ISSUER IN-DEPTH
17 October 2019

Black Sea Trade and Development Bank - A2 Stable
Annual credit analysis

OVERVIEW AND OUTLOOK
The Black Sea Trade and Development Bank's (A2 stable) credit strengths include its robust capital base and low leverage, both of which have been strengthened by the doubling in subscribed capital over the last 10 years. In addition, the bank has a substantial stock of liquid assets and benefits from its shareholders' strong willingness but weak ability to support the institution.

Credit challenges include the bank's difficult operating environment, which has weighed on its asset quality historically. However, an improvement in BSTDB's risk-management framework has led to a significant improvement in asset quality in recent years despite its relatively large exposure to adverse and worsening operating conditions in Turkey (B1 negative). Moreover, rating upgrades for Russia (Baa3 stable) and Greece (B1 stable) earlier on in the year meant Turkey's downgrade to B1 in June 2019 did not change our assessment of shareholders' ability to support the bank – the bank's weighted average shareholder rating remains "ba3".

The stable outlook reflects our view that risks to the bank's credit profile are broadly balanced. Upward pressure could emerge if BSTDB's asset quality were to improve and indicate an extended track record of low nonperforming assets. Also credit positive would be a material improvement in the creditworthiness of the bank's major shareholders.

A weakening in the credit profile of BSTDB's major borrowers and a material weakening of its asset quality including a rise in nonperforming assets would lead to downward rating pressure. In particular, downward pressure would develop should the economic situation in Turkey lead to asset quality pressures beyond our expectation of some but very moderate deterioration. Also credit negative would be a material deterioration in the creditworthiness of the bank's major shareholders.

This credit analysis elaborates on BSTDB's credit profile in terms of capital adequacy, liquidity and funding and strength of member support, which are the three main analytical factors in Moody's Supranational Rating Methodology.
Organizational structure and strategy
BSTDB was established in 1999 as the financial pillar of the Organization of the Black Sea Economic Cooperation (BSEC). The BSEC was established in 1992 to promote peace and stability through enhanced relations among its member states. The BSEC’s charter also calls for the promotion of regional cooperation “as part of the integration process in Europe”. BSTDB seeks to fulfill its mandate of fostering regional cooperation and promoting economic growth by helping to develop member states’ small and medium-sized enterprises (SMEs) and financial sectors, expanding trade flows between member countries, boosting intraregional investment and increasing regional economic cooperation. A country must be a member of the BSEC to become a member of BSTDB and thereby be eligible for BSTDB financing. Hence, by design, the bank has no non-regional member countries, and all member countries are both capital contributors and borrowers. Membership of BSTDB is possible, however, for multilateral development banks (MDBs) and similar financial institutions from outside the region.

All of the BSEC’s 12 member countries except Serbia (Ba3 positive) are BSTDB shareholders. Among the shareholders, only Bulgaria (Baa2 positive), Romania (Baa3 stable) and Russia (Baa3 stable) are investment grade. Investment-grade member governments currently own a combined 44.0% of the bank’s capital, up from 27.5% at end-2018, but down from 49.3% at the end of 2015 and 65.8% at the end of 2014. More negative credit pressure on Turkey, as illustrated by its downgrade to B1 with a negative outlook on 14 June 2019, was balanced by several upgrades in 2019, including of Greece to B1 on 1 March 2019, Russia to Baa3 on 8 February 2019, and Armenia to Ba3 on 27 August 2019. In addition, we assigned a positive outlook on Bulgaria’s Baa2 rating on 27 August 2019.

North Macedonia applied for membership to BSEC which was acknowledged by the Council of Ministers of Foreign Affairs of BSEC on their 40th meeting that took place on 28 June 2019. BSEC could expand to 13 member countries over the coming years with potentially North Macedonia also becoming a new shareholder of BSTDB.

The largest shareholders, owning almost 91% of the bank’s subscribed capital, are: Greece 16.5%; Russia 16.5%; Turkey 16.5%; Romania 14.0%; Bulgaria 13.5% and Ukraine (Caa1 stable) 13.5%. The other member countries’ shares are: Azerbaijan (Ba2 stable) 5%, Albania (B1 stable) 2%, Armenia (Ba3 stable) 1%, Moldova (B3 stable) 0.5% and Georgia (Ba2 stable) 0.5% (see Exhibit 1). As of the end of 2018, 0.5% was unallocated.

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Exhibit 1
Shareholder structure
Subscribed capital by member country as of end 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Subscribed Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria (Baa2 POS)</td>
<td>13.5%</td>
</tr>
<tr>
<td>Romania (Baa3 STA)</td>
<td>14.0%</td>
</tr>
<tr>
<td>Russia (Baa3 STA)</td>
<td>16.5%</td>
</tr>
<tr>
<td>Azerbaijan (Baa2 STA)</td>
<td>5.0%</td>
</tr>
<tr>
<td>Georgia (Ba2 STA)</td>
<td>0.5%</td>
</tr>
<tr>
<td>Armenia (Ba3 STA)</td>
<td>1.0%</td>
</tr>
<tr>
<td>Albania (B1 STA)</td>
<td>2.0%</td>
</tr>
<tr>
<td>Greece (B1 STA)</td>
<td>16.5%</td>
</tr>
<tr>
<td>Turkey (B1 NEG)</td>
<td>16.5%</td>
</tr>
<tr>
<td>Moldova (B3 STA)</td>
<td>0.5%</td>
</tr>
<tr>
<td>Ukraine (Caa1 STA)</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

Sources: BSTDB financial statements 2018, Moody’s Investors Service
Overview of BSTDB's operations

In line with its mandate, BSTDB provides funding to borrowers with operations in its member states with the aim of promoting regional cooperation. At the end of 2018, the private sector accounted for the largest share of BSTDB’s lending activities at 89.5% (versus 94.5% at end 2014). In line with the bank’s objectives, the share of loans to the public and quasi-public sectors has increased to 10.5% at end 2018 (versus 5.5% at end 2014) and to 18.1% at the end of the first half of 2019.

