

ISSUER IN-DEPTH

3 November 2021



RATINGS

BSTDB

| | Rating | Outlook |
|-------------------|--------|---------|
| Long-term Issuer | A2 | Stable |
| Short-term Issuer | P-1 | -- |

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Black Sea Trade and Development Bank – A2 stable

Annual credit analysis

OVERVIEW AND OUTLOOK

The [Black Sea Trade and Development Bank](#)'s credit strengths include its sound levels of usable equity, which more than doubled between 2008 and 2019, thanks largely to a general capital increase completed in April 2019. In addition, the bank's prudent risk management framework, an increase in co-financing with highly rated multilateral development banks (MDBs) and better diversification of the loan portfolio resulted in an improved asset performance in the years leading up to the pandemic.

We assess the bank's strength of member support as "Medium", balancing the relatively weak credit quality of its shareholders with significant contractual shareholder support due to a high level of callable capital relative to debt and shareholders' track record of capital injections, further demonstrated by the recent shareholder decision to increase the bank's subscribed capital.

Credit challenges include an already complex operating environment, which the coronavirus crisis and economic challenges in [Turkey](#) (B2 negative) have exacerbated. BSTDB's asset performance and borrower credit quality have been resilient to date, but the impact of the pandemic has yet to become fully visible. Member countries' ability to provide support if needed is relatively moderate and weaker than with A-rated peers.

The stable outlook reflects our view that risks to the credit profile are broadly balanced. Upward pressure on the rating could emerge if BSTDB's asset quality materially improved and it maintained its track record of very low non-performing assets. A significant improvement in the creditworthiness of major shareholders would also be positive for the rating.

Conversely, the rating would come under downward pressure if asset performance and borrower credit quality deteriorated beyond our baseline expectations. Such a scenario could stem from more adverse economic developments in the bank's member countries, or a borrower-specific shock. A material deterioration in the creditworthiness of major shareholders would also be credit negative.

This credit analysis elaborates on BSTDB's credit profile in terms of capital adequacy, liquidity and funding and strength of member support, the three main analytical factors in our [Supranational Rating Methodology](#).

Special topic

Greater focus on ESG over the next 10 years and beyond

BSTDB promotes environmental and social sustainability in its member countries and applies these principles to its business operations through its Environmental and Social Policy. The bank's lending to the energy, transportation and utility sectors is increasingly focused on environmental improvements, energy efficiency and renewable projects.

BSTDB's board of directors approved the bank's first Climate Change Strategy in March 2021, and a comprehensive implementation plan will be developed over the coming year. The strategy sets out the bank's vision and approach to addressing climate change over the next 10 years and beyond. In line with member countries' climate priorities, BSTDB will shift its lending priorities to projects focused on climate change mitigation and adaptation.

The key objectives of the strategy are, first, to reduce net emissions in the bank's portfolio by setting periodic emission targets to achieve zero net emissions by 2050. Because reducing greenhouse gas emissions is a crucial part of climate change mitigation, BSTDB will prioritise funding for projects in areas such as renewable energy investments, energy and resource efficiency, sustainable infrastructure, green buildings and electric transport. It will also gradually phase out lending to carbon-intensive sectors.

Second, the strategy aims to increase the share of lending related to climate change mitigation and adaptation, as well as projects with climate co-benefits, to at least 30% over the next 10 years. Green financing, including operations with climate co-benefits, accounts for an average 20% of annual new commitments since 2011. BSTDB also expects to attract additional investors and broaden its funding base once its portfolio of green projects is sufficiently large to establish funding for those projects with, for example, green and climate bonds, and intends to apply for Green Climate Fund accreditation to receive support for its climate change mitigation and adaptation activities by accessing concessional loans.

Third, the strategy aims to build capacity, either internally or by targeted outsourcing, to better serve member countries in their climate change mitigation and adaptation efforts.

BSTDB also plans to incorporate climate risk assessment into its risk assessment framework and introduce carbon accounting into its operation cycle. It will review the strategy in 2025, and if necessary, apply adjustments. It aims to achieve the strategy's objectives mainly by:

- » shifting its financing priorities to more climate-positive operations;
- » increasing the climate-positive potential of its operations;
- » gradually phasing out support for carbon-intensive sectors, mostly those based on fossil fuels.

The bank will develop climate-specific products and credit lines to support building a portfolio of green operations. As a result, the bank expects to attract more capital, including through green and climate bonds; access grants and technical assistance for project preparation needs; and contract concessional loans from climate funds.

BSTDB will update its credit assessment frameworks to account for climate risks and strengthen its due diligence process to identify and more accurately manage climate change impacts on its operations. These frameworks will be implemented particularly for sectors with the greatest exposure to climate change, such as construction and real estate, coastal infrastructure, agribusiness, mining, water-intensive sectors and utilities.

Organisational structure and strategy

BSTDB was established in 1999 as the financial pillar of the Organisation of the Black Sea Economic Cooperation (BSEC). The BSEC was established in 1992 to promote peace and stability through enhanced relations among member states. The organisation'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 small and medium-sized enterprises (SMEs) and financial sectors in member states, expanding trade flows between member countries, boosting intraregional investment and increasing regional economic cooperation. A country must belong to the BSEC to become a BSTDB member and thereby be eligible for BSTDB financing. As a result, the bank has no non-regional member countries by design, and all member countries are both capital contributors and borrowers. However, MDBs and financial institutions from outside the region can become BSTDB members.

All the BSEC's 12 member countries, except [Serbia](#) (Ba2 stable), are BSTDB shareholders. Among the shareholders, only [Bulgaria](#) (Baa1 stable), [Romania](#) (Baa3 stable) and [Russia](#) (Baa3 stable) are investment-grade. Investment-grade member governments owned a combined 44.2% of the bank's capital as of the end of 2020, up from 27.6% at the end of 2018 but down from 49.2% at the end of 2015 and 65.8% at the end of 2014. The bank's current weighted average shareholder rating is "ba2", one-notch higher than in 2017-19 (see "Strength of member support", below).

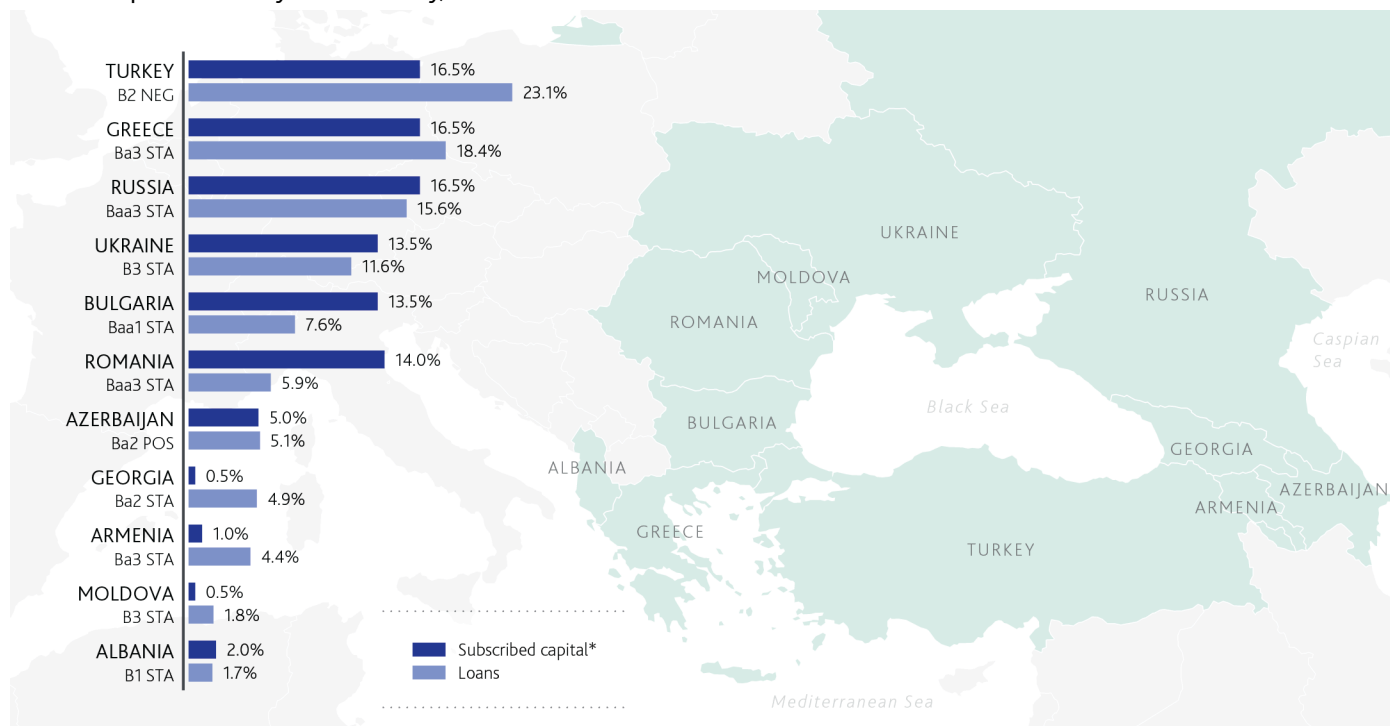
The BSEC in June 2019 acknowledged North Macedonia's application for BSEC membership. The organisation could expand to 13 member countries in the coming years, with North Macedonia potentially also becoming a new shareholder of BSTDB.

