected by the global economic slowdown caused by the coronavirus pandemic, and this may negatively affect the Issuer’s business, financial condition and operations*”.

The Issuer has developed three possible scenarios for the economic impact of the coronavirus pandemic. In the first and most optimistic scenario, regional (and country) GDP declines by approximately 5-6 per cent., a figure roughly comparable to the regional downturn in 2009 following the 2008 global financial crisis. Economic recovery would begin in the second half of 2020 and countries would return to positive outturns in 2021, with full recovery (to pre-crisis levels of activity) occurring within two years. Fiscal and debt indicators for countries would deteriorate in 2020, but the recovery in 2021 would permit slow and steady improvement to take place.

A second, less optimistic scenario projects low double digit GDP declines of around 10-15 per cent. Such economic decline would likely slow in the latter part of 2020 and a measure of recovery would be observed in 2021, with low positive outturns. Full recovery would take up to five years. The deterioration of public finances would be much more significant and the reduced economic activity would make it that much more difficult for recovery to occur. New investment in particular would be cancelled or deferred and more countries would likely resort to IMF support programmes to help them deal with the worse impacts and to help re-establish confidence.

The third and most pessimistic scenario projects a GDP decline of 25 per cent. or more, with the contraction extending into 2021. The damage done to the relevant economies would make recovery even more difficult, and permanent damage to economic activity is possible. This in turn would have political ramifications which are impossible to predict, and may also increase emigration pressures. Some countries would be almost certain to seek IMF support, and the possibility of country defaults and/or debt restructurings would be higher. Economic recovery would be a long and slow process, likely taking over a decade to reach pre-crisis levels. There would also be an increased risk of geopolitical conflicts.

## **RISK FACTORS**

*An investment in the Notes involves a high degree of risk. Prospective investors should read the entire Offering Circular. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Offering Circular have the same meanings in this section. Investing in any Notes issued under the Programme involves certain risks. Prospective investors should consider, among other things, all the risks inherent in making such an investment, including the risk factors set forth below, before making a decision to invest in any Notes. These risk factors, individually or together, could have a material adverse effect on the Issuer’s business, financial condition, prospects, operations or financial condition which, in turn, could have a material adverse effect on its ability to make payments under any Notes issued under the Programme.*

*In addition, the value of any Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment. Prospective investors should note that the risks described below are not only the risks that the Issuer faces but are the risks that the Issuer considers to be material. There may be additional risks that the Issuer currently considers immaterial or of which it is currently unaware, and any such risks could have effects similar to the risks set forth below. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with any Notes issued under the Programme are also described below.*

### **Risks associated with emerging markets**

***Investing in securities involving emerging markets generally involves a higher degree of risk than more developed markets***

Investors in emerging markets, such as those in which the Issuer operates, should be aware that these markets may be subject to greater risk than more developed markets, including in some cases significant legal, economic, monetary and political risks. Investors should also note that emerging markets are subject to rapid change and that the information set out in this Offering Circular may become outdated relatively quickly. Accordingly, investors should exercise care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in any Notes issued under the programme.

Turbulence in the international capital markets from time to time has led to reduced liquidity and increased credit risk premiums for certain market participants and has resulted in a reduction of available financing. Entities located in countries in emerging markets may be particularly susceptible to this turbulence and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty. In addition, though institutions such as the Issuer are normally expected to be exempt from such restrictions, state or central bank intervention (such as the imposition or exercise of currency controls) in response to turbulence in financial markets may have a negative effect on the operation of entities located in countries in the emerging markets.

In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in any market) could affect the price or availability of funding for entities within any of these markets.

Most of the Issuer’s Member States are emerging market economies, and as such investors should consider the above-mentioned risks before investing in any Notes issued under the Programme.

### **Risks relating to investments in the Black Sea Region**

***The economic conditions in the Black Sea Region will be adversely affected by the global economic slowdown caused by the coronavirus pandemic, and this may negatively impact the Issuer’s business, financial condition and results of operations***

The ongoing coronavirus outbreak emanating from China at the beginning of 2020 has resulted in increased travel restrictions, extended quarantine or “lockdown” measures and closure of certain businesses and a general decrease in market activity since February 2020. As at the date of this Offering Circular, all of the Issuer’s

Member States were in varying degrees of lockdown and isolation in order to combat the spread of the coronavirus. All Member States have recorded cases of coronavirus and deaths associated with it, but numbers differ considerably among countries. The pandemic is expected to have a severe and negative economic impact in the Black Sea Region, the extent of which will depend primarily on the duration of lockdown in place in each country. The longer the crisis continues, the more adverse and severe the impact, and the more difficult the subsequent economic recovery, will be.

The pandemic crisis has shut down much if not most private sector activity and will continue to put a significant strain on public finances across the Black Sea Region. Sectors such as transportation and tourism have been especially hard hit and are likely to take the longest to recover. Depending on how the pandemic progresses, it could cause permanent damage in some sectors, possibly resulting in a significant loss in wealth generating capacity.

The Issuer has developed three scenarios in relation to the possible economic impact of the coronavirus pandemic. See “*General Description of the Programme – Recent Developments*”. However, the occurrence and future spread of the pandemic, as well as the response of the Member States, is beyond the Issuer’s control and the Issuer can provide no assurance as to the likelihood of any scenario arising or the economic impact of the pandemic in the areas in the Black Sea Region or the resulting impact on the Issuer’s business, financial condition or results of operations.

### ***Member States have a higher degree of country risk than other countries in Western Europe***

The Issuer believes that the countries comprising the Black Sea Region as a whole, which are Greece, Russia, Turkey, Romania, Bulgaria, Ukraine, Azerbaijan, Albania, Armenia, Georgia and Moldova (the “**Black Sea Region**”), possess a higher degree of country risk than countries in Western Europe. As defined by the Issuer, country risk represents the likelihood that a non-business event will occur, or a non-business related situation will arise, which may threaten (a) the normal operation of a company, (b) the value of assets, and/or (c) the profitability and performance of loans and investments. Generally, country risk represents the weighted sum of a collection of ratings and scorings covering a broad range of issues, including (i) macroeconomic performance and stability, (ii) external and internal security, as well as internal political and social stability, (iii) perceptions of public and private governance including implementation capacity, transparency and corruption, (iv) quality and clarity of a country’s legal and tax frameworks and the quality of the implementation thereof, (v) and overall the ability of economic entities to operate smoothly. Country risk is a function both of real, tangible factors, as well as perceptions, which are harder to evaluate and measure.

The Issuer operates in a number of jurisdictions that have from time to time experienced high levels of fraud, bribery and corruption. For example, certain jurisdictions have been allocated low scores on Transparency International’s “Corruption Perceptions Index”. Doing business in developing countries brings with it inherent risks associated with enforcement of the Issuer’s legal and contractual rights and third party obligations, fraud, bribery and corruption. Fraud, bribery and corruption are more common in certain jurisdictions than in others.

### ***Adverse changes to global and regional conditions in the economy and future macro-economic shocks may adversely affect the Issuer’s business and results of operations***

Since the global financial crisis and the downturn in emerging markets investment in 2015 and 2016, the Black Sea Region has proven vulnerable to exogenous shocks, with the degree of vulnerability usually determined by the apparent need for continued inflow of foreign capital. The Black Sea Region posted steadily declining rates of real GDP growth between 2010 and 2015, and briefly dipped into recession in early 2015 although it recovered in the latter part of 2015 onwards. Real GDP growth in the Black Sea Region rose in 2016 and peaked in 2017, before slowing in 2018 and 2019, to rates below the global GDP growth rate. Within the Black Sea Region, there has been significant variation in growth patterns from country to country, with some countries posting moderate levels of growth and others having experienced severe and sustained contractions. As a whole, economic growth in the Black Sea Region has underperformed that in other emerging market regions since 2009. Access to financing in the Black Sea Region has been uneven, and during periods of heightened risk aversion the Black Sea Region’s sovereigns have faced greater difficulty accessing capital markets while private firms and banks have on occasion been effectively shut out of the markets.

Based on the latest available data from the International Monetary Fund’s (“**IMF**”) International Financial Statistics, official national sources, and the Economist Intelligence Unit, real GDP grew by a weighted average

of 1.4 per cent. in 2019 across the Black Sea Region (including Serbia, which is a BSEC Participating State, but is not a Member State of the Issuer), from real GDP growth of 2.6 per cent. in 2018. As a result of the global economic slowdown caused by the coronavirus pandemic, economic performance in 2020 is expected to be substantially worse, though the extent remains to be seen. Even before the latest slowdown, investment has been systematically weak in most countries in the Black Sea Region over the last several years, weakening both current economic output and longer term growth potential of the Black Sea Region's economies.

The Black Sea Region is particularly susceptible to shifts in investor confidence. As such, an exogenous shock to global markets or a downturn in the economy of the European Union (the "EU"), the Black Sea Region's main export destination and source of investment, could lower the rate of economic growth with potential negative implications for the flows of foreign capital to or from the Black Sea Region. This in turn could depress both the value of regional currencies and the economy of the Black Sea Region more generally, which may reduce the creditworthiness of the borrowers to which the Issuer has extended loans.

While the countries in the Black Sea Region have undertaken fiscal consolidation in order to improve public finances, progress towards achieving longer term development objectives and structural reforms (such as liberalising or restructuring particular sectors of the economy) has been relatively slower since the global financial crisis. There is thus still significant work to be done in order to improve business environments and increase potential economic growth levels. It is difficult to predict the extent and success of such reforms, and whether they will affect the Issuer's business and results of operations.

***Some of the Issuer's Member States are dependent on official sector support and may experience weaker economic performance and/or be unable to meet their obligations to the Issuer if this support is withdrawn***

Following the global financial crisis, Romania and Greece received material amounts of emergency assistance from the European Union, and a number of Member States, namely Armenia, Georgia, Greece, Moldova and Romania (precautionary), and Ukraine, executed Stand-By Arrangements ("SBAs") with the IMF. At present, Georgia and Moldova receive IMF support under Extended Fund Facilities ("EFFs"), Ukraine is negotiating a new EFF, and Armenia has a precautionary SBA with the IMF, the amounts for which it intends to increase in response to the coronavirus pandemic. Albania negotiated a EUR 174 million Rapid Financing Instrument ("RFI") programme of assistance to help cope with disruption caused by an earthquake in late 2019 as well as the ongoing pandemic. Moldova, in addition to its EFF, negotiated a RFI programme and Rapid Credit Facility ("RCF") totalling EUR 235 million to cope with the pandemic. At present, no other Member State is known to be discussing obtaining support from the IMF, but it is possible that some may do so in the future as a result of the ongoing coronavirus pandemic and its negative impact on economic activity.

Although substantial fiscal consolidation has been achieved in the years since the global financial crisis, some economies in the Black Sea Region continue to have budget deficits, some countries are continuing to run large current account deficits, and still others are experiencing rising public debt levels. With capital markets uncertain, and occasionally becoming illiquid, failures of these countries to increase savings and exports, or to reduce domestic demand for imports, could put additional depreciation pressure on local currencies and result in weaker economic growth.

The economic prospects of these Member States are somewhat dependent on the official sector's (especially the IMF's) continued willingness to provide support, as well as economic conditions in the EU, which is the main trading partner for most of the Member States, and the principal source of investment and other forms of financing. If, for example, political sentiment made it difficult or impossible to sustain assistance to these Member States they could find it difficult to meet their financial obligations, possibly including obligations with regard to the Issuer.

***The Issuer's Member States may experience difficulties in implementing structural reforms necessary to sustain economic growth, which may in turn impact the Issuer's business, financial condition and results of operations***

In certain Member States, structural reforms are still needed in order to promote growth. Energy sectors and agriculture are in need of such reforms, but most reforms concern labour and product markets. Additionally, most if not all Member States require significant investment in infrastructure. Following the outbreak of the global financial crisis, risk of financial sector dysfunction became an immediate threat for the economies of the Black Sea Region and governments necessarily shifted their focus from structural reforms to measures aimed

at stabilising the financial sector. Regional governments and central banks (with the assistance of the IMF and EU) intervened to stabilise Member States' financial sectors. However, in any future financial crises it may be more difficult financially and politically for governments to intervene due to more limited fiscal capacity and the political unpopularity of such measures. Such limitations on Member State action may impact upon the Issuer's business, financial condition and results of operations.

***The Black Sea Region is exposed to geopolitical risks, and these may affect the Issuer's business, financial condition and results of operations***

The Black Sea Region is bordered by areas that have historically been prone to conflict and/or political unrest. Although conflicts and unrest in neighbouring areas have so far had no impact on the Issuer's existing operations, it is possible that such events, should they occur in future, may adversely affect the economy of the Black Sea Region and consequently the Issuer's results of operations and financial condition.

Furthermore a number of the Member States have unresolved political differences with their neighbours. During 2008, one such disagreement between Russia and Georgia flared into a short-lived armed conflict, although that conflict had no impact on the Issuer's existing operations and continued political differences have not adversely affected the Issuer's decision making capabilities or the functioning of its operations.

In April 2016, armed conflict restarted in the disputed Nagorno-Karabakh region between Armenia and Azerbaijan and a ceasefire was agreed under the mediation efforts of the Russian Federation on 5 April 2016. Nevertheless, smaller scale skirmishes continue on a frequent basis. While this conflict to date has had no impact on the Issuer's operations, the fighting in this region is cause for concern, and it is not possible to assess with any degree of certainty whether this is a limited incident or the commencement of broader hostilities.

The Syrian conflict has resulted in over three million refugees fleeing to Turkey and a large and growing portion of such refugees seeking to claim asylum in Western Europe. In the process, many such refugees have taken a route that involves crossing the territory of Turkey and Greece (and, to a lesser extent, that of Albania, Bulgaria and Romania). This refugee flow has created humanitarian crises and increased political tensions among European Union countries. This resulted in an agreement between the European Union and Turkey to return refugees to Turkey from (primarily) Greece in exchange for (i) certain Western European states taking refugees directly from Turkey, (ii) monetary compensation to Turkey to facilitate accommodation and repatriation of refugees and the (iii) furtherance of Turkey's accession process to become a member of the European Union. Dissatisfaction with the implementation of this agreement resulted in renewed tensions between Greece and Turkey over refugees in early 2020. As at the date of this Offering Circular, the tensions have subsided and been overtaken by the coronavirus pandemic, but may yet flare up in the future. Nevertheless, to date, the Syrian refugee crisis has not had a material impact on the Issuer's operations.

Throughout 2018 and 2019, Turkey undertook military operations in northwest Syria, with the stated aim of disrupting operations of Kurdish fighters operating over the Syrian border which the Turkish government alleged conducted attacks in Turkey. This conflict remains ongoing and to date has not had a material impact on the Issuer's operations.

Turkey's involvement in Syria has created tensions with the United States, and a series of other events including the jailing of US citizens and the impending purchase by Turkey, a NATO member, of a Russian made high technology anti-aircraft system have resulted in rising tensions between the two countries. As part of these tensions, the US has imposed tariffs on certain Turkish products (and sanctions on certain members of the government). While some tariffs have been eased since their initial imposition, the tension remains and beyond the economic impact of the tariffs, they have generated concern in markets that in turn has resulted in downward volatility in the value of the Turkish lira.

The armed conflict in eastern Ukraine, which broke out in 2014, has not impacted the Issuer's operations directly, but it has resulted in a series of credit rating downgrades of Ukraine and Russia and it has contributed to a prevailing environment of political and economic uncertainty. Ukraine successfully concluded parliamentary and presidential elections in 2019, with a peaceful transition of power from the incumbent to the victor.

It is possible that these types of events may continue to have an adverse impact on the economies of the relevant Member States and this could affect the Issuer's results of operations and financial condition. Moreover, it is

also possible that the imposition of economic or other sanctions in response to or anticipation of such tensions could inhibit trade in the Black Sea Region and/or the Issuer's activities more directly, which may affect its business, financial condition and results of operations.

***The possible imposition of further sanctions on Russia may adversely affect the Issuer's business, financial condition and results of operations***

At present, the third largest geographic concentration of the Issuer's outstanding loan portfolio is located in Russia, which accounts for 12.9 per cent. of outstanding loans. Russia's GDP grew by 1.3 per cent. in 2019, in line with most expectations.

The possibility of additional sanctions implemented by the United States and/or the European Union against Russia or vice versa (see "*Sanctions, including those imposed in light of the situation in Crimea and the conflict in eastern Ukraine, may affect the Issuer's business, financial condition and results of operations*" below), civil strife and actual or threatened military action in the region may worsen the economic challenges faced by Russia and the surrounding areas. The Russian economy remains heavily reliant on the oil and gas industry. At the same time, the Russian banking sector has only slowly recovered from the slowdown of previous years, and may be vulnerable to crises in the future, with the possibility of deteriorating asset quality and weak capitalisation levels placing pressure on banks' capital ratios. Any or all of these factors could have a material adverse effect on the Issuer's operations in Russia, and may affect its business, financial condition and results of operations.

As of the date of this Offering Circular, Russia has met all of its capital obligations to the Issuer.

***Sanctions, including those imposed in light of the situation in Crimea and the conflict in eastern Ukraine, may affect the Issuer's business, financial condition and results of operations***

The Issuer has in place all requisite internal mechanisms in order to continue to comply fully with its covenanted obligations, including under the Programme, in relation to all relevant international sanctions. This may limit its ability to undertake certain operations following the imposition of sanctions upon various individuals and institutions by, among others, the United States and the European Union including those sanctions imposed as a result of the situation in Crimea and the conflict in Eastern Ukraine. While the current regime of sanctions (including those imposed by the United States in April 2018 on Russian companies, individuals and officials) had no adverse effect on the Issuer's operations, if the current regime of sanctions is expanded, or additional sanctions regimes are imposed on any Member State by any other country or organisation, this may further limit the ability of the Issuer to undertake operations.

***It is not possible to predict how future legislative developments will impact the Issuer's business prospects***

The legal framework with respect to private investment and private property in some of the Member States is at a relatively earlier stage of development compared to countries with established market economies. In addition, the judicial systems of certain Member States may not be regarded as fully independent of outside social, economic and political forces, and therefore court decisions may be difficult to predict. Future legislative developments may have a negative impact on the Issuer's business, financial condition and results of operations.

***Risks relating to the Issuer***

***The Issuer is an international financial institution and Notes issued under the Programme are not guaranteed by any sovereign entity or agency***

The Issuer is an international organisation founded by the Member States pursuant to the Establishing Agreement. The Establishing Agreement has the status of a treaty under public international law and the Issuer is a creation of, and subject to, public international law. The Issuer's existence, powers, privileges, immunities, liabilities and operations are subject to and governed by the Establishing Agreement. The Issuer is not subject to regulation by any state. Accordingly, while the Issuer has established policies and procedures to govern its internal operations in accordance with international standards, such as Basel and IFRS standards, the operations of the Issuer are not subject to external regulatory oversight, in contrast to domestic financial institutions of its Member States. See "*Description of the Issuer—Legal Status, Privileges and Immunities*".

Although founded by the Member States, the Issuer is a legal entity separate from both the governments of its members and the agencies of such governments. The principal of any Notes issued under the Programme, and interest due or to become due in respect of such Notes, constitute obligations solely of the Issuer and do not constitute the obligations of, nor are they guaranteed or insured by any Member State or sovereign entity or agency thereof. Since the Issuer's obligations are not guaranteed or insured by any one sovereign or Member State, the Issuer does not have a single lender of last recourse.

***The Issuer is exposed to credit risks owing to the concentration of its operations within the Black Sea Region and in certain economic sectors***

As an international financial institution created by its eleven Member States, the Issuer is required under its Establishing Agreement to only finance operations and provide financial services in its Member States and is prohibited from carrying out its ordinary operations in other markets. As a result, the Issuer's portfolio is highly geographically concentrated and strongly correlated with the economic performance of its Member States. Any deterioration in economic conditions in the Issuer's Member States could have a material adverse effect on the Issuer's financial condition and results of operations.

The Issuer has a relatively low borrower quality with an average weighted borrower rating of B1 (though a number of borrowers are capped by the rating of the sovereign within which they operate, and may exhibit individual credit characteristics more consistent with better-rated entities). Due to the Issuer's mandate and the region of its operations, this is not expected to change in the near future. As at 31 December 2019, the Issuer had liquid assets, comprised of account balances, Euro commercial paper and bonds, totalling EUR 420.9 million. Of these liquid assets, 62.5 per cent. were rated at Aa3 or above, and 97.7 per cent. were Baa3 or above.

In addition, the Issuer's loan portfolio includes and is likely to continue to include concentrations in certain specific sectors of its Member States' economies. As at 31 December 2019, the Issuer had EUR 1,820.9 million in loans outstanding to 103 borrowers, out of which 32.0 per cent. were to the financial institutions sector, 20.4 per cent. to the utilities sector, 14.8 per cent. to the industrials sector, 12.5 per cent. to the energy sector, 6.8 per cent. to the materials sector, and 5.0 per cent. to the healthcare sector.

While the Issuer has made significant efforts to re-balance its sectoral exposure, the Issuer's exposure to the financial institutions sector has historically been, and remains, its largest sectoral exposure. This is primarily due to the fact that the Issuer uses financial institutions for a variety of purposes, including direct lending, SME lines of credit, mortgage lines of credit, and trade finance. The Issuer assumes direct credit risk on all counterparty financial institutions and is thus potentially exposed to regulatory risk in certain of the countries in which it operates.

As at 31 December 2019, the top ten outstanding exposures in the Issuer's loan portfolio accounted for 39.3 per cent. of the total loan portfolio, while the top twenty exposures accounted for 62.1 per cent. Out of the top ten outstanding exposures, the main exposures were to the utilities sector at 36.8 per cent., to the financial institutions sector at 25.1 per cent., to the energy sector at 21.0 per cent. and to the industrial sector at 17.1 per cent. Out of the top twenty outstanding exposures, the main exposures were to the financial institutions sector at 30.6 per cent. to the utilities sector at 27.0 per cent., to the energy sector at 17.4 per cent. and to the industrials sector at 14.2 per cent.

As at 31 December 2019, the majority of the Issuer's operations, accounting for 72.8 per cent. of the total portfolio, were with private sector borrowers, while 27.2 per cent. of the Issuer's outstanding portfolio was classified, by the Issuer, as lending to the public sector, and 19.1 per cent. possessed a sovereign guarantee. In accordance with its medium term strategy, the Issuer intends to increase its public sector lending to one third of its total loan portfolio, which could result in significantly larger exposures to single obligors or projects.

***The Issuer's growth strategy and performance is dependent on identifying appropriate projects and the availability of external financing***

The Issuer started making loans to borrowers in 1999 and, as at 31 December 2019, its outstanding customer loan portfolio amounted to the equivalent of EUR 1,820.9 million, with an average maturity of between 3.5 and 4 years resulting in 25 to 30 per cent. annual turnover. Continued growth of the Issuer's loan portfolio is contingent upon the Issuer finding appropriate projects to finance.

The Issuer has thus far obtained financing for the growth of its loan portfolio from syndicated loans, bi-lateral loans and bond issues in 2009, 2012, 2015, 2016, 2017 and 2019. The Issuer expects to finance a portion of additional development projects through, *inter alia*, borrowing from banks and the issuance of securities in the international capital markets. The use of these sources of external financing could increase the Issuer's funding costs above the costs of other financial institutions that rely on other funding sources such as term deposits of corporate and individual customers. In addition, the nature of the Issuer's loan portfolio requires the Issuer to obtain relatively long term financing to seek to match the relatively long tenors of loans in the loan portfolio. The Issuer has an institutional requirement to maintain liquidity at a minimum of 50 per cent. of the next 12 months' net cash requirement, including projected disbursements, which is a lower liquidity requirement than certain other multilateral development banks, some of which require holding 100 per cent. of cash needs over the next 12 or more months. Moreover, unlike commercial banks, the Issuer does not have access to funding from a central bank or another lender of the last resort. The Issuer's ability to borrow from other financial institutions, to issue securities in the international and local capital markets or otherwise to obtain funding for transactions on favourable terms, or at all, could be adversely affected by adverse financial and economic market conditions, disruption in international capital markets or deteriorating investor sentiment. If the Issuer is unable at any time to obtain financing on acceptable terms to comply with its investment strategy and to meet ongoing liquidity requirements, it may not be able to pursue investment opportunities as planned or meet its growth targets and its business may be adversely affected as a result. In addition, any Notes issued under the Programme may constitute a significant portion of the Issuer's balance sheet which could expose the Issuer to refinancing risk in future.

***Fluctuations in interest rates and a continued low interest rate environment could have a material adverse effect on the Issuer's results of operations and financial condition***

The profitability of the Issuer is dependent to a large extent on its net interest income (which is the difference between interest income that the Issuer earns on interest bearing assets, such as loans and investment securities, and the interest expense paid by the Issuer on interest bearing liabilities, such as borrowings). Net interest income, in turn, is fundamentally dependent on the interest rates earned and paid on its assets and liabilities. These rates are highly sensitive to many factors beyond the Issuer's control, including general economic conditions, actions of competitors and policies of various government and regulatory authorities. Fluctuations in interest rates are not predictable or controllable. A continued low interest rate environment in the Eurozone in particular would be likely to continue to have an adverse impact in the Issuer's profitability.

The majority of the Issuer's lending and borrowing is at floating rates. The Issuer is exposed to interest rate risks as, from time to time, maturities of assets and liabilities are not balanced and an increase or decrease in interest rates could have an adverse effect on the net interest spread and results of operations of the Issuer. Absolute changes in market interest rates, changes in the relationships between short term and long term market interest rates or between different interest rate indices may affect the interest rates charged by the Issuer on interest bearing assets differently than the interest rates paid on interest bearing liabilities. This difference could result in an increase in interest expense relative to interest income and, therefore, reduce the Issuer's net interest income. While the Issuer monitors its interest rate sensitivity by analysing the composition of its assets and liabilities and off balance sheet financial instruments (currently comprising foreign exchange forward contracts and cross currency interest rate swaps) interest rate movements may have a material adverse effect on the Issuer's results of operations and financial condition.

***The Issuer is exposed to foreign currency exchange rate risks***

Foreign currency exchange rates are highly sensitive to many factors beyond the Issuer's control, including global fiscal and monetary policies of governments and central banks, including those in the jurisdictions in which the Issuer operates. The policies of the governments of the Issuer's Member States can have a material impact on foreign currency exchange rates and such policies are subject to change. The Issuer is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and to limits on its open currency positions pursuant to its internal policies. The Issuer is sensitive to exchange rate fluctuations of the U.S. dollar and the Euro. The Issuer's paid-in capital is held in Euro and, over the past three years, the Issuer's loan portfolio has been 30 to 40 per cent. denominated in U.S. Dollars, 50 to 60 per cent. in Euros and 0 to 10 per cent. in other currencies. In addition, the majority of the Issuer's administrative expenses are denominated in Euros and, over the past three years, its income has been 35 to 45 per cent. denominated in U.S. dollars with the remaining 55 to 65 per cent. predominantly in Euros. Future changes in currency exchange rates

and the volatility of the U.S. dollar, Euro and of other currencies may adversely affect the Issuer's foreign currency position. As of the date of this Offering Circular, the Issuer has 57.0 per cent. of its loans in Euro, 36.0 per cent. in U.S. Dollars and the remaining 7.0 per cent. in Member State currencies. When lending in Euro and U.S. Dollars the Issuer targets export-oriented companies with earnings in Euro or U.S. Dollars in order to mitigate the risks of local currency depreciation.