As with other MDBs that provide funding to the private sector, BSTDB’s strategic objective is to provide lending to those entities that would otherwise be unable to mobilize financial resources. To fulfill its mandate of providing loans that benefit its member states and have a positive impact on the region’s development and cooperation, BSTDB offers a wide range of products: short to long-term loans typically denominated in US dollars or euros; trade finance; SME financing via credit lines to local financial intermediaries; equity investments, both direct and via investment funds; guarantees; and cofinancing. BSTDB also acts as a strategic investor to facilitate its clients’ access to financial markets.

BSTDB’s exposure to financial institutions is high, as it uses banks to direct loans to SMEs and for trade finance rather than lending directly. This on-lending benefits the bank’s asset quality, as its credit exposure is to the financial institution rather than the end borrower. As outlined in its former Medium-Term Strategy for 2015-18 and reaffirmed in the new Business Plan for 2019-22, BSTDB seeks to limit its financial sector exposure by expanding lending to the real economy (for example, the energy, manufacturing, telecommunications, transportation and public utility sectors). It has achieved the strategy’s target of reducing the proportion of loans to financial institutions to 40% by the end of 2018.

BSTDB’s Medium-Term Strategy and Business Plan for 2019-22

BSTDB’s operations are guided by its Medium-Term Strategy and Business Plan, which details the bank’s objectives and goals, and sets specific targets over a four-year period.

The board of governors approved the bank’s Medium-Term Strategy and Business Plan for the period 2019-2022 (MTSBP) on 9 February 2019. Given a robust portfolio performance in the first half of this year, the Board of Directors intends to consider increased quantitative targets for the MTSBP at its scheduled November 2019 meeting (see "Portfolio expansion" below).

With its focus on growth, BSTDB’s revised strategy deviates from the bank’s MTSBP for the period 2015-18 which emphasized consolidation and moderate portfolio growth. Among others, the 2014-18 strategy focused on the bank’s long-term strategy goal of doubling the subscribed capital which was completed in 2018, after receiving installments of paid-in capital from members for 10 year. The key points of the new strategic plan are as follows:

» Portfolio expansion. In February 2019, the bank announced that it was targeting an almost 40% increase in its balance sheet to $2.8 billion (or €2.3 billion) by the end of 2022. This would imply lending growth of 12% a year to reach a portfolio size of $2.6 billion (or €2.1 billion), compared to an average growth rate of 8.7% over the past decade. That said, the bank is already projecting it will reach €1.9-2.0 billion by the end of 2019 given the strong performance observed in the first half of 2019 (mostly related to large size sovereign guaranteed projects which grew to 18%) – the outstanding loan portfolio stood at €1.654 billion (from €1.358 billion in 2018). In response, the bank is considering an increase of its quantitative lending targets to be able to meet demand.

As BSTDB expands its lending activities, the bank hopes to broaden the impact of its activities and increase its relevance to its shareholders. With a balance sheet size of $2.1 billion in 2018, the size of BSTDB has so far been in line with the median for A-rated MDBs but far below the median size of higher-rated peers. We note that an increase in size could bring its balance sheet size closer to the Aa-rated median of $8.9 billion in 2018.

» Shift from private to public sector borrowers. The bank plans to increase the share of public sector funding from 18.1% at end-June 2019 of the total portfolio to one-third by 2022. By increasing its share of public sector funding, the bank would be able to benefit more from its preferred creditor status. The move could also improve BSTDB’s asset quality – the weighted average sovereign rating of Ba3 is one notch higher than the weighted average borrower rating of B1 at end-2018.

» Focus on infrastructure projects and trade finance products. The shift toward lending to public sector entities coincides with a shift toward infrastructure projects which form most public investment projects. Infrastructure financing will cover areas such as
utilities, energy, transportation, IT, capital markets, airports, ports, municipal services and facilities as well as environmental activities. Moreover, the bank plans to increase its capacity to offer trade finance products to private borrowers.
CREDIT PROFILE

Our determination of a supranational’s rating is based on three rating factors: capital adequacy, liquidity and funding and strength of member support. For Multilateral Development Banks, the first two factors combine to form the assessment of intrinsic financial strength. Additional factors that can impact the intrinsic financial strength, including risks stemming from the operating environment or the quality of management, are also considered. The strength of member support is then incorporated to yield a rating range. For more information please see our Supranational Rating Methodology.

Capital adequacy score: a3

We score BSTDB’s capital adequacy at “a3”, which combines our “a2” assessment for its capital position, “baa” for development asset credit quality (DACQ) and “a2” for asset performance. BSTDB’s capital adequacy balances the very high asset coverage ratio and very low leverage against the challenging operating environment in the Black Sea region, which is reflected in relatively low borrower quality. That said, asset quality has improved, with the NPL ratio having fallen significantly to 0% at end-2018, well below the A-rated median of 3.5%.

Capital position is assessed at “a3”

Changes to BSTDB’s financial and risk management have supported an improvement in asset performance despite the bank’s challenging operating environment. However, low average borrower credit quality (B1 at end-2018) remains a limiting factor compared to peers (see further below DACQ section).

The leverage ratio is favorable compared to peers

The leverage ratio – development and treasury assets rated A3 and lower / usable equity – is our key measure of an MDB’s capital position. The BSTDB’s leverage ratio has increased from 1.54x in 2015 to 2.04x in 2018 (see Exhibit 3). This remains in line with the A-rated median of 2.05x in 2018 but compares favorably with similarly rated peers, such as ICD (A2 stable), and even A1 rated peers such as GuarantCo (A1 stable).

The increase in the leverage ratio reflects BSTDB’s dynamic lending growth, which was more than offset the rise in usable equity related to an increase in paid-in capital (see Exhibit 4). The latter increased to €685 million (30% of the total subscribed capital of €2.3 billion at end-2018), from €642 million in 2017 and largely compensated for a small fall in reserves. Reserves have been on a downtrend trend for the past four years, falling to €32.9 million in 2018 from €71.4 million in 2014.
BSTDB’s leverage has increased but remains in line with peers
A-rated countries in our entire MDB rated universe

As usable equity has grown in tandem with the loan book, the asset coverage ratio (ACR) – usable equity / gross loans, equity and expected loss on liquid assets – has remained relatively stable over the past few years and stood at a relatively favorable 59.2% at year-end 2018 (see Exhibit 5). A general capital increase in 2008 that more than doubled the stock of paid-in capital to €685.1 million at the end of 2018 from €322.5 million at the end of 2008, together with accumulated retained earnings and higher general reserves have supported the increase in the bank’s equity.