The largest shareholders, which combined own almost 91% of the bank's subscribed capital, are [Greece](#) (Ba3 stable) (16.5%), [Russia](#) (16.5%), [Turkey](#) (16.5%), [Romania](#) (14.0%), [Bulgaria](#) (13.5%) and [Ukraine](#) (B3 stable) (13.5%). The other member countries' shares are [Azerbaijan](#) (Ba2 positive) (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 2020, 0.5% of shares in the bank were unallocated.

Exhibit 1

Shareholder and loan portfolio structure

Subscribed capital and loans by member country, end-2020



*Subscribed capital shares amount to 99.5% because 0.5% of the shares are unallocated. Moldova reduced its shareholding to 0.5% from 1.0% in 2011.

Sources: BSTDB financial statements 2019 and 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 economic development and regional cooperation. At the end of 2020, the private sector accounted for the largest share of its lending activities, at 71.4%. In line with the bank's objectives, the share of loans to the public and quasi-public sectors increased to 28.6% at the end of 2020 from 27.0% at the end of 2019 and 5.5% at the end of 2014.

As with other MDBs that provide funding to the private sector, BSTDB's strategic objective is to lend to entities that would otherwise be unable to mobilise 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, it offers a wide range of products encompassing short- to long-term loans, typically denominated in US dollars or euros; trade finance; SME financing through credit lines to local financial intermediaries; equity investments, both direct and via investment funds; guarantees; and co-financing. It also acts as a strategic investor to facilitate clients' access to financial markets.

BSTDB has a high exposure to financial institutions because it uses banks to direct loans to SMEs and for trade finance rather than lending directly, as well as leasing and subordinated lending. Such on-lending benefits its asset quality because its credit exposure is to the financial institution rather than the end-borrower. As outlined in the bank's Medium-Term Strategy for 2015-18 and reaffirmed in its latest Medium-Term Strategy and Business Plan for 2019-22, BSTDB seeks to limit its exposure to the financial sector by expanding direct lending to the economic sectors (for example, the energy, manufacturing, telecoms, transport and public utility sectors). In line with the strategy, the proportion of loans to financial institutions fell to 29% at the end of 2020 from slightly below 32% at the end of 2019 and 40% at the end of 2018.

Revised strategic plan for 2019-22 emphasises growth and shift to public borrowers

BSTDB published a review and update of its Medium-Term Strategy and Business Plan (MTSBP) in February 2020¹. The updated strategy represents a review of an earlier MTSBP for the period 2019-22, which was approved in February 2019², and establishes new operational targets for 2020-22. The new operational targets set a higher than initially planned increase in lending accompanied by higher funding needs³. The bank's strategic objectives for increasing its relevance to shareholders have been reaffirmed by the Long-Term Strategic Framework 2021-30, which was published this year, and are set to be achieved through an increase in activity, particularly in the public sector and infrastructure lending. The strategy will also be supported by a recently announced subscribed capital increase to €3.10 billion from €2.29 billion.

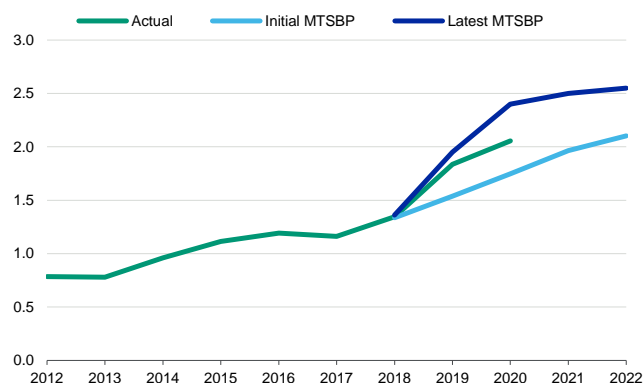
A capital increase agreed in 2008 was completed in April 2019 following the receipt of instalments of paid-in capital from members starting in 2010. Despite the paid-in capital increase, however, leverage (development assets and treasury assets rated A3 and lower/usable equity) has increased significantly over the past several years as BSTDB's loan portfolio has risen even more quickly than capital contributions. The bank's leverage ratio stood at 274% at the end of 2020, compared with 123% in 2013 and 187% in 2008, when shareholders ratified the capital increase. BSTDB has a high leverage ratio compared with most similarly rated MDBs. The median leverage of A-rated MDBs was 237% at the end of 2020.

The key points of the updated strategic plan for 2019-22 are as follows:

Larger portfolio expansion than initially planned. Because the actual balance sheet extension and growth of its development-related assets (mostly related to large sovereign-guaranteed projects) was significantly above the initial MTSBP, the bank revised its quantitative targets upward in its latest MTSBP to be able to meet demand (see Exhibits 2 and 3).

Exhibit 2

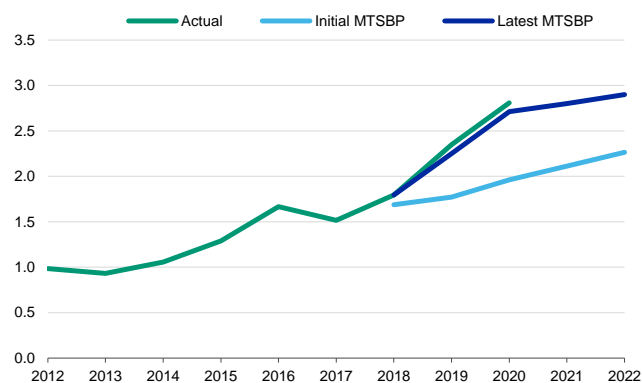
Latest MTSBP targets faster growth in development-related assets € billion



Sources: BSTDB and Moody's Investors Service

Exhibit 3

Total assets compared with the initial MTSBP € billion



Sources: BSTDB and Moody's Investors Service

The updated MTSBP aims to increase total assets to €2.9 billion by the end of 2022 and development-related assets to €2.5 billion. This would imply development-related asset growth of 39% over 2019-22.

Strong growth in development-related assets in the MTSBP's first year increased the leverage ratio to 274% in 2020 compared with 244% in 2019 and 123% in 2013, the second-highest level among A-rated peers and above the median of A-rated peers of 237%. We expect the leverage ratio to increase to above 300% in 2021 and to subsequently remain above 300% based on the latest MTSBP.

As it expands its lending activities, the bank aims to broaden the impact of its activities and increase its relevance to shareholders. With a balance sheet size of \$3.4 billion in 2020, BSTDB was above the median of A-rated peers (\$2.6 billion), but far below the median of Aa-rated peers (\$10.6 billion). Other MDBs that are active in the region and collaborating with BSTDB include much larger MDBs such as the [European Bank for Reconstruction and Development](#) (EBRD, Aaa stable) and the [European Investment Bank](#) (EIB, Aaa stable), with total assets of \$85.6 billion and \$680.2 billion, respectively.

Increasing funding needs. With the further increase in its development-related assets, BSTDB has also planned to increase its borrowing, which reached €1.9 billion at the end of 2020, in line with the €2.0 billion projected at the end of 2022. It will continue to base its funding 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.

With larger funding needs, the bank's MTN programme aims to facilitate market access and reduce the cost of funding thanks to BSTDB's more regular presence in the market. BSTDB also benefits from funding facilities provided by other development institutions. The higher level of total debt will reduce contractual support, which we measure by the ratio of callable capital to total debt, but from very high levels. As of the end of 2020, the ratio was a very high 84.7%, resulting in a subfactor score of "aa2" for contractual support.