***If a Member State fails to honour its obligations with respect to capital subscription in full, the Issuer's ability to meet its liabilities could be affected***

Of the Issuer's initial SDR 1 billion (EUR 1,150 million) of authorised share capital, SDR 300 million (EUR 345 million) has been paid in and SDR 700 million (EUR 805 million) is callable by the Issuer. A further SDR 2 billion (EUR 2,300 million) was authorised by the Board of Governors in 2007 and SDR 1 billion (EUR 1,150 million) committed for subscription by existing Member States in 2008. In 2009 Moldova requested and the Board of Governors approved a reduction in its total shareholding to 0.5 per cent. and it therefore will not participate in the second capital subscription. This additional capital has the same 30 per cent. payable / 70 per cent. callable structure and followed the same payment schedule format as the initial share issue; the initial 10 per cent. payment and eight scheduled payments of 2.5 per cent. were due by 31 December 2018. Of these amounts, EUR 340.1 million had been received as at 31 December 2018. As of the date of this Offering Circular, under the second subscription, all capital payment due under the second subscription, totalling EUR 341.5 million has been received. Following the redenomination of the Issuer's authorised share capital from Special Drawing Right ("SDR") to Euro and the conversion of all outstanding share capital commitments of participating Member States to Euros on 21 June 2013 (the "Effective Date"), all the above SDR amounts are also expressed in Euros using the exchange rate as at the Effective Date of EUR 1.15 per SDR 1.00.

If the Issuer asks the Member States to pay in callable capital and such a call is not honoured in full, this could have an adverse impact on the Issuer's ability to pay all its liabilities. However, each Member State has given an unconditional commitment with respect to such callable capital and despite sovereign credit rating downgrades in the Black Sea Region since the global financial crisis, 44.0 per cent. of the Issuer's callable capital is from Member States with investment grade ratings from at least one of the major credit rating agencies. See "Capital Structure".

***The Issuer's risk management techniques and strategies may not be fully effective in mitigating its credit risk exposure***

The Issuer makes use of standard credit risk management techniques and strategies, including adherence to a broad range of limits for single project, product, country, and sector, as well as IFRS-compliant impairment loss procedures and policies. The Issuer strives to develop and maintain a credit portfolio diversified among 11 member countries and 11 sectors of economic activity. The majority of the Issuer's portfolio is located within jurisdictions and economic sectors for which adequate statistical and qualitative information is available and thus credit recommendations are made on information from the most reliable of these sources. With regard to specific projects, the Issuer conducts a due diligence process. However, the Issuer's relatively short track record, combined with the medium-and long-term nature of a large part of the credit portfolio, offers no assurance that these techniques will prove sufficient to mitigate credit risks inherent in such operations. See "Risk Management".

***The Issuer has one non-performing loan and several Stage 3 loans in its portfolio and may have difficulties enforcing security***

As at 31 December 2018, the Issuer had no non-performing loans (historically defined by the Issuer as loans 90 days overdue for principal or interest payments). As at the date of this Offering Circular, the Issuer had one non-performing loan for EUR 4.1 million to an Information Technology Company in Romania. Compared to other similarly rated multilateral development banks, the Issuer's historical ratio of non-performing loans as a portion of its total loan portfolio is relatively high. Under IFRS 9 accounting standard, loans are classified as: Stage 1 (initial stage), Stage 2 (increased credit risk) or Stage 3 (credit impaired). As at 31 December 2019 the Issuer had loans totalling EUR 50.9 million in Stage 3. These Stage 3 loans are the non-performing loan mentioned above, a EUR 26.4 million loan to a company in the Consumer Staples sector in Armenia that is currently under a 15 year restructuring agreement signed in December 2019, a EUR 19.1 million loan to an Industrial Sector company in Greece that is currently being rolled over quarterly while a suitable restructuring plan is under negotiations and interest is being served and a EUR 1.3 million loan to a company in the Consumer Staples

sector in Armenia. Additionally, the Issuer has two loans, carried at a fair value of EUR 12.8 million through the profit and loss account, being a subordinated loan to a financial institution in Romania for EUR 10.0 million and a loan to a Real Estate sector company in Russia for EUR 2.8 million. The issuer has impairment allowances of EUR 34.4 million against its Stage 3 loans.

See “*Description of the Issuer—Non-Performing Loans*”. If the Issuer’s estimates of loan receivable losses is not adequate or its ratio of non-performing loans as a portion of its total loan portfolio increases, the Issuer may be required to make increases in its impairment losses for loans or charge-off loans, which could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

#### ***The value of collateral securing the Issuer’s loans and advances may decline***

Deterioration in economic conditions in the Member States or a decline in the value of assets in certain markets might reduce the value of collateral securing the Issuer’s loans and advances, increasing the risk that the Issuer would not be able to recover the full amount of any such loans and advances in a default. If the Issuer seeks to realise on any such collateral, it might be difficult to find a buyer and/or collateral might be sold for significantly less than its appraised or actual value. If the Issuer is not able to realise adequate proceeds from collateral disposals to cover loan losses, this may have a material adverse effect on the Issuer’s business, financial condition and results of operations.

#### ***There are restrictions on legal proceedings against the Issuer***

Under its Establishing Agreement, the Issuer enjoys immunity from every legal process, subject to certain important exceptions. The exceptions comprise cases arising out of or in connection with the exercise of its powers to borrow money, to guarantee obligations, or to buy and sell or underwrite the sale of securities. In such cases actions may be brought against the Issuer in a court of competent jurisdiction in the territory of the Member State in which the Issuer has its headquarters or in any country where the Issuer has appointed an agent for the purpose of accepting service or notice of process or has issued or guaranteed securities. As of the date of this Offering Circular, the Greek courts have been closed since 13 March 2020 and will remain closed until 15 May 2020 at the earliest due to measures implemented to protect public health during the Covid-19 pandemic. Such measures mean that it will not possible for any creditor of the Issuer to initiate legal proceedings against the Issuer before Greek courts or to commence any forced execution proceedings or pursue such already initiated proceedings within the territory of the Hellenic Republic until the measures are lifted. Although the Greek Government has initiated the gradual reinstatement of the operation of the Greek courts and such reinstatement has been implemented with respect to certain procedures (mainly concerning pre-notations of mortgages), such measures are expected to be fully lifted once the threat of the pandemic has dissipated or been minimised but there is uncertainty as to when the measures will be fully lifted and, as a result, there is a risk that any proceedings to be initiated by Noteholders in Greece against the Issuer in respect of the Notes would be affected. The Establishing Agreement also provides that all property and assets of the Issuer shall, wherever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Issuer. The effectiveness of these provisions of the Establishing Agreement in any other country except in the Member States would be a question of the laws of the relevant country.

In the Terms and Conditions of the Notes the Issuer agreed that any documents required to be served in relation to any proceedings arising from or connected with any Notes issued under the Programme may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London, EC2X 7EX, England. The Issuer’s headquarters are located in Greece, as prescribed in the Establishing Agreement, and under a headquarters agreement (an additional international treaty) dated 22 October 1998 between the Issuer and the Government of Greece (the “**Headquarters Agreement**”).

#### ***Enforceability of English judgments in Greece***

English judgments are currently enforceable in Greece pursuant to Regulation 1215/2012. Following the withdrawal of the United Kingdom from the European Union, Regulation 1215/2012 will cease to apply to English judgments in Greece at the end of the current transition period and, in the absence of a new reciprocal agreement on civil justice, the United Kingdom will be treated as a third country by the Greek courts. Should this occur, articles 905 and 323 of the Greek Code of Civil Procedure would apply to allow for the enforcement of English judgments in Greece provided that: (1) such court judgment is enforceable under the laws of the United Kingdom; (2) the judgment is not contrary to Greek public policy; (4) the unsuccessful party to the

proceedings leading to such judgment was not deprived of its rights to defend itself and participate in such proceedings, except if such restriction applies without discrimination to both nationals and non-nationals of the jurisdiction of the court who issued the judgment; and (4) the judgment is not contrary to a previous judgment issued by a competent court of the Hellenic Republic concerning the same dispute between the same parties.

***The Issuer is exposed to operational risk, and the Issuer's control systems can only provide reasonable assurance that operational risk will not adversely affect its business, financial condition and results of operations***

The Issuer is exposed to operational risk. Operational risk is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Issuer is also susceptible to fraud by employees or outsiders, unauthorised transactions by employees and operational errors, clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems.

The Issuer relies upon communication systems furnished by third party service providers to conduct its business. Although the Issuer utilises several communication providers simultaneously to mitigate the risks of communication failures, a failure or interruption or breach in security of a vendor's communication systems could occur, causing a failure or interruption in the Issuer's communication systems. Any such events could have an adverse effect on the Issuer's financial condition and results of operations.

The Issuer maintains a system of controls designed to monitor and control operational risk. However, a control system, no matter how well designed and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system will be satisfied. Inherent limitations in any system of controls include the possibility that judgments in decision making could be faulty and that breakdowns could occur as a result of simple human error or mistake. In addition, the Issuer is vulnerable to the risk that its personnel may not adhere to the Issuer's compliance procedures and risk management thresholds, which could harm the Issuer's reputation and business. The design of the Issuer's control system is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that the Issuer will not suffer losses from any failure of these controls to detect or contain operational risk in the future. Consequently, the potential inadequacy of the Issuer's internal processes or systems may result in unauthorised transactions and errors not being detected, or the Issuer's insurance may not cover the Issuer's losses from such transactions or errors, which may have a material adverse effect on the Issuer's financial condition or results of operations.

***The Issuer could be negatively affected by the soundness and/or perceived soundness of other financial institutions, which could result in significant systemic liquidity problems, losses or defaults by other financial institutions and counterparties, and which could materially adversely affect the Issuer's business, financial condition and results of its operations***

The Issuer is subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial services institutions within and outside the Black Sea Region. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This presents systemic risk and may adversely affect financial intermediaries that the Issuer may interact with and could have a material adverse effect on the Issuer's ability to raise new funding.

The Issuer regularly executes transactions with counterparties in the financial services industry. A default by, or even concerns about the financial resilience of, one or more financial services institutions could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could have a material adverse effect on the Issuer's business, financial condition and results of its operations.

***The Issuer's lending portfolio is approximately 77 per cent. floating rate, therefore an increase in interest rates may affect the ability of borrowers to repay loans***

As at 31 December 2019, 22.6 per cent. of the Issuer's total lending paid interest at a fixed rate and 77.4 per cent. paid interest at a floating rate. As such, given that the majority of the Issuer's total loans are floating rate, linked to LIBOR or to Euribor, increases in interest rates may affect the ability of the Issuer's borrowers to meet their debt obligations to the Issuer. While the currently low interest rates have reduced customer interest expense, there is a risk of increased defaults and delinquency rates if interest rates start to rise, which would result in higher loan payments. The financial strain imposed by increased higher loan payments could lead to higher default and delinquency rates, which could have a material adverse effect on the Issuer's business, results of

operations, financial condition and prospects and the Issuer's ability to fulfil its obligations under any Notes issued under the Programme.

***Future movements in currency exchange rates may affect the ability of borrowers to repay loans***

The Issuer's lending portfolio, as at the date of this Offering Circular, is denominated approximately 36.0 per cent. in U.S. Dollars and 57.0 per cent. in Euros. The Issuer targets borrowers who have earnings in U.S. Dollars or Euros and are therefore less exposed to exchange rate fluctuations between their domestic currencies and U.S. Dollars or Euros. Nevertheless, depreciation of Member State currencies against the U.S. Dollar or Euro may impair the ability of borrowers to repay loans.

***The Issuer has the ability to invest in equities and this might potentially increase the volatility of earnings***

As at 31 December 2019, the Issuer had strategic equity investments totalling 3.7 per cent. of its total members' equity. This percentage has marginally increased from 3.5 per cent. as at 31 December 2018. The Issuer's Medium Term Strategy and Business Plan 2019-2022 (and its January 2020 revision and update) envisages an equity portfolio in the range of 3 to 5 per cent. of the total loans and equity portfolio by the end of 2022 (see "*Description of the Issuer – Strategy – Core Components of the Issuer's Medium Term Strategy*"). The inclusion of equities among the assets of the Issuer subjects it to potential adverse movements in the market value of these investments, leading to greater potential volatility in earnings.

***The Issuer's mandate area overlaps with that of other development lenders***

While the Issuer looks to establish its own development niche, as well as coordinate strategies and cooperate as appropriate where possible in co-financing projects, there are many other public sector developmental financial institutions operating in the Issuer's mandate area, such as national, regional and other international development banks. The Issuer endeavours to avoid competition with commercial banks, given the central operative principle that development banks such as the Issuer should complement the private sector. In recent years, certain financial institutions have received government assistance, and may be brought into full or partial public ownership in response to the current crises in the financial markets. These developments may increase the number of relevant public sector developmental finance entities operating in the Issuer's mandate area. No assurance can be given that the Issuer will be able to maintain its profitability as it continues to implement its strategy.

***The Issuer's Member States may have interests that do not coincide with those of the Noteholders***

Under its Establishing Agreement, the Member States are required to refrain from attempts to influence any member of management or employee of the Issuer who owe their duty entirely to the Issuer. Furthermore, the Issuer's Board of Directors, as well as management and employees, are required under the Establishing Agreement to only take decisions that are relevant to the Issuer's purpose, functions and operations. However, the Board of Governors is the primary governing body of the Issuer and its members are all government officials appointed by each of the Member States. Although the Issuer has not experienced any pressure from the Member States to deviate from its credit and lending policies and procedures, there is no guarantee that the Issuer may not experience this type of pressure in the future. Any deviation from its credit and lending policies and procedures as a result of such pressure could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***Continued reductions in emerging market liquidity may adversely affect the Issuer's customers' businesses and may in turn affect the financial condition of the Issuer***

Periodic disruptions since the global financial crisis in the inter-bank and capital markets, as well as capital flight from emerging markets, have led on occasion to reduced liquidity and increased costs of funding, both for banks and for other participants in and users of these markets. Banks have experienced a reduction in available financing both in the inter-bank and short-term public funding markets, as well as in longer term capital markets. Corporate borrowers have not only found it difficult to access short term funds through media such as commercial paper but have also found banks unwilling to extend credit. The combination of these factors may result in significant increases in access to and costs of financing in certain markets, for both investment grade and non-investment grade borrowers, as well as marked reductions in the volume of credit extended. In particular, as witnessed in 2015 and early 2016, and again in March 2020 with the onset of the coronavirus pandemic, the availability of external credit to entities operating within the emerging markets may be

substantially reduced and significantly influenced by investor confidence in such markets as a whole, as opposed to confidence in the relevant market, and as such any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets.

***Acts of terrorism, war or other catastrophic events may affect the Issuer's business, prospects, financial condition or results of operations, and pose a risk to collateral taken as security for loans made by the Issuer***

The threat of terrorism and war is an issue in both developed and emerging economies. In conducting its business, the Issuer relies on telecommunication and other financial infrastructure worldwide. Any potential future terrorist or other attack or catastrophic event on the elements of the global financial infrastructure may have a material adverse effect on the Issuer, regardless of where any such attack or catastrophic event may occur.

The Issuer is unable to predict the effect that any potential future terrorist or other attack on the elements of the global financial infrastructure may have on the Issuer, regardless of where any such attack may occur. An increase in the number of terrorist attacks or violent crimes, or the occurrence of a large-scale terrorist attack in the Black Sea Region could have a negative impact on Member States' economies and therefore the Issuer's business, results of operations and financial condition.

In addition, the Issuer has historically obtained collateral security for its loans on infrastructure projects. A terrorist or other attack, or the occurrence of any natural disaster, affecting the collateral for any loan made by the Issuer, could adversely affect the value of such collateral and the credit quality of the borrower, increasing the risk of default by the borrower and could have a material adverse effect on the Issuer's financial condition and results of operations.

***Member States may take actions that will have direct or indirect adverse consequences for the Issuer's business, prospects and results of operations***

Although the Issuer is an international organisation having a legal personality separate from its Member States, the Issuer and its business operations may be affected by decisions of individual Member States in their relations with other nations, such as the ongoing conflict between Russia and Ukraine. These decisions may result in adverse effects on the Issuer and the business environment in which the Issuer and its counterparties operate. This may include the reduction or cessation of commercial activity by private counterparties as the result of perceived increases in operational risk, or more formal actions by countries or international organisations to limit or preclude business activity by their nationals or organisational participants with the Issuer or in the areas in which the Issuer operates, for example, sanctions against Ukraine enacted by Russia. No assurance can be given that future circumstances will not adversely affect the creditworthiness of borrowers in the Black Sea Region and increase the Issuer's funding costs. See "*Risks relating to investments in the Black Sea Region*".

***The Issuer relies on its ability to recruit and retain qualified personnel, without whom it may not be able to manage its business effectively***

The Issuer's success depends, in part, on its ability to retain, motivate and attract qualified and experienced management and staff. If the Issuer continues to grow, it may need to hire more employees and may face challenges in recruiting qualified personnel. The Issuer is also dependent on members of its Board of Directors and other key members of the executive and senior management team for the development and implementation of its strategy. Should members of the current executive and senior management team opt to leave the Issuer, the operational efficiency of the management team may be compromised, which in turn may have an adverse effect on the Issuer's efficiency.

While the Issuer believes that it has effective staff recruitment, training, incentive and compensation programmes in place that are comparable to entities with which it may compete for personnel, there can be no assurance that these will be sufficient to recruit and retain sufficient numbers of qualified personnel. The Issuer's failure to recruit, train and/or retain necessary personnel could have a material adverse effect on its business, results of operations and financial condition.

***The Issuer's operations are subject to disruptions to, or the improper functioning of, its information technology systems***

The Issuer's business services and functions rely upon the proper delivery of IT services or applications to support their operations. While the Issuer has implemented and has future plans for various projects to ensure the proper functioning of its IT systems, any significant inadequacy, disruption, breach, failure, performance issues or interruption of the Issuer's IT systems or any other inadequate selection of new technology, delays caused by the implementation of new technology or incomplete integration of new technology into the existing IT systems could result in unforeseen expense and difficulties in conducting the Issuer's operations, which might have a material adverse effect on the Issuer's business, financial condition and/or results of operations.

In addition, most of the Issuer's data has a daily backup stored in a data centre located in Sofia, Bulgaria, and the backup of the Issuer's IT applications depends upon the proper functioning of the Sofia data centre. In the event of a disaster, natural or otherwise, whereby the Issuer cannot operate its technology infrastructure, an "Uninterrupted Power Source" is installed in the Issuer's data centre, which is connected to a generator, to support the data centre in case of power outage systems. However, business critical applications might only function with limited capacity in such an event. For further information on the Issuer's IT system, see "*Description of the Issuer – Technology*".

## **Risks relating to the Notes issued under the Programme**

### ***The Notes may not be a suitable investment for all investors***

Each potential investor in any Notes issued under the Programme must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of any Notes issued under the Programme, the merits and risks of investing in such Notes and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in any Notes issued under the Programme and the impact such Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in any Notes issued under the Programme, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of any Notes issued under the Programme and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### **Risk related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

#### ***Notes subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Inverse Floating Rate Notes***

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of such Notes.

### ***Fixed/Floating Rate Notes***

Fixed/Floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the then-prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then-prevailing rates on its Notes.

### ***Calculation Agent conflicts of interest***

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such a case the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***New Safekeeping Structure***

Notes issued under the Programme may be registered on issue in the name of a nominee for Euroclear or Clearstream, Luxembourg as common safekeeper. This does not necessarily mean that such Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

### ***Risks related to the Notes generally***

Set out below is a brief description of certain risks relating to any Notes issued under the Programme generally:

#### ***Modification, waivers and substitution***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of a particular series of Notes including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the parties to the Agency Agreement may, without the consent of Noteholders, agree to any modification of the provisions of the Notes if such modification is, in the sole opinion of the Issuer (i) of a formal, minor or technical nature, (ii) made to correct a manifest error or (iii) not materially prejudicial to the interests of Noteholders.

#### ***Notes may be subject to withholding due to FATCA***

With respect to (i) Notes issued after the date that is six months after the date the term “foreign passthru payment” is defined in regulations filed in the U.S. Federal Register (the “**Grandfather Date**”), or (ii) Notes issued on or before the Grandfather Date that are materially modified after the Grandfather Date, the Issuer may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“**FATCA**”) to withhold U.S. tax at a rate of 30 per cent. on all or a portion of payments of principal and interest which are treated as “foreign passthru payments” made on or after the date that is two years after the date on which the final regulations defining “foreign passthru payment” are published in the U.S. Federal Register, at the earliest, to an investor or any other financial institution through which payment on the Notes is made that is a non-U.S. financial institution that is not in compliance with FATCA. As of the date of this Offering Circular, regulations defining the term “foreign passthru payment” have not yet been published. If the Issuer issues further Notes on or after the Grandfather Date pursuant to a reopening of a series of Notes that was created on or before the Grandfather Date (the “**original Notes**”) and such further Notes are not fungible with the original Notes for U.S. federal income tax purposes, payments on such further Notes may be subject to withholding under FATCA and, should the original Notes and the further Notes be indistinguishable for non-tax purposes, payments on the original Notes may also become subject to withholding under FATCA.

The FATCA withholding tax may be triggered if: (i) the Issuer is a foreign financial institution (an “**FFI**”) as defined in FATCA, (ii) the Issuer, or any paying agent through which payments on the Notes are made, has agreed to provide the U.S. Internal Revenue Service (the “**IRS**”) or other applicable authority with certain information on its account holders (making the Issuer or such paying agent a “**Participating FFI**”) as defined in FATCA, and (iii) (a) an investor does not provide information sufficient for the relevant Participating FFI that is making the payment to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of such FFI, or (b) any FFI through or to which payments on the Notes are made is not a Participating FFI. The Issuer does not expect to be classified as an FFI under FATCA.

Significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any Paying Agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of any Notes issued under the Programme should consult their own tax advisers on how these rules may apply to payments they receive under such Notes.

#### ***Changes to English law and/ or administrative practice may affect the terms and conditions of the Notes***

The Terms and Conditions of any Notes issued under the Programme are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the effect of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

#### ***Holding less than the minimum denomination of the Notes may negatively affect the value and liquidity of such a holding***

Any Notes issued under the Programme will be issued with Specified Denominations (as set out in the Pricing Supplement) which may be a minimum denomination plus a higher integral multiple of another smaller amount in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of such minimum denomination. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum denomination in his account with the relevant clearing system at the relevant time may not receive an individual Note Certificate in respect of such holding (should individual Note Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination.

If Note Certificates are issued, Noteholders should be aware that Note Certificates which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

#### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***An active trading market for the Notes may not develop***

Any Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market. If an active trading market in such Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If any Notes issued under the Programme are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance that an active trading market will develop or as to the liquidity of such market.

Because any Global Note will be held by or on behalf of Euroclear, Clearstream, Luxembourg or DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Except in limited circumstances, Notes issued under the Programme will be represented by Global Notes and will be deposited with a common depository or common safekeeper for Euroclear and/or Clearstream, Luxembourg, or custodian with DTC. Except in certain limited circumstances described in each Global Note, investors will not be entitled to receive Definitive Notes or Individual Note Certificates. Each of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes. While such Notes are represented by a Global Note, investors will be able to transfer beneficial interests only through the relevant clearing systems and their participants.

While Notes issued under the Programme are represented by a Global Note, the Issuer will discharge its payment obligations under such Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing systems and its participants to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies. Similarly, holders of beneficial interests in a Global Note will not have a direct right under such Global Note to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

***Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes***

The Issuer will pay principal and interest on any Notes issued under the Programme in the currency specified in the applicable Pricing Supplement (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency equivalent value of the principal payable on the relevant Notes and (3) the Investor’s Currency equivalent market value of the relevant Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. In addition, an investment in any Notes issued under the Programme involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes.

***Legal investment considerations may restrict investment in the Notes***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) any Notes issued under the Programme are legal investments for it, (2) such Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of

such Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of any Notes issued under the Programme under any applicable risk-based capital or similar rules.

### ***Interest rate risks***

An investment in any Fixed Rate Notes issued under the Programme involves the risk that subsequent changes in market interest rates may adversely affect the value of such Fixed Rate Notes.

### ***Risks related to Notes which are linked to benchmarks***

Certain interest payments on Floating Rate Notes may be linked to the London Interbank Offered Rate (“**LIBOR**”), the Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the “**Benchmarks Regulation**”) applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The Benchmarks Regulation could have a material impact on any Floating Rate Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the discontinuance or unavailability of quotes of certain “benchmarks”.

As an example of such benchmark reforms, in July 2017, the FCA announced that it does not intend to continue, beyond the end of 2021, to encourage or compel its panel banks to provide rate submissions for the calculation of LIBOR. As a result, there can be no guarantee that LIBOR will be determined after 2021 on the same basis as at present, if at all.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a “risk free overnight rate” which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate (“**€STR**”) as the new risk-free rate for the euro area. The **€STR** was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with **€STR** or an alternative benchmark.

Such uncertainty as to the continuation of LIBOR or EURIBOR or other reference rates in their current forms, and the availability of quotes from reference banks, may adversely affect the trading market and value of any Floating Rate Notes. It is not possible to predict at this time the effect, including on the value of any Floating Rate Notes, of any such changes, the establishment of alternative reference rates or whether there will be any further reforms to LIBOR or EURIBOR or other reference rates that may be implemented in the United Kingdom, the EU or elsewhere.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was the rate or (as the case may be) the arithmetic mean last determined in relation to the Floating Rate Notes in respect of the preceding Interest Period.

Any such consequences could have a material adverse effect on the value of and return on any such Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Floating Rate Notes linked to or referencing a benchmark.

***Changes to the Issuer's credit rating may affect the value of the Notes***

The Issuer and its debt obligations have been assigned a rating of “A2 (stable outlook)” by Moody’s Investors Service Limited (“**Moody’s**”) and “A- (positive outlook)” by Standard & Poor’s Financial Services LLC (“**S&P**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. In Moody’s and S&P’s rating methodologies, Member State support is one of the factors used in determining the Issuer’s credit rating. Deterioration of Member States’ credit ratings could put downward pressure on the Issuer’s ratings. Any adverse change in an applicable credit rating could adversely affect the trading price for any Notes issued under the Programme.

## **USE OF PROCEEDS**

Unless specified otherwise in any applicable Pricing Supplement, the net proceeds from each issue of Notes under the Programme will be used by the Issuer in its ordinary operations, including but not limited to the funding of its lending operations.

## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- audited financial statements of the Issuer, as at and for the year ended 31 December 2019 prepared according to IFRS;
- audited financial statements of the Issuer, as at and for the year ended 31 December 2018 prepared according to IFRS; and
- the terms and conditions set out on pages 38 to 60 of the offering circular dated 5 June 2019 relating to the Programme under the heading “Terms and Conditions of the Notes”, which may be obtained from the following url: [https://www.ise.ie/debt\\_documents/Base%20Prospectus\\_a7b73b1d-6138-4fcf-a16a-54d71f8f4eee.pdf](https://www.ise.ie/debt_documents/Base%20Prospectus_a7b73b1d-6138-4fcf-a16a-54d71f8f4eee.pdf).

Copies of the documents specified above as containing information incorporated by reference in this Offering Circular may be inspected, free of charge, at the registered office of the Issuer. Copies of the Issuer’s audited financial statements (including the auditors’ report thereon and notes thereto) in respect of the years ended 31 December 2019 and 2018 (which are included in the Issuer’s annual report for 2019 and 2018, respectively) are also available on the Issuer’s website (<http://www.bstdb.org/>). Any information contained in any of the documents specified above which is not incorporated by reference in this Offering Circular is either not relevant to investors or is covered elsewhere in this Offering Circular. The contents of the websites referenced above do not form part of this Offering Circular.

If the documents incorporated by reference into this Offering Circular themselves incorporate by reference any information or other documents therein such information or other documents will not form part of this Offering Circular except where such information or other documents are themselves specifically incorporated by reference into the Offering Circular.

## FORMS OF THE NOTES

### Bearer Notes

Each Tranche of Notes in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System (“**Euroclear**”) and/or Clearstream Banking, S.A., Luxembourg (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system, and each Global Note which is intended to be issued in NGN form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the ECB announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the Euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) or substantially identical successor regulations (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) or substantially identical successor regulations (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### *Temporary Global Note exchangeable for Permanent Global Note*

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership *provided, however*, that in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form (“**Definitive Notes**”):

- (a) on the expiry of such period of notice as may be specified in the Pricing Supplement; or
- (b) at any time, if so specified in the Pricing Supplement; or
- (c) if the Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

#### ***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global

Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

#### ***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (b) at any time, if so specified in the relevant Pricing Supplement; or
- (c) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note”, then if either of the following events occurs:
  - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
  - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

In relation to any issue of Notes which are in the form of a Global Note exchangeable to Definitive Notes in circumstances other than “in the limited circumstances specified in the Global Note”, such Notes may only be issued in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination)

### ***Rights under Deed of Covenant***

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which complete those terms and conditions.

The terms and conditions applicable to any Bearer Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

### ***Legend concerning United States persons***

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”*

### **Registered Notes**

Each Tranche of Notes in registered form (“**Registered Notes**”) will be represented by either:

- (i) individual Note Certificates in registered form (“**Individual Note Certificates**”); or
- (ii) one or more unrestricted Global Registered Notes (“**Unrestricted Global Registered Note(s)**”) in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S (“**Unrestricted Registered Notes**”) and/or one or more restricted Global Registered

Notes (“**Restricted Global Registered Note(s)**”) in the case of Registered Notes sold to QIBs in reliance on Rule 144A (“**Restricted Registered Notes**”),

in each case as specified in the relevant Pricing Supplement, and references in this Offering Circular to “**Global Registered Notes**” shall be construed as a reference to Unrestricted Global Registered Notes and/or Restricted Global Registered Notes.

In a press release dated 22 October 2008, “*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*”, the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the “**New Safekeeping Structure**” or “**NSS**”) would be in compliance with the “*Standards for the use of EU securities settlement systems in ESCB credit operations*” of the central banking system for the Euro (the “**Eurosystem**”), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by an Unrestricted Global Registered Note will either be: (a) in the case of an Unrestricted Global Registered Note which is not to be held under the new safekeeping structure (“**New Safekeeping Structure**” or “**NSS**”), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Registered Note will be deposited on or about the issue date with such common depositary; or (b) in the case of an Unrestricted Global Registered Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Registered Note will be deposited on or about the issue date with such common safekeeper.

Each Note represented by a Restricted Global Registered Note will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for The Depository Trust Company (“**DTC**”) and the relevant Restricted Global Registered Note will be deposited on or about the issue date with the custodian for DTC (the “**DTC Custodian**”). Beneficial interests in Notes represented by a Restricted Global Registered Note may only be held through DTC at any time.

If the relevant Pricing Supplement specifies the form of Notes as being “**Individual Note Certificates**”, then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

#### ***Global Registered Note exchangeable for Individual Note Certificates***

If the relevant Pricing Supplement specifies the form of Notes as being “**Restricted Global Registered Note exchangeable for Individual Note Certificates**” or “**Unrestricted Global Registered Note exchangeable for Individual Note Certificates**”, then the Notes will initially be represented by one or more Global Registered Notes each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Global Registered Note”, then:
  - (a) in the case of any Restricted Global Registered Note, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Registered Note or DTC ceases to be a “clearing agency” registered under the Exchange Act or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;

- (b) in the case of any Unrestricted Global Registered Note, if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
- (c) in any case, if any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, each person having an interest in a Global Registered Note must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding). In addition, whenever a Restricted Global Registered Note is to be exchanged for Individual Note Certificates, each person having an interest in the Restricted Global Registered Note must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Registered Note stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Registered Note will bear the legends and be subject to the transfer restrictions set out under "Transfer Restrictions".

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (i) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note; or
- (ii) any of the Notes represented by a Global Registered Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of DTC, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of DTC, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. Subject to this, to the extent permitted by applicable law and/or regulation, the Pricing Supplement in respect of any Tranche of Notes may supplement, amend or replace any information in this Offering Circular.*

*The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” above.*

### 1. Introduction

- (a) *Programme:* Black Sea Trade and Development Bank (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to EUR 2,000,000,000 in aggregate principal amount of notes (the “**Notes**”).
- (b) *Pricing Supplement:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a Pricing Supplement (the “**Pricing Supplement**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 14 May 2020 (the “**Agency Agreement**”) between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), The Bank of New York Mellon SA/NV Luxembourg Branch as unrestricted notes registrar (the “**Unrestricted Notes Registrar**”), which expression includes any successor entity appointed from time to time in connection with the Notes), The Bank of New York Mellon, New York Branch is restricted notes registrar (the “**Restricted Notes Registrar**”, which expression includes any successor entity appointed from time to time in connection with the Notes, and together with the Unrestricted Notes Registrar, the “**Registrars**” and each a “**Registrar**”), the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them.
- (d) *Deed of Covenant:* The Notes may be issued in bearer form (“**Bearer Notes**”), or in registered form (“**Registered Notes**”). Registered Notes are constituted by a deed of covenant dated 14 May 2020 (the “**Deed of Covenant**”) entered into by the Issuer.
- (e) *The Notes:* All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing at the offices of the Issuer at 1 Komnion Street, 54624, Thessaloniki, Greece and at the Specified Office of each Paying Agent and copies may be obtained from those offices.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by the holder of any Note during usual

business hours at the specified office of the Fiscal Agent, subject to the Fiscal Agent being supplied by the Issuer with copies of such documents.

## 2. Interpretation

(a) Definitions: In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Pricing Supplement;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Business Day**” means:

- (a) in relation to any sum payable in Euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of

months after the calendar month in which the preceding such date occurred;  
and

- (e) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

“**Calculation Amount**” has the meaning given in the relevant Pricing Supplement;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30”;

- (f) if “30E/360” or “Eurobond Basis” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (g) if “30E/360 (ISDA)” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Pricing Supplement;

“**Establishing Agreement**” means the Agreement Establishing the Issuer as agreed by the member states of the Black Sea Economic Cooperation in Tbilisi, Georgia on 30 June 1994 and subsequently ratified by each member state;

“**EURIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate);

“**Extraordinary Resolution**” has the meaning given in the Agency Agreement;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

“**First Interest Payment Date**” means the date specified in the relevant Pricing Supplement;

“**Fixed Coupon Amount**” has the meaning given in the relevant Pricing Supplement;

“**Holder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

“**Interest Determination Date**” has the meaning given in the relevant Pricing Supplement;

“**Interest Payment Date**” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in

the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Pricing Supplement;

“**LIBOR**” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate);

“**Margin**” has the meaning given in the relevant Pricing Supplement;

“**Maturity Date**” has the meaning given in the relevant Pricing Supplement;

“**Maximum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Minimum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Noteholder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Pricing Supplement;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Pricing Supplement;

“**Participating Member State**” means a Member State of the European Union which adopts the Euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (a) if the currency of payment is Euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

- (b) if the currency of payment is not Euro, any day which is:
- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency **provided, however, that** in relation to Euro, it means the principal financial centre of such Participating Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Rate of Interest**” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Pricing Supplement;

“**Reference Banks**” has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“**Reference Price**” has the meaning given in the relevant Pricing Supplement;

“**Reference Rate**” means EURIBOR, LIBOR or such other reference rate as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

“**Regular Period**” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period

from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Financial Centre**” has the meaning given in the relevant Pricing Supplement;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Pricing Supplement;

“**Specified Currency**” has the meaning given in the relevant Pricing Supplement;

“**Specified Denomination(s)**” has the meaning given in the relevant Pricing Supplement;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Pricing Supplement;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in Euro;

“**Treaty**” means the Treaty of the Functioning of the European Union, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Pricing Supplement.

(b) Interpretation: In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “**outstanding**” shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “**not applicable**” then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement, as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. Form, Denomination, Title and Transfer

- (a) *Bearer Notes*: Bearer Notes in relation to a particular Series shall be issued in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- (c) *Registered Notes*: Registered Notes in relation to a particular Series shall be issued in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.
- (d) *Title to Registered Notes*: The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.
- (e) *Ownership*: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes*: Subject to paragraphs (i) (Closed periods) and (j) (Regulations concerning transfers and registration) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered

Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

#### 4. Status

Subject to Condition 5 (*Negative Pledge*), the Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank pari passu among themselves and at least pari passu with all other present and future unsecured obligations of the Issuer.

#### 5. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“**IFRS**” means the International Financial Reporting Standards as published by the International Accounting Standards Board;

**“Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non recourse basis);
- (f) any amount raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; or
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Relevant Indebtedness”** means any Indebtedness which is in the form of or represented by any bond, note, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or is ordinarily traded in any organised securities market (including, without limitation, any over the counter market); and

**“Security Interest”** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any relevant jurisdiction.

## **6. Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Bearer Notes*) or Condition 11 (*Payments – Registered Notes*) (as applicable). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one

Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

## 7. Floating Rate Note Provisions

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments – Bearer Notes*) or Condition 11 (*Payments – Registered Notes*) (as applicable). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
- (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;
- provided, however, that*** if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of the preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and
  - (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

- (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

*provided, however, that* if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub unit**” means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents, the Noteholders and, at the cost and expense of the Issuer, each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (h) *Appointment of replacement Calculation Agent:* If the Calculation Agent is unable or unwilling to act as such, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.
- (i) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error, wilful default or negligence) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person or any other party will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## 8. Zero Coupon Note Provisions

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## 9. Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments – Bearer Notes*) or Condition 11 (*Payments – Registered Notes*) (as applicable).
- (b) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (c) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(b) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules and practices of any clearing system in which Notes in global form are cleared, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(b) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (d) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(d), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date

(Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(d), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(d), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

- (e) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (d) above.
- (f) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 9(f) or, if none is so specified, a Day Count Fraction of 30E/360.

- (g) *Purchase:* The Issuer may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith. Notes so purchased may be held, reissued or resold or, at the option of the Issuer, surrendered to the Fiscal Agent or Registrar (as applicable) for cancellation, but while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders or for the purposes of Condition 17.
- (h) *Cancellation:* All Notes surrendered by the Issuer to the Fiscal Agent or Registrar (as applicable) for cancellation and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## **10. Payments - Bearer Notes**

This Condition 10 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euro, any other account to which Euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons

at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Pricing Supplement specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(d) (*Redemption at the option of Noteholders*), Condition 9(b) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment

Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## **11. Payments - Registered Notes**

This Condition 11 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is Euro, any other account to which Euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is Euro, any other account to which Euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in

accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.

- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date*: Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

## 12. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless where such withholding or deduction is imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code, in which case no additional amounts on the Notes by or on behalf of the Issuer shall be paid as a result of the imposition of any such withholding or deduction.

## 13. Events of Default

If any of the following events occurs:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof and such default continues for a period of 7 days or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and such default continues for a period of 14 days; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer; or
- (c) *Cross Default of Issuer*
  - (i) any Indebtedness of the Issuer is not paid when due or (as the case may be) within any originally applicable grace period and has not been subsequently paid;
  - (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
  - (iii) the Issuer fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub paragraph (iii) above individually or in the aggregate exceeds U.S.\$15,000,000 (or its equivalent in any other currency or currencies), and (in each case) the Issuer's failure to pay such amount due and payable continues until the expiration of any applicable grace period; or

- (d) ***Amendment of Establishing Agreement and/or Headquarters Agreement:*** the Establishing Agreement and/or the Headquarters Agreement dated 22 October 1998 between the Hellenic Republic and the Issuer (each as amended or supplemented from time to time) is amended in a manner or to an extent materially adversely affecting the Issuer's capacity to perform its obligations in respect of the Notes; or
- (e) ***Insolvency, etc.:*** the Issuer becomes insolvent or any order is made or any resolution is passed for the Issuer's liquidation or dissolution or the Issuer otherwise ceases to exist; or
- (f) ***Unlawfulness:*** it is unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant; or
- (g) ***Government intervention:*** (i) all or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any person acting under the authority of any Member State or (ii) the Issuer is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues, and (in each case) such action has a materially adverse effect on the Issuer's capacity to perform its obligations in respect of the Notes,

then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

#### **14. Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

#### **15. Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Paying Agent or Transfer Agent may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

#### **16. Agents**

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

## 17. Meetings of Noteholders; Modification and Waiver

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification:** The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is, in the sole opinion of the Issuer, of a formal, minor or technical nature, made to correct a manifest error or not materially prejudicial to the interests of the Noteholders.

## 18. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

*Noteholders should be aware that additional notes that are treated for non-tax purposes as a single series with the original Notes may be treated as a separate series for U.S. federal income tax purposes. In such a case, for U.S. federal income tax purposes, the new notes may be considered to have been issued with original issue discount, which may affect the market value of the Notes since such additional notes may not be distinguishable from the original Notes.*

## 19. Notices

- (a) Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

- (b) Notices to the Holders of Registered Notes will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

## 20. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 21. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 22. Provision of Information

The Issuer shall, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Note which is a “restricted security” within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

## 23. Governing Law and Jurisdiction

- (a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.
- (b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.
- (c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 23 (b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London, England, EC2V 7EX or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006.
- (f) *No Immunity:* The Issuer irrevocably agrees that the issuance of the Notes is an exercise of its power to borrow money and, in accordance with Article 45(1) of the Establishing Agreement, the Issuer shall have no immunity from any legal process brought against it in connection with the Notes in a court of competent jurisdiction in the Hellenic Republic or in England provided that in accordance with Article 45(3) of the Establishing Agreement the property and assets of the Issuer shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Issuer.

## FORM OF PRICING SUPPLEMENT

Pricing Supplement dated [●]

**BLACK SEA TRADE AND DEVELOPMENT BANK**  
**Legal Entity Identifier (LEI): 529900J7FSFACAGZ5042**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the EUR 2,000,000,000**

**Euro Medium Term Note Programme**

**OPTION - MiFID II Target market Legend for professional investors and ECPs (if any of the Issuer/Managers are “MiFID II entities” and are “manufacturers” for the purposes of MiFID II)**

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the [Notes] (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**END OF OPTION**

**OPTION – MiFID II Target market Legend for Retail investors, professional investors and ECPs (consider if any of the Issuer/Managers are “MiFID II entities” and are “manufacturers” for the purposes of MiFID II)**

**[MiFID II product governance / Retail investors, professional investors and ECPs target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties, professional clients and retail clients each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; **EITHER** [and (ii) all channels for distribution of the [Notes] are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the [Notes] to retail clients are appropriate - investment advice, portfolio management, non-advised sales and pure execution services - subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable]. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels[, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable.]

**[Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA that the Notes [are]/[are not] “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated 14 May 2020 [and the supplemental Offering Circular dated [●] which [together] constitute[s] the Offering Circular (the “**Offering Circular**”). This document constitutes the Pricing Supplement of the Notes and must be read in conjunction with the Offering Circular. Full information on the

Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. The Offering Circular is available for viewing at [www.bstadb.org](http://www.bstadb.org) and during normal business hours at 1 Komnion str., 54624, Thessaloniki, Greece.]

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering circular with an earlier date.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Offering Circular dated [●] [and the supplemental Offering Circular/s to it dated [●]] which are incorporated by reference in the Offering Circular dated 14 May 2020 and together constitute the Offering Circular (the “**Offering Circular**”). This document constitutes the Pricing Supplement of the Notes and must be read in conjunction with the Offering Circular dated 14 May 2020 in order to obtain all the relevant information, save in respect of the Conditions which are extracted from the offering circular dated [●] [and the supplemental offering circular/s to it dated [●]]. The Offering Circular is available for viewing at [www.bstadb.org](http://www.bstadb.org) and during normal business hours at 1 Komnion str., 54624, Thessaloniki, Greece.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]*

- |    |  |   |
|----|--|---|
| 1. | (i) Issuer:                                      | Black Sea Trade and Development Bank  |
| 2. | [(i) Series Number:]                             | [●]   |
|    | [(ii) Tranche Number:]                           | [●]   |
|    | [(iii) Date on which the Notes become fungible:] | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below [which is expected to occur on or about [●]].] |
| 3. | Specified Currency or Currencies:                | [●]   |
| 4. | Aggregate Nominal Amount:                        | [●]   |
|    | [(i) [Series]:]                                  | [●]   |
|    | [(ii) Tranche:]                                  | [●]   |
| 5. | Issue Price:                                     | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] ( <i>if applicable</i> )   |
| 6. | (i) Specified Denominations:                     | [●]   |
|    | (ii) Calculation Amount:                         | [●]   |
| 7. | (i) Issue Date:                                  | [●]   |
|    | (ii) Interest Commencement Date:                 | [Specify/Issue Date/Not Applicable]   |
| 8. | Maturity Date:                                   | [●]   |
| 9. | Interest Basis:                                  | [[●] per cent. Fixed Rate]<br>[●] [●] [EURIBOR]/[LIBOR] +/- [●] per cent. Floating Rate]  |

- [Zero Coupon]  
(further particulars specified below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[●]/[100]] per cent. of their nominal amount.
11. Change of Interest or Redemption/Payment Basis: [[●]/Not Applicable]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[[further particulars specified below]]
13. [(i)] Status of the Notes: [Senior]  
[(ii)] [Date [Board] approval for issuance of Notes [respectively]] obtained: [●] [and [●], respectively]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly] in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●][, [●], [●]] [and [●]] in each year, commencing on [●], up to and including the Maturity Date
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]] [Not Applicable]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) / Actual/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
15. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period: [●]
- (ii) Specified Interest Payment Dates: [●][, [●], [●]] [and [●]] in each year
- (iii) First Interest Payment Date: [●]

- (iv) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / Modified Business Day Convention / FRN Convention / Eurodollar Convention / No Adjustment]
- (v) Additional Business Centre(s): [Not Applicable/[•]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [[•] shall be the Calculation Agent]
- (viii) Screen Rate Determination:
- Reference Rate: [•][•] [EURIBOR]/[LIBOR]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
  - Relevant Time: [•]
  - Relevant Financial Centre: [•]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - ISDA Definitions: [2006]
- (x) Linear Interpolation: Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) / Actual/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
16. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [•] per cent. per annum

- (ii) Reference Price: [●]
- (iii) Day Count Fraction in relation to early Redemption Amounts: [30/360 / Actual/Actual (ICMA/ISDA) / Actual/365 (Fixed) / Actual/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]

**PROVISIONS RELATING TO REDEMPTION**

- 17. **Call Option** [Applicable/Not Applicable]
  - (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount[/Other]
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [●] per Calculation Amount
    - (b) Maximum Redemption Amount: [●] per Calculation Amount
  - (iv) Notice period: [●]
- 18. **Put Option** [Applicable/Not Applicable]
  - (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) Optional Redemption Date(s): [●]
  - (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
  - (iii) Notice period: [●]
- 19. **Final Redemption Amount of each Note** [[●]/[Par] per Calculation Amount]
- 20. **Early Redemption Amount** [[●]/[Par] per Calculation Amount / Not Applicable]
 

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 21. **Form of Notes:** **Bearer Notes:**
  - [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

**Registered Notes:**

[Unrestricted Global Registered Note exchangeable for Unrestricted Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Unrestricted Global Registered Note]

[and]

[Restricted Global Registered Note exchangeable for Restricted Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Restricted Global Registered Note]

[and]

[Restricted Global Registered Note [(U.S.\$[•]/Euro [•] nominal amount)] registered in the name of a nominee for [DTC].]

[Unrestricted Global Registered Note [(U.S.\$/Euro [•] nominal amount)] registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure ("NSS"))]

24. New Global Note/NSS: [Yes] [No] [Not Applicable]
25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest end dates, to which sub paragraph 15(v) relates]
26. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
27. US Selling Restrictions  
(Categories of potential investors to which the Notes are offered): [Reg. S Compliance Category [1][2]; [(In the case of Bearer Notes) - [TEFRA C/TEFRA D / TEFRA not applicable] (In the case of Registered notes) - [Not] rule 144A Eligible]

28. ERISA Considerations

[●]

Signed on behalf of **Black Sea Trade and Development Bank:**

---

By: *Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: [Application is has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●]] with effect from [●]. [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Not Applicable.]

*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

- (ii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS

[The Notes to be issued have not been rated]

[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

Ratings:

[Standard & Poor's Financial Services LLC ("S&P"): [●]]

[Moody's Investors Service Limited ("Moody's"): [●]]

[Fitch Ratings Ltd. ("Fitch"): [●]]

[[Other]: [●]]

[Moody's] [,] [Fitch] and [●] [is/are] established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation"). [S&P is not established in the EEA or in the UK but the rating it has given to the Notes to be issued under the Programme is endorsed by S&P Global Ratings Europe Limited, which is established in the EEA and registered under the CRA Regulation]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

*(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below.)*

[Save for any fees payable to the [Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

4. **YIELD (Fixed Rate Notes Only)**

Indication of Yield: [•]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer [•]

[(ii)] Estimated net proceeds: [•]

[(iii)] Estimated total expenses: [•]

*[Include breakdown of expenses]*

5. **OPERATIONAL INFORMATION**

CUSIP: [•]

ISIN: [•]/[•]

Common Code: [•]/[•]

[FISN:] [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]

[CFI:] [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]

Delivery Delivery [against/free of] payment

Stabilising Manager(s): [Not Applicable/*give names*]

Names and addresses of additional Paying Agent(s) (if any): [•]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “**yes**” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper.] *[include this text for registered notes]*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as “**no**” at the date of these Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of

the ICSDs as common safekeeper [[and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### *Clearing System Accountholders*

In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depository or a common depository, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depository or common depository or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Registered Notes, references in the Terms and Conditions of the Notes to “Noteholder” are references to the person in whose name the relevant Global Registered Note is for the time being registered in the Register which (a) in the case of a Restricted Global Registered Note held by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC; and (b) in the case of any Unrestricted Global Registered Note which is held by or on behalf of a depository or a common depository or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depository or common depository or common safekeeper or a nominee for that depository or common depository or common safekeeper.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Registered Note (each an “**Accountholder**”) must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the holder of such Global Note or Global Registered Note and in relation to all other rights arising under such Global Note or Global Registered Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Registered Note will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Registered Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Registered Note.

### *Transfers of Interests in Global Notes and Global Registered Notes*

Transfers of interests in Global Notes and Global Registered Notes within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Registered Note or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Registered Note to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Registered Note to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Principal Paying Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will

generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Registered Notes will be effected through the Principal Paying Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Registered Note resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg accountholders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

Upon the issue of a Restricted Global Registered Note to be held by or on behalf of DTC, DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by such Global Registered Note to the account of DTC participants. Ownership of beneficial interests in such Global Registered Note will be held through participants of DTC, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such Global Registered Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes represented by a Global Registered Note held by or on behalf of DTC (including, without limitation, the presentation of such Global Registered Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Registered Note are credited, and only in respect of such portion of the aggregate nominal amount of such Global Registered Note as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Registered Note for Individual Note Certificates (which will bear the relevant legends set out in “*Transfer Restrictions*”).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Registered Notes among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrar, the Dealers or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Registered Note is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

### **Conditions applicable to Global Notes**

Each Global Note and Global Registered Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note. The following is a summary of certain of those provisions:

#### *Payments*

All payments in respect of the Global Note or Global Registered Note which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be

made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

#### *Payment Business Day*

All payments in respect of a Global Note, or a Global Registered Note, shall be made on, if the currency of payment is Euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not Euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

#### *Payment Record Date*

Each payment in respect of a Global Registered Note will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Registered Note is being held is open for business.

#### *Exercise of put option*

In order to exercise the option contained in Condition 9(d) (*Redemption at the option of Noteholders*) the bearer of a Global Note or the holder of a Global Registered Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

#### *Partial exercise of call option*

In connection with an exercise of the option contained in Condition 9(b) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, a Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

#### *Notices*

Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Global Note or Global Registered Note and the Global Note or Global Registered Note is registered in the name of DTC's nominee or deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

## DESCRIPTION OF THE ISSUER

### General

The Issuer is an international financial institution with supranational status and a mandate to foster economic growth and regional cooperation through financing projects and providing financial services to public and private sector entities in the Black Sea Region. The Issuer primarily extends project financing, corporate loans and short-term trade financing to public and private sector entities within its eleven founding member states, which consist of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, the Hellenic Republic (Greece), Moldova, Romania, Russia, Turkey and Ukraine (together, the “**Member States**”). The Issuer also provides other financial products such as guarantees, equity investments and leasing to such entities. As part of its mandate, the Issuer focuses on lending to specific strategic sectors, including energy, manufacturing, transport, public utilities, financial institutions, telecommunications, municipal services, environmental protection and small and medium-sized enterprises (“**SMEs**”). In addition, the Issuer participates in larger-scale projects with other international financial institutions through co-financing agreements and guarantees.

The Issuer’s principal business activity consists of making loans, predominantly in U.S. dollars and Euros, to public and private sector borrowers within the Member States. The majority of the Issuer’s operations, accounting for 72.8 per cent. of the total portfolio, were with private sector borrowers, while 27.2 per cent. of the Issuer’s outstanding portfolio was classified, by the Issuer, as lending to the public sector. The Issuer’s income is primarily derived from its lending activities as well as from investment securities. The Issuer views its fund investment activities as a minor portion of its overall business.

To comply with the requirements of its mandate and to achieve financially acceptable operating results, the Issuer targets borrowers and projects that (i) operate in or take place in one or more of the Member States (ii) have potential to meet requirements to promote economic development and / or regional co-operation and (iii) are financially viable (or economically viable in the case of sovereign operations) and thus generate sufficient return so the Issuer’s involvement will be profitable and the undertaking will prove sustainable beyond the Issuer’s involvement.