Strong capital position – as measured by the asset coverage ratio – mitigates low borrower quality

Asset performance has improved

Historically, BSTDB has demonstrated weaker asset quality than peers due to the challenging operating environment in the Black Sea region and a sizeable exposure to the private sector, which does not benefit from preferred creditor status. However, BSTDB has improved its risk-management framework over the past decade. Moreover, government guarantees (which apply to a significant share of projects to the private sector in Turkey), the use of collateral and other credit enhancements also mitigate risks associated with a large exposure to the private sector. As of end December 2018, the secured portfolio represented 52.4% (2017: 57.9%) of the outstanding loans balance.

This has helped the bank to contain, and in the more recent past, to reduce the level of NPLs despite the growing size of the loan book. The ratio now stands at 0.0% (2018) with a three-year average of 1.8% over 2016-18 – below the A-rated median of 3.4% over the
same period – down from 3.8% over 2013-15. Thus BSTDB now compares favorably with A1 rated MDBs such as GuarantCo and ITFC (see Exhibit 6).

In addition, in its new Medium Term Strategy & Business plan for 2019-22, the bank intends to raise the share of public sector funding to up to 35% of the total portfolio by end 2022 from 18.1% at end-June 2019. This would allow it benefit more from its preferred creditor status, but it is uncertain whether the bank will be able to achieve these kind of increases.

Exhibit 6
Asset quality has improved significantly
NPL ratio

Sources: BSTDB, other MDBs financial statements, Moody’s Investors Service

Significant credit enhancement instruments and a diversified asset portfolio boost development asset credit quality

BSTDB's development asset credit quality (DACQ) is assessed at "baa". The starting point is the weighted average borrower rating (WABR) that stood at B1 at end 2018. This is similar to 2017 as a number of upgrades among its largest borrowers (notably Russia and Greece) compensated for Turkey's downgrades over the course of 2018.

Turkey is BSTDB's largest exposure, accounting for 21.2% of its total development assets at end-June 2019. The bank has been active in Turkey since 1999, with a total number of 44 projects out of which 14 are active as of end-June 2019. Private sector lending accounts for about half of all active projects in Turkey, which is significantly below the private sector share in the total lending activities. Because of the larger share of public sector projects, a larger proportion of BSTDB's Turkey exposure benefits from preferred creditor status compared to the overall portfolio. Moreover, a significant share of the exposure to the private sector in Turkey is protected by a government guarantee.

Besides, BSTDB benefits from significant credit protections in the form of guarantees and collateral (as mentioned further above) as well as a protection mechanism that shields it from the unexpected withdrawal of a member state, for which we apply a +1 adjustment. We also take into account the relative diversification of the portfolio in terms of country and sector (see further below Exhibit 16 and 17 in the qualitative adjustments section below). The exposure to financial institutions (FI) is the largest by far (33.2% of the total portfolio as of June 2019 down from 40% at end 2018) but it includes several subsectors including SME (58% of the FI exposure), trade finance (20%), mortgage lending (0.9%) or leasing (17%). Such qualitative adjustments result in a DACQ assessed at "baa", which is better than the A-rated median in 2018 ("b") and also compares favorably with A1-rated peers such as ITFC (A1 stable) and GuarantCo (A1 stable), both have a DACQ assessed at "b".
### Exhibit 7

**Top-10 largest projects funded by BSTDB**

**10 largest outstanding exposures as of June 2019**

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Exposures</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPC S.A (Greece)</td>
<td>160.0</td>
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<tr>
<td>Fraport Greece Operation (Greece)</td>
<td>61.6</td>
</tr>
<tr>
<td>STLC (State Transport Leasing Company) (Russia)</td>
<td>60.6</td>
</tr>
<tr>
<td>Shah Deniz stage 2 (Azerbaijan)</td>
<td>52.7</td>
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<tr>
<td>Is Leasing Group (Turkey/Georgia)</td>
<td>50.5</td>
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<tr>
<td>Bulgarian Energy Holding (Bulgaria)</td>
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</tr>
<tr>
<td>Turk Eximbank (Turkey)</td>
<td>50.0</td>
</tr>
<tr>
<td>Energean Oil and Gas (Greece)</td>
<td>46.1</td>
</tr>
<tr>
<td>Etlik Ankara Integrated Health Campus (Turkey)</td>
<td>43.8</td>
</tr>
<tr>
<td>Garanti bank group (Turkey/Romania)</td>
<td>42.0</td>
</tr>
</tbody>
</table>

Note: green color refers to the public sector and yellow for the private sector. Sources: BSTDB, Moody’s Investors Service.
Liquidity and funding score: baa3

Exhibit 8

Factor 2: Liquidity and funding

<table>
<thead>
<tr>
<th>Scale</th>
<th>aaa</th>
<th>a1</th>
<th>aa2</th>
<th>aa3</th>
<th>a1</th>
<th>a2</th>
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<th>caa1</th>
<th>caa2</th>
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<tr>
<td>+</td>
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<td></td>
<td></td>
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<td>baa</td>
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<td>baa</td>
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<td>baa</td>
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</tbody>
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Sub-factor scores
Liquid resources
Quality of funding

An entity’s liquidity is important in determining its ability to meet its financial obligations. We evaluate the extent to which liquid assets cover net cash flows over the coming 18 months and the stability and diversification of the institution’s access to funding.

Note: In case the Adjusted and Assigned scores are the same, only the Assigned score will appear in the table above.

Source: Moody’s Investors Service

We consider BSTDB’s liquidity position to be relatively moderate, with a score of “ba1” for liquidity resource and of “baa” for quality of funding, which results in an assigned score of “baa3”.