Shift from private to public-sector borrowers. BSTDB increased its share of public-sector funding to 28.6% of the total portfolio at the end of 2020 from 27% at the end of 2019 and 5.5% at the end of 2014, and plans to increase the share to up to 35% by 2022. By increasing the share of public-sector funding, a larger part of the loan book is expected to benefit from preferred creditor status.

Focus on infrastructure projects. The shift toward lending to public-sector entities coincides with a shift toward infrastructure projects, which encompass most public investment projects. Infrastructure financing will cover areas such as utilities, energy, transportation, digital infrastructure, airports, ports, municipal services and facilities, as well as environmental activities.

Long-term strategic framework 2021-30 focuses on growth while preserving capital adequacy

In June 2021, BSTDB presented a new long-term strategic framework (LTSF) for the period 2021-30 that aims to build on the previous strategy of maximising the impact of its operations and increasing its regional relevance. The LTSF is the key vision document focusing

on the context under which the four-year MTSBP sets specific operational targets⁴, and sets the stage for a period of sustained growth in the bank's operations.

The bank assumes average annual asset growth of 6.0%-7.5% for the period 2021-30. The objective of the LTSF 2020-30 for development-related assets is to reach a volume in the range of €3.7 billion (lower-bound scenario) and €4.3 billion (upper-bound scenario) by 2030 from €2.1 billion as of the end of 2020. These targets represent the maximum amount that can be achieved within the bank's prudential capitalisation and risk limits. BSTDB aims to maintain a total equity to assets ratio of at least 30% and a risk-adjusted capital ratio above 15%. The projections assume subscription of the available authorised capital ranging from €240-€345 million. As a result of the new subscription agreed in October 2021, the bank will receive additional capital of €245 million during the period 2023-30.

In the context of its rapidly expanding operations, BSTDB will also explore a number of options to preserve its capital adequacy, including expanding co-financing and shifting toward short-term transactions, off-balance sheet activities such as guarantees, and unfunded risk participations, as well as risk-sharing and asset transfer measures.

The bank aims to maintain a broadly diversified portfolio of operations across countries and sectors with the aim of maintaining a public-sector (sovereign guaranteed and nonsovereign) share of around 30%, while increasing its focus on environment-related activities and operations fostering regional cooperation such as trade and infrastructure development.

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 intrinsic financial strength, including risks stemming from the operating environment or quality of management, are also considered. 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

Factor 1: Capital adequacy

| Scale | aaa | aa1 | aa2 | aa3 | a1 | a2 | a3 | baa1 | baa2 | baa3 | ba1 | ba2 | ba3 | b1 | b2 | b3 | caa1 | caa2 | caa3 | ca | c | |
|-------|-----|-----|-----|-----|----|----|----------|------|------|------|-----|-----|-----|----|----|----|------|------|------|----|---|---|
| + | | | | | | | Assigned | | | | | | | | | | | | | | | - |

Sub-factor scores

Capital position

Development asset credit quality

Asset performance

| |
|------|
| baa2 |
| baa |
| a1 |

Capital adequacy assesses the solvency of an institution. The capital adequacy assessment considers the availability of capital to cover assets in light of their inherent credit risks, the credit quality of the institution's development assets and the risk that these assets could result in capital losses.

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

We assess BSTDB's capital adequacy as "a3". The score combines our assessments of "baa2" for capital position, "baa" for development asset credit quality and "a1" for asset performance.

Capital position: "baa2"

BSTDB's prudent financial and risk management has supported its asset performance. The bank's nonperforming asset (NPA) ratio has remained low despite the currently difficult operating environment in light of the coronavirus shock and economic volatility in Turkey. However, its low average borrower credit quality, which stood at B2 at the end of 2020, remains a constraining factor compared with peers (see Development asset credit quality section, below).

Leverage ratio continued to increase in 2020 and is set to rise further this year

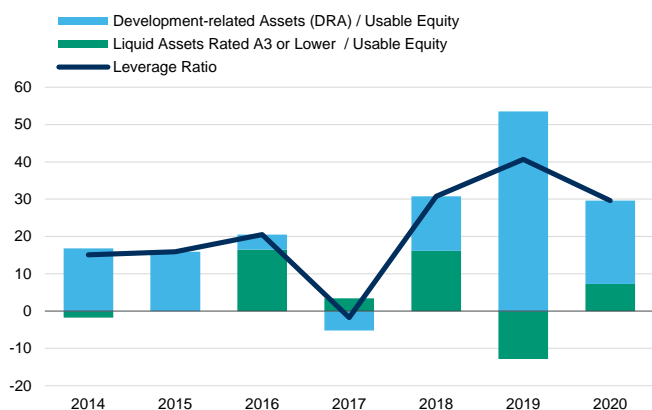
Leverage – development-related and treasury assets rated A3 and lower to usable equity – is our key measure of an MDB's capital position. BSTDB's leverage ratio was 274% at the end of 2020, based on a ratio of outstanding development-related assets and treasury assets rated A3 and lower of €2.3 billion to usable equity of €844 million. This represents a significant increase from 244% in 2019, 204% in 2018 and 173% in 2017 (see Exhibit 4). While BSTDB's ratio was in line with the A-rated median of 205% in 2018, it was higher than the A-rated median of 237% in 2020 and 215% in 2019, and is the second-highest among A-rated MDBs behind [GuarantCo](#) (A1 negative) (see Exhibit 5).

The increase in the leverage ratio reflects dynamic growth in development-related assets that in 2019 significantly exceeded the MTSBP's estimates and led to a revision of quantitative targets. Lending growth more than offset the rise in usable equity (see Exhibit 6). After expanding by more than 35% in 2019, development-related assets increased by 12% to €2.1 billion in 2020, almost solely driven by gross loans, which accounted for 99% of the total. Equity investments accounted for around 1.2% of total development assets at the end of 2020, with the share of equity progressively declining from 2.0% in 2018 and 5.7% in 2015.

Strong growth in development-related assets in 2019 was driven by an increased number of projects, reflecting strong demand and larger average project size. Among other factors, growth was driven by opportunities involving large sovereign-guaranteed operations with a high mandate fulfillment potential and a relatively better risk profile. The lower 2020 amount compared with the MTSBP's objective of €2.4 billion for 2020 reflects a slower than planned expansion of operations related to the coronavirus shock, which slowed the start of new projects during lockdowns, and a recalibration of priorities to focus on the most urgent needs in member countries.

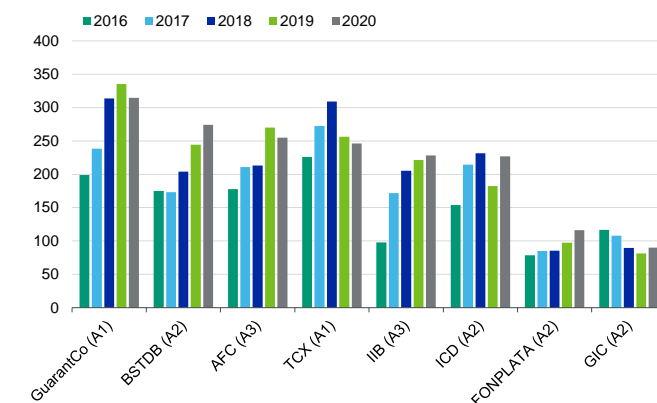
Exhibit 4
Development-related asset growth drove an increase in leverage in 2020

Change compared with previous year (percentage points)



Sources: BSTDB and Moody's Investors Service

Exhibit 5
BSTDB's leverage increased to 274% in 2020 and is the second-highest among A-rated MDBs



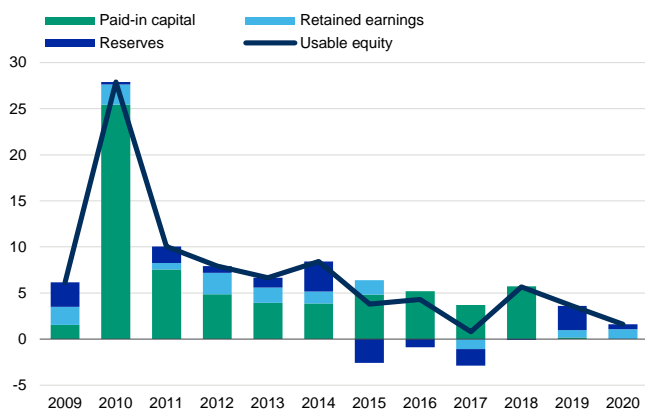
Sources: BSTDB, other MDBs' financial statements and Moody's Investors Service

Paid-in-capital remained unchanged at €686.6 million, compared with growth of 8.1% per year on average between 2009 and 2018, as the general capital increase was fully completed in April 2019 (see Exhibit 6)⁵.