### History and Background

The Issuer was established as an international financial institution under the Agreement Establishing the Black Sea Trade & Development Bank (the “**Establishing Agreement**”) as agreed by the member states of the Black Sea Economic Cooperation (“**BSEC**”) in Tbilisi, Georgia on 30 June 1994 and subsequently ratified by each member state. The BSEC was itself established in 1992 to promote stability through enhanced relations amongst its member states and its charter calls for promoting regional cooperation. The Establishing Agreement is a United Nations registered treaty. In accordance with Article 61 of the Establishing Agreement, the Issuer was established when the Establishing Agreement came into force on 24 January 1997. The Issuer commenced operations on 1 June 1999.

The Issuer is the financial pillar of the BSEC. For a sovereign state to become a member of the Issuer, it must first be a member of the BSEC (a “**BSEC Participating State**”). BSEC Participating States may become members of the Issuer either directly or through their designated representatives. Membership is also open to other multilateral banks and financial institutions upon the approval of the Board of Governors, on terms and conditions recommended by the Board of Directors.

The Issuer is a non-political organisation and its Establishing Agreement provides that each Member State must respect its non-political character and must refrain from any attempts to influence any member of the management, director, officer or member of the Issuer’s staff in the discharge of their duties.

The Issuer cooperates with various international organisations, including affording observer status to the following institutions: KfW Bankgruppe, a development bank owned 80 per cent. by the German government and 20 per cent. by the German Länder; the Development Bank of Austria, a subsidiary of Oesterreichische Kontrollbank AG (“**OeKB**”); the Austrian Export Credit Agency; the European Development Finance Institutions, an association of 17 bilateral development finance institutions from EU member countries plus Norway and Switzerland; Proparco, a development bank for the private sector which is 63 per cent. owned by AFD, a French governmental agency; the International Investment Bank, a Budapest based lender owned by a number of countries including Russia, Bulgaria and Romania; the European Investment Bank; the European

Bank for Reconstruction and Development; the International Finance Corporation; the Nordic Investment Bank; Vneshcombank, a Russian development bank, the Islamic Corporation for Development of the Private Sector, part of the Islamic Development Bank Group; and the Asian Development Bank. The Issuer aims to enhance cooperation and increase the exchange of project-related information with these organisations with a view to potential co-financing for projects, as well as other types of funding. The observers have the right to attend and speak at the Issuer's annual meetings.

The Issuer is a member of the International Development Finance Club, a network of development banks and finance institutions of national and sub-regional origin with 24 members as at the end of 2018. It also has membership of the Global Emerging Markets Risk Database, a forum for the pooling of knowledge of default and recovery data and the standardising of risk management practices, whose members include many prominent multilateral development banks and international finance institutions.

As at 31 December 2019, the Issuer had total assets of EUR 2,434.4 million. For the year ended 31 December 2019, the Issuer realised a net profit of EUR 13.7 million. This figure was higher than the net profit the Issuer realised for the year ended 31 December 2018 of EUR 5.2 million. As at 31 December 2019, the Issuer had EUR 1,851.3 million in loans and equity investments.

## Strengths

The Issuer believes that it has four key distinguishing characteristics over national, regional and other international development banks operating within its mandate area of the Black Sea Region, which are set forth below:

- **Strong capitalisation.** The Issuer is well capitalised and as such is in a strong position to finance projects in accordance with its strategic goals. As at 31 December 2019, the Issuer had member's equity of EUR 830.4 million, which equals 44.9 per cent. of its gross loans and equity investments and 35.4 per cent. of total assets.
- **Strong Member State support.** As an international financial institution established by its Member States, the Issuer benefits from their financial and operational support. The Issuer is supported by capital contributions from its Member States, which totalled EUR 686.6 million as at 31 December 2019, and is able to call capital from its Member States under its Establishing Agreement. The Issuer benefits from the close alignment with the interests of its Member States made possible by their operational support and representation at the Board level, and its unique role in facilitating its Member States' strategic goals of fostering economic growth and cooperation in the Black Sea Region.
- **Good asset quality and strong track record.** The Issuer maintains strict lending criteria and risk management policies, which has resulted in a high quality portfolio of assets, consistent profitability and sustained healthy financial ratios, attesting to its prudent management and commitment to managed, sustainable growth. A proven track record in managed, sustainable growth has led to increased interest from international institutions to partner with the Issuer on projects.
- **Clear and consistent strategy.** The Issuer's Establishing Agreement sets out its clear mandate to effectively contribute to the transition process of the Member States, with the aim of achieving economic prosperity for the Black Sea Region's people and to finance and promote regional projects. As a result of this clear mandate and the Issuer's adherence to it, the Issuer has been able to achieve this contribution.

## Strategy

The Issuer's strategy is to continue its development as an international financial institution by offering financial support and risk mitigation products to clients and projects in the Black Sea Region. The Issuer targets operations that provide demonstrable development and, where possible, regional cooperation impact, while also generating sufficient return so the Issuer's involvement will be profitable and the undertaking will prove sustainable beyond the Issuer's involvement. The main components of the Issuer's strategy are as follows:

- **Increase lending portfolio.** As at 31 December 2019, the Issuer had EUR 1,820.9 million in total loans. In line with its strategic goals, the Issuer aims to increase its total lending portfolio to fund a greater number of development projects in the Black Sea Region.

- **Focus on sectors with high development impact.** The Issuer is strategically focused on funding projects in sectors that have a high impact on the development of the Black Sea Region and, to the degree practical, promote regional cooperation among Member States. The Issuer has identified several key sectors in which it is looking to fund projects, including energy, manufacturing, transport, public utilities, financial institutions, telecommunications, municipal services, environmental protection and SMEs.
- **Enhance dialogue with its Member States.** The Issuer works closely with its Member States to promote sustainable growth and development in the Black Sea Region. It aims to enhance dialogue with its Member States in order to further strengthen its relationships with them and continue to develop and implement strategies tailored to each Member State.
- **Strengthen cooperation and partnership with peer institutions.** As part of the Issuer’s overall strategy, it aims to strengthen its relationships with other international financial institutions and national development finance agencies and to cultivate relations with private institutions to promote development in the Black Sea Region.

### *Core Components of the Issuer’s Medium Term Strategy*

- The Issuer operates under a medium term strategy covering the years 2019 to 2022, as outlined in the Issuer’s Medium Term Strategy and Business Plan 2019-2022 (the “**MTSBP**”). In 2019, being the first year of MTSBP implementation, and the robust demand for additional operations (considered high value, high quality projects), the Issuer issued an updated MTSBP in January 2020 (the “**Revised MTSBP**”). The Revised MTSBP maintained the same priorities and objectives, but revised operational volumes. Some key targets outlined in the Revised MTSBP include (i) an increase in the Issuer’s loan portfolio of 17.1 per cent. per annum on average or around 88 per cent. cumulatively to EUR 2,490 million, (ii) new annual commitments of between EUR 818 and 992 million, (iii) an increase in public sector exposure to one third of the Issuer’s loan portfolio, (iv) maintenance and, if possible, improvement of the Issuer’s A-/A2 credit rating and (v) continued diversification of the Issuer’s loans portfolio by geography and sector.
- According to the Revised MTSBP estimations, by the end of 2022 the Issuer intends to finance its operations from approximately EUR 870 million in equity capital and approximately EUR 2,020 million in borrowings.
- The Issuer intends to grow its trade finance operations to 10-15 per cent. of its total operations.
- The Issuer is engaged in discussions with Serbia, the only member of the BSEC not yet a Member State of the Issuer. The Issuer is also receptive to the membership of an AAA rated financial institution, as provided for in its Establishing Agreement.

In light of the coronavirus pandemic, the Issuer is following developments closely and is carefully considering the impact it may have, not just on current everyday operations, but also on the Revised MTSBP. As of the date of this Offering Circular, the Issuer has not yet made any adjustments to the volume targets of the Revised MTSBP, and continues to target reaching a loan portfolio of EUR 2,490 million by the end of 2022. However, the Issuer stands ready to take such measures as necessary, either to change the pace of growth to the end 2022 target, or even to modify the end 2022 target, as necessary in light of developments. Similarly, in order to meet prevailing demand and the priority objectives of Member States, it is possible that the focus of the medium term strategy may shift to provision of support to mitigate economic consequences of the pandemic to the public and private sectors, which may involve support to SMEs, more focus on the provision of working capital facilities, helping frontline agencies dealing with the pandemic to deliver services and/ or provision of backstop lending, among other priorities.

*See “Risk Factors – Risks relating to investments in the Black Sea Region – The economic conditions in the Black Sea Region will be adversely affected by the global economic slowdown caused by the coronavirus pandemic, and this may negatively affect the Issuer’s business, financial condition and operations”.*

### **Operations of the Issuer**

## *General Policies and Principles*

The Issuer provides medium to long-term financing for investment projects in its Member States. The financing activities of the Issuer must conform to the Issuer's mandate, Portfolio Risk Management Policy and Investment Policy, which set out the main principles that guide the Issuer when considering investment projects. These policies and principles are as follows:

- **Conformity with the Issuer's mission and strategic goals.** Any investment project implemented by the Issuer must correspond to its mission and strategic goals.
- **Compliance with international banking standards.** The Issuer finances projects in accordance with the principles of international banking practice for similar transactions, including those pertaining to loan term, interest rate, repayment and security.
- **Transparent investments.** The Issuer endeavours to be open toward the public, manage its investments in a transparent manner and follow the best corporate management practices of international development banks.
- **Avoidance of competition with commercial banks.** The Issuer endeavours to finance investment projects that add value to the development of the Black Sea Region, providing longer-term financing on more acceptable terms than is typically available in the relevant market, while also being more willing to assume country risk where commercial banks may be unwilling to do so. The Issuer seeks to avoid competition with commercial banks and instead seeks to cooperate with them by using its status and participation in order to mobilise additional resources for its mandate area.
- **Co-financing.** The Issuer seeks opportunities to extend financing jointly with other international financial institutions, commercial banks or other organisations to mobilise additional resources and promote greater investment in the Black Sea Region, particularly in infrastructure-related sectors.
- **Environmental and social responsibility.** The Issuer is committed to financing projects that employ adequate pollution prevention and mitigation measures, respect fundamental human rights in the working environment, protect the Black Sea Region against pollution, where possible address climate change, promote sustainable use of natural resources, protect and conserve the biodiversity and provide for the disclosure of information on environmental and social performance of its operations.
- **Prohibited areas of investment.** The Issuer is not permitted to finance: any business using forced or child labour, the manufacture or distribution of weaponry or tobacco, any gambling activities, any activities prohibited by the laws of its Member States or international conventions pertaining to the prohibition of financing activities that pose a threat to the health and safety of humans, other species or the environment and/or other activities as may be determined by its Board and/or Board of Governors.
- **Diversification of investments.** The Issuer endeavours to achieve reasonable diversification of its investments by country and by sector. Loans to any country may not exceed 30 per cent. of total planned commitments (minus repayments and cancellations) and loans to any one sector are targeted to not exceed 40 per cent. of total lending (minus repayments and cancellations). See "*Risk Management*".
- **Adequacy of investment profitability and risk.** When financing projects, the Issuer seeks to ensure that profitability is commensurate with the level of risk.

## *Products and Services*

The Issuer offers its clients a range of financial products, including loans, equity investments and guarantees. The terms of each of the Issuer's products are tailored to meet the specific requirements of each client and may be adjusted throughout the term of the operation.

- **Lending.** The Issuer offers a range of short and long-term loan products with either variable or fixed rates (approximately 77.4 per cent. of which were floating rate loans as at 31 December 2019), including project finance loans and loans to corporate clients. Although the Issuer typically extends loans denominated in U.S. Dollars or Euros, the Issuer may also extend loans denominated in any currency or combination of currencies in which it is able to fund itself. The Issuer extends loans to private entities,

as well as state-owned entities and sovereigns, sub-sovereigns and their agencies. The Issuer typically extends secured loans and requires collateral, although it has the discretion to extend loans on an unsecured basis and not require collateral where management determines such loan to be consistent with sound banking principles. The Issuer does not normally extend loans with a maturity of greater than 10 years, except to sovereign and sub-sovereign borrowers, or in specific cases where management has determined that the activity contributes greatly to the Issuer’s mission or where such loans are in sectors that the Issuer considers strategically important.

- **Trade finance.** The Issuer offers trade financing, mainly through revolving credit lines to local financial intermediaries and provides financing to firms importing from Member States and to regional exporting firms.
- **SMEs.** The Issuer provides financing to SMEs through credit lines to local financial intermediaries.

### *Other Products and Services*

- **Bank equity / funds.** The Issuer also makes equity investments. The Issuer does not typically take a controlling interest in any company but instead looks to take an equity stake of between 5 and 25 per cent. As it is not the mandate of the Issuer to be a long-term equity investor, it seeks a defined exit strategy as part of the initial investment plan. See “– *Strategy – Core Components of the Issuer’s Medium Term Strategy*”.
- **Other financial instruments.** The Issuer provides guarantees, as a primary or secondary obligor, for loans for economic development projects or programmes. Such guarantees may be in the form of a full risk financial guarantee or a partial guarantee and can be provided on either a conditional or unconditional basis. Operations involving guarantees are appraised, processed and supervised in the same manner as those involving direct credit extensions and are subject to the same limits and requirements.

## **Lending**

### *Loans by Sector*

The following table sets forth the outstanding loans to customers by sector as at 31 December 2019.

<i>Sector</i>	<i>Number of loans</i>	<i>Principal amount of loans (EUR thousand)</i>	<i>Proportion per sector (%)</i>
Consumer Discretionary	4	59,671	3.3%
Consumer Staples	10	89,200	4.9%
Financial Institutions	44	582,634	32.0%
Real Estate	1	2,695	0.1%
Energy	7	228,050	12.5%
Health Care	3	91,060	5.0%
Industrials	10	269,758	14.8%
Materials	10	123,045	6.8%
Info Technology	1	4,129	0.2%
Utilities	13	370,699	20.4%
<b>Total</b>	<b>103</b>	<b>1,820,941</b>	<b>100%</b>

### *Twenty Largest Borrowers by Utilisation*

The following table sets forth the aggregate principal amount of loans to the Issuer’s twenty largest borrowers by utilisation, as at 31 December 2019.

<i>Borrower’s Name</i>	<i>Country</i>	<i>Utilisation (EUR thousands)</i>
PPC S.A	GR	160,000
SOCAR	TR/AZ	100,114

Sovcombank	RU	79,750
STLC (State Transport Leasing Company)	RU	61,421
Fraport Greece	GR	60,930
Gurmat	TR	53,248
Shah Deniz stage 2	AZ	50,071
Bulgarian Energy Holding	BG	50,000
Development and Investment Bank of Turkey	TR	50,000
Turk Eximbank	TR	50,000
Energean Oil and Gas	GR	46,733
IS Bank group	TR/GE	46,291
Etlik Ankara Integrated Health Campus	TR	45,850
Bank of Georgia	GE	42,063
Energo Pro a.s. Eurobond	BG/GE	42,000
SUEK	RU	39,354
TBC Bank	GE	39,169
Garanti bank group	TR	39,143
TAV Izmir EGE Airport	TR	37,814
Konya Karatay Integrated Health Campus	TR	37,462
<b>Total</b>		<b>1,131,414</b>

### ***Largest Borrowers by Limit***

The following table sets forth the original principal amount of loans to the Issuer's twenty largest borrowers by approved limit, each as at 31 December 2019.

<b><i>Borrower's Name</i></b>	<b><i>Country</i></b>	<b><i>Limit (EUR thousands)</i></b>
PPC S.A	GR	160,000
SOCAR	TR/AZ	100,114
Sovcombank	RU	93,597
SUEK	RU	88,125
Istanbul Metropolitan Municipality Metro	TR	77,500
Gurmat	TR	75,663
Is bank group	TR/GE	62,936
Fraport Greece	GR	62,543
Galnaftogaz	UKR	62,311
Epicentr Group	UKR	62,311
STLC (State Transport Leasing Company)	RU	61,421
Etlik Ankara Integrated Health Campus	TR	60,000
Shah Deniz stage 2	AZ	53,409
ALRO/Vimetco	RO	53,409
TBC Bank	GE	50,741
Bulgarian Energy Holding	BG	50,000
Development and Investment Bank of Turkey	TR	50,000
Turk Eximbank	TR	50,000
Konya Karatay Integrated Health Campus	TR	50,000
Hellenic Petroleum Finance	GR	50,000
<b>Total</b>		<b>1,374,080</b>

### ***Geographic Concentration***

The following table sets forth the Issuer's outstanding loans, by Member State, as at 31 December 2019.

	<i>Number of Loans</i>	<i>Principal amount of loans (EUR thousand)</i>	<i>Proportion per Member State (%)</i>
Albania	5	39,166	2.2%
Armenia	11	91,091	5.0%
Azerbaijan	4	119,832	6.6%
Bulgaria	6	114,841	6.3%
Georgia	11	114,665	6.3%
Greece	11	386,508	21.2%
Moldova	5	30,434	1.7%
Romania	11	134,938	7.4%
Russia	11	215,763	11.8%
Turkey	16	417,399	22.9%
Ukraine	12	156,303	8.6%
<b>Total</b>	<b>103</b>	<b>1,820,941</b>	<b>100.0%</b>

At present, the largest credit risk exposures of the Issuer are in Turkey, Greece and Russia.

#### *The six largest lending operations by utilisation*

##### **Public Power Corporation S.A.**

In 2019, the Issuer signed a EUR 160 million corporate loan to the Public Power Corporation S.A., Greece, for the purpose of financing the company's programme of capital expenditure for the years 2019 and 2020, comprising of a large number of medium voltage and low voltage electricity distribution schemes, including 7,327 km of new medium voltage and low voltage network and automation components for the reinforcement and modernisation of the electricity distribution network through peninsular and insular Greece.

The loan is guaranteed by the Hellenic Republic. The tenor of the loan is 60 months with a final maturity date in 2024.

##### **State Oil Company of the Azerbaijan Republic (SOCAR)**

The exposure consists of trade finance facilities to Socar Trading S.A. and Socar AQS LLC, subsidiaries of the State Oil Company of the Azerbaijan Republic, and also the Issuer's participation in a syndicated credit-linked loan for subscription of newly issued ordinary shares corresponding to 13 per cent. of the total issued share capital of SOCAR Turkey Enerji A.S. (STEAS), a subsidiary of the State Oil Company of the Azerbaijan Republic.

The Issuer participates in the credit linked note with U.S.\$40 million subscribed in 2016 (U.S.\$30 million) and 2019 (U.S.\$10 million). The loan has final maturity in 2021. The loan is expected to support STEAS's long-term strategy of becoming a fully-integrated downstream oil and gas company in Turkey by taking advantage of the country's strategic position and significant market growth potential. STEAS and its subsidiaries are involved in the TANAP pipeline (the "**TANAP Project**"), a significant investment that BSTDB believes will have a large and very positive developmental and regional cooperation impact in the BSEC Region.

## **Sovcombank PJSC**

The exposure includes four short-term trade finance facilities in US Dollars and Russian Rubles.

The trade finance facilities are used to advance sub-loans to local exporters as well as to provide short-term financing to importers for importing goods to Russia.

## **PJSC State Transport Leasing Company (STLC)**

In 2019, the Issuer signed a U.S.\$69 million corporate loan to the PJSC State Transport Leasing Company (STLC), Russia. The proceeds of the loan will be used for capex related to construction of a modern coal transshipment terminal in newly built Lavna Commercial Port in Murmansk Region, Russia or purchases of other transport equipment. The final maturity of the loan is 2028.

## **Regional Greek Airport (Fraport Greece)**

In 2017, the Issuer joined a consortium of leading financing institutions (namely Alpha Bank (Greece), EBRD, EIB and IFC) to sign a long-term financing of approximately EUR 1 billion with Fraport Greece for the 40-year concession of 14 Greek regional airports (with an option to extend for an additional 10 year period). The Issuer provided a lending facility of EUR 62.5 million with a final maturity of 18 years. A 25-year loan of EUR 280.4 million by the EIB is to be used for the financing of the imminent development works at the 14 airports during the 48 months' implementation period, while EUR 688 million provided by other lenders, including the Issuer, has been used as part of the upfront concession payment (EUR 1.234 billion) to the Hellenic Republic Assets Development Fund. Fraport Greece also made a capital increase, raising the company's total capital to EUR 650 million. This transaction has a neutral interest rate risk profile through the term of the loan as a series of hedging swaps have been placed between the lenders and the borrower. Fraport Greece will invest at least EUR 400 million during the first four years in construction works for the development of the airports that will in turn support the development of the tourism industry, a key driver of the Greek economy. During the period of the entire concession, infrastructure investments are expected to exceed EUR 1.4 billion.

## **Gurmat Geothermal Power Plant**

In 2015, the Issuer signed a U.S.\$65 million project finance facility to Gurmat Elektrik Uretim A.S. for the purpose of financing the construction and operation of a 170 MW geothermal power plant project. The tenor of the loan is 15 years with a final maturity date in 2030.

In 2019, the Issuer signed a U.S.\$20 million project finance facility for project expansion consisting of the construction and operation of an up to 97 MW geothermal power project that consists of three new geothermal power plans. The final maturity of the loan is 2031.

## ***Outstanding Portfolio Collateral***

Overall, as of 31 December 2019, 57.2 per cent. of the Issuer's outstanding loan portfolio is secured, as follows:

- 58.1 per cent. of exposure to the energy sector;
- 96.4 per cent. of exposure to the materials sector
- 64.8 per cent. of exposure to the industrials sector
- 15.4 per cent. of exposure to the financial institutions sector;
- 75.2 per cent. of exposure to the utilities sector; and
- 100.0 per cent. of exposure to the remaining sectors.

Security includes various types of collateral, such as sovereign and municipal guarantees, pledges of accounts, pledges of shares, movable and immovable assets, inventory, assignment of sub-loans and letters of guarantee from financial institutions and parent companies acceptable to the Issuer. The Issuer does not base its investment

approvals on the collateral available, however, the value of security is usually assessed by independent consultants at the final internal approval phase of a project (but before the Board of Directors approval) and may be undertaken again if an operation shows signs of impairment. The Issuer does not routinely assess the value of collateral according to a fixed schedule but some operations include the requirement for an independent valuation of security by the borrower during the life of the loan.

### ***Financial Institutions Sector Exposure***

The Issuer views the financial sectors in its member countries as being the best-regulated part of the economy and usually contracts with top tier, systemic institutions that the Directors believe are likely to receive sovereign support if the need arises. The Issuer's exposure to the financial institutions sector is well diversified. SME facilities account for 50.8 per cent. of exposure, while trade finance, mortgage, and leasing facilities account for a combined 44.3 per cent. Subordinated debt accounts for the remaining 4.9 per cent. The following table sets forth the Issuer's outstanding loans to the financial institutions sector, by Member State, as at 31 December 2019.

<i>Country</i>	<i>Number of loans</i>	<i>Principal amount of loans (EUR thousands)</i>	<i>Proportion per Member State (%)</i>
Albania	2	11,600	2.0%
Armenia	7	45,334	7.8%
Azerbaijan	1	5,253	0.9%
Bulgaria	-	-	0.0%
Georgia	10	112,665	19.3%
Greece	2	40,000	6.9%
Moldova	2	3,282	0.6%
Romania	5	65,270	11.2%
Russia	7	112,293	19.3%
Turkey	7	182,487	31.3%
Ukraine	1	4,451	0.8%
<b>Total</b>	<b>44</b>	<b>582,634</b>	<b>100.0%</b>

As at 31 December 2019, the Issuer had 44 outstanding loans to financial institutions comprising 32.0 per cent. of the Issuer's outstanding loan portfolio.

### ***Non-performing Loans***

Due to the Issuer's comprehensive risk management policies and practices, the incidence of non-performing loans, historically defined by the Issuer as loans 90 days overdue for principal or interest payments, has been low. As at 31 December 2019 the Issuer had one non-performing loan.

Under the newly adopted IFRS 9 accounting standard, the Issuer's loans are classified as: Stage 1 (initial stage), Stage 2 (increased credit risk) or Stage 3 (credit impaired). As at 31 December 2019, the Issuer had loans at amortised cost and at fair value totalling EUR 50.9 million in Stage 3, these are a EUR 26.4 million loan to a company in the Consumer Staples sector in Armenia that is currently under a three year court approved rehabilitation plan, a EUR 19.1 million loan to an Industrial Sector company in Greece that is currently being rolled over quarterly (under a Standstill Agreement) until a suitable restructuring plan is agreed and a EUR 4.1 million loan to an Information Technology Company in Romania, that is currently under a three year court approved rehabilitation plan and a EUR 1.3 million outstanding Consumer Staples loan in Armenia. Additionally, the Issuer has one stage 3 loan, carried at a fair value of EUR 2.7 million though the profit and loss account, to a Real Estate sector company in Russia. The Issuer has loss allowance of EUR 34.4 million against its Stage 3 loans.

As at the date of this Offering Circular, there is one non-performing loan.

### **Equity Portfolio**

As at 31 December 2019, the Issuer's equity portfolio of EUR 30.4 million included EUR 29.2 million of investments in regional equity funds, such as SEAF Caucasus Growth Fund, Balkan Accession Fund, Emerging Europe Accession Fund, ADM CEECAT Recovery Fund, European Virgin Fund and Greek Equifund, as well as direct equity investments of EUR 1.2 million.

### Funding of the Issuer

As a multilateral development bank, the Issuer is funded by capital from its Member States, as well as by international loan financing and funding from the international capital markets. The Issuer does not currently accept deposits.

#### Callable Capital

Callable capital comprises 70 per cent. of the Issuer's subscribed capital and 30 per cent. of the capital is paid-in. Callable capital is an unconditional and full faith credit obligation of each Member State, the fulfilment of which is independent of the actions of other Member States. Should one or more of the Member States fail to meet this obligation, successive calls on the other Member States would be made until the full amounts needed were received by the Issuer. However, no Member State is required to pay more than its total subscription. See "The Issuer – Capital Structure".

#### Other Funding

The Issuer raises funds for its operations from the international loan financing and capital markets. The Issuer's strategy, wherever possible, is to match the maturities of its liabilities with the maturities of its loan portfolio. The Issuer issued Schuldscheins (a medium-term debt instrument with features of both bonds and loans commonly used in Germany) in 2012 with an aggregate principal amount of EUR 12 million, EUR 7 million of which has a maturity of 10 years and is outstanding. In 2016, the Issuer issued a bond for U.S.\$500 million with a maturity of five years and a bond for Georgian Lari 60 million with a maturity of five years. In 2017, the Issuer issued a bond for Armenian Dram 2 billion with a maturity of three years. In 2018, the Issuer issued Georgian Lari 195 million with maturities of three and five years and Romanian Lei 182.5 million with a maturity of three years. In 2019, the Issuer issued bonds totalling Georgian Lari 15 million with maturities of three years, Azeri Manat 10 million with a maturity of two years, Romanian Leu 210 million with a maturity of three years, Swiss Francs 200 million with a maturity of three years six months and U.S.\$400 million with a maturity of five years. The Issuer has a number of bilateral credit lines from other development banks. The Issuer established a Euro commercial paper programme in 2012, with issues of EUR 77.4 million outstanding as at 31 December 2019. The Issuer established this Medium Term Note Programme in 2015; only the two U.S.\$ bonds, and the three Romanian Lei bonds described above are outstanding under the Programme as of 31 December 2019.