Liquid resources: Weaker than peers but improving

BSTDB’s liquidity policy sets minimum liquid assets at 50% of net cash requirements for the next 12 months. This is not the most stringent in our rated MDB universe, with many requiring 100% for the next 12 months or more. However, the calculated cash coverage the BSTDB applies is comprehensive, as it includes debt service, as well as budgeted loan disbursements and administrative expenses (i.e., the bank could prioritize debt service over loan disbursements if it needed to). Based on this policy, BSTDB’s liquidity ratio stood at 131% at the end of 2018 compared with 178% at the end of 2017 and 236% in 2016.

Our own liquid resources ratio (liquid assets/net cash outflows) stood at 23% in 2018, resulting in a score of “ba1”, which is the lowest ratio among our A-rated MDBs. To calculate it we only consider highly liquid assets such as cash and short term bank deposits as well as securities rated A2 or higher, as we believe only those would be available in a stress scenario at short notice and with minimal loss.

Other liquidity ratios compare more favorably with peers, for example the debt service coverage ratio which balances the stock of short-term and currently maturing long-term debt against the stock of liquid assets, stood at 52.6% as of the end of 2018. As with some other small MDBs, this ratio tends to be volatile due to debt-maturity profiles. Management change at BSTDB in 2014 has seen the bank’s borrowing strategy shift to longer-term debt.

Exhibit 9
Stock of liquid assets is high

Exhibit 10
We have seen a structural shift toward longer-term debt

Maturity structure, euros, Million

[1] Short-term debt and currently maturing long-term debt/liquid assets

Sources: BSTDB, Moody’s Investors Service
Looking at the breakdown of liquid assets, in the event of a prolonged unfavorable market conditions, BSTDB can rely on a large proportion of assets in the most liquid form: cash and bank balances (see Exhibits 11 and 12). In such an adverse scenario, BSTDB would be able to service its debt for a year using its cash balances only as borrowings maturing within next 12 months stood at €275.2 million at the end of 2018.

Exhibit 11
Financial investments are mostly placed in A1-Ba3 rated debt instruments...

Exhibit 12
... but a large portion is held in cash and deposits

Quality of funding has improved over past years

In terms of funding, BSTDB relies on bilateral loans, as well as the issuance of bonds and short-term financing in the form of European commercial paper for cash management purposes. The bank benefits also from funding facilities provided by other development institutions which include Kreditanstalt fuer Wiederaufbau (KfW, Aaa stable), the Nordic Investment Bank (NIB, Aaa stable), Proparco and the Development Bank of Austria. To enhance its borrowing flexibility and adapt to prevailing market conditions, the bank created a medium-term note (MTN) program at the end of June 2015 of up to €1 billion.

The first bond under the program in the amount of $500 million was issued in April 2016 with a coupon of 4.875% and maturing in April 2021, which improved BSTDB’s liquidity position substantially. In June 2019, BSTDB issued a $400 million bond with a coupon of 3.5% maturing in June 2024 under its MTN program. Also, to help develop local currency markets in its member countries and to match the funding and financing currency, BSTDB issued bonds in Armenian drams, Romanian lei and Georgian laris over 2015-18. Under the bank’s Development Plan for 2019-2022, total borrowings is projected to increase to around €1.5 billion by end 2022. But it will most likely be higher than this given the potential upwards revisions to quantitative targets.
Exhibit 13
The bond-implied rating has improved recently, but remains below our issuer rating.

Exhibit 14
BSTDB has issued most of its funding in US dollars as of June 2019.

Sources: BSTDB, Moody’s Investors Service
Qualitative adjustments

Qualitative adjustments to intrinsic financial strength

<table>
<thead>
<tr>
<th>Adjustments</th>
<th>Operating environment</th>
<th>Quality of management</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The capital adequacy and liquidity and funding factors represent the key drivers of our assessment of an institution’s intrinsic financial strength (IFS). However, assessments of the operating environment and the quality of management are also important components of our analysis. To capture these considerations, we may adjust the preliminary IFS outcome that results from the capital adequacy factor and the liquidity and funding factor. The result of this analysis is the adjusted IFS outcome.

Source: Moody’s Investors Service

In our credit assessment of MDBs we also take into account several other factors such as an MDB’s operating environment and the quality of its management, including risk management.

A challenging operating environment mitigated by a diversified portfolio

BSTDB’s relatively diversified loan portfolio by sector and country (see Exhibits 16 and 17) balances its high loan exposure at the regional level. More importantly, the bank has been progressively reducing loan concentration by sector and region. In terms of sectoral distribution, at the end of 2018 its exposure to financial institutions reached 40% of total loans (in line with the target set for end 2018) and as of June 2019 only 33.2%. Again it is important to note that the financial institutions category covers a variety of subsectors: that is, mostly SME and to a lesser extent trade finance and leasing.

Source: BSTDB, Moody’s

We make no adjustments for quality of management, but BSTDB’s lending criteria limit credit risk

BSTDB’s risk management is supported by the bank’s operational limits, which specify the maximum exposure to a single obligor, country and sector. Related to the medium-term strategy 2019-22, BSTDB changed its operational limits to allow for larger lending to individual projects as public projects, in particular infrastructure projects, are normally sizeable and require a relatively large lending volume. With respect to single obligors, BSTDB lends up to 10.0% of paid-in capital (before: 7.5%), reserves and surpluses to private sector companies, while the limit for nonsovereign public exposure is set at 20% (before: 15%) of paid-in capital, reserves and surpluses. At the sovereign level, risk operations are limited by the operational country ceiling of 20% for each operation (before: 15%). There is no corresponding limit for sectoral exposure, but the bank identifies targets within the framework of its Medium-Term Strategy.
and Business Plan. For the past five years, maximum sectoral exposure was set at 40%. The new Development Plan for 2019-22 refers to a share of project financing of up to 50% for large value and long maturity infrastructure projects, which was increased from 35%. The limit for equity investments amounts to 3% of paid-in capital.
Strength of member support score: Medium

Exhibit 18

Factor 3: Strength of member support

<table>
<thead>
<tr>
<th>Scale</th>
<th>Very High</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Very Low</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>+</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

Sub-factor scores

- Ability to support
- Willingness to support: Contractual
- Willingness to support: Non-contractual

Shareholders’ support for an institution is a function of their ability and willingness. Ability to support is reflected by the shareholders’ credit quality. Willingness to support takes into consideration (1) the members’ contractual obligations that primarily manifest in the callable capital pledge, a form of emergency support, and (2) other non-contractual manifestations of support to the institution’s financial standing and mission. Strength of member support can increase the preliminary rating range determined by combining factors 1 and 2 by as many as three scores.