Because the capital increase was fully completed in April 2019, the change in usable equity was solely driven by retained earnings and a change in reserves in 2020⁶. In an extraordinary meeting in October 2021, the board of governors decided to increase the bank's subscribed capital to €3.1 billion from the current €2.3 billion. The paid-in portion of the newly subscribed capital will be 30%, with 70% callable, in line with the bank's current capital structure. As a result of the new subscription, BSTDB will receive additional capital of €245 million, increasing its paid-in capital to €931.5 million, with the subscribed capital payments made in eight instalments over 2023-30. We discuss our view in our [issuer comment on the increase in subscribed capital](#).

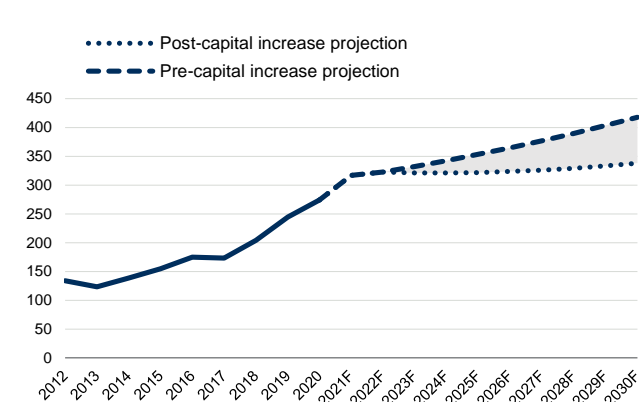
Exhibit 6
Reserves and retained earnings drove an increase in usable equity in 2020

Change in usable equity (%) and contributions (percentage points)



Sources: BSTDB and Moody's Investors Service

Exhibit 7
The bank's leverage ratio is would have increased sharply without capital increase



Assumptions: Equity increases driven by retained earnings averaging €16 million over 2021-22, being in line with the MTSBP (reserves and paid-in capital increased according to the planned subscribed capital payments; development-related assets increase in line with the LTSF 2021-30); liquid assets rated A3 or lower remain unchanged compared with mid-2021.

Sources: BSTDB and Moody's Investors Service

We expect the leverage ratio to exceed 300% in 2021 and to subsequently remain above 300% (see Exhibit 7), although stabilizing thereafter. Because of this significant increase in leverage and based on our forward-looking view, we are applying a -1 notch adjustment to the bank's capital position score, resulting in an adjusted score of "baa2".

Asset performance has improved and NPAs remain very low

BSTDB's asset performance has historically been weaker than peers. Its relatively higher share of NPAs mainly reflected idiosyncratic risks on the part of borrowers, a relatively high share of lending to the private sector and a difficult operating environment in its countries of operations, as highlighted by severe economic downturns over the past decade in member countries such as Greece, Ukraine, Russia and Turkey.

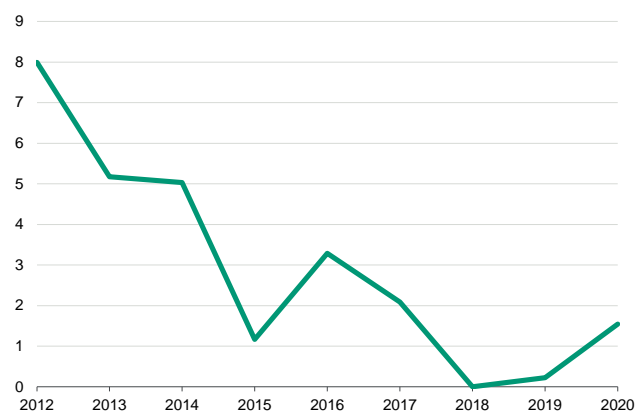
The bank's asset performance, which we measure by the ratio of NPAs to development assets (NPA ratio), began to deteriorate following the global financial crisis and peaked at 8.0% in 2012 (see Exhibit 8). It was on an improving trend until the coronavirus shock.

In our view, BSTDB's asset performance reflects its prudent risk management framework, co-financing with highly rated MDBs such as the EBRD (EBRD, Aaa stable) and [Islamic Development Bank](#) (IsDB, Aaa stable) and good diversification of its loan portfolio by country and sector, as well as the size of individual projects. Between 2017 and 2019, the bank reported an average 0.8% of total development assets as NPAs, below the median of 4.9% for A-rated MDBs (see Exhibit 9). At the end of 2020, the NPA ratio was 1.5%, up from 0.2% at the end of 2019 and below the A-rated median of 4.1%.

Under the IFRS 9 accounting standard, the bank's share of loans classified as Stage 3 (credit-impaired) amounted to €78.4 million, or 3.8% of development-related assets, at the end of 2020, compared with €50.9 million, or 2.8%, at the end of 2019 (end-2018: 3.1%). Allowances for the impairment of Stage 3 loans amounted to €37.4 million (or 48% of total Stage 3 loans). For these loans, BSTDB had collateral of €38.9 million to mitigate credit risks as of the end of 2020, consisting of real estate (€21.8 million), machinery and equipment (€6.2 million) and pledged shares (€10.9 million).

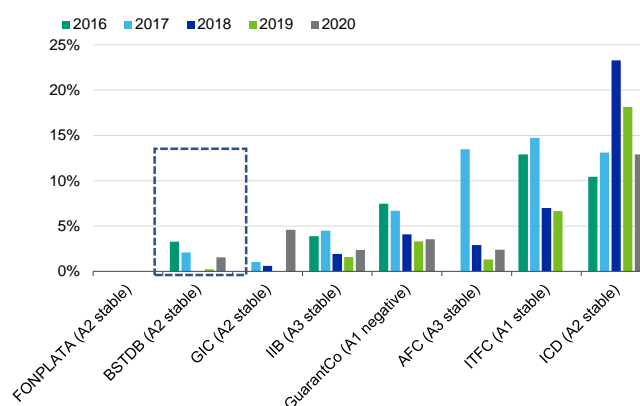
Over more than two decades, 21 loans became credit-impaired, amounting to a cumulative €294.6 million, or 4.9% of cumulative loans as of the end of 2020. However, they did not show a systemic trend because they occurred across 10 countries and nine sectors.

Exhibit 8
Asset quality deterioration has remained contained despite the impact of the pandemic...
NPA ratio (%)



Sources: BSTDB and Moody's Investors Service

Exhibit 9
... and compares favourably with peers
NPA ratio (%)



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

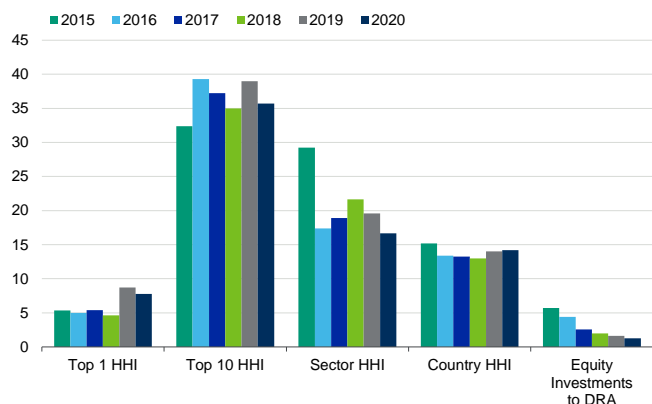
Significant credit enhancement instruments and diversified asset portfolio support development asset credit quality

We assess BSTDB's development asset credit quality (DACQ) as "baa". The score is above the A-rated median of "b" in 2020 and also compares favourably with A1-rated peers such as [ITFC](#) (A1 stable) and [GuarantCo](#), both of which have a DACQ of "b".

The primary anchor for our assessment is the bank's weighted average borrower rating (WABR), which stood at B2 at the end of 2020. However, BSTDB benefits from significant credit protections in the form of guarantees, the use of collateral and other credit enhancements that mitigate risks associated with a large exposure to the private sector and collateral. As of the end of December 2020, the secured portfolio represented 54% of outstanding loans (2019: 57%; 2018: 53%). Mortgages on properties and equipment, pledges of equity shares and investment instruments, the assignment of rights on certain contracts, cash or blocked deposits, and other third party guarantees are the main types of collateral.