The following table shows sources and maturity of borrowed funds and the bond issues as at the dates indicated.

	As at 31 December	
	2019	2018
	<i>(EUR in thousands)</i>	
<b>Bi-lateral loan</b>		
Up to 1 year.....	43,340.	57,651
Between 1 and 3 years.....	80,785	77,748
Between 3 and 5 years.....	96,803	64,757
More than 5 years.....	19,277	26,953
<b>Bond/ECP Issue</b>		
Up to 1 year.....	87,397	175,894
Between 1 and 3 years.....	601,648	527,741
Between 3 and 5 years.....	555,905	23,286
More than 5 years.....		0
<b>Total.....</b>	<b>1,485,155</b>	<b>954,030</b>

#### Capital Adequacy

The subscribed capital of the Issuer is EUR 2,288.5 million against a loan and equity portfolio of EUR 1,851.3 million as at 31 December 2019. The Issuer has statutory and operational lending limits in line with other multilateral development banks, including the World Bank and the European Bank for Reconstruction and Development. The Issuer's Establishing Agreement stipulates that the total amount of outstanding loans, equity investments and guarantees shall not be over 150 per cent. of subscribed unimpaired capital (which comprises paid-in capital and the useable portion of callable capital where the corresponding payable capital has been paid), reserves and surpluses. Operationally, however, the limit is 100 per cent., which is in line with the World Bank, the Asian Development Bank and the Caribbean Development Bank's operational limits.

As at 31 December 2019, total equity (which comprises only paid-in share capital plus reserves and retained earnings) was EUR 830.4 million. This is equivalent to 44.9 per cent. of the Issuer's gross loan and equity portfolio of EUR 1,851.3 million and 37.7 per cent. of the Issuer's total commitments (gross loan and equity portfolio plus signed undisbursed commitments), which stood at EUR 2,204.8 million. Based on the Bank of International Settlement ("BIS") capital adequacy ratio ("CAR") calculation, as at 31 December 2019, the Issuer had Tier 1 capital of EUR 830.4 million and a CAR of 39.2 per cent. As at 31 December 2018, Tier 1 capital was EUR 801.6 million and the CAR was 46.6 per cent.

### ***Other Development Lenders Operating in the Issuer's Mandate Area***

Although the Issuer operates in an area where many other providers of financing to development projects also operate, it does not view private entities offering financing as competition but rather endeavours to work in cooperation with private entities to provide additional value to clients where the private entities are unable or unwilling to do so. Therefore, it is the Issuer's policy to cooperate and coordinate with other development banks and government agencies and to actively seek out partnerships with international financial institutions and official agencies in co-financing opportunities to meet client needs in the Black Sea Region.

### ***Legal Status of the Issuer***

The Establishing Agreement sets out the Issuer's legal status and certain immunities and privileges. Certain of these provisions are summarised below. The Issuer has full legal personality and, in particular, has full capacity to contract, to acquire and dispose of immovable and movable property, and to institute legal proceedings. The Establishing Agreement has been ratified by the legislature of each Member State. The Establishing Agreement has been changed only once, when Resolution 131 of the Board of Governors unanimously adopted the requisite amendments to paragraph 1 of Article 4 and Articles 23 and 24 of the Establishing Agreement to expressly include among the exclusive powers of the Board of Governors the change of the unit of account of the Issuer, and the redenomination of all capital stock of the Issuer from SDR to Euro. These amendments to the Establishing Agreement became effective on 21 June 2013 (the "**Effective Date**") after being approved by all Member States, although the Issuer had in practice been using the Euro as its functional and reporting currency from 1 January 2011. The Issuer is headquartered in Thessaloniki, Hellenic Republic, subject to the terms of a Headquarters Agreement signed in Athens on 13 August 1998 between the Government of the Hellenic Republic and the Issuer (the "**Headquarters Agreement**"). The Establishing Agreement and the Headquarters Agreement (in respect of the Hellenic Republic) give the following immunities and privileges to the Issuer:

- immunity from search, requisition, confiscation, expropriation or any other form of taking, or from closure by administrative or legislative action;
- immunity from legal process except in connection with the exercise of its powers to borrow money, to guarantee obligations, or to buy and sell or underwrite the sale of securities;
- immunity for its property and assets from all forms of seizure, attachment or execution before the delivery of final judgment against it;
- immunity for its Governors, Alternate Governors, Directors, Alternate Directors, officers and employees and experts performing missions for the Issuer from legal processes for acts performed by them in their official capacities, except when the Issuer waives such immunity;
- inviolability of its archives;
- exemption from all taxation and from customs duties on income, assets, properties, operations and transactions, and from any obligation for the payment, withholding or collection of any tax or duty;

- exemption from the levy of tax on any obligation or security issued by the Issuer, including any dividend or interest thereon by whomsoever held, which discriminates against such obligation or security solely because it is issued by the Issuer, or if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Issuer; and
- exemption from any restrictions, regulations, controls or moratoria with respect to its property or assets.

The Issuer enjoys a number of privileges and immunities (see “*Risk Factors—Risks relating to the Issuer—Restrictions on Legal Proceeding against the Issuer*”) set out in the Establishing Agreement between Member States, some of which are (a) EU Member States and/or (b) EU associated member states. The Issuer also enjoys certain privileges and immunities under the Headquarters Agreement with the Hellenic Republic. The Member States are not responsible for the Issuer’s liabilities, including those under any Notes issued under the Programme.

## **Technology**

The Issuer uses information technology from well-known market leaders. The main information systems currently in place include HP hardware, VMware virtualisation software and SAP ERP for the Issuer’s financial accounting and management, including its treasury operations and loans administration. The Issuer also uses an Enterprise Information Management and Governance software by Open Text for document management, collaboration, records management and information governance.

The Issuer also uses a number of security systems including Check Point, Verisign, Vasco authentication, Trend Micro, CISCO and IBM ISS software. In addition, the Issuer performs a full back-up of all critical data daily, and weekly, monthly, and yearly vaulting of tapes takes place with an external contractor. The Issuer also uses Zerto replication and disaster recovery software to replicate critical systems to the disaster recovery site to meet the RPO and RTO of the business. The Issuer also uses virtual backup software for daily backups and replication software for replicating all critical systems to the disaster recovery site located in Sofia, Bulgaria which, along with the Issuer’s business continuity plan, is tested periodically. An “Uninterrupted Power Source” is installed in the Issuer’s data centre, which is connected to a generator, to support the data centre in case of power outage.

## **Litigation**

As of the date of this Offering Circular, the Issuer is not involved in litigation or other legal proceedings.

## **Property**

The Issuer’s headquarters are located at 1 Komnion Street, Thessaloniki 54624, Hellenic Republic. Its telephone number is +30 2310 290400 and its fax number is +30 2310 221796.

## **Employees**

As of the date of this Offering Circular, the Issuer had 115 employees all of whom are based in Thessaloniki.

## **Human Resources**

### ***Staffing and Recruitment***

The issuer conducts recruitment on a wide geographical basis. While preference is given to citizens of its Member States, recruitment is competitive and is based on the professional qualifications of the candidates. As of the end of 2019, the Issuer’s total headcount was 113 full-time employees. The Issuer’s position count is 127 positions. The Issuer intends to fill most of its vacant positions over the course of 2020.

### ***Staff Development***

The Issuer offers learning opportunities that address the development needs of its staff within the context of organisational business requirements. The Issuer’s policy on training, learning and development establishes a clear link between the Issuer’s business needs and the development of professional and technical skills of its staff. The emphasis of the Issuer’s training, learning and development activities is on addressing its learning and development needs through in-house group trainings provided by external training providers.

### ***Staff Benefit System***

The Issuer operates a market-oriented staff compensation and benefits system designed to match the employment standards of other international financial institutions.

The Issuer's medical, basic life, accidental death and dismemberment and temporary incapacity/long-term disability group insurance contracts provide employees with adequate coverage emphasising preventive medical care. These insurance policies also offer optional post-separation medical coverage.

The Issuer's pension plan, implemented in January 2003, consists of a fully funded (as at 31 December 2019) defined benefit plan with a matched defined contribution component. This combination offers the Issuer the necessary flexibility to meet the needs of a multi-national work force.

## **RISK MANAGEMENT**

### **General**

The Issuer's operations are subject to a variety of risks, some of which are not within its control, including risks relating to changes in interest rates, foreign exchange rates, declines in liquidity, deterioration in the credit quality of its loan and portfolios and changes in equity prices. The Issuer monitors and manages the maturities of its loans, its interest rate and exchange rate exposure, its liquidity position and the credit quality of each individual loan and equity investment in order to minimise the effects of changes in them relative to the Issuer's profitability and liquidity position.

By virtue of its mandate, the credit risks inherent in the Issuer's ordinary operations are relatively high due to the geographic concentration of its operational portfolio and the nature of the Issuer's involvement in the projects it undertakes. The application of sound banking principles in the Issuer's credit process seeks to ensure that these significant credit risks are properly identified and managed while other risks resulting from its ordinary operations are mitigated to the extent possible. Since the Issuer's ordinary operations are inherently relatively risky, the management of the Issuer's treasury (the "**Treasury**") activities is more conservative.

To manage risks the Issuer uses (i) the Board of Governors, (ii) the Board of Directors (the "**Board**"), (iii) the Asset and Liabilities Management Committee (the "**ALCO**"), (iv) the Office of the General Counsel, (v) a committee that implements the Issuer's credit policies (the "**Credit Committee**"), (vi) the Risk Management Department and (vii) the Financial Analysis Department, which together are responsible for devising, implementing and monitoring the Issuer's risk management policies, including financial, credit and market risks. The basic credit policies of the Issuer is set out in, and governed by, the Portfolio Risk Management and Investment Policy, the Financial Policies and the Treasury Policies.

### **The Board of Governors**

The Board of Governors participates in the risk management of the Issuer by providing general direction and approving the strategy of the Issuer and may delegate the majority of its powers to the Board, except those that it is prohibited from delegating, as set out in the Establishing Agreement. The Board of Governors approves the Rules and Regulations for Financing Projects and Commercial Activities, which outlines specific parameters for the Issuer's operations and delegates specific responsibilities to the Board of Directors and to Management.

### **Board of Directors**

The Board of Governors delegates authority to the Board of Directors to adopt policies, strategies, guidelines and procedures necessary for the origination, assessment, execution, monitoring and financing of operations. The Issuer's by-laws also delegate responsibilities to the Board of Directors that are not specifically reserved for the Board of Governors. The Board of Directors is responsible for the overall supervision of risk management of the Issuer, including:

- to approve and periodically review strategies and policies of the Issuer;
- to set acceptable limits for risks undertaken by the Issuer (other than those contained in the Establishing Agreement) and ensure that senior management takes the necessary steps to identify, measure, monitor and control those risks;
- to ensure the effectiveness of the internal controls system;
- to approve the organisational structure of the Issuer;
- to ensure adequate functional/departmental/divisional segregation of duties (e.g. transaction origination, assessment of adequacy of documentation, monitoring after origination, approval of disbursement and actual disbursement, etc.) and avoidance of conflicts of interest;
- to provide effective and objective oversight of the senior management;
- to avoid excessive focus on short-term profitability and volumetric targets and to give adequate consideration to risk factors and mandate fulfilment;

- to approve budgets;
- to evaluate the performance of the senior management of the Issuer, with the exception of the President who is appointed by the Board of Governors; and
- to approve all financing proposals (including debt, equity, guarantees, or any combination thereof).

### **Office of the General Counsel**

The Office of the General Counsel reports directly to the President and provides legal advice and assistance on all aspects of the Issuer's activities including advising and participating in the meetings of the Board of Governors, the Board of Directors and the Credit Committee, providing legal support for banking operations, in conjunction with external counsel as necessary, and advising on legal structures and security aspects of transactions, the preparation of the financing and security documentation, and the conduct of negotiations on behalf of the Issuer with other financing parties and with the borrower/investee company.

### **Asset & Liability Management Committee**

The ALCO is responsible for monitoring and managing the Issuer's overall asset and liability position. The ALCO monitors and manages the Issuer's liquidity position, maturity gaps, interest income and expense and the condition of the international financial markets and is responsible for assigning market risk limits. The ALCO consists of the President, the Vice President of Finance, the Vice President of Banking, the Vice President of Operations and a member of the Treasury Department serves as the ALCO secretary. The ALCO has regular meetings no less often than once a month. The ALCO is headed by the President.

### **Credit Committee**

The Credit Committee is the internal decision-making body with respect to credit matters. Its key responsibilities include: approval of lending operations for submission to the Board for final approval, establishing specific parameters (policies, limits, targets, guidelines) for operational decision-making, approval of changes to the manuals that prescribe how operations are to be analysed, approved, administered and monitored and approval of amendments, waivers, consents, notices, restructuring and other operation-related matters. The Credit Committee consists of the President, the Vice President of Finance, the Vice President of Banking and the Vice President of Operations (who are voting members), and the Secretary General and the General Counsel (who are non-voting members). The Credit Committee has regular meetings as required and no less often than once a month. The Credit Committee is headed by the President, and takes decisions by unanimous consent (in case of a lack of unanimity, the Management Committee reviews the project at an appellate level). The Credit Committee monitors and manages overall risk concentration by reference to borrower and industry exposure and critically reviews each individual loan and equity investment proposal made by the lending departments in the Issuer's Banking Division. The Credit Committee has, as one of its major functions, responsibility for minimising the credit risk presented by each individual loan and equity investment proposal and the overall portfolio risk by evaluating each individual proposal and the overall investment portfolio of the Issuer.

### **Risk Management Department**

The Risk Management Department is independent from the Issuer's lending departments and is responsible for proposing credit risk management policies to the Credit Committee for approval by the Board of Directors. In addition, the Risk Management Department implements the Issuer's credit risk policies and guidelines and is also responsible for:

- analysing the credit risk of all of the Issuer's operations, including assessing the adequacy of security structures and making recommendations to the Credit Committee based on this analysis;
- issuing guidelines for the pricing of lending operations;
- assigning credit risk categories for its operations, regularly monitoring the credit risk and reassigning new credit risk scores, if necessary;
- ensuring that all operations are in compliance with the Issuer's internal risk limits and guidelines;

- monitoring and evaluating the Issuer's credit risk profile;
- calculating and assigning general and specific loan provisions; and
- assigning and monitoring Treasury counterparty risk limits and maximum individual exposures to each issuer by applying ALCO approved methodology.

### **Financial Analysis Department**

The Financial Analysis Department is independent from the Issuer's lending departments and is responsible for evaluating the financial performance and creditworthiness of proposed operations. The Financial Analysis Department takes an independent view on proposals and makes recommendations to the Credit Committee on each potential transaction. The Financial Analysis Department produces a financial due diligence report, which contains a comprehensive analysis of the creditworthiness of the proposed operation. The Financial Analysis Department also reviews the financial performance of a lending operation once it has been implemented and contributes to the rescheduling and/or restructuring of any impaired operations.

### **Institutional Credit Risk Management**

The banking industry is generally exposed to credit risk through its financial assets, derivative instruments and contingent liabilities. The Board of Directors sets the overall credit risk limits by determining the maximum credit risk exposure to a single borrower or group of borrowers, the maximum credit risk exposure to countries and credit exposure targets for sectors and also determines the amount and structure of risk bearing assets. The exposure is monitored on a regular basis by the Credit Committee and the Risk Management Department to ensure compliance with these limits.

The global financial crisis significantly affected the economies of the Black Sea Region, which in turn, had an adverse impact on the results of operations and cash flows of some of the Issuer's borrowers. Therefore, beginning in the second half of 2008, the Issuer enhanced its monitoring of existing credits in order to mitigate increased credit risk by:

- preparing a supervision and monitoring report for each loan at least one a year, with such reports usually being produced twice a year and, occasionally, every quarter, depending on the internal risk rating of the particular loan;
- ensuring the Issuer's banking team responsible for originating the loan meets the borrower at least once a year;
- undertaking a monthly risk rating exercise, conducted jointly by the Financial Analysis, Monitoring and Risk departments for the purposes of identifying risk vectors likely to affect individual operations or asset groups in the short term, and keeping management abreast of such developments. Operations judged to be high risk are visited on-site at least annually by the Issuer's monitoring / credit analysts; and
- requiring borrowers to provide, at a minimum, annual financial statements audited in accordance with IFRS (or other acceptable GAAP).

The Issuer is recognised as an international financial institution, and as such can expect to benefit from the preferred creditor status customarily and historically afforded to such institutions. This preferred creditor status serves to provide an additional layer of comfort against the risks of non-payment on sovereign debt or by private sector borrowers as a result of local laws creating a moratorium on foreign-currency exchanges. Given the relatively recent establishment of the Issuer, the Issuer's preferred creditor status has not been conclusively tested in any court and it is uncertain whether such rights associated with this status will be afforded to it in the future.

A significant portion of the Issuer's lending operations are fully collateralised. As at 31 December 2019, 57.2 per cent. of the Issuer's total loan portfolio was secured. Security includes various types of collateral, such as sovereign guarantees, municipal guarantees, pledges of shares and accounts, pledges of movable and immovable assets, inventory, assignment of sub-loans and letters of guarantee from financial institutions acceptable to the Issuer. However, exceptions to the requirement that each loan be fully collateralised are made on a case-by-case

basis, based on the recommendation from the Risk Management Department and approved by the Credit Committee and the Board for companies with established borrowing records and dominant market positions, located in countries with investment-grade ratings.

## Market Risk Management

Market risk is the risk that changes in foreign exchange rates, interest rates or equity prices may result in losses to the Issuer. Market risk arises on financial instruments that are valued at current market prices (mark to market basis) or those valued at cost plus any accrued interest (accruals basis).

The Board has approved risk management policies and limits within which exposure to market risk is monitored, measured and controlled. The ALCO monitors and manages these risks while the asset and liability function within the Treasury Department has primary responsibility for ensuring compliance with these policies and limits.

## Interest Rate Risk Management

The Issuer's interest rate risk management activities aim to enhance profitability by limiting the effect on asset values of adverse interest rate movements and increasing net interest income by managing interest rate exposure. As a matter of policy, the Issuer does not take discretionary interest rate positions. The majority of the Issuer's loan portfolio is variable interest rate and the Issuer has a policy aimed at minimising interest rate mismatches between its assets and liabilities that seeks to ensure that the interest rate payment periods for its liabilities are matched as closely as possible to interest rate payment periods for its assets. For a description of the Issuer's hedging strategy, see “– Liquidity Risk Management – Treasury”.

The following table sets forth the Issuer's interest rate exposure as at 31 December 2019 (calculated as at re-pricing date in the case of floating rate exposures or final maturity in the case of fixed rate exposures).

	As at 31 December 2019						
	<1 month	1-3 months	3m-1 year	1-5 years	>5 years	non-interest bearing	Total
	<i>(EUR in thousands)</i>						
<b>Currency</b>							
<b>Assets</b>							
EUR	297,192	277,698	306,117	391,434	34,532	51,448	<b>1,358,421</b>
USD	194,268	110,926	323,644	205,751	23,033	17,691	<b>875,313</b>
CHF						156	<b>156</b>
Other	18,873	78,641	48,036	14,004	-	232	<b>159,630</b>
<b>Total</b>	<b>510,333</b>	<b>467,265</b>	<b>677,797</b>	<b>611,189</b>	<b>57,565</b>	<b>69,371</b>	<b>2,393,520</b>
<b>Liabilities</b>							
EUR	164,902	113,819	83,000	7,000	-	27,829	<b>396,550</b>
USD	6,231	115,720	66,923	545,099	23,033		<b>757,006</b>
CHF	-	-		184,264	-	44	<b>184,308</b>
Other	18,695	65,431	3,723	87,315	-		<b>175,164</b>
<b>Total</b>	<b>189,828</b>	<b>294,970</b>	<b>153,646</b>	<b>823,678</b>	<b>23,033</b>	<b>27,873</b>	<b>1,513,028</b>
<b>Derivative Financial Instruments</b>							
EUR	(3,854)	(61,786)	(237,433)	(175,694)			<b>(478,767)</b>
USD		(54,078)	(370,341)	700,441			<b>276,022</b>
CHF	-	-		184,264			<b>184,264</b>
Other		(13,210)	(44,313)	76,004			<b>18,481</b>
<b>Total</b>	<b>(3,854)</b>	<b>(129,074)</b>	<b>(652,087)</b>	<b>785,015</b>	-	-	-
<b>Net interest exposure</b>	<b>316,651</b>	<b>43,221</b>	<b>(127,936)</b>	<b>572,526</b>	<b>34,532</b>	<b>41,498</b>	<b>880,492</b>

## Foreign Currency Risk Management

The Issuer's risk management policies seek to minimise currency exposures by requiring net liabilities in any one currency to be matched closely with net assets in the same currency, and the Issuer will not take discretionary currency positions. This is achieved primarily by holding or lending the proceeds of its borrowings

in the currencies in which they were borrowed. Until 31 December 2010, the Issuer's capital base was denominated in SDR and it matched its currency risk by holding its net assets in an approximation of the SDR basket. Starting from 1 January 2011, the Issuer changed its functional and reporting currency to the Euro and has adjusted its net asset currency composition to the Euro to maintain a matched foreign exchange position.

As a matter of policy, the Issuer aims to keep its foreign exchange exposure as close to zero as possible. Exceptions to this practice require approval from the ALCO.

The following table sets forth the Issuer's foreign exchange position as at 31 December 2019.

	<b>As at 31 December 2019</b>				
	<i>(figures in thousands)</i>				
	<i>EUR</i>	<i>USD</i>	<i>CHF</i>	<i>Other,<sup>(1)</sup> expressed in EUR</i>	<i>Total expressed in EUR</i>
<b>Assets</b>					
Treasury assets <sup>(2)</sup>	223,225	279,090	-	897	503,212
Loans & Equity	1,082,448	608,176	-	160,703	1,851,327
Impairment Losses/Deferred Income	(39,782)	(7,271)	-	(5,196)	(52,249)
Derivatives	3,128				3,128
Other assets	19,509	12,965	156	3,223	35,853
<b>Total assets</b>	<b>1,288,528</b>	<b>892,960</b>	<b>156</b>	<b>159,627</b>	<b>2,341,271</b>
<b>Liabilities and Equity</b>					
Borrowings	96,477	1,029,024	184,366	175,288	1,485,155
Derivatives, payables, deferred income	17,164	7,911	44	2,754	27,873
<b>Total liabilities and equity</b>	<b>113,641</b>	<b>1,036,935</b>	<b>184,410</b>	<b>178,042</b>	<b>1,513,028</b>
Net exposure	1,174,887	(143,975)	(184,254)	(18,415)	828,243
Derivative financial instruments <sup>(3)</sup>	(351,342)	152,093	184,264	18,820	3,765
<b>Net currency balance in EUR</b>	<b>823,545</b>	<b>8,048</b>	<b>10</b>	<b>405</b>	<b>832,008</b>

(1) Other currencies (GEL, RON, RUB and AMD) are shown under "other".

(2) Cash and bank balances plus investment securities.

(3) Derivative financial instruments include foreign exchange forward contracts and interest rate swaps.

### ***Currency Risk Sensitivity***

The Issuer is marginally sensitive to exchange rate fluctuations of the U.S. dollar and the Euro. The Issuer's paid-in capital is held in Euro and the Issuer's loan portfolio is typically between 30 and 40 per cent. denominated in U.S. Dollars. In addition, the majority of the Issuer's administrative expenses are denominated in Euros and its income is typically between 35 and 45 per cent. denominated in U.S. Dollars. The Issuer has, in recent years, addressed this sensitivity to currency risk by increasing its percentage of assets denominated in Euros and therefore increasing its Euro-denominated income.

### ***Liquidity Risk Management***

Liquidity risk arises in the general funding of the Issuer's financing and investment activities and in the management of positions. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms. Liquidity management seeks to ensure that, even under adverse conditions, the Issuer has access to the funds necessary to satisfy customer needs, maturing liabilities and its own working capital requirements.

The liquidity policy of the Issuer aims to balance the term and currency structure of the Issuer's assets and liabilities. The Issuer maintains liquid assets at prudential levels to ensure that cash can quickly be made

available to honour all its obligations, even under adverse conditions. As such, the Issuer's liquidity policy requires that it maintain its liquidity position at a minimum of 50 per cent of the following 12 months' net cash requirement, including committed, undisbursed project and trade finance loans. The Issuer's liquidity position is monitored on a daily basis and the ALCO is primarily responsible for the management of liquidity risk and the liquidity profile of the Issuer. The Issuer holds the following types of liquid assets: (i) cash and bank balances; (ii) short term deposits with investment grade rated counterparties; (iii) Euro-denominated commercial paper issued by investment grade parties; and (iv) investment grade bonds.

The following table sets forth the Issuer's liquidity position as at 31 December 2019.

<b>As at 31 December 2019</b>						
	<b>&lt;1 month</b>	<b>1-3 months</b>	<b>3m-1 year</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	<i>(EUR in thousands)</i>					
<b>Assets</b>						
Treasury Assets	235,899	55,000	29,085	176,228	7,000	503,212
Loan Portfolio	17,207	76,532	373,392	974,952	378,858	1,820,941
Other Net Assets	-	-	-	-	19,284	19,284
<b>Total</b>	<b>253,106</b>	<b>131,532</b>	<b>402,477</b>	<b>1,151,180</b>	<b>405,142</b>	<b>2,343,437</b>
<b>Liabilities</b>						
Borrowings	-	35,031	89,415	1,341,431	19,278	1,485,155
Other Net liabilities	-	-	-	-	27,873	27,873
Member's Equity	-	-	-	-	830,409	830,409
<b>Total</b>	<b>-</b>	<b>35,031</b>	<b>89,415</b>	<b>1,341,431</b>	<b>877,560</b>	<b>2,343,437</b>
<b>Liquidity gap</b>	<b>253,106</b>	<b>96,501</b>	<b>313,062</b>	<b>-190,251</b>	<b>-472,418</b>	<b>0</b>

### **Treasury**

The Issuer's Treasury Department is responsible for funding, asset and liability management and the investment of the Issuer's liquidity. These functions are carried out under the guidance of the ALCO. The Treasury Department's primary objectives are ensuring that required funding is available at optimal pricing, monitoring and controlling liquidity, foreign exchange and interest rate risks and earning a reasonable return on the Issuer's liquid assets while minimising the risk of loss. The Treasury Department's investment activities are auxiliary to the Issuer's core business.

The Issuer's principal source of liquidity is its treasury portfolio, which is principally comprised of balances on correspondent accounts, short term deposits in banks and Euro Commercial Paper up to six months. The treasury portfolio may also hold bonds with a minimum long-term credit rating of BBB-/Baa3.