Note: In case the Adjusted and Assigned scores are the same, only the Assigned score will appear in the table above.

Source: Moody’s Investors Service

Strength of member support is assessed at “Medium”, which combines our views on the ability to support – assessed at “ba3” - and willingness to support, contractually – assessed at “aaa” – as well as non-contractually – which is assessed at “Medium”.

A weaker ability to support compared to peers ...

Ability to provide support is assessed by the weighted average shareholder rating (WASR) which for BSTDB stood at “Ba3” in 2018. This is unchanged compared to 2017 and an improvement compared to 2015-16 when it stood at “B1”. The weighted average shareholder rating remained unchanged at “Ba3” in 2019, with Turkey’s rating downgrade to B1 balanced by rating upgrades for Greece and Russia to B1 and Baa3, respectively (see Exhibit 20). Our assessment also incorporates the high risk stemming from the high correlation between members and assets.

Exhibit 19

The weighted average shareholder rating indicates a weak ability to support...

WASR as of end 2018, Aa1 to A3 rated peers

Exhibit 20

...but it has remained stable despite Turkey’s downgrades thanks to rating upgrades for Greece and Russia

Moody’s ratings history since 2016

Source: Moody’s Investors Service

...is mitigated by a more favorable willingness to support

Willingness to support is a function of shareholders’ contractual and non-contractual willingness to support the MDB. Contractual support reflects the availability of callable capital, reflecting an explicit, irrevocable and unconditional obligation for each shareholder, and our expectation that any call upon that capital would be met promptly. BSTDB’s contractual support is assessed at “aaa” based
on the ratio of callable capital to total (gross) debt which amounts to 168% at end-2018 (see Exhibit 22). Among our Aa1 to A3 rated MDBs only 5 out of 18 (including BSTDB) share this assessment (ESM, NADB, CDB, FONPLATA and IIB).

Exhibit 21
General capital increase has more than doubled the stock of paid-in capital
Million, euros

Exhibit 22
Callable capital / debt ratio
Aa3 to A3 rated peers

Source: BSTDB, Moody’s Investors Service

As mentioned previously, BSTDB also benefits from a robust protection mechanism that shields it from the unexpected withdrawal of a member state and represents one of its key strengths. That said, compared to other MDB’s the procedure for calling capital is less well-defined as, for example, the bank’s statute does not provide details on the decision-making process or the timeline of a capital call.

We assess the non-contractual support for BSTDB as “Medium” which reflects the shareholder’s track record of capital injections as highlighted, for example, during the 2008 general capital increase which doubled the subscribed capital. Despite some arrears in the original payment schedule that resulted in an extended payment timeline in some cases, the full increase in paid-in capital originally agreed was achieved at the end of April 2019. The bank’s ability to successfully carry out a significant capital increase highlights the importance of the bank to its member states and their commitment to increasing the bank’s regional footprint. Total assets of $2 billion at end-2018 positions BSTDB in the bottom 20% of MDBs that are rated by us in terms of size which currently limits the importance of the institution for its members.
ESG Considerations

How environmental, social and governance risks inform our credit analysis of BSTDB

Moody's takes account of the impact of environmental (E), social (S) and governance (G) factors when assessing supranational issuers' credit profile. In the case of BSTDB, the materiality of ESG to the credit profile is as follows:

**Environment** considerations are not material for BSTDB's rating. This is because BSTDB's borrowers are not subject to environmental risks.

**Social** considerations are not material for BSTDB's rating. We do not expect that social risks affecting its borrowers will affect capital adequacy or liquidity.

**Governance** is moderate. We do not apply a positive qualitative adjustment but we view positively recent improvements in the bank’s risk management framework, which supported the downward trend in NPLs despite a challenging operating environment in the Black Sea region.

Our approach to ESG is explained in our [cross-sector methodology General Principles for Assessing ESG Risks](#). Additional information about our rating approach is provided in our Rating Methodology for [Multilateral Development Banks and other Supranational Entities](#).

**Rating range**

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our [Supranational Rating Methodology](#).
## Supranational rating metrics: BSTDB

### Capital adequacy
- **How strong is the capital buffer?**
  - Sub-factors: Capital position, development asset credit quality, asset performance

<table>
<thead>
<tr>
<th>Scale</th>
<th>aaa</th>
<th>aa1</th>
<th>aa2</th>
<th>aa3</th>
<th>a1</th>
<th>a2</th>
<th>a3</th>
<th>ba1</th>
<th>baa2</th>
<th>baa3</th>
<th>b1</th>
<th>b2</th>
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<th>caa1</th>
<th>caa2</th>
<th>caa3</th>
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</thead>
<tbody>
<tr>
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<td>+</td>
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</tbody>
</table>

### Liquidity and funding
- **How strong are the institution's liquidity buffers?**
  - Sub-factors: Liquid resources, quality of funding

<table>
<thead>
<tr>
<th>Scale</th>
<th>aaa</th>
<th>aa1</th>
<th>aa2</th>
<th>aa3</th>
<th>a1</th>
<th>a2</th>
<th>a3</th>
<th>ba1</th>
<th>baa2</th>
<th>baa3</th>
<th>b1</th>
<th>b2</th>
<th>b3</th>
<th>caa1</th>
<th>caa2</th>
<th>caa3</th>
<th>ca</th>
<th>c</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td>+</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Qualitative adjustments
- **What other elements can affect the intrinsic financial strength?**
  - Adjustment factors: Operating environment, quality of management

- Operating environment: 0
- Quality of management: 0

### Strength of member support
- **How strong is members' support of the institution?**
  - Sub-factors: Ability to support, willingness to support (contractual and non-contractual)

<table>
<thead>
<tr>
<th>Scale</th>
<th>Very High</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Very Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Rating range:** A2-Baa1
**Assigned rating:** A2

Source: Moody's Investors Service
Comparatives
This section compares credit relevant information regarding BSTDB with other supranational entities that we rate. It focuses on a comparison with supranationals within the same rating range and shows the relevant credit metrics and factor scores.