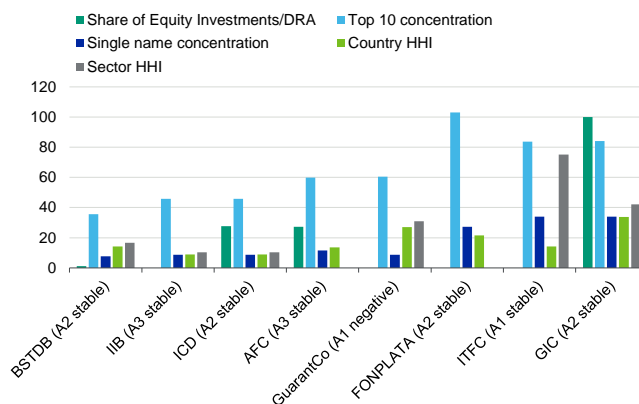
We apply a +1 adjustment for the existence of credit protections to the "b" score for anchor point, resulting in an adjusted anchor point of "ba". We apply an additional +1 qualitative adjustment, resulting in our assessment of "baa" for DACQ, because of the very high diversification of the bank's portfolio in respect of project size, country and sector, combined with a very low share of equity investments, which are typically more risky than loans because of the greater risk of a full investment loss and the risk of more pronounced price volatility (see Exhibits 10 and 12)). BSTDB compares favourably with A-rated peers in respect of the diversification of its portfolio, the size of its individual projects and the share of equity investments (see Exhibit 11).

Exhibit 10
BSTDB's development-related assets are very diversified and the share of equity investments is very low



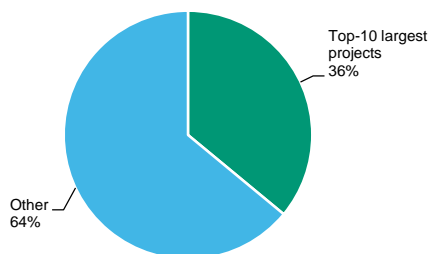
Sources: BSTDB and Moody's Investors Service

Exhibit 11
Development-related assets are some of the most diversified among A-rated peers
 Latest available year



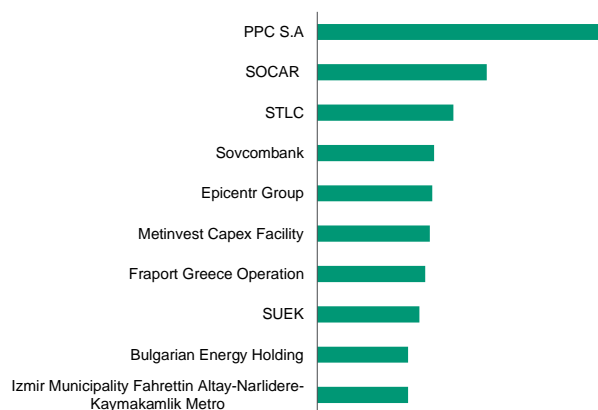
Sources: BSTDB, other MDBs financial statements and Moody's Investors Service

Exhibit 12
Top-10 largest projects funded by BSTDB
 Share of 10 largest outstanding exposures as of the end of 2020



Source: BSTDB and Moody's Investors Servi

Exhibit 13
10 largest outstanding exposures as of the end of 2020



Source: BSTDB and Moody's Investors Service

Pandemic has caused a very moderate deterioration in asset performance

The shock to BSTDB member states from the pandemic and volatile economic conditions in Turkey has led to a very moderate deterioration in asset quality.

BSTDB is one of the most exposed of the MDBs we rate to weakening conditions in Turkey through both its asset and capital exposure⁷. However, even as periods of currency volatility and capital outflows have affected the private sector in Turkey, the impact on BSTDB has been limited. For example, the bank's non-performing loans remained a very low 1.6% of gross loans at the end of 2020. We expect BSTDB to be able to withstand any potential deterioration in asset quality in the foreseeable future.

Turkey is BSTDB's largest asset exposure at €497 million, or 23% of total development assets as of the end of June 2021. The bank has been active in Turkey since 1999, with a total of 48 disbursed projects with a volume of €1.3 billion (18% of total disbursed projects). Public-sector lending accounted for 33% of all active projects in Turkey at the end of 2020, above the public-sector share in the total loan portfolio of 29%. BSTDB co-finances most of its loans in Turkey with other MDBs including the EBRD and the IsDB. We expect that BSTDB would benefit from preferred creditor status in the unlikely event that Turkey experiences even greater economic stress as a large part of the Turkish portfolio is public-sector lending and co-financed with larger entities and Turkey is one of BSTDB's largest shareholders.

Liquidity and funding score: baa2

Factor 2: Liquidity and funding

| Scale | aaa | aa1 | aa2 | aa3 | a1 | a2 | a3 | baa1 | baa2 | baa3 | ba1 | ba2 | ba3 | b1 | b2 | b3 | caa1 | caa2 | caa3 | ca | c | |
|-------|-----|-----|-----|-----|----|----|----|------|----------|------|-----|-----|-----|----|----|----|------|------|------|----|---|---|
| + | | | | | | | | | Assigned | | | | | | | | | | | | | - |

Sub-factor scores

Liquid resources

Quality of funding

| |
|------|
| baa3 |
| baa |

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.

We assign a score of "baa2" for BSTDB's liquidity and funding position, based on its "baa3" score for availability of liquid resources and "baa" score for quality and structure of funding.

Highly rated liquid assets relative to net cash outflows are relatively low compared with peers

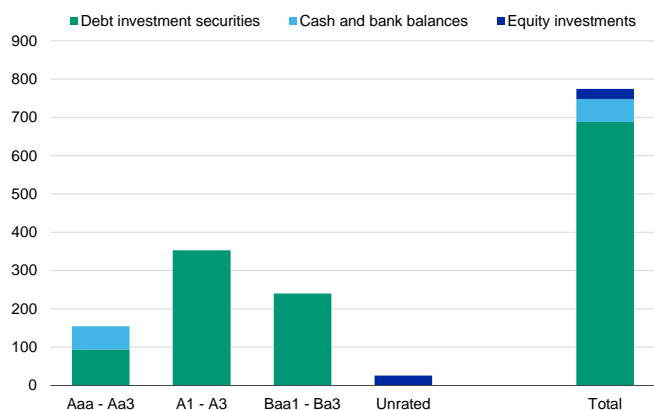
BSTDB's liquidity policy sets minimum liquid assets at 50% of net cash requirements, including committed, undisbursed project and trade finance loans, for the next 12 months. This requirement is relatively low compared with the other MDBs we rate, with many requiring 100% for the next 12 months or more. However, BSTDB's actual liquidity ratio – based on liquid assets to net cash requirements for the next 12 months – is typically significantly above 100%.

The bank's financial investments amounted to €774.8 million as of the end of 2020 (see Exhibit 14). These can be divided into treasury assets held in debt investment securities of governments and companies (88.8% of total financial investments) and cash and bank balances (7.8%), as well as equity investments (3.4%). Of the bank's treasury assets, 19.9% are held in assets rated Aaa-Aa3, 45.6% in assets rated A1-A3, 31.1% in assets rated Baa1-Ba3 and 3.4% in unrated assets.

Our own liquid resource ratio, which we define by liquid assets to net cash outflows over 18 months, was 35% at the end of 2020, resulting in a score of "baa3". This is lower than BSTDB's liquidity ratio, mainly because we define liquid assets as cash and cash equivalents, deposits with terms of less than one year held by financial institutions rated Baa3 or above, treasury assets rated A2 or higher, and committed, unrestricted and undrawn credit lines with prime lenders with a maturity of greater than 18 months. We only take account of highly rated liquid assets because we believe only those would be available in a stress scenario at short notice with minimal loss. We do not take funding facilities provided to BSTDB by other development institutions (see below) into account because these come with conditions attached and are consequently not fully unrestricted.