The Treasury Department manages the Issuer's treasury portfolio in accordance with the Financial Policies and the Treasury Policies which set forth the Treasury Department's strategy, structure and principles of the formation of the treasury portfolio. The main principles are:

- **Credit quality of securities in treasury portfolio and as collateral.** The treasury portfolio may include only securities and collateral which meet the Issuer's minimum long-term and short-term rating requirements of BBB-/Baa3 and A2/P2, respectively.
- **Credit quality of Treasury counterparties.** Counterparties must meet the Issuer's minimum long-term rating requirement of A/A2 and must meet certain criteria for credit sensitive trades.
- **Term of deposits.** The maximum term of any one deposit (inter-bank credit) may not exceed six months.
- **Hedging.** Derivatives with approved counterparties (forwards, swaps, interest rate swaps, forward rate agreements, options, futures or any combination of the foregoing) may be used only for hedging, reducing the effect of market risks or open positions.
- **Repo transactions.** Repo or reverse repo transactions may be undertaken subject to investment securities and counterparty limits.

## Total deposits and securities by credit rating

The table below shows the Issuer's liquid assets (before impairment losses) by credit rating and maturity as at 31 December 2019.

As at 31 December 2019									
	0-3 months	3-6 months	6 months -1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	<i>(EUR in thousands)</i>								
<b>Long Term Credit Rating</b>									
Aaa-Aa3	262,859								<b>262,859</b>
A1-A3	21,505	8,968	3,020	31,387	10,286				<b>75,166</b>
Baa1-Baa3	487	8,366		15,564	4,608	21,139	15,714	7,332	<b>73,210</b>
Ba1-Ba3	481			8,957					<b>9,438</b>
B1-B3	44								<b>44</b>
Caa									
Unrated	161								<b>161</b>
<b>Total</b>	<b>285,537</b>	<b>17,334</b>	<b>3,020</b>	<b>55,908</b>	<b>14,894</b>	<b>21,139</b>	<b>15,714</b>	<b>7,332</b>	<b>420,878</b>

## Lending Policies and Procedures

### General

The Issuer uses international best practices for lending in order to diversify its risk by country and by sector, while also meeting the needs of its Member States in accordance with its mandate to promote economic development in the Black Sea Region.

The Issuer established its financing guidelines and limits through (i) the Establishing Agreement; (ii) the Rules and Regulations for Financing Projects and Commercial Activities approved by the Board of Governors, which delegates approval authority for operational functions to the Board of Directors; (iii) certain Board of Directors-approved policies, including the Portfolio Risk Management and Investment Policies, the Financial Policies and the Operations Cycle Policy; and (iv) the Operations Manual, which lays out detailed requirements and procedures for the identification, design, appraisal, implementation, and completion of a lending operation.

The Board of Directors makes all decisions regarding the Issuer's lending activities, and provides approval for the financing of every operation according to limits set pursuant to the Establishing Agreement and other limits outlined in the Portfolio Risk Management and Investment Policies. Each proposed project must conform to the Issuer's mandate, strategic objectives and principles of investment, present acceptable credit, market and other risks and offer an acceptable return. In exceptional cases, the Board of Directors may override the operational limits, if the operation meets the Issuer's overall strategic objectives, although it may not override those set out in the Establishing Agreement. The key factors that the Board of Directors uses to determine approval for lending activities as set out in the Portfolio Risk Management Policy and the Investment Policies are as follows:

- **Single Obligor Limits.** Loans and investments to any single borrower or a group of related borrowers may not exceed 10 per cent., in the case of private sector debt instruments, or 20 per cent., in the case of public sector debt instruments, of paid-in capital, reserves and retained earnings, and 3 per cent. of paid-in capital for equity. The Issuer's overall portfolio limit for equity investments cannot exceed 50 per cent. of the Issuer's paid-up capital. The single-obligor limit does not apply to sovereign exposure.
- **Aggregate Limit.** Exposure to the highest five obligors cannot exceed 40 per cent. of the Issuer's total outstanding loans (minus repayments and cancellations);
- **Country Exposure limits.** Loans to any country may not exceed 30 per cent. of total planned commitments less cancellations;

- **Sector Exposure.** Loans to any one sector are targeted to not exceed 40 per cent. of total lending (minus repayments and cancellations);
- **Term of investment.** The Issuer's loans generally have a maximum maturity of 10 years although exceptions can be approved by the Board of Directors; and
- **Minimum share of owner's participation in the project.** The Issuer may finance only a maximum of 50 per cent. (up to 70 per cent. in respect of the public sector) of any project finance investment and 33 per cent. (25 per cent. preferred) of any equity investment, but may finance 100 per cent. of corporate finance and trade finance investments.

### **Lending Operation Approval Procedure**

The Issuer follows a process to identify, develop, approve and implement a lending operation, which is set out in the Issuer's Operations Cycle Policy. The operation approval process procedures are provided in the Issuer's Operations Manual, the procedural document for project development, which is approved by the Management Committee (as defined in "*Management*") and is periodically revised.

The Issuer initially identifies the operation and makes a determination as to whether it meets the Issuer's mandate and is considered to be financially viable. Once this assessment is made, the Credit Committee approves the operation proposal and the Issuer begins due diligence on the operation. Corporate entities are subject to an assessment of creditworthiness based on historical financial statements, followed by cash flow modelling for the life of the proposed loan and stress testing of key assumptions. For financial institutions, risk analysis is based on a quantitative methodology, including an assessment of capitalisation, asset quality, liquidity and foreign exchange risk, which is supported by comparisons of key ratios to industry standards. After a final review by the Credit Committee, the operation proposal is then submitted to the Board of Directors for approval. Every prospective operation is reviewed a minimum of two times by the Credit Committee and must be approved by the Board of Directors.

Once the Board of Directors approves the operation, the Issuer undertakes the implementation, supervision and monitoring of the operation and the Issuer monitors operational progress and compliance with relevant covenants.

When the operation is completed, operational performance is assessed against the Issuer's objectives and the expected results as determined at the time of the identification of the operation.

### **Portfolio Supervision and Credit Impaired Loan Procedure**

#### ***Monitoring***

Once an operation is approved and fully disbursed, it is then monitored to ensure thorough and regular evaluations of its credit quality. The Project Implementation and Monitoring Department monitors loans through annual, semi-annual, quarterly or monthly reports, depending on the risk rating of the loan, and through monthly risk asset reviews, which are jointly prepared by Financial Analysis Department, Risk Management and Project Implementation and monitoring Department and assign a risk rating to each loan.

Should an operation display signs of weakness during the regular monitoring and/or through risk asset reviews, an impairment test is immediately carried out by the Risk Management Department and appropriate remedial actions are taken, as required. These measures include, but are not limited to, a detailed assessment of the financial and operational performance of the operation, additional due diligence, stopping disbursement of any undisbursed amounts, preparation of remedial strategies and carrying out impairment tests. Besides, in addition to regular site visits carried out by the Operations Teams, such a visit will be conducted by the Project Implementation and Monitoring Department and, when appropriate, accompanied by the Financial Analysis Department.

Once the loan has been disbursed, each loan's performance is rigorously evaluated and the results of such evaluations are reported to the President.

#### ***Credit Impaired Loan Procedure***

When regular supervision and monitoring, a formal risk asset review performed for the purpose of operations classification and identifying appropriate impairment losses, a country review, or the ad hoc receipt of relevant information reveals an asset whose quality has deteriorated below an acceptable level, the issue will be reported by the unit having traced/ discovered the issue to the Project Implementation and Monitoring Department. The Project Implementation and Monitoring Department, in consultation with the Operation Leader, the Financial Analysis Department the Office of the General Counsel, and the Risk Management Department will prepare a report for the Credit Committee which shall include (i) an action plan which includes an explanation of impairment recognition calculations, and (ii) the Rating Review performed by the Risk Management Department in consultation with the Financial Analysis Department. Impairment recognition will be carried out by the Risk Management Department in consultation with the Financial Analysis Department. The Credit Committee decides whether special handling is required. In such a case, management responsibility for the operation will be assigned to a team coordinated by the Project Implementation and Monitoring Department, with involvement from representatives from the Financial Analysis Department and the Office of the General Counsel, as well as any other relevant staff member for the purpose. The team prepares a remedial management strategy and a detailed action plan for strategy implementation, for which it obtains approval from the Credit Committee. The relevant working group has the sole authority and responsibility to conduct, co-ordinate and execute all activities related to that operation. Where the alterations are deemed by the Credit Committee to have substantially altered the nature of the operation, or where other overriding reasons exist, the action plan and/ or revised operation may be sent to the Board of Directors for approval. Impairment 'de-recognition' will be carried out as appropriate by the Risk Management Department in consultation with the Financial Analysis Department.

### ***Credit Impaired Loan balance***

The Issuer defines a non-performing loan as a commercial loan that is more than 90 days past due. As at 31 December 2019 the Issuer had one non-performing loan for EUR 4.1 million to an Information Technology Company in Romania.

As at 31 December 2019 the Issuer had loans totalling EUR 50.9 million in Stage 3 (under IFRS 9).

In addition to risk analysis and monitoring described above, the Issuer holds total impairment losses on loans balance of EUR 43.3 million, of which EUR 34.4 million is assigned as impairment allowances on the Issuer's Stage 3 loans.

## MANAGEMENT

### Governance of the Issuer

The Establishing Agreement provides that the Issuer shall be managed by a Board of Governors, a Board of Directors, the President, Vice Presidents, the Secretary General and such other officers and staff as are considered necessary. According to the Establishing Agreement, Governors serve at the pleasure of the respective appointing Member State of the Issuer, whilst Directors, the President, Vice Presidents, the Secretary General and staff of the Issuer must, in their decisions, take into account only considerations relevant to the Issuer's purpose, function and operation, which considerations shall be weighed impartially. The Establishing Agreement further expressly stipulates that the President, Vice Presidents, the Secretary General, and the staff, in the discharge of their offices owe their duty entirely to the Issuer and to no other authority, and each Member State must respect the international and non-political character of this duty and refrain from all attempts to influence any of them.

### Board of Governors

All the powers of the Issuer are vested in the Board of Governors. Except for the powers and functions specifically reserved to it by the Establishing Agreement (including but not limited to the power to increase or decrease the authorised capital of the Issuer, to amend the Establishing Agreement, to approve financial statements, to admit or suspend Member States, and to authorise cooperation agreements with other international organisations), the Board of Governors has delegated the exercise of its powers to the Board of Directors while retaining overall authority. The Board of Governors has overall supervisory authority over the entire activity of the Issuer. The Board of Governors represents the Member States as shareholders interested in mandate fulfilment and preservation of shareholder value.

As of the date of this Offering Circular, the members of the Board of Governors were as follows:

Republic of Albania.....	Mr. Erjon Luci	Deputy Minister of Finance (Governor) Alternate Governor position vacant
Republic of Armenia.....	Mr. Arthur Javadyan Mr. Andranik Grigoryan	Chairman, Central Bank of Armenia (Governor) Director of Financial System Stability & Development Department, Central Bank of Armenia (Alternate Governor)
Republic of Azerbaijan.....	Mr. Samir Sharifov Mr. Mikayll Jabbarov	Minister of Finance (Governor) Minister, Ministry of Economy (Alternate Governor)
Republic of Bulgaria.....	Ms. Marinela Petrova M. Gergana Beremska	Deputy Minister, Ministry of Finance (Governor) Director, International Financial Institutions & Cooperation Directorate, Ministry of Finance (Alternate Governor)
Republic of Georgia.....	Mr. Koba Gvenetadze Mr. Ivane Matchavariani	Governor, National Bank of Georgia (Governor) Minister, Ministry of Finance (Alternate Governor)
Hellenic Republic (Greece) .....	Mr. Adonis-Spyridon Georgiadis	Minister of Development and Investments (Governor)  Alternate Governor: position vacant
Republic of Moldova.....	Mr. Serghei Puscuta	Vice Prime Minister & Minister of Finance (Governor) Alternate Governor: position vacant
Romania.....	Mr. Attila Gyorgy Ms. Boni Florinela Cucu	Secretary of State, Ministry of Public Finance (Governor) General Director, General Directorate for International Financial Institutions / Corporate Governance Relationships, Ministry of Public Finance (Alternate Governor)
Russian Federation .....	Mr. Timur Maksimov	Deputy Minister, Ministry of Finance (Governor) Alternate Governor position vacant
Republic of Turkey.....	Mr. Bulent Aksu	Deputy Minister, Ministry of Treasury and Finance (Governor) Alternate Governor position vacant
Ukraine .....	Mr. Ihor Petrashko Mr. Volodymyr Kuchyn	Minister for Development of Economy, Trade & Agriculture (Governor) Head Office for European Integration & International Programs, National Bank of Ukraine (Alternate Governor)

### Board of Directors

Subject to the Board of Governors' overall authority, the Board of Directors is responsible for the direction of the Issuer's general operations. For this purpose, in addition to the powers assigned to it by the Establishing Agreement, the Board of Directors exercises all the powers delegated to it by the Board of Governors. In

particular, the Board of Directors takes decisions concerning the business of the Issuer and its operations in conformity with the general directions of the Board of Governors.

The Board of Directors is a non-resident board and comprises non-executive directors who are appointed by Member States and who are not involved in the day-to-day operations of the Issuer. The Establishing Agreement provides that each Member State is entitled to appoint one member to the Board of Directors as well as an alternate member. The number of Directors on the Board of Directors is determined by the Board of Governors. In addition to the provisions set out in the Establishing Agreement, the procedures and conditions of service of the Board of Directors are governed by (i) the Board of Directors’ Rules of Procedure (the “Rules of Procedure”) and (ii) the By-Laws of the Issuer, both as approved by the Board of Governors.

The Establishing Agreement mandates that the Board of Directors meet as often as the business of the Issuer may require and the Rules of Procedure provide that the Issuer’s President, who is also the Chairman of the Board of Directors, may call the Board of Directors into session at any time or at the written request of any Director. A majority of the Directors constitutes a quorum for any meeting of the Board of Directors, provided such majority represents not less than two-thirds of the total voting power of the Board of Directors. Each Director is entitled to cast votes on behalf of the Member State he or she represents. Decisions before the Board of Directors are adopted by a majority of the votes at a meeting, except for general policy decisions which are adopted by a majority of not less than two-thirds of the votes at a meeting.

As of the date of this Offering Circular, the members of the Board of Directors were as follows:

Republic of Albania .....	Mr. Arian Kraja	General Secretary, Ministry of Finance and Economy (Director) Alternate Director: position vacant
Republic of Armenia .....	Mr. Davit Ananyan Mr. Argam Aramyan	Chairman of the State Revenue Committee (Director) Head International Cooperation Department, Ministry of Finance (Alternate Director)
Republic of Azerbaijan.....	Mr. Famil Ismayilov	Deputy Head, International Cooperation Department, Ministry of Finance (Director) Alternate Director: position vacant
Republic of Bulgaria .....	Ms. Petya Kuzeva Mr. Nikola Sherletov	Director, Government Debt Directorate, Ministry of Finance (Director) Parliamentary Secretary, Ministry of Finance (Alternate Director)
Georgia.....	Mr. Nikoloz Gagua	Deputy Minister, Ministry of Finance (Director)
Hellenic Republic.....	Mr. Lasha Khutsishvili Mr. Ioannis Tsakiris	Deputy Minister of Finance (Alternate Director) Deputy Minister of Development & Investments (Director) Alternate Director: position vacant
Republic of Moldova.....	Ms. Elena Matveeva	Head, Public Debt Department, Ministry of Finance (Director) Alternate Director: position vacant
Romania .....	Ms. Diana Blindu Mr. Stefan Petrescu	Head of Division, General Directorate for International Financial Relations, Ministry of Public Finance (Director) Deputy Director General, General Directorate for International Financial Relations External Public Finance, Ministry of Public Finance (Alternate Director)
Russian Federation .....	Mr. Evgeny Stanislavov	Director, Economic Cooperation Department, Ministry of Foreign Affairs (Director) Alternate Director: Position vacant
Republic of Turkey .....	Mr. Kemal Cagatay Imirgi	Acting Director General, Foreign Economic Relations, Ministry of Treasury and Finance (Director) Alternate Director (Position vacant)
Ukraine.....	Mr. Taras Kachka Mr. Yuriy Heletiy	Deputy Minister for Development of Economy, Trade & Agriculture (Director) Deputy Minister of Finance for European Integration (Alternate Director)

## Conflicts of Interest

Pursuant to the Issuer’s Code of Conduct, each Director must avoid any actual conflict of interest or the appearance of a conflict of interest between his/her private interests and his/her duties to the Issuer and must recuse himself/herself from any deliberations and decisions which may give rise to a conflict of interest. As at the date of this Offering Circular, the Issuer is not aware of any conflict of interest between any private interest of any Director and such Director’s duties to the Issuer.

## **The Management Committee**

The Management Committee comprises the President, the Vice President of Finance, the Vice President of Banking, the Vice President of Operations and the Secretary General. The Management Committee is empowered to provide guidance on matters unresolved by other committees, as well as providing general guidance relating to operations, finance, administration, auditing and the Issuer's external relations strategies.

## **The Audit Committee**

The members of the Audit Committee, one of whom acts as Chairperson, are appointed for a one year term by the Board. The President of the Issuer may not be a member of the Audit Committee.

Safeguards have been put in place to maintain the independence and non-executive character of the Audit Committee members, with a view to increasing the effectiveness of the oversight role of the Board of Directors. The Audit Committee oversees the activities performed by the Management Committee, the ALCO and the Credit Committee. More specifically, the Audit Committee assists the Board of Directors in carrying out its responsibilities with regard to reporting, control and compliance issues, and promotes the "control awareness" culture throughout the organisation. The Audit Committee Chair regularly reports findings and recommendations to the Board of Directors, after consultations with the other members of the Audit Committee.

As of the date of this Offering Circular, the members of the Audit Committee were as follows:

**Chairperson:**

Ms. Diana Blindu

BSTDB Director for Romania

**Members:**

Mr. Arian Kraja

BSTDB Director for Albania

Ms Elena Matveeva

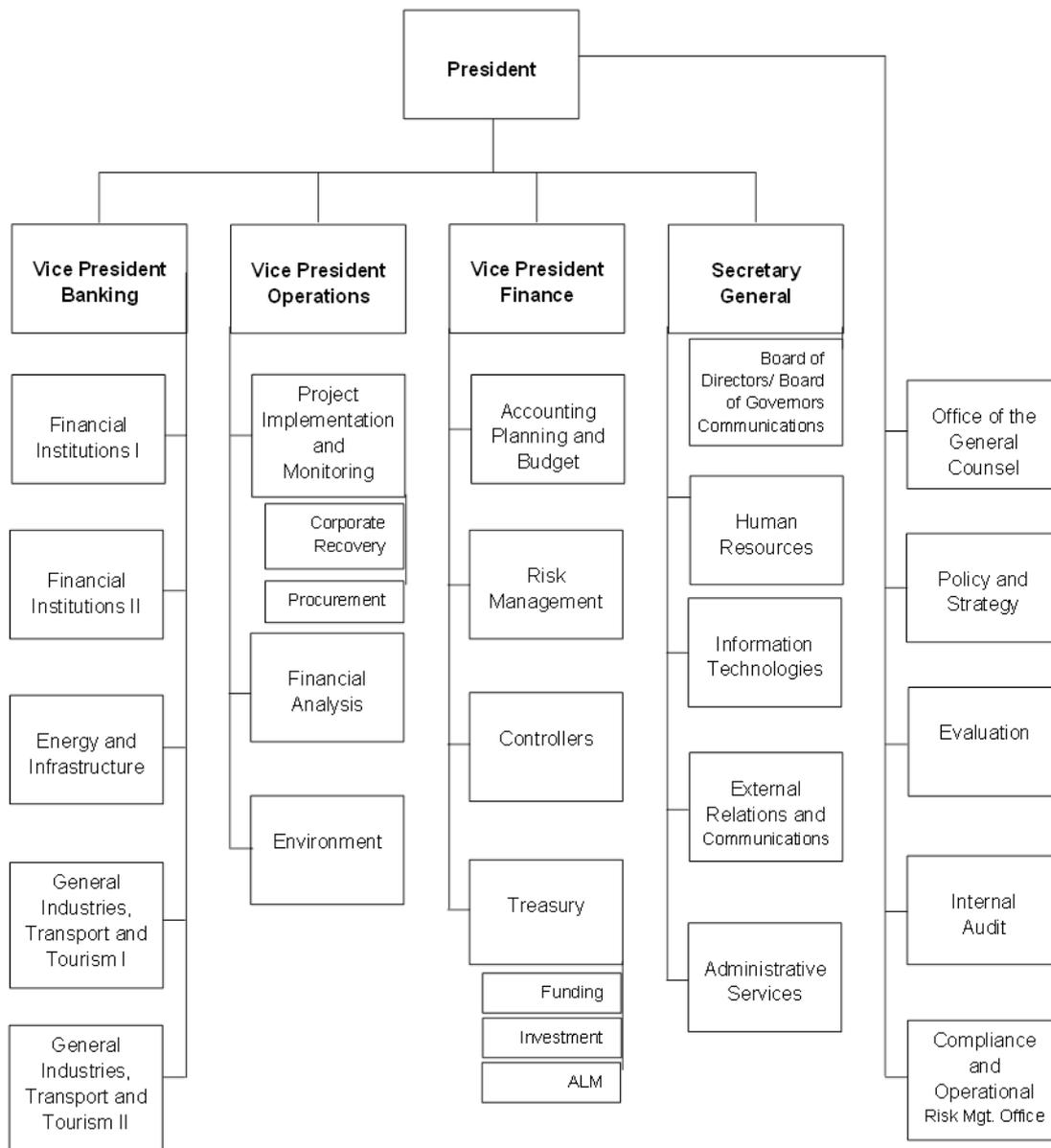
BSTDB Director for Moldova

Mr. Nikoloz Gagua

BSTDB Director for Georgia

## **Management of the Issuer**

Below is the management structure of the Issuer, as of the date of this Offering Circular:



**Senior Management**

The President is appointed by the Board of Governors and is the chief executive of the Issuer and its legal representative and conducts, under the direction of the Board of Directors, the current business of the Issuer. The President is responsible for the organisation, appointment and dismissal of officers and staff in accordance with rules and regulations adopted by the Board of Directors. The President also serves as the Chairman of the Board of Directors and has no power to cast votes at a meeting of the Board of Directors except in the case of a split vote.

One or more Vice President(s) are appointed by the Board of Directors on the recommendations of the President. Each holds office for a term, exercises authority and performs functions in the administration of the Issuer, as may from time to time be determined by the Board of Directors. In the absence or incapacity of the President, one of the Vice-Presidents shall exercise the authority and perform the functions of the President.

The Vice Presidents are empowered with executive authority delegated directly by the Board of Directors.

By the decision of the Inaugural Meeting of the Board of Governors, the Secretary General's position was made equal to that of a Vice President.

As of the date of this Offering Circular, the senior management of the Issuer consisted of the following individuals:

Mr. Dmitry Pankin	President and Chairman of the Board of Directors
Mr. Hasan Demirhan	Vice President, Banking
Mr. Valeriy Piatnytskyi	Vice President, Finance
Mr. Ivaylo Moskovski	Vice President, Operations
Mr. Aristotelis Spiliotis	Secretary General

#### *Dmitry Pankin - President*

Mr. Dmitry Pankin was appointed President of the Black Sea Trade and Development Bank as of 16 July 2018, for a period of four years. Mr. Pankin is a Russian national, born in 1957. He graduated from the Economic Faculty of St. Petersburg State University and holds a PhD degree in Economics. He has also completed professional development courses at Bocconi University in Milan and at the City University Business School in London. In 1990-1995, Dmitry Pankin was Deputy Head of the Financial Committee at the St. Petersburg Mayor's office. In 1995-2003, he was Chairman of the Board at the St. Petersburg Bank for Reconstruction and Development. In 1999-2000, he headed the Treasury Department at the Unified Energy System of Russia, the national electric power holding company. In 2004, Mr. Pankin joined the Department of International Financial Relations, Public Debt and Public Financial Assets at the Ministry of Finance of the Russian Federation and held progressively more responsible positions before becoming Deputy Minister of Finance in 2008. In 2011-2013, he headed the Federal Financial Markets Service of the Russian Federation. Mr. Pankin was reappointed Deputy Minister of Finance in 2013 and also became the Governor for the Russian Federation at BSTDB, until he took the position of Chairman of the Management Board of the Eurasian Development Bank in 2015, where he worked until the end of 2017.

#### *Hasan Demirhan - Vice President, Banking*

Mr. Demirhan was appointed Vice President Banking of the Black Sea Trade and Development Bank for a period of four years. He took up his duties on 17 July 2018. Mr. Demirhan is a Turkish national, born in 1964. He graduated from the Faculty of Economic and Administrative Sciences at Hacettepe University in Ankara and holds an MBA degree in Banking Administration from the University of Exeter, United Kingdom. Hasan Demirhan started his professional career in the banking sector in 1987 as Internal Auditor at Etibank in Ankara, Turkey. In 1997, he became General Manager at the Kalkinma Investment and Securities Company in Istanbul. Mr. Demirhan joined the Islamic Development Bank (IsDB) in Jeddah in 1999 as Senior Internal Auditor and made his career at the Treasury Department to become Director of the department in 2009, overseeing IsDB's extensive funding, investment, financial management, and corresponding banking relationships. In 2016, he took the duties of Director for Financial Policies and Planning Analytics and was responsible for Bank's strategic financial planning and financial policies development. Mr. Demirhan was a member of IsDB's Committees on Assets and Liabilities, Investment, and Risk Management, and represented IsDB on the Supervisory Board of Bosna Bank International in Bosnia and Herzegovina.

#### *Valeriy Piatnytskyi - Vice President, Finance*

Mr. Valeriy Piatnytskyi was appointed Vice President Finance of the Black Sea Trade and Development Bank as of 16 September 2018, for a period of four years. Mr. Piatnytskyi is a national of Ukraine born in 1962. He graduated from the Department of Cybernetics of the Taras Shevchenko Kyiv State University and holds a PhD degree in Economics. He has also completed professional development courses at the Economic Development Institute of the World Bank and at the Joint Vienna Institute. In 1996-1999, Valeriy Piatnytskyi served as Deputy Director, then Director for Multilateral Economic Cooperation at the Ministry of Foreign Economic Relations and Trade of Ukraine dealing with cooperation with IFIs, EU and WTO. In 1999-2003 he worked as an expert on trade and international agreements at the Ukrainian-European Legal and Policy Advice Centre. He was appointed State Secretary on European Integration and First Deputy Minister of Economy and European Integration of Ukraine in 2003. In 2005-2011, he was Deputy Minister of Economy of Ukraine. In 2011-2014, Mr. Piatnytskyi served as Commissioner for European Integration and was appointed Acting Minister of Economic Development and Trade of Ukraine in the second half of 2014. From 2015 until his appointment at

BSTDB, he was Advisor to the Prime Minister of Ukraine. Valeriy Piatnytskyi represented the Government of Ukraine on the BSTDB Board of Directors in 2003-2005 and from 2006 until his appointment at BSTDB. For several years during this period he chaired the BSTDB Audit Committee.