BSTDB’s capital adequacy is assessed at "a3" which is in line with the median for A-rated peers. The three year average for the leverage ratio (1.84x) is slightly above the A-rated peers median (1.71x) but in 2018 the ratio is similar. One notable improvement is asset quality with NPLs falling to 0% in 2018 from a three-year average of 1.8%. In terms of liquidity, BSTDB’s “baa3” assessment compares unfavorably with most peers with CABEI and AFC assessed at respectively, “aa2” and “a2”. Member support - assessed at “Medium” - is in line with peers and stronger than both GIC and AFC.

Exhibit 24
BSTDB’s key peers

<table>
<thead>
<tr>
<th>Year</th>
<th>BSTDB</th>
<th>CABEI</th>
<th>GIC</th>
<th>IIB</th>
<th>ITFC</th>
<th>AFC</th>
<th>A Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (US$ million)</td>
<td>2018</td>
<td>2,056</td>
<td>10,850</td>
<td>3,498</td>
<td>1,368</td>
<td>1,029</td>
<td>4,487</td>
</tr>
<tr>
<td>Factor 1: Capital adequacy</td>
<td>2018</td>
<td>a3</td>
<td>a1</td>
<td>aa3</td>
<td>a3</td>
<td>baa1</td>
<td>baa2</td>
</tr>
<tr>
<td>DRA / Usable equity</td>
<td>2018</td>
<td>167.8</td>
<td>235.1</td>
<td>75.1</td>
<td>205.3</td>
<td>63.4</td>
<td>130.0</td>
</tr>
<tr>
<td>Development assets credit quality score (year-end)</td>
<td>2018</td>
<td>baa</td>
<td>baa</td>
<td>caa</td>
<td>baa</td>
<td>b</td>
<td>b</td>
</tr>
<tr>
<td>Non-performing assets / DRA</td>
<td>2018</td>
<td>0.0</td>
<td>0.0</td>
<td>0.9</td>
<td>1.9</td>
<td>7.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Return on average assets</td>
<td>2018</td>
<td>0.3</td>
<td>2.2</td>
<td>2.8</td>
<td>0.5</td>
<td>2.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Net interest margin</td>
<td>2018</td>
<td>1.9</td>
<td>2.3</td>
<td>0.9</td>
<td>2.2</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Factor 2: Liquidity and funding</td>
<td>2018</td>
<td>baa3</td>
<td>aa2</td>
<td>baa2</td>
<td>baa2</td>
<td>baa1</td>
<td>a2</td>
</tr>
<tr>
<td>Quality of funding score (year-end)</td>
<td>2018</td>
<td>baa</td>
<td>aa</td>
<td>ba</td>
<td>baa</td>
<td>baa</td>
<td>baa</td>
</tr>
<tr>
<td>Liquid assets / ST debt + CMLTD</td>
<td>2018</td>
<td>190.1</td>
<td>357.9</td>
<td>18,257.1</td>
<td>247.2</td>
<td>917.5</td>
<td>972.7</td>
</tr>
<tr>
<td>Liquid assets / Total assets</td>
<td>2018</td>
<td>24.7</td>
<td>31.3</td>
<td>36.5</td>
<td>28.7</td>
<td>23.7</td>
<td>56.2</td>
</tr>
<tr>
<td>Preliminary intrinsic financial strength (F1+F2)</td>
<td>baa1</td>
<td>aa3</td>
<td>a2</td>
<td>baa1</td>
<td>baa1</td>
<td>a3</td>
<td></td>
</tr>
<tr>
<td>Adjusted intrinsic financial strength</td>
<td>baa1</td>
<td>a1</td>
<td>a2</td>
<td>baa1</td>
<td>baa1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factor 3: Strength of member support</td>
<td>M</td>
<td>M</td>
<td>L</td>
<td>M</td>
<td>H</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Weighted average shareholder rating (year-end)</td>
<td>2018</td>
<td>Ba3</td>
<td>Ba2</td>
<td>Baa2</td>
<td>Baa3</td>
<td>Baa3</td>
<td>B2</td>
</tr>
<tr>
<td>Callable capital / Total debt</td>
<td>2018</td>
<td>167.9</td>
<td>53.3</td>
<td>--</td>
<td>117.3</td>
<td>--</td>
<td>--</td>
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<tr>
<td>Callable capital (CC) of Baa3-Aaa members/Total CC</td>
<td>2018</td>
<td>27.6</td>
<td>31.7</td>
<td>--</td>
<td>43.3</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Rating range (F1+F2+F3)</td>
<td>A2-Baa1</td>
<td>Aa2-A1</td>
<td>A1-A3</td>
<td>A2-Baa1</td>
<td>A1-A3</td>
<td>A3-Baa2</td>
<td></td>
</tr>
</tbody>
</table>

1/ Development related assets 2/ Usable equity is total shareholders’ equity and excludes callable capital 3/ Short term debt and currently maturing long-term debt 4/ Ratio not used in Scorecard
Source: Moody’s
### DATA AND REFERENCES