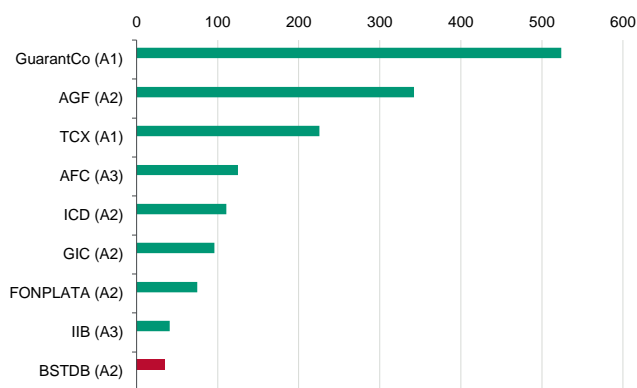
BSTDB's liquid resource ratio is one of the lowest among A-rated peers (see Exhibit 15). In addition, we identified BSTDB in our global stress testing⁸, along with [Trade and Development Bank](#) (TDB, Baa3 negative), [Islamic Corporation for the Development of the Private Sector](#) (A2 stable) and [International Bank for Economic Cooperation](#) (Baa3 stable), as the MDBs showing material vulnerability to severe liquidity stress, reflecting their lower than typical amounts of highly rated liquid assets. However, we only consider highly rated treasury assets in our assessment of available liquid resources, and all four entities have significant amounts of lower rated treasury assets available that they could use in a stress situation. Moreover, TDB and BSTDB benefit from funding facilities provided by other development institutions.

Exhibit 14
Financial investments are mainly placed in debt investment securities rated Aaa-Aa3 and Baa1-Ba3
 Financial investments (€ million, end-2020) by instrument type



Source: BSTDB and Moody's Investors Service

Exhibit 15
BSTDB has a low amount of highly rated liquid assets relative to net cash outflows compared with peers
 %, highly rated liquid assets/net cash outflows over 18 months



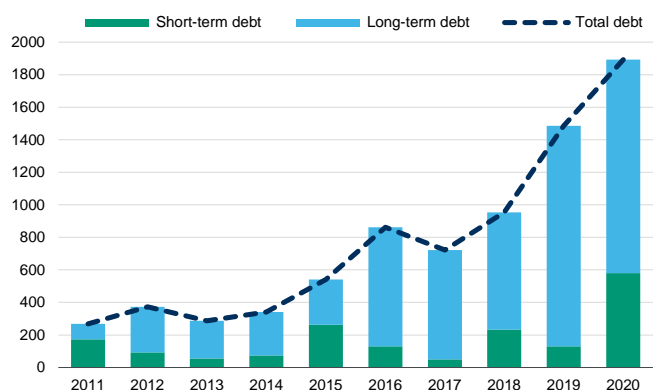
Source: BSTDB, other MDBs' financial statements and Moody's Investors Service

Borrowing is reasonably diversified

In terms of funding, BSTDB relies on bilateral loans, as well as issuing bonds and short-term financing in the form of European commercial paper for cash management purposes. It also benefits from funding facilities provided by other development institutions, including Germany's [Kreditanstalt fuer Wiederaufbau](#) (Aaa stable), [Nordic Investment Bank](#) (Aaa stable), French development entity Proparco, the EIB, [Export-Import Bank of China](#) (A1 stable) and Development Bank of Austria. To enhance its borrowing flexibility and adapt to prevailing market conditions, it created a medium-term note (MTN) programme at the end of June 2015 of up to €1 billion.

BSTDB significantly increased its share of long-term funding to 94% at the end of 2020 from 51% at the end of 2015 with the issuance of bonds under its MTN programme (see Exhibit 16). Moreover, it has reduced its funding costs in recent years, benefiting from improved asset quality, a more established presence in the market and the low-yield environment, with current yields on the secondary market in the range of 1.2-1.4% (see Exhibit 17).

Exhibit 16
Longer-term debt dominates the maturity structure
 Maturity structure, € million



Source: BSTDB and Moody's Investors Service

Exhibit 17
Funding costs have decreased in recent years
 US dollar bond maturing June 2024 (coupon: 3.50%; issued \$550 million), YTM %



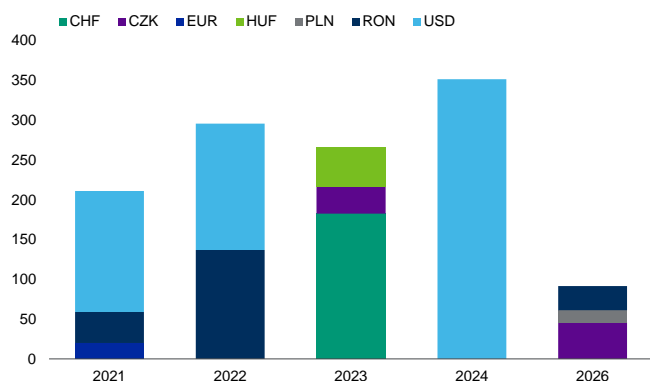
Source: Fact Set and Moody's Investors Service

The first bond under the MTN programme, in the amount of \$500 million, was issued in May 2016 with a coupon of 4.875%, and matured in 2021. In June 2019, BSTDB issued a \$400 million bond with a coupon of 3.5% maturing in June 2024, which it tapped in July 2020, increasing the issuance's total size to \$550 million. As part of the bond tap issue, holders of the bank's \$500 million 4.875% notes due 6 May 2021 tendered bonds to purchase the new 2024 issue or for cash. This reduced the outstanding amount of the US dollar bond maturing on 6 May 2021, which accounts for the largest portion of maturing debt this year (see Exhibit 18).

More than half of the bank's total borrowing was in US dollars at the end of 2020. However, BSTDB also secured funding in euros (18%) and Swiss francs (10%) as a result of relatively cheap funding, and in local-currency markets in member countries (see Exhibit 19). The latter was conducted to help develop local-currency markets in member countries and to match the funding and financing currency. Since 2015, BSTDB has issued bonds in Armenian drams, Azerbaijan manat, Romanian lei and Georgian laris.

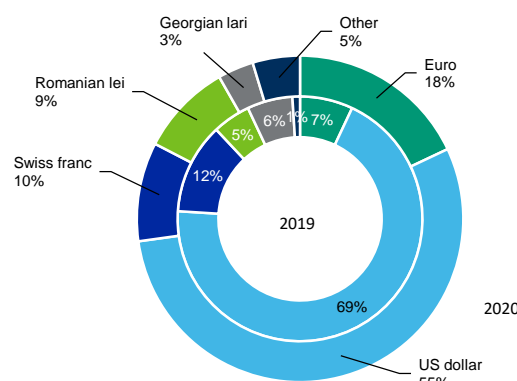
Total borrowing is projected to increase to close to €2.0 billion at the end of 2022 under the LTSF 2021-30, up marginally from €1.9 billion at the end of 2020. It is expected to reach between €2.8 billion and €3.3 billion in 2030, which appears achievable in light of a reasonably diversified funding mix and the more regular presence on capital markets that accompanies a larger size.

Exhibit 18
BSTDB has repaid most of its maturing debt, which peaked in 2021
 € million, as of October 2021



Sources: FactSet and Moody's Investors Service

Exhibit 19
Most of BSTDB's borrowing is US dollar-denominated
 % total borrowing



Sources: BSTDB and Moody's Investors Service

Qualitative adjustments

Qualitative adjustments to intrinsic financial strength

Adjustments

Operating environment

0

Quality of management

0

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.

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.

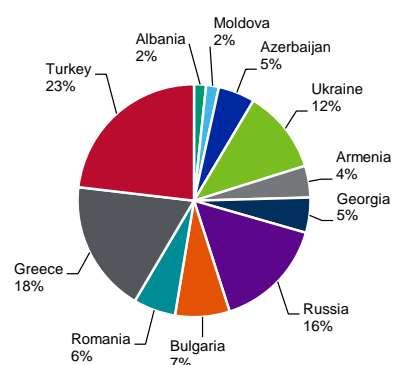
Highly diversified portfolio mitigates a difficult operating environment

BSTDB's relatively diversified loan portfolio by sector and country (see Exhibits 20 and 21; see also DACQ section above) is balanced against its loan exposure to the Black Sea region. By sector, the bank has progressively reduced its loan concentration. In terms of sectoral distribution, its exposure to financial institutions reached 40% of total loans at the end of 2018 before falling to 27% at the end of 2020. The financial institutions category covers a variety of subsectors, mostly lending to small and medium-sized enterprises and, to a lesser extent, trade finance, leasing and subordinated lending.