*Ivaylo Moskovski - Vice President, Operations*

Mr. Ivaylo Moskovski was appointed Vice President Operations of the Black Sea Trade and Development Bank as of 17 December 2018, for a period of four years. Ivaylo Moskovski started his career in private business, having occupied various management positions in companies with Bulgarian and foreign shareholders. From 2009 up to 2017, he was heading the Management Authority of the Operational Programme Transport of the Bulgarian Government. He joined the Ministry of Transport, Information Technology and Communications as Deputy Minister in 2009 and became Minister in 2011 to serve with a small break until September 2018. As Minister, he chaired the Council of the European Union and promoted the reform of the regulatory framework for digital communications. Mr. Moskovski was a Member of the Parliament and member of the Committees on Transport, Information Technology and Communications and on Energy. Mr. Moskovski has a Master's degree in Financial Management and a Bachelor's degree in Public Finance.

*Aristotelis Spiliotis - Secretary General*

Mr. Aristotelis Spiliotis was appointed Secretary General of the Black Sea Trade and Development Bank as of 16 March 2019, for a period of four years. Mr. Spiliotis is a national of Greece, born in 1965. He holds a Ph.D. degree from the University of York, UK, in Money, Finance and Banking and a B.Sc. degree in Economics from the University of Piraeus, Greece. He also holds a Certified Investment Portfolio Manager certificate from the Hellenic Capital Market Commission, Greece. Mr. Spiliotis started his professional career in the private sector in 1994, as an Investment Director of the mutual funds company DIETHNIKI S.A., NBG Group. In 1999, he co-founded and managed a venture capital fund, 4E. He has served as Vice President of the Hellenic Venture Capital Association, and has been a board member in several Greek companies and banks. He was Director of Investment Participations of Omega Bank and Proton Bank, Chairman of the Board of the Omega Mutual Fund Management Company, Board member and Chairman of the Investment Committee of the business incubator Thermi S.A. and Board member of Panellinia Bank. In 2012, he joined the Economic Analysis and Research Department of the Bank of Greece. Before joining BSTDB, Mr. Spiliotis served as special Economic Advisor to the Deputy Prime Minister and Minister of Economy and Development of Greece. His areas of responsibility included the banking sector, financing tools, capital and money markets, investments and project financing, international economic relations. He has taught in the universities of York and Leeds, U.K. and he is currently lecturing on banking and finance in Greek universities. He has published several articles in scientific and professional journals.

### **Rotation of Senior Management Positions**

According to a resolution of the Board of Governors, the six largest founding Member States of the Issuer nominate candidates for the senior managerial positions of the Issuer, being the President, Vice Presidents and Secretary General. The three largest Member States always have a nominee evaluated and appointed by the appropriate Board of the Issuer in one of these positions, whereas one of the next three largest Member States rotates out in turn for one managerial term. In order to ensure continuity in the composition of the senior management team, the terms of the Vice Presidents and Secretary General have been set by the Board of Directors to conform to that of the President (set in the Establishing Agreement at four years). The termination of the terms of the senior management positions are staggered so that normally no two terms expire in the same three month period. Since the largest Member States nominate candidates for the senior managerial positions (with one rotating out each term), only Directors from the smaller Member States comprise the membership of the Audit Committee of the Board of Directors, while the Chair is held by the larger Member State that has rotated out from the senior management positions for that term, thus enhancing the corporate governance and internal control systems of the Issuer.

## CAPITAL STRUCTURE

A Member State's "Subscribed Capital" is the sum of its 30 per cent. "Paid-in Capital" and its 70 per cent. "Callable Capital". Under the Issuer's Establishing Agreement, the Issuer may call Callable Capital where necessary to satisfy obligations arising from its own borrowings or as otherwise required for its operations. A Member State's "Paid-up Capital" is the portion of Paid-in Capital which the Issuer has actually received from the Member State and "Payable Capital" is the portion of Paid-in Capital which the Issuer has yet to receive from the Member State.

The following table sets forth the Member States' Subscribed, Paid-in, Paid-up and Callable Capital at 31 December 2019.

<u>Member State</u>	<u>Subscribed Capital</u>	<u>Paid-in Capital</u>	<u>Paid-up Capital</u>	<u>Callable Capital</u>
Greece .....	379,500	113,850	113,850	265,650
Russia .....	379,500	113,850	113,850	265,650
Turkey .....	379,500	113,850	113,850	265,650
Bulgaria .....	310,500	93,150	93,150	217,350
Romania .....	322,000	96,600	96,600	225,400
Ukraine .....	310,500	93,150	93,150	217,350
Azerbaijan .....	115,000	34,500	34,500	80,500
Albania .....	46,000	13,800	13,800	32,200
Armenia .....	23,000	6,900	6,900	16,100
Georgia .....	11,500	3,450	3,450	8,050
Moldova .....	11,500	3,450	3,450	8,050
<b>Total.....</b>	<b><u>2,288,500</u></b>	<b><u>686,550</u></b>	<b><u>686,550</u></b>	<b><u>1,601,950</u></b>

### Initial Share Capital

The initial authorised share capital of the Issuer was SDR 1 billion (EUR 1,150 million), divided into one million shares having a par value of SDR 1,000 (EUR 1,150) each.

Member States subscribed for all of the initial authorised share capital, which was ultimately paid in full. The following was the initially agreed schedule of cash payments for Paid-in Capital:

- (i) 10 per cent. of the subscribed number of shares (totalling SDR 100 million – EUR 115 million) was to be paid by the Member States by an early deadline;
- (ii) 20 per cent. of the subscribed number of shares (totalling SDR 200 million – EUR 230 million) was to be paid in eight successive annual cash instalments of 2.5 per cent. each; and
- (iii) the remaining 70 per cent. of the shares (totalling SDR 700 million – EUR 805 million), representing the callable portion of the initially subscribed capital, is a firm commitment on the part of the Member States to pay such amounts when due in conformity with the relevant provisions of the Establishing Agreement.

### Newly Subscribed Share Capital

The Board of Governors took the decision in December 2007 to approve an increase in the Issuer's authorised share capital from SDR 1 billion (EUR 1,150 million) to SDR 3 billion (EUR 3,450 million). They further approved an SDR 1 billion (EUR 1,150 million) increase in the subscribed capital to be subscribed by the existing Member States, thereby increasing subscribed capital to SDR 2 billion (EUR 2,300 million). An announcement that this additional SDR 1 billion (EUR 1,150 million) was fully subscribed was made after the Board of Governors meeting on 5 October 2008. Georgia declined to take up its 1 per cent. allocation and this was taken up by Romania. During 2011 Moldova requested and the Board of Governors approved a reduction in its overall shareholding to 0.5 per cent., therefore its 1 per cent. allocation of the newly subscribed shares is currently unallocated.

From the Issuer's establishment, and in accordance with Article 4 of the Establishing Agreement, the Issuer originally denominated its authorised share capital in SDR as defined by the IMF. On the recommendation of its auditors in order to comply with applicable accounting regulations, the Issuer changed its functional and

reporting currency to the Euro from 1 January 2011. Resolution 131 of the Board of Governors unanimously adopted the requisite amendments to paragraph 1 of Article 4 and Articles 23 and 24 of the Establishing Agreement, to expressly include among the exclusive powers of the Board of Governors the change of the unit of account of the Issuer, and the redenomination of all capital stock of the Issuer. These amendments to the Establishing Agreement became effective on 21 June 2013 (the “**Effective Date**”) following the approval of all of the Member States. In accordance with such Resolution 131 of the Board of Governors, as of the Effective Date, the unit of account of the Issuer became the Euro and the authorised capital stock of the Issuer was redenominated into EUR 3,450 million, divided into 3 million shares having a par value of EUR 1,150 each, inclusive of all subscribed and unallocated shares. Accordingly, as of the Effective Date, all outstanding share capital commitments of participating members in respect of their subscribed shares were converted into Euros.

Under the second subscription, the Issuer has received all payments due.

As of the date of this Offering Circular, each Member State had the following per cent. shareholding in the Issuer:

<u>Member State</u>	<u>As of the date of this Offering Circular</u>
	<i>% shareholding</i>
Greece .....	16.5
Russia .....	16.5
Turkey .....	16.5
Romania .....	14.0
Bulgaria .....	13.5
Ukraine .....	13.5
Azerbaijan .....	5.0
Albania .....	2.0
Armenia .....	1.0
Moldova .....	0.5
Georgia .....	0.5
Unallocated .....	0.5

The recently subscribed Paid-In Capital was paid according to the following schedule:

- (i) 10 per cent. of the newly subscribed number of shares (totalling EUR 113.9 million in value) was to be paid in cash by the Member States by 30 June 2011 (the original deadline for this payment was extended from 31 December 2010 by a decision of the Board of Governors);
- (ii) 20 per cent. of the newly subscribed number of payable shares (totalling EUR 227.7 million in value) is to be paid by each Member State in eight equal successive annual instalments of 2.5 per cent. each between 2011 and 2018, by 31 December of each year; and
- (iii) the remaining 70 per cent. (totalling EUR 797 million in value), represents the callable portion of the newly subscribed capital and is a firm commitment on the part of the Member States to pay such amounts when due in accordance with the relevant provisions of the Establishing Agreement.

The Board of Governors may also authorise an increase in the subscribed capital from the remaining EUR 1,150 million of authorised capital in three instances:

- (i) to satisfy demand for shares expressed by Member States;
- (ii) if in conformity with the provisions of Article 3 (*Membership*) of the Establishing Agreement, any BSEC member state that is not yet a Member State of the Issuer (currently only Serbia) wishes to subscribe for the Issuer’s shares; or
- (iii) if in conformity with the provisions of Article 3 (*Membership*) of the Establishing Agreement, a multilateral bank or financial institution expresses a desire to become a member of the Issuer.

## SELECTED FINANCIAL AND OTHER INFORMATION

The following tables are derived from the audited financial statements of the Issuer for the years ended 31 December 2019 and 2018.

### *Income Statement Data*

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(EUR thousands)</i>	
Interest and similar income		
From loans and advances.....	82,707	70,129
From placements with financial institutions .....	41	126
From investment securities at fair value through OCI.....	11,221	8,411
From investment securities at amortised cost.....	-	51
From investments securities available-for-sale.....	-	-
From derivative financial assets at fair value through profit or loss..	-	1,659
From derivative financial assets at fair value.....	-	-
<b>Total interest and similar income.....</b>	<b>93,969</b>	<b>80,376</b>
Interest and similar expense		
From borrowed funds .....	-7,770	-6,435
From issued debt .....	-43,691	-29,619
From derivative financial liabilities at fair value through profit or loss	-	-9,258
From derivative financial liabilities at fair value .....	-4,113	-
From amortised issuance and arrangement costs.....	-1,301	-1,459
From other charges .....	-512	-461
<b>Total interest and similar expense.....</b>	<b>-57,387</b>	<b>-47,232</b>
<b>Net interest income.....</b>	<b>36,582</b>	<b>33,144</b>
Other income		
Net Fees and commissions .....	967	1,652
Net gains from equity investments through OCI .....	268	572
Net gain from debt investment securities through OCI .....	118	29
Net gain on hedging activity.....	-24	-
Net gain (loss) on foreign exchange .....	-1,042	-1,352
Other income .....	4	-3
<b>Total other income.....</b>	<b>291</b>	<b>898</b>
<b>Operating income .....</b>	<b>36,873</b>	<b>34,042</b>
Administrative expenses		
Personnel Expenses .....	-15,758	-15,952
Other administrative expenses.....	-5,187	-4,770
Depreciation and amortisation.....	-572	-453
<b>Total administrative expenses .....</b>	<b>-21,517</b>	<b>-21,175</b>
<b>Income before provisions .....</b>	<b>15,356</b>	<b>12,867</b>
Impairment losses on loans at amortized cost .....	-1,841	-6,292
Impairment losses on guarantees .....	-	-
Impairment (losses) on debt investment securities through OCI.....	-111	-368
Fair value (losses) gains on loans through profit or loss.....	477	-446
Fair value gains (losses) on equity investments through profit or loss .....	-217	-585
<b>Net income for the year .....</b>	<b>13,664</b>	<b>5,176</b>

## Statement of Financial Position

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(EUR thousands)</i>	
<b>Assets</b>		
Cash and bank balances.....	82,621	48,598
Debt Investment Securities:		
At amortised cost .....	-	49,339
At fair value through other comprehensive income.....	420,591	346,640
Less impairment losses.....	-765	-644
<b>Debt investment securities net .....</b>	<b>419,826</b>	<b>395,335</b>
Derivative financial instruments - assets .....	3,128	662
Loans at amortised cost .....	1,808,187	1,318,418
Less: deferred income.....	-8,170	-3,052
Less: provisions for impairment .....	-43,314	-34,775
Loans at fair value through profit or loss.....	12,754	12,277
Loans net of impairment.....	1,769,457	1,292,868
Equity investments at fair value .....	30,386	27,655
Equity investments available-for-sale.....	-	-
Property and equipment.....	489	455
Intangible assets .....	422	653
Right of use assets .....	1,255	-
Other assets .....	35,853	29,541
<b>Total Assets .....</b>	<b>2,343,437</b>	<b>1,795,767</b>
<b>Liabilities.....</b>		
Borrowings.....	1,485,155	954,030
Derivative financial instruments - liabilities.....	6,552	24,164
Payables and accrued interest .....	21,321	15,973
<b>Total liabilities .....</b>	<b>1,513,028</b>	<b>994,167</b>
<b>Members' Equity .....</b>		
Authorised share capital .....	3,450,000	3,450,000
Less: unallocated share capital .....	-1,161,500	-1,161,500
Subscribed share capital .....	2,288,500	2,288,500
Less: callable share capital .....	-1,601,950	-1,601,950
Less: payable share capital .....	-	-
Less: payable share capital past due .....	-	-1,428
Paid-in share capital .....	686,550	685,122
Reserves .....	54,009	32,957
Retained earnings .....	89,850	83,521
<b>Total members' equity .....</b>	<b>830,409</b>	<b>801,600</b>
<b>Total Liabilities and Members' Equity.....</b>	<b>2,343,437</b>	<b>1,795,767</b>
<b>Off-balance-sheet items</b>		
Commitments .....	353,496	252,801

## Key Ratios

	As at 31 December	
	2019	2018
Net Income before Provisions to Total Equity .....	1.85%	1.61%
Impairment losses for loans as a percentage of Total Assets .....	1.85%	1.94%
Net Interest Income as a percentage of Total Assets .....	1.56%	1.85%
Operating Income as a percentage of Total Assets .....	1.57%	1.90%
Administrative Expenses as a percentage of Net Income before Provisions .....	140.13%	164.57%
Administrative Expenses as a percentage of Total Assets .....	0.92%	1.18%
Administrative Expenses as a percentage of Total Liabilities .....	1.42%	2.13%
Gross Loan Portfolio as a percentage of Total Assets .....	77.70%	74.10%
Gross Loan Portfolio as a percentage of Total Liabilities.....	120.35%	133.85%
Equity as a percentage of Total Liabilities .....	54.88%	80.63%
Liquid Assets <sup>(1)</sup> as a percentage of Total assets.....	21.44%	27.43%
Members Equity (EUR in thousands).....	830,409	801,600
Loans + Equity investments + Cash and bank balances + Securities (EUR in thousands) .....	2,354,539	1,802,927
Capital Adequacy Ratio <sup>(2)</sup> .....	35.27%	44.46%
Single Obligor Limit Private Sector <sup>(3)</sup> .....	83,041	60,120
Single Obligor Limit Public Sector <sup>(4)</sup> .....	166,082	120,240
Single Obligor limit for Equity Investments (3% of paid-in Capital).....	20,597	20,554
Net Interest Margin <sup>(5)</sup> .....	1.74%	1.48%
Return on Assets <sup>(6)</sup> .....	0.58%	0.29%
Return on Equity <sup>(7)</sup> .....	1.65%	0.65%
Stage 3 loans (EUR in thousands) .....	50,898	41,737
Stage 3 loans as a percentage of total loans.....	2.80%	3.14%
Impairment losses for loans.....	43,314	34,775
Impairment losses for loans + Reserves as a percentage of Total Assets .....	4.15%	3.77%
Impairment losses for loans + Reserves as a percentage of loan portfolio .....	5.34%	5.09%
Impairment losses for loans + Reserves as a percentage of Stage 3 Loans.....	191.21%	162.28%

<sup>(1)</sup> Cash and bank balances plus investment securities.

<sup>(2)</sup> Members equity as a percentage of gross loans, gross equity investments, deposits and gross investment securities.

<sup>(3)</sup> Following a decision of the Board of Directors, the single obligor limit for private sector debt instruments was increased from 7.5% to 10% of Members Equity from February 2019.

<sup>(4)</sup> Following a decision of the Board of Directors, the single obligor limit for public sector debt instruments was increased from 15% to 20% of Members Equity from February 2019.

<sup>(5)</sup> Net interest income less front-end and commitment fees, divided by the monthly average interest bearing assets.

<sup>(6)</sup> Net profit (loss) for the period divided by total assets at end of period.

<sup>(7)</sup> Net profit (loss) for the period divided by total members equity at end of period.

## Net income for the year

The Issuer's net income for the year ending 31 December 2019 was EUR 13.7 million, an increase of EUR 8.5 million from net income in the year ending 31 December 2018 of EUR 5.2 million. The principal sources of this increase were the EUR 3.4 million increase in net interest income to EUR 36.6 million in 2019 from EUR 33.1 million in 2018, and the EUR 4.5 million decline in impairment losses on loans to EUR 1.8 million in 2019 from EUR 6.3 million in 2018.

## Issued Debt

As at 31 December 2018, the Issuer's issued debt totalled EUR 675.4 million, an increase of EUR 106.0 million from 31 December 2017. The increase was principally due to new Georgian Lari bond issues of GEL 195 million (EUR 63.5 million equivalent) with maturities of three and four years and Romanian Lei bond issues of RON 182.5 million (EUR 39.1 million equivalent) with a maturity of three years. The value of the Issuer's U.S.\$500 million bond increased by EUR 19.8 million due to U.S.\$/EUR exchange rate fluctuations from 1.1993 at 31 December 2017 to 1.1450 at 31 December 2018.

As at 31 December 2019, the Issuer's issued debt totalled EUR 1,167.6 million, an increase of EUR 492.2 million from 31 December 2018. The increase was principally due to new Georgian Lari Bond issues of GEL 15 million (EUR 4.7 million equivalent) with maturities of three years, an Azeri Manat issue of AZN 10 million (EUR 5.3 million equivalent) with a maturity of two years, a Romanian Leu issue of RON 210 million (EUR

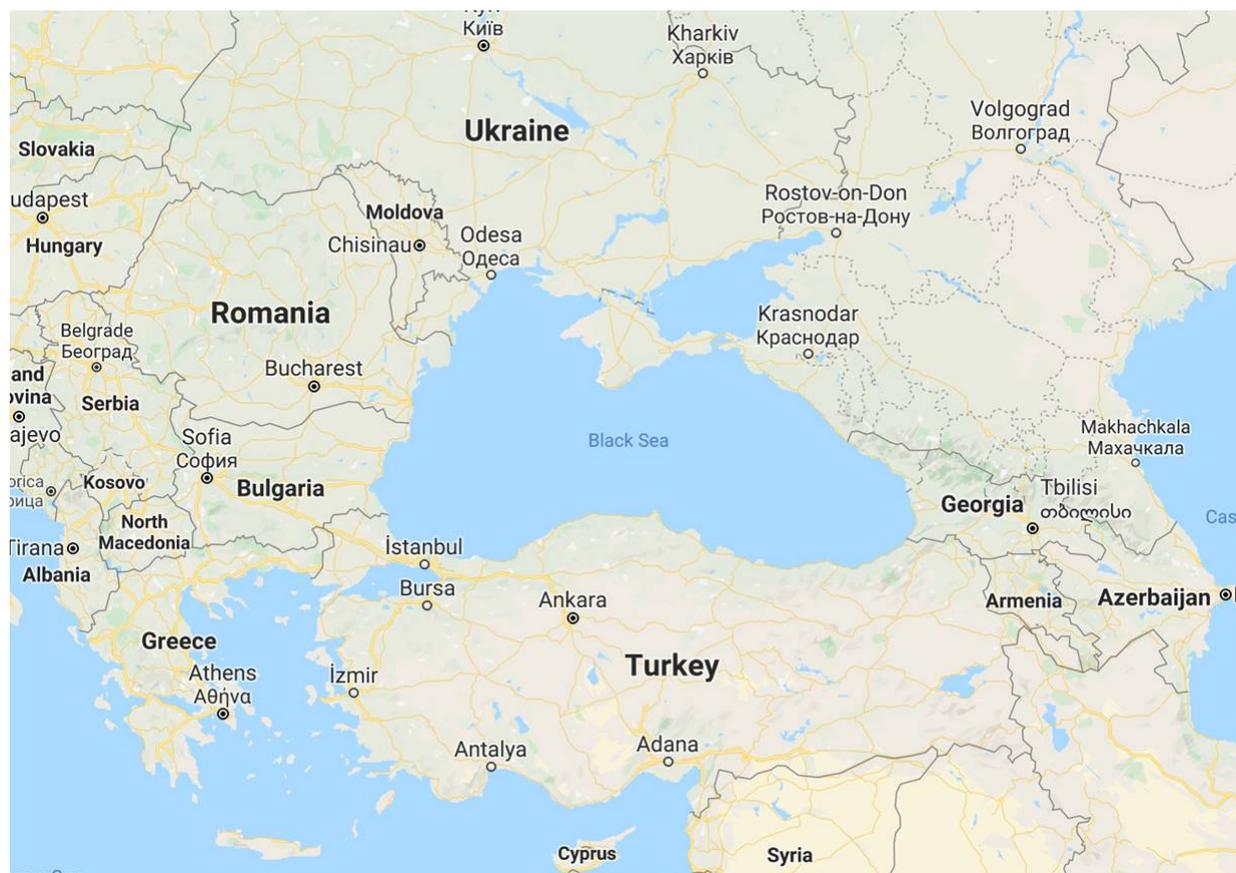
43.9 million equivalent) with a maturity of three years, a Swiss Franc issue for CHF 200 million (EUR 184.3 million equivalent) with a maturity of three years and six months and an issue of U.S.\$400 million (EUR 356.1 million equivalent) with a maturity of five years. The increase in the Issuer's issued debt due to new issuance was offset by the maturity of a Swiss Franc bond issue for CHF 100 million (EUR 92.1 million equivalent) during 2019.

## BLACK SEA REGION

Unless otherwise noted, the cumulative data on the Black Sea Region is based on the Issuer's calculations made by taking weighted averages of each country's gross domestic product ("GDP"), using GDP at market rates. Underlying data was taken from national statistics agencies of the Member States and the International Monetary Fund IFS Database. Additional sources referred to include the Global Economic Prospects of the World Bank and the Economist Intelligence Unit. Figures for 2020 are projections, those for 2019 are full year estimates, and those for 2018 or earlier represent the latest available results, as certain figures may be revised or updated.

### Map of the Black Sea Region

The below map shows the 12 member countries of the BSEC<sup>1</sup>. These countries are also Member States of the Issuer (with the exception of Serbia).



### Recent Economic Developments in the Black Sea Region

Economic growth in the Black Sea Region<sup>2</sup> in 2019 was positive, but modest compared to other regions globally and the overall world economy. It also marked a slowdown relative to the region's performance in 2017 and 2018. Real GDP growth in the Black Sea Region was an estimated 1.4 per cent. in 2019, compared to 2.6 per cent. in 2018 and 3.7 per cent. the year before. While this represents a decrease year-on-year, positive economic growth was achieved in each Member State. Prior to the coronavirus pandemic, the Black Sea Region was on a path of growth, albeit with fluctuations from year to year that highlight the impact of various external factors.

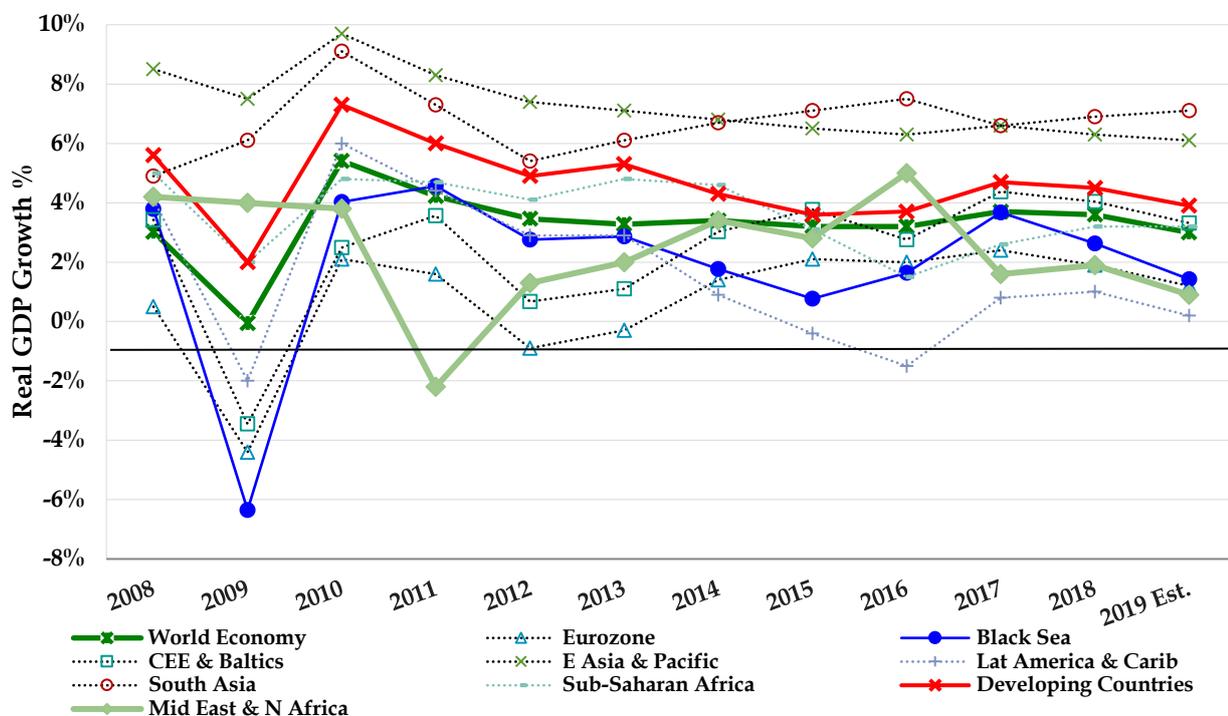
Figure 1 shows how the Black Sea Region compares to the world economy and select comparator regional groupings. The global economy grew by an estimated 2.9 per cent. in 2019, with the 3.7 per cent. growth achieved by developing economies being one of the principal drivers of global growth. In this respect, the 1.4 per cent. growth seen in the Black Sea Region was closer to the 1.7 per cent. growth for advanced economies in

<sup>1</sup> The 12 member countries of the BSEC are Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine.

<sup>2</sup> Comprised of the 12 member countries of the BSEC.

2018. The European Union, and more specifically the Eurozone common currency area, experienced continued slowing in economic activity in 2019, relative to 2017 and 2018. Given the close economic ties with the Eurozone, which represents the Black Sea Region’s principal source of financing and investment as well as its largest trading partner, this may have contributed to the observed slowdown in the Black Sea Region.