#### Rating history

**Exhibit 25**

<table>
<thead>
<tr>
<th>Rating Changed/Assigned</th>
<th>Long-term</th>
<th>Short-term</th>
<th>Outlook</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>Outlook Changed</td>
<td>STA</td>
<td></td>
<td>A2</td>
<td>02/04/2014</td>
</tr>
<tr>
<td>Outlook Changed</td>
<td>STA</td>
<td></td>
<td>A2</td>
<td>02/04/2014</td>
</tr>
<tr>
<td>Rating Raised</td>
<td></td>
<td></td>
<td>A2</td>
<td>02/04/2014</td>
</tr>
<tr>
<td>Outlook Changed</td>
<td></td>
<td></td>
<td>A3</td>
<td>12/16/2013</td>
</tr>
<tr>
<td>Review for Upgrade</td>
<td></td>
<td></td>
<td>A3</td>
<td>12/16/2013</td>
</tr>
<tr>
<td>Outlook Changed</td>
<td></td>
<td></td>
<td>A3</td>
<td>09/30/2010</td>
</tr>
<tr>
<td>Rating Raised</td>
<td></td>
<td></td>
<td>A3</td>
<td>09/30/2010</td>
</tr>
<tr>
<td>Rating Assigned</td>
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<td>05/12/2009</td>
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<tr>
<td>Outlook Changed</td>
<td></td>
<td></td>
<td>POS</td>
<td>12/11/2007</td>
</tr>
<tr>
<td>Outlook Changed</td>
<td></td>
<td></td>
<td>STA</td>
<td>10/19/2006</td>
</tr>
<tr>
<td>Rating Raised</td>
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<td></td>
<td>Baa1</td>
<td>10/19/2006</td>
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<tr>
<td>Outlook Changed</td>
<td></td>
<td></td>
<td>RUR</td>
<td>06/29/2006</td>
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<tr>
<td>Review for Upgrade</td>
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<td></td>
<td>Baa2</td>
<td>06/29/2006</td>
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<tr>
<td>Outlook Assigned</td>
<td></td>
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<td>STA</td>
<td>03/23/2004</td>
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<tr>
<td>Rating Assigned</td>
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<td>P-2</td>
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<td>03/23/2004</td>
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</tbody>
</table>

Notes: [1] Table excludes rating affirmations. Please visit the issuer page for BSTDB for the full rating history.

Source: Moody's Investors Service
### Annual statistics

**Exhibit 26**

**BSTDB**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>18,227</td>
<td>14,849</td>
<td>63,955</td>
<td>49,745</td>
<td>70,034</td>
<td>81,481</td>
<td>48,598</td>
</tr>
<tr>
<td>Securities</td>
<td>200,463</td>
<td>157,812</td>
<td>75,016</td>
<td>139,299</td>
<td>414,539</td>
<td>292,248</td>
<td>395,335</td>
</tr>
<tr>
<td>Derivative Assets</td>
<td>11,517</td>
<td>16,210</td>
<td>0</td>
<td>3,485</td>
<td>576</td>
<td>1,659</td>
<td>662</td>
</tr>
<tr>
<td>Net Loans</td>
<td>693,894</td>
<td>679,096</td>
<td>821,263</td>
<td>1,015,512</td>
<td>1,101,315</td>
<td>1,080,866</td>
<td>1,292,868</td>
</tr>
<tr>
<td>Net Equity Investments</td>
<td>43,290</td>
<td>52,934</td>
<td>84,860</td>
<td>63,800</td>
<td>52,766</td>
<td>31,361</td>
<td>27,655</td>
</tr>
<tr>
<td>Other Assets</td>
<td>16,192</td>
<td>11,297</td>
<td>11,969</td>
<td>17,470</td>
<td>26,641</td>
<td>27,311</td>
<td>30,649</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>983,583</td>
<td>932,198</td>
<td>1,057,063</td>
<td>1,289,311</td>
<td>1,665,871</td>
<td>1,514,926</td>
<td>1,795,767</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>373,355</td>
<td>286,344</td>
<td>341,215</td>
<td>540,948</td>
<td>862,533</td>
<td>722,592</td>
<td>954,030</td>
</tr>
<tr>
<td>Derivative Liabilities</td>
<td>0</td>
<td>0</td>
<td>11,769</td>
<td>20,427</td>
<td>35,100</td>
<td>18,242</td>
<td>24,164</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>9,105</td>
<td>4,761</td>
<td>8,968</td>
<td>6,389</td>
<td>15,568</td>
<td>15,422</td>
<td>15,973</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>382,460</td>
<td>291,105</td>
<td>361,952</td>
<td>567,764</td>
<td>913,201</td>
<td>756,256</td>
<td>994,167</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscribed Capital</td>
<td>2,316,688</td>
<td>2,288,500</td>
<td>2,288,500</td>
<td>2,288,500</td>
<td>2,288,500</td>
<td>2,288,500</td>
<td>2,288,500</td>
</tr>
<tr>
<td>Less: Callable Capital</td>
<td>1,623,876</td>
<td>1,601,950</td>
<td>1,601,950</td>
<td>1,601,950</td>
<td>1,601,950</td>
<td>1,601,950</td>
<td>1,601,950</td>
</tr>
<tr>
<td>Less: Adjustments</td>
<td>198,094</td>
<td>168,584</td>
<td>143,702</td>
<td>110,137</td>
<td>72,741</td>
<td>44,984</td>
<td>0</td>
</tr>
<tr>
<td>Equals: Paid-in Capital</td>
<td>494,392</td>
<td>517,971</td>
<td>542,848</td>
<td>576,413</td>
<td>613,409</td>
<td>641,566</td>
<td>685,122</td>
</tr>
<tr>
<td>Retained Earnings (Accumulated Loss)</td>
<td>62,525</td>
<td>72,603</td>
<td>80,874</td>
<td>91,684</td>
<td>91,684</td>
<td>83,521</td>
<td>83,521</td>
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<tr>
<td>Accumulated Other Comprehensive Income (Loss)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Reserves</td>
<td>44,206</td>
<td>50,519</td>
<td>71,389</td>
<td>53,450</td>
<td>47,177</td>
<td>33,583</td>
<td>32,957</td>
</tr>
<tr>
<td>Other Equity</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>601,123</td>
<td>641,093</td>
<td>695,111</td>
<td>721,547</td>
<td>752,670</td>
<td>758,670</td>
<td>801,600</td>
</tr>
</tbody>
</table>