Exhibit 20

Turkey accounts for the largest share of BSTDB's loan portfolio by country

Development-related assets by country, % of total development-related assets, end-2020

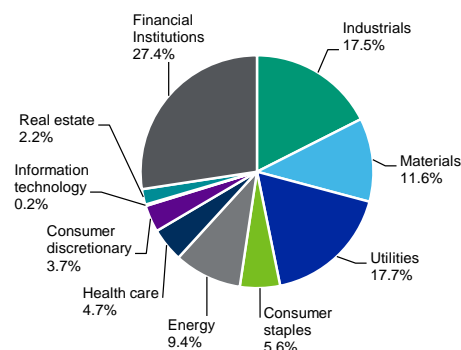


Sources: BSTDB and Moody's Investors Service

Exhibit 21

A diversified portfolio by sector balances a high loan exposure at the regional level

Loan portfolio concentration by sector, end-2020



Sources: BSTDB and Moody's Investors Service

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

Risk management is a key component of BSTDB's decision-making processes and is supported by the bank's operational limits, which specify maximum exposures to a single obligor and country and sector targets. These operational limits are, with respect to single obligors, that BSTDB can lend up to 10% of usable equity for private-sector operations and up to 20% for public-sector nonsovereign operations (the operational country ceiling remains the limit for each sovereign). The single obligor limit for equity investments is 3% of paid-in capital. Regarding project finance and equity, BSTDB only co-finances with a share of any project amounting to 50% and 33%, respectively, while the share can be 100% for corporate finance and trade finance. Other lending limits include that the share of the five largest obligors cannot exceed 40% of the outstanding loan portfolio, maximum country exposure amounts to 30% of the planned commitment⁹ and the typical maximum duration of a loan is 10 years. However, the bank's board of directors can approve a longer duration on the credit committee's recommendation.

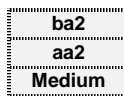
Strength of member support score: Medium

Factor 3: Strength of member support



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.

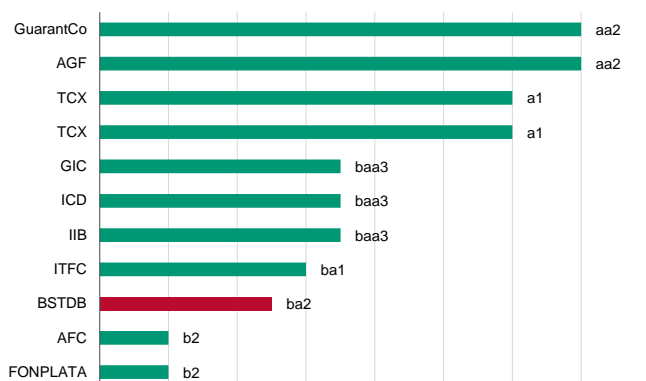
We assess BSTDB's strength of member support as "Medium", a one-notch uplift from its intrinsic financial strength score of "baa1". Our assessment is essentially driven by our view on members' ability to support ("ba2") and willingness to support, both contractually ("aa2") and non-contractually ("Medium").

Weaker ability to support compared with peers...

We assess ability to support as "ba2" based on BSTDB's weighted average shareholder rating, which is relatively low compared with A-rated peers (see Exhibit 22). The largest shareholders, which own 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 (13.5%). In 2020, Turkey's downgrade to B2 in September was balanced by Ukraine's upgrade to B3 in June, Bulgaria's upgrade to Baa1 in October and Greece's upgrade to Ba3 in November, resulting in an improved weighted average shareholder rating of "ba2" from "ba3" at the end of 2020 (see Exhibit 23).

Exhibit 22

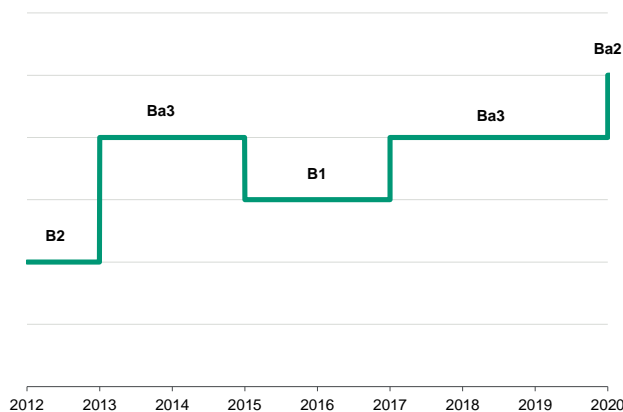
BSTDB's "ba2" weighted average shareholder rating indicates weak ability to provide support if needed compared with A-rated peers
Latest weighted average shareholder rating



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

Exhibit 23

BSTDB's WASR improved in 2020 as upgrades for Ukraine, Greece and Bulgaria offset a downgrade for Turkey
Weighted average shareholder rating



Source: Moody's Investors Service

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

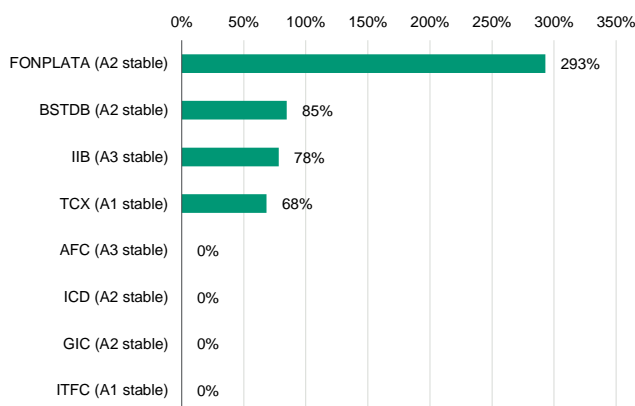
Willingness to support is a function of shareholders' contractual and non-contractual willingness to support an institution. Contractual support reflects the availability of callable capital, in turn reflecting an explicit, irrevocable and unconditional obligation for each shareholder and our expectation that any call on that capital will be met. Our "aa2" assessment of contractual support is based on BSTDB's ratio of callable capital to total (gross) debt, which was 85% at the end of 2020 (see Exhibit 24). Of the nine A-rated MDBs, only BSTDB and [International Investment Bank](#) (IIB, A3 stable) have this relatively strong assessment.

In addition, BSTDB has a robust protection mechanism that shields it from the unexpected withdrawal of a member state and is one of its key strengths. According to Article 39 of the bank's establishment agreement, a member country is liable for its obligations until the shares are bought by the bank at book value, up to five years after the cessation of membership. However, compared with other MDBs, 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.

Exhibit 24

BSTDB has one of the strongest levels of contractual support among A-rated peers

Callable capital/debt ratio, latest available year

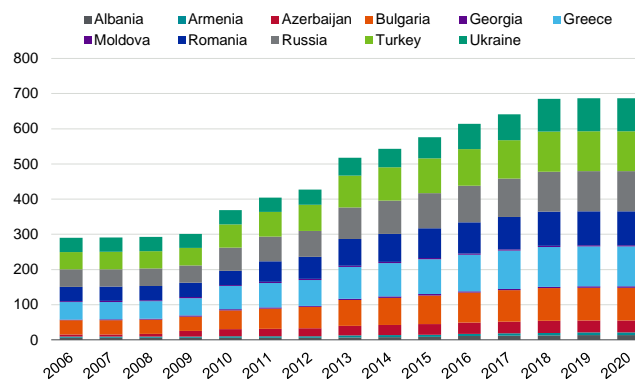


Sources: BSTDB, other MDBs' financial statements and Moody's Investors Service

Exhibit 25

The general capital increase completed in April 2019 has more than doubled the stock of paid-in capital

€, million



Sources: BSTDB and Moody's Investors Service

We assess BSTDB's non-contractual support as "Medium". Our assessment reflects shareholders' track record of capital injections as highlighted by the 2008 general capital increase, which doubled subscribed capital (see Exhibit 25). Despite some arrears in the original payment schedule, which resulted in an extended payment timeline in some cases, the full amount of the agreed increase in paid-in capital had been achieved by the end of April 2019. Furthermore, the recent decision to increase subscribed capital underscores shareholders' commitment to support the bank's strategy, increasing their ultimate willingness to provide non-contractual support if needed.

While BSTDB is significantly smaller than other multilateral lenders operating in the region, its ability to successfully carry out a significant capital increase highlights its importance to member states and their commitment to increasing its regional footprint. Moreover, the latest MTSBP focuses on growth in public-sector and infrastructure projects, which increases its lending footprint in member countries and its role as a countercyclical lender. In addition, the bank's reaction to the coronavirus crisis, providing support for the recovery in member states (with a main focus on SMEs and critical infrastructure), will further support shareholders' willingness to provide non-contractual support if needed.