**Figure 1: Global Real GDP Growth Since 2008, Broken Down by Region**



Source: National Statistical Agencies, World Bank & IMF-IFS

Regional economic activity was damaged further by other external factors, such as the slowdown in international commerce and the uncertainties created by potential trade wars among large economies, and the continuation of sanctions (and in some cases simply the threat of imposition) due to various geopolitical disputes. These factors contributed to high degrees of global uncertainty, and despite very favorable financial market conditions (buoyed by historically low interest rates) resulted in weak investment and subdued consumption.

Global turbulence thus continues to impact negatively the Black Sea Region, putting a drag on economic activity. In addition, the 1.4 per cent. real GDP growth rate was less than half the 3.3 per cent. growth rate achieved by the Central and Eastern European and Baltic states (“**CEE & Baltics**”)<sup>3</sup>, most of whom joined the European Union in 2004 and, as former ‘transition’ countries, represent a source of comparison to the countries of the greater Black Sea Region. For the sixth year running, the CEE & Baltics achieved higher growth than the countries of the Black Sea Region. Out of all emerging market regions globally, only Latin America and the Caribbean (0.2 per cent.) and the Middle East and North Africa (0.9 per cent.) posted lower growth outcomes.

The overall growth in the Black Sea Region was balanced in terms of geography, sector of origin, and type of expenditure. In contrast to the trend of previous years, in which the western part of the Black Sea Region enjoyed substantially higher GDP growth than the eastern part, in 2019, the growth rates were weak for both, with the eastern part growing at 1.4 per cent. and the western part at 1.5 per cent. Furthermore, Table 1 shows that all BSEC countries achieved positive real GDP growth rates for 2019. This growth was achieved across all BSEC Regions for the third consecutive year.

<sup>3</sup> EU members since 2004: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia; and Croatia, which joined the EU in 2014.

**Table 1: Summary of Key Economic Indicators for 2019, by BSEC Member Country**

	<u>GDP Growth</u>	<u>Inflation</u>	<u>Cur Acct Bal/GDP</u>	<u>Budget/GDP</u>	<u>Public Debt/GDP</u>	<u>FDI/GDP</u>
	<i>(per cent.)</i>					
Albania	3.0%	1.7%	-6.9%	-1.7%	68.7%	7.7%
Armenia	6.0%	2.8%	-6.0%	-2.2%	52.3%	2.2%
Azerbaijan	2.7%	3.2%	5.5%	4.0%	51.5%	14.5%
Bulgaria	3.7%	2.9%	4.5%	-1.7%	22.6%	2.3%
Georgia	4.6%	3.6%	-8.6%	-2.7%	44.9%	10.4%
Greece	1.9%	0.8%	-3.0%	0.2%	177.1%	1.8%
Moldova	3.5%	4.2%	-7.8%	-3.1%	34.7%	2.3%
Romania	4.0%	3.9%	-4.9%	-3.4%	38.8%	2.9%
Russia	1.1%	4.5%	7.2%	2.5%	15.4%	1.0%
Serbia	3.5%	2.1%	-5.6%	0.2%	55.9%	7.4%
Turkey	0.2%	15.9%	-0.1%	-2.8%	33.6%	1.1%
Ukraine	3.0%	8.6%	-3.2%	-2.5%	68.8%	1.3%
<b>BSEC</b>	1.4%	6.9%	2.9%	0.3%	36.2%	1.7%

In respect of sectors, services (which accounts for approximately 60 per cent. of GDP) grew at an estimated 1.5 per cent. in 2019; industry (which accounts for approximately 35 per cent. of GDP) increased by 0.8 per cent. and agricultural (which approximately accounts for the remaining 5 per cent.) grew at 1.7 per cent. On the demand side, exports grew by an estimated 1.5 per cent., while imports declined 0.8 per cent.

Private consumption remained the largest and most consistent source of expenditure, accounting for 56 per cent. of GDP, and showing growth of 1.7 per cent. in 2019. By contrast, gross fixed investment, which accounts for 22 per cent. of GDP, declined by 0.3 per cent. Government consumption, which makes up 16 per cent. of GDP, also grew a bit more quickly at 1.9 per cent. for the year, although revenue receipts also increased and contributed to ongoing fiscal consolidation in the Black Sea Region and the fact that most countries have posted a gradually declining trend of both general government budget deficits and public debt levels.

Concern about the impact of potential downturns, lingering risk aversion, market conservatism and a sense of economic uncertainty were legacy effects of the 2008 global crisis and have proven difficult to overcome despite the considerable achievements of the Black Sea Region in the subsequent period. This suggests the emergence of a new growth model for the majority of Black Sea countries, which places an emphasis on vulnerability reduction, which, while not completely replacing the externally financed growth model of the previous decade, has become prevalent in a number of countries. Further, even in countries which have continued to heavily rely on externally financed growth, greater attention is paid to reducing, limiting, or eliminating vulnerabilities to avoid a repeat of the contraction which was observed in late 2008 and 2009.

However, greater resilience, stability and less reliance on external financing has been achieved at the expense of investment and economic growth. Those countries which have experienced the highest post-crisis growth are those which have been most open to continued receipt of external financing and have posted the highest average investment rates over the 2010-2019 period. Lost investment, and hence current and future potential growth, is a significant opportunity cost of the greater reliability offered by lower vulnerability and less exposure to external financing.

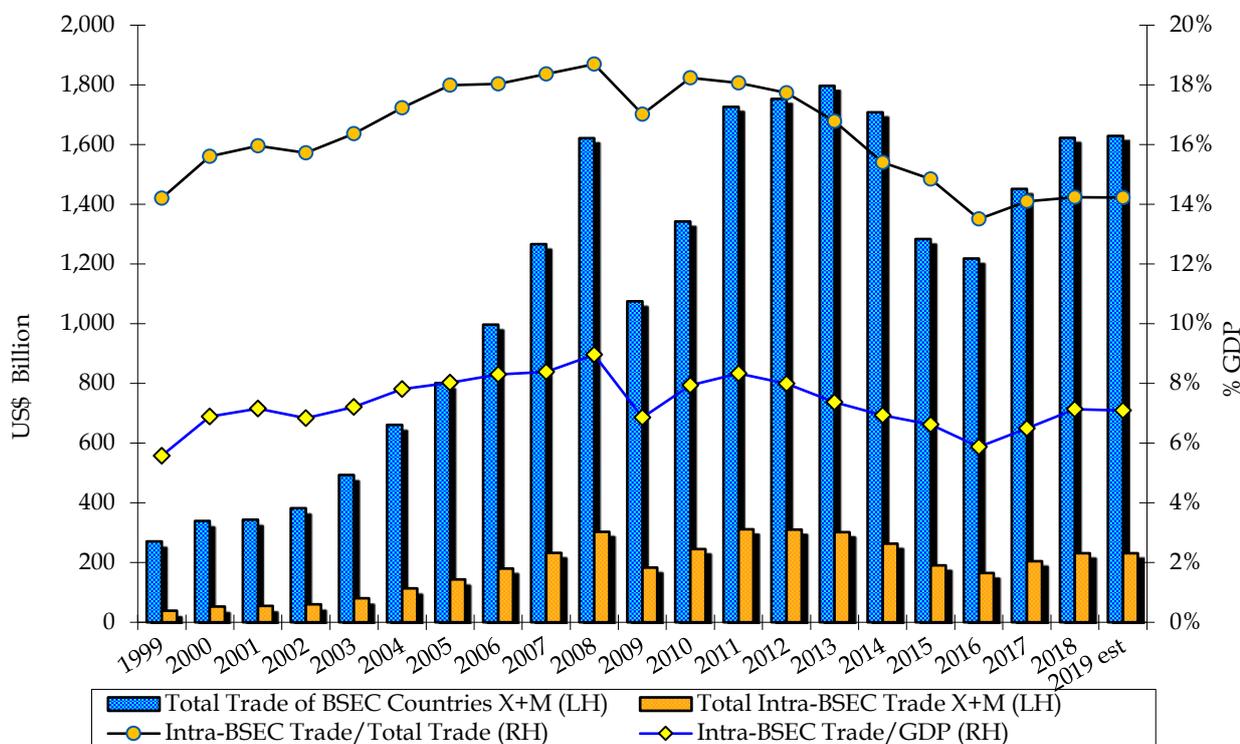
An additional consequence of the reduced reliance on external financing is lower levels of cross-border activity and cooperation. Financing, investment and international trade are lower and so is a general interest and willingness in international cooperation and multilateral participation. As countries have looked inward and sought to increase their degree of self-reliance, the international dimension of their activity has suffered.

From 1999 to 2008, BSEC international trade increased six fold from U.S.\$270 billion to over U.S.\$1.6 trillion, as shown in Figure 2. The financial crisis induced a collapse in international trade, and it decreased by 34 per cent. to under U.S.\$1.1 trillion. With the subsequent economic recovery, trade picked up quite rapidly, and peaked at U.S.\$1.8 trillion in 2013, on the back of high commodity prices (particularly relating to energy prices). When commodity prices later softened, trade began to trend downwards and was aggravated by the emergence of geopolitical conflicts that led to the imposition of sanctions and countersanctions directly affecting the Black Sea Region, which hindered trade flows from 2014-2016. The downtrend reversed in 2017, as global economic

growth accelerated and the Black Sea Region recovered from its downturn. Outturns for 2018 and 2019 show slightly higher growth which then stabilises.

Prior to 2017, regional external trade followed general trends in global commerce, particularly with respect to emerging markets. Initial indications are that the Black Sea Region, despite its slower overall economic growth in 2018, resisted the slowdown observed in global trade in 2018 and 2019, and has reached a second post-crisis recovery level of slightly above U.S.\$ 1.6 trillion.

**Figure 2: Overview of Black Sea Region Trade Flows- Overall & Intra- Regional**



Source: BSEC Member National Statistical Agencies & BSTDB calculations

Trade within and among the BSEC Member States was, and remains, relatively low compared to other regions of Europe, e.g. the Baltics or the Mediterranean EU states, both in absolute terms and as a share of overall economic output. Figure 2 shows that from a very low base, intra-regional trade in the BSEC region has mirrored the general trend in international trade of BSEC Member States, but at somewhat higher rates. Thus, as international trade grew from 1999-2008, so did intra-BSEC trade at a rate that exceeded the overall international trade growth of Black Sea countries and GDP growth. At minus 40 per cent., the decline in intra-regional trade in 2009 was bigger than the -34 per cent. fall in overall trade. Moreover, intra-regional trade, both relative to GDP and to overall trade has generally followed a declining trend in the post-crisis period up until 2016, with a small recovery in 2017 that continued through 2018 and remained steady in 2019.

Original projections for 2020 were for real GDP growth of approximately 2.4 per cent. for the year. Despite ongoing global uncertainties, factors such as loose credit conditions and the expected stabilisation of activity in the European Union were likely to improve growth prospects relative to 2019. However, the outbreak of the coronavirus pandemic and the public health responses to contain its spread, such as lockdowns, travel restrictions and business closures, are having significant negative consequences for financial markets and economic activities globally, and in the Black Sea Region. As at the date of this Offering Circular, all countries in the Black Sea Region were in lockdown, to significant degrees albeit with some variation from country to country. None has yet emerged from lockdown and the extent of damage to the economies remains impossible to ascertain. Depending on how the pandemic progresses, it may cause permanent damage in some sectors, resulting in long term and significant loss in wealth generating capacity.

The Issuer has developed three scenarios regarding the potential economic impact of the coronavirus pandemic. The most optimistic scenario projects regional (and country) GDP declines of approximately 5-6 per cent., with economic recovery beginning in the second half of 2020 and full recovery (to pre-crisis levels of activity)

occurring within two years. Fiscal and debt indicators for countries would deteriorate in 2020, but the recovery in 2021 would permit slow and steady improvement to take place.

A less optimistic scenario projects GDP declines of 10-15 per cent., with economic decline slowing in the latter part of 2020 and a slow recovery beginning in 2021. A full recovery would take up to five years, with much more significant deterioration of public finances hindering recovery.

The most pessimistic scenario projects a GDP decline of 25 per cent. or more, with the contraction extending into 2021. The damage done to the relevant economies would make recovery even more difficult, and permanent damage to economic activity would be possible. Recovery would be a long and slow process, likely taking over a decade to reach pre-crisis levels. There would also be an increased risk of domestic and international turmoil. See *“General Description of the Programme – Recent Development”* and *“Risk Factors – Risks relating to investments in the Black Sea Region – The economic conditions in the Black Sea Region will be adversely affected by the global economic slowdown caused by the coronavirus pandemic, and this may negatively affect the Issuer’s business, financial condition and operations”*.

## TAXATION

*The following is a general description of certain tax considerations relating to any Notes issued under the Programme. It does not purport to be a complete analysis of all tax considerations relating to such Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.*

### General

Under Article 52(3) of the Establishing Agreement, no tax of any kind shall be levied by any Member State on any Notes issued under the Programme (including interest thereon) (a) if such tax discriminates against any Notes solely because they are issued by the Issuer or (b) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Issuer. Also, under Article 52(1) of the Establishing Agreement, the Issuer, its assets, property, income and its operations and transactions shall be exempt from all taxation and customs duties and the Issuer shall also be exempt from any obligation for the payment, withholding or collection of any tax or duty. Accordingly, payments by the Issuer on any Notes issued under the Programme will be made to the Paying Agents without any deduction in respect of any such tax or duty.

### The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a “**participating Member state**”). However, Estonia has ceased to participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in any Notes issued under the Programme (including secondary market transactions) in certain circumstances. The issuance and subscription of any Notes under the Programme should, however, be exempt.

Under the Commission’s proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA and on entities, such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (all of which are hereinafter referred to as “**ERISA Plans**”), and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. Section 4975 of the Code also imposes certain requirements on plans (as defined in Section 4975(e)(1) of the Code) and on other retirement plans and arrangements, including individual retirement accounts and “Keogh” plans (such ERISA Plans and other plans are hereinafter referred to as “**Plans**”). Plans, together with entities whose underlying assets include (or are deemed to include for purposes of ERISA or the Code) assets of a Plan by reason of an employee benefit plan or plan’s investment in such entity, including but not limited to, as applicable, an insurance company general account, an insurance company separate account or a collective investment fund are referred to herein as “**Benefit Plan Investors**”.

Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) that have made no election under Section 410(d) of the Code, and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the fiduciary responsibility and prohibited transaction rules of ERISA or the Code, but may be subject to similar rules under other applicable laws or regulations. Accordingly, assets of such plans may be invested in the Notes without regard to the prohibited transaction considerations under ERISA and the Code described below, subject to the provisions of other applicable federal, state, local or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”).

Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirements respecting investment prudence and diversification, delegation of investment authority and accordance of the investments with the documents governing the ERISA Plan. Each ERISA Plan fiduciary, before deciding to invest in the Notes, must be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimize the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents.

Section 406 of ERISA and/or Section 4975 of the Code prohibits Plans from engaging in certain transactions with persons that are “parties in interest” under Section 3(14) of ERISA or “disqualified persons” under Section 4975 of the Code with respect to such Plans (collectively, “**Parties in Interest**”) unless an exemption applies accordingly. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Regardless of whether the underlying assets of the Issuer are deemed to include the assets of a Plan, an investment in the Notes by a Plan with respect to which any of the Issuer, the Registrar, the Dealers or their respective affiliates (the “**Transaction Parties**”) is considered a Party in Interest may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless a statutory or administrative exemption is applicable to the transaction.

The applicability of any exemption to the prohibited transaction rules will depend in part on the type of fiduciary making the decision to acquire the Notes and the circumstances under which such decision is made. Included among the exemptions are the statutory exemption of Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor its affiliate has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction (in other words, not a fiduciary) and provided further that the Plan pays no more than, and receives no less than, adequate consideration in connection with the transaction) and the administrative exemptions of Prohibited Transaction Class Exemption (“**PTCE**”) 91-38 (relating to investments made by bank collective investment funds), PTCE 84-14 (relating to transactions effected by independent “qualified professional asset managers”), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by certain “in-house asset managers”). Each fiduciary of a Plan that proposes to invest in the Notes should consider, among other things, whether such investment would involve (i) a direct or indirect extension of credit to a Party in Interest, (ii) a sale or exchange of any property between a Plan and a Party in Interest or (iii) a transfer to, or use

by or for the benefit of, a Party in Interest of the Plan's assets. In this regard, there can be no assurance that any of these or other exemptions will be available with respect to any particular transaction involving an investment in the Notes. Most of the exemptions do not provide relief from some or all of the self-dealing prohibitions under Section 406 of ERISA or Section 4975 of the Code.

Accordingly, each purchaser and subsequent transferee of any Note (or any interest therein) will be deemed by such purchase or acquisition of any Note (or any interest therein) to have represented and warranted, on each day from the date on which the purchaser or transferee acquires the Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), that, unless otherwise provided in the applicable Pricing Supplement, either (i) it is not and shall not be, and is not and shall not be acting on behalf of, a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to any Similar Law or (ii) its acquisition, holding and disposition of such Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any applicable Similar Law. Any purported purchase or transfer of such a Note (or any interest therein) that does not comply with the foregoing shall be null and void.

Moreover, each purchaser and subsequent transferee of any Note (or any interest therein) that is a Benefit Plan Investor will be deemed by such purchase or acquisition of any Note (or any interest therein) to have represented and warranted, on each day from the date on which the purchaser or transferee acquires the Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), that (i) none of the Transaction Parties has provided any investment recommendation or investment advice to the Benefit Plan Investor, or any fiduciary or other person investing on behalf of the Benefit Plan Investor or who otherwise has discretion or authority over the investment and management of "plan assets" (a "**Plan Fiduciary**"), on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase or acquire any Note (or any interest therein), (ii) the Transaction Parties are not otherwise acting as a "fiduciary", as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's purchase or acquisition of any Note (or any interest therein) and (iii) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

Any Plan fiduciary that proposes to cause a Plan to purchase any Notes or any interest therein, should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code to such an investment, and confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or the Code. Similarly, fiduciaries of any governmental, church or non-U.S. plans should consult with their counsel before purchasing any Notes or any interest therein.

**THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.**

## SUBSCRIPTION AND SALE

Any Notes issued under the Programme may be sold from time to time by the Issuer to any one or more of HSBC Bank plc, J.P. Morgan Securities plc and Société Générale (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and subscribed by, Dealers are set out in a Dealer Agreement dated 14 May 2020 (the “**Dealer Agreement**”) and made between the Issuer and the Dealers.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealer(s) and the use of proceeds. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### United States of America

The Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Accordingly, the Notes are being offered and sold only (a) outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S and (b) in the United States to QIBs, in reliance on, and in compliance with, Rule 144A.

In addition, until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, an offer or sale of Notes from that offering within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Each Dealer has agreed that it has offered and sold, and will offer and sell, the Notes only in accordance with Rule 903 of Regulation S or Rule 144A. Accordingly, neither such Dealer nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes, and such Dealer, its affiliates and all persons acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S.

Where the TEFRA D Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Tranche of Notes, each Dealer represents, warrants and undertakes to the Issuer that:

- (a) except to the extent permitted under United States Treasury Regulation § 1.163-5(c)(2)(i)(D), or substantially identical successor provision (the “**TEFRA D Rules**”):
  - (i) it has not offered or sold, and during the 40 day restricted period will not offer or sell, any Notes to a person who is within the United States or its possessions or to a United States person; and
  - (ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes sold during the 40 day restricted period;
- (b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it is a United States person, it is acquiring the Notes for the purposes of resale in connection with their original issuance and, if it retains Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation § 1.163-5(c)(2)(i)(D)(6), or substantially identical successor provision; and
- (d) with respect to each affiliate of such Dealer that acquires Notes from such Dealer for the purpose of offering or selling such Notes during the 40 day restricted period, such Dealer undertakes to the Issuer that it will obtain from such affiliate for the benefit of the Issuer the representations, warranties and undertakings contained in sub-clauses 2.4.1, 2.4.2 and 2.4.3 of the Dealer Agreement.

Where the TEFRA C Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Tranche of Notes, each Dealer represents, warrants and undertakes to the Issuer that, in connection with the original issuance of the Notes:

- (a) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes within the United States or its possessions; and
- (b) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes.

### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and agreed that:

(a) **No deposit-taking**

in relation to any Notes having a maturity of less than one year:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
  - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
  - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) **Financial promotion**

it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) **General compliance**

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Member States**

No Notes have been offered or sold or will be offered or sold in any Member State except and to the extent that the Dealers have been notified by the Issuer that the approval of such Member State has been obtained, in accordance with Article 18(1)(a)(i) of the Establishing Agreement, for the offer and sale of the Notes within its territory.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**FIEA**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the

registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMPO)") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely

to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Switzerland**

The offering of the Notes in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act (“**FinSA**”) because the Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

## **General**

Each Dealer has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Offering Circular or any Pricing Supplement or any related offering material, in all cases at its own expense. Other persons into whose hands this Offering Circular or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular or any Pricing Supplement or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “*General*” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Offering Circular.

## TRANSFER RESTRICTIONS

### Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Bearer Notes or Unrestricted Registered Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
  - (a) it is located outside the United States (within the meaning of Regulation S); and
  - (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
  - (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
  - (b) to the Issuer; or
  - (c) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB,

in each case in accordance with any applicable securities laws of any State of the United States;

- (i) it understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements;
- (ii) except as otherwise provided in a Pricing Supplement, either (a) it is not and shall not be, and it is not and shall not be acting on behalf of, a Benefit Plan Investor or a non-U.S. governmental or church plan that is subject to Similar Law or (b) its acquisition, holding and subsequent disposition of such Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation of any applicable Similar Law. Any purported purchase or transfer of such an interest that does not comply with the foregoing shall be null and void; and
- (iii) if it is a Benefit Plan Investor, (x) none of the Transaction Parties have provided any investment recommendation or investment advice to the Benefit Plan Investor or Plan Fiduciary, on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase or acquire any Note (or any interest therein), (y) the Transaction Parties are not otherwise acting as a “fiduciary”, as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor’s purchase or acquisition of any Note (or any interest therein) and (z) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

Notes represented by an interest in a Restricted Global Registered Note may be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Registered Note, but only upon receipt by the Registrar of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Registered Note that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Registered Note will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Registered Note and become an interest in a Note represented by a Restricted Global Registered Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Registered Note.

## Rule 144A Notes

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States, and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (iii) the purchaser understands that the Restricted Global Registered Note and any restricted Individual Note Certificate (a “**Restricted Individual Note Certificate**”) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER OR ITS AFFILIATES.

- (i) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
- (ii) the purchaser understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements;
- (iii) except as otherwise provided in a Pricing Supplement, either (a) it is not and shall not be, and is not and shall not be acting on behalf of, a Benefit Plan Investor or a non-U.S. governmental or church plan that is subject to any Similar Law or (b) its acquisition, holding and subsequent disposition of such Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation of any applicable Similar Law. Any purported purchase or transfer of such an interest that does not comply with the foregoing shall be null and void; and

- (iv) if it is a Benefit Plan Investor, (x) none of the Transaction Parties has provided any investment recommendation or investment advice to the Benefit Plan Investor or Plan Fiduciary, on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase or acquire any Note (or any interest therein), (y) the Transaction Parties are not otherwise acting as a “fiduciary”, as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor’s purchase or acquisition of any Note (or any interest therein) and (z) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

Upon the transfer, exchange or replacement of a Restricted Global Registered Note or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Registered Note or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Registered Note that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note will, upon transfer, cease to be an interest in a Restricted Global Registered Note and become an interest in an Unrestricted Global Registered Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Registered Note.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## GENERAL INFORMATION

### Authorisation

1. The establishment of the Programme and issue of the Notes thereunder has been authorised by a resolution of the Board of Directors of the Issuer passed at a meeting held on 24 and 25 April 2015. The update of the Programme and issue of the Notes thereunder has been authorised by a resolution of the Board of Directors of the Issuer passed at a meeting held on 23 April 2020.

### Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which are likely to have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer.

### Significant/Material Change

3. There has neither been any material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer since 31 December 2019.

### Auditors

4. The financial statements of the Issuer have been audited without qualification for the year ended 31 December 2019 by Deloitte Certified Public Accountants S.A., 3a Fragkokklisias & Granikou Str., Marousi, 151 25, Athens, Greece, member of the institute of Certified Public Accountants in Greece. The financial statements of the Issuer have been audited without qualification for the year ended 31 December 2018 by KPMG Certified Auditors S.A., 3 Stratigou Tombra Str., Aghia Paraskevi, 153 42, Athens, Greece, member of the institute of Certified Public Accountants in Greece

### Documents on Display

5. Copies of the following documents may be inspected during normal business hours at the offices of the Issuer at 1 Komnion Street, 54624, Thessaloniki, Greece for 12 months from the date of this Offering Circular:
  - (a) the Establishing Agreement;
  - (b) the Headquarters Agreement;
  - (c) the Agency Agreement and the Deed of Covenant; and
  - (d) the audited financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018.

### Listing and Admission to Trading

6. Application has been made by the Issuer for any Notes to be issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to listing on the Official List and admitted to trading on the regulated market of Euronext Dublin with effect from 14 May 2020.

### Dealers transacting with the Issuer

7. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in any Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients or as principal in order to manage their exposure, their general market risk or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for

their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer and the Issuer's affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially any Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Legal Entity Identifier (LEI)**

8. The Legal Entity Identifier (LEI) of the Issuer is 529900J7FSFACAGZ5042.

**PRINCIPAL OFFICE OF THE ISSUER**

**Black Sea Trade and Development Bank**

1 Komnion str.,  
54624, Thessaloniki  
Greece

**ARRANGER**

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**DEALERS**

**HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Société Générale**

29, boulevard Haussmann  
75009 Paris  
France

**FISCAL AGENT, PAYING AGENT AND TRANSFER AGENT**

**The Bank of New York Mellon, London Branch**

One Canada Square  
London E14 5AL  
United Kingdom

**UNRESTRICTED NOTES REGISTRAR AND PAYING AGENT**

**The Bank of New York Mellon SA/NV Luxembourg Branch**

Vertigo Building - Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg

**RESTRICTED NOTES REGISTRAR AND PAYING AGENT**

**The Bank of New York Mellon, New York Branch**

101 Barclay Street  
New York NY 10286

## **LEGAL ADVISERS**

*To the Issuer  
as to United States and English law:*

**White & Case LLP**

5 Old Broad Street  
London EC2N 1DW  
United Kingdom

*To the Dealers  
as to United States and English law:*

**Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
United Kingdom

*To the Dealers  
as to Greek law:*

**Kyriakides Georgopoulos Law Firm**

28 Dimitriou Soutsou Street GR 115  
21 Athens  
Greece

## **AUDITORS TO THE ISSUER**

*For the year ended 31 December 2019:*

**Deloitte Certified Public Accountants S.A.**

3a Fragkokklisias & Granikou Str.  
Marousi  
151 25, Athens  
Greece

*For the year ended 31 December 2018:*

**KPMG Certified Auditors S.A.**

3 Stratigou Tombra Str.  
Aghia Paraskevi  
153 42, Athens  
Greece