*Source: Moody’s Investors Service*
### Exhibit 27

**BSTDB**

#### Income Statement, EUR Thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>30,735</td>
<td>27,808</td>
<td>30,113</td>
<td>37,127</td>
<td>29,805</td>
<td>27,768</td>
<td>33,144</td>
</tr>
<tr>
<td><strong>Interest Income</strong></td>
<td>45,699</td>
<td>40,303</td>
<td>41,818</td>
<td>53,083</td>
<td>67,976</td>
<td>68,146</td>
<td>78,717</td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>14,964</td>
<td>12,495</td>
<td>11,705</td>
<td>15,956</td>
<td>38,171</td>
<td>40,378</td>
<td>45,573</td>
</tr>
<tr>
<td><strong>Net Non-Interest Income</strong></td>
<td>4,146</td>
<td>966</td>
<td>2,605</td>
<td>4,273</td>
<td>1,011</td>
<td>10,654</td>
<td>898</td>
</tr>
<tr>
<td><strong>Net Commissions/Fees Income</strong></td>
<td>1,041</td>
<td>538</td>
<td>635</td>
<td>1,075</td>
<td>1,748</td>
<td>2,087</td>
<td>1,652</td>
</tr>
<tr>
<td><strong>Income from Equity Investments</strong></td>
<td>19</td>
<td>1,203</td>
<td>635</td>
<td>1,075</td>
<td>1,748</td>
<td>2,087</td>
<td>1,652</td>
</tr>
<tr>
<td><strong>Other Income</strong></td>
<td>3,086</td>
<td>-775</td>
<td>280</td>
<td>609</td>
<td>-743</td>
<td>2,589</td>
<td>-1,326</td>
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<tr>
<td><strong>Other Operating Expenses</strong></td>
<td>15,964</td>
<td>16,919</td>
<td>17,292</td>
<td>18,447</td>
<td>19,089</td>
<td>19,741</td>
<td>21,175</td>
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<tr>
<td><strong>Administrative, General, Staff</strong></td>
<td>15,435</td>
<td>16,259</td>
<td>16,527</td>
<td>17,782</td>
<td>18,499</td>
<td>19,280</td>
<td>20,722</td>
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<tr>
<td><strong>Grants &amp; Programs</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
</tr>
<tr>
<td><strong>Other Expenses</strong></td>
<td>529</td>
<td>660</td>
<td>765</td>
<td>665</td>
<td>590</td>
<td>461</td>
<td>453</td>
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<tr>
<td><strong>Pre-Provision Income</strong></td>
<td>18,917</td>
<td>11,855</td>
<td>15,426</td>
<td>22,953</td>
<td>11,727</td>
<td>18,681</td>
<td>12,867</td>
</tr>
<tr>
<td><strong>Loan Loss Provisions (Release)</strong></td>
<td>3,954</td>
<td>-1,429</td>
<td>1,403</td>
<td>7,739</td>
<td>9,976</td>
<td>10,026</td>
<td>7,691</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>14,963</td>
<td>13,284</td>
<td>14,023</td>
<td>15,214</td>
<td>1,751</td>
<td>8,655</td>
<td>5,176</td>
</tr>
<tr>
<td><strong>Other Accounting Adjustments and Comprehensive Income</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Comprehensive Income (Loss)</strong></td>
<td>14,963</td>
<td>13,284</td>
<td>14,023</td>
<td>15,214</td>
<td>1,751</td>
<td>8,655</td>
<td>5,176</td>
</tr>
</tbody>
</table>

*Source: Moody's Investors Service*

### Exhibit 28

**BSTDB**

#### Financial Ratios

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Adequacy, %</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>DRA / Usable Equity</td>
<td>130.7</td>
<td>121.6</td>
<td>138.4</td>
<td>154.3</td>
<td>158.3</td>
<td>153.2</td>
<td>167.8</td>
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<tr>
<td>Development Assets Credit Quality (Year-End)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>Baa</td>
<td>Baa</td>
<td></td>
</tr>
<tr>
<td>Non-Performing Assets / DRA</td>
<td>8.0</td>
<td>5.2</td>
<td>5.0</td>
<td>1.2</td>
<td>3.3</td>
<td>2.1</td>
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<tr>
<td>Return On Average Assets</td>
<td>1.6</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>0.1</td>
<td>0.5</td>
<td>0.3</td>
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<tr>
<td>Net Interest Margin</td>
<td>3.4</td>
<td>3.3</td>
<td>3.1</td>
<td>3.1</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Liquidity, %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of Funding Score (Year-End)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>Baa</td>
<td>Baa</td>
<td></td>
</tr>
<tr>
<td>Liquid Assets / ST Debt + CMLTD</td>
<td>235.3</td>
<td>308.9</td>
<td>187.7</td>
<td>72.0</td>
<td>1,086.6</td>
<td>736.1</td>
<td>190.1</td>
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<tr>
<td>Liquid Assets / Total Debt</td>
<td>58.6</td>
<td>60.3</td>
<td>40.7</td>
<td>34.9</td>
<td>56.2</td>
<td>51.7</td>
<td>46.5</td>
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<tr>
<td>Liquid Assets / Total Assets</td>
<td>22.2</td>
<td>18.5</td>
<td>13.1</td>
<td>14.7</td>
<td>29.1</td>
<td>24.7</td>
<td>24.7</td>
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<tr>
<td><strong>Strength of Member Support, %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Weighted Average Shareholder Rating (Year-End)</td>
<td>Ba3</td>
<td>Ba3</td>
<td>Ba3</td>
<td>B1</td>
<td>B1</td>
<td>Ba3</td>
<td>Ba3</td>
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<tr>
<td>Callable Capital / Gross Debt</td>
<td>434.9</td>
<td>559.4</td>
<td>469.5</td>
<td>296.1</td>
<td>185.7</td>
<td>221.7</td>
<td>167.9</td>
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<tr>
<td>Callable Capital (CC) of Baa3-Aaa Members/Total CC</td>
<td>49.2</td>
<td>65.8</td>
<td>65.8</td>
<td>49.2</td>
<td>27.6</td>
<td>27.6</td>
<td>27.6</td>
</tr>
</tbody>
</table>

*Source: Moody’s Investors Service*
Moody's related publications

» Rating Action: Moody's affirms Black Sea Trade and Development Bank's A2 ratings; maintains stable outlook, 2 October 2018

» Credit Opinion: Black Sea Trade and Development Bank – A2 Stable, Regular Update, 20 August 2019

» Rating Methodology: Multilateral Development Banks and Other Supranational Entities, 25 June 2019

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related websites and information sources

» Sovereign and supranational risk group web page

» Sovereign and supranational rating list

» Black Sea Trade and Development Bank (BSTDB)

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Endnotes

1 Moody’s upgraded Russia’s government bond ratings to Baa3 from Ba1 on 8 February 2019.