ESG considerations

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

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

Environmental considerations are not material to our assessment of BSTDB's credit profile because most of the bank's borrowers are not subject to material environmental risks. BSTDB's exposure to sectors affected by environmental considerations, such as the agriculture sector in Moldova and Ukraine, or sectors facing carbon transition risk such as the oil and gas sector, is contained (the latter at below 10% of its total lending portfolio at the end of 2020).

We regard the coronavirus pandemic as a **social risk** under our ESG framework given the substantial implications for public health and safety. For BSTDB, the pandemic poses risks to its operating environment through its negative impact on the economies of the Black Sea region, but we expect the impact on overall asset quality to be limited.

Governance considerations are material to our assessment of BSTDB's credit profile. While we do not apply a positive qualitative adjustment, we view positively enhancements to the bank's risk management framework over the past decade, which supported an improving trend in asset performance before the pandemic despite a difficult operating environment in the Black Sea region.

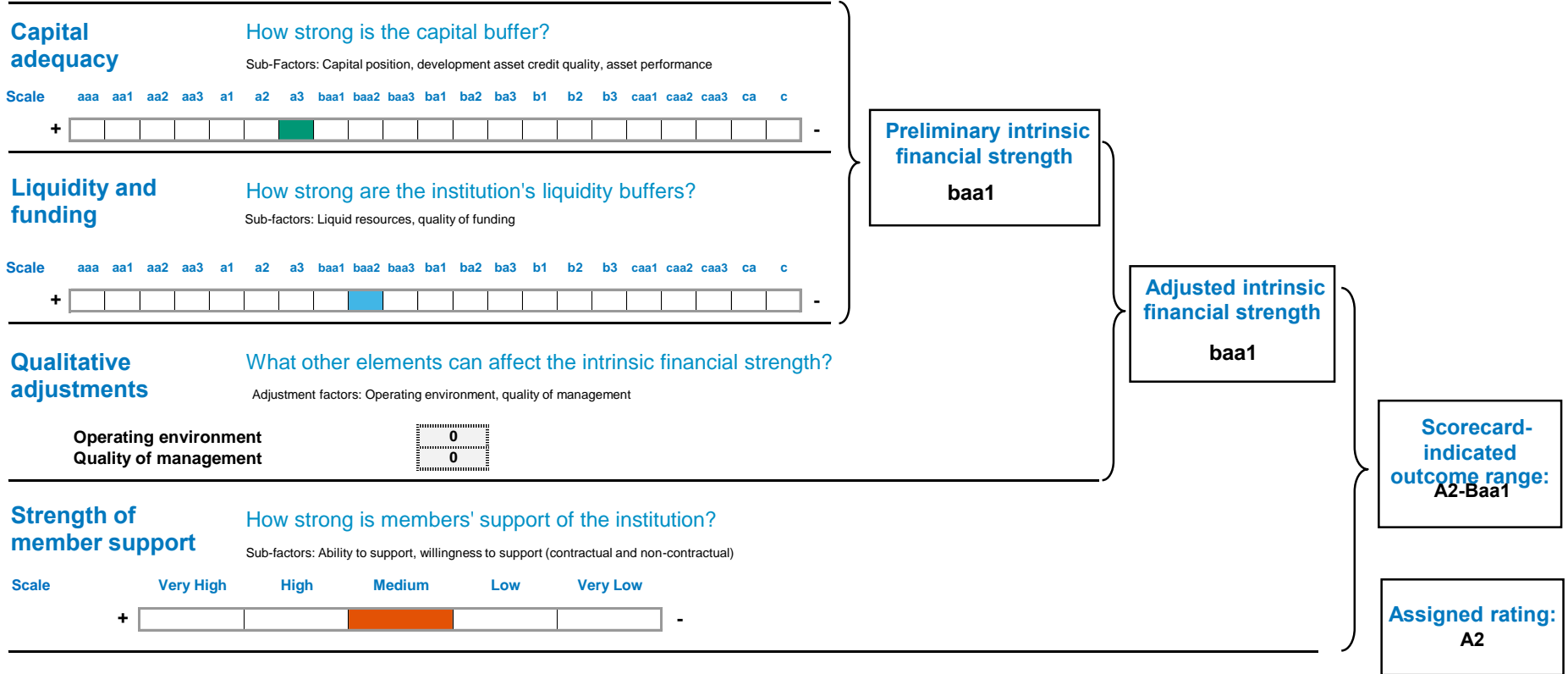
All these considerations are further discussed in the "Credit profile" section, above. Our approach to ESG is explained in our cross-sector methodology, [General Principles for Assessing ESG Risks](#). Additional information about our rating approach is provided in our [Supranational Rating Methodology](#).

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 those that the rating range implies. 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](#).

Exhibit 26

Supranational rating metrics: BSTDB



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.

Exhibit 27

BSTDB key peers

| | Year | BSTDB | AFC | IIB | FONPLATA | GIC | ICD | A Median |
|---|------|----------------|----------------|----------------|---------------|----------------|----------------|----------|
| Rating/Outlook | | A2/STA | A3/STA | A3/STA | A2/STA | A2/STA | A2/STA | |
| Total assets (US\$ million) | 2020 | 3,447 | 7,363 | 1,989 | 1,695 | 3,271 | 3,268 | 1,989 |
| Factor 1: Capital adequacy | | a3 | baa2 | a3 | aa3 | a2 | ba2 | |
| DRA / Usable equity ^{[1][2][4]} | 2020 | 243.7 | 163.0 | 228.0 | 112.8 | 69.3 | 116.9 | 163.0 |
| Development assets credit quality score (year-end) | 2020 | baa | b | baa | baa | caa | b | b |
| Non-performing assets / DRA ^[1] | 2020 | 1.5 | 2.4 | 2.4 | 0.0 | 4.6 | 12.9 | 4.1 |
| Return on average assets ^[4] | 2020 | 0.6 | 2.5 | 0.5 | 2.4 | -1.0 | -0.5 | 0.6 |
| Net interest margin (X) ^[4] | 2020 | 1.6 | 2.6 | 1.2 | 2.1 | 0.6 | 3.0 | 1.5 |
| Factor 2: Liquidity and funding | | baa2 | a1 | baa2 | baa1 | baa2 | a3 | |
| Quality of funding score (year-end) | 2020 | baa | a | baa | ba | ba | baa | baa |
| Liquid assets / ST debt + CMLTD ^{[3][4]} | 2020 | 128.9 | 664.2 | 119.9 | 324.3 | -- | 440.2 | 324.3 |
| Liquid assets / Total assets ^[4] | 2020 | 26.6 | 53.9 | 29.1 | 25.9 | 47.4 | 67.5 | 47.4 |
| Preliminary intrinsic financial strength (F1+F2) | | baa1 | a3 | baa1 | a2 | baa1 | baa3 | |
| Adjusted intrinsic financial strength | | baa1 | baa1 | baa1 | a2 | baa1 | baa3 | |
| Factor 3: Strength of member support | | M | L | M | M | L | H | |
| Weighted average shareholder rating (year-end) | 2020 | ba2 | b2 | baa3 | b2 | baa3 | baa3 | baa3 |
| Callable capital / Total debt | 2020 | 84.7 | -- | 78.2 | 293.0 | -- | -- | 81.4 |
| Callable capital (CC) of Baa3-Aaa members/Total CC ^[4] | 2020 | 44.2 | -- | 97.1 | 11.1 | -- | -- | 97.1 |
| Scorecard-indicated outcome range (F1+F2+F3) | | A2-Baa1 | A3-Baa2 | A2-Baa1 | Aa3-A2 | A3-Baa2 | A3-Baa2 | |

[1] Development related assets

[2] Usable equity is total shareholder's equity and excludes callable capital

[3] Short-term debt and currently maturing long-term debt

[4] Ratio not used in Scorecard

Source: Moody's Investors Service

DATA AND REFERENCES

Rating history

Exhibit 28

BSTDB [1]

| | Issuer Rating | | Senior Unsecured | Outlook | Date |
|--------------------|---------------|------------|------------------|---------|------------|
| | Long-term | Short-term | | | |
| Outlook Changed | | | | STA | 09/30/2016 |
| Outlook Changed | | | | NEG | 03/19/2015 |
| Outlook Changed | | | | STA | 02/04/2014 |
| Rating Raised | A2 | P-1 | A2 | | 02/04/2014 |
| Outlook Changed | | | | RUR | 12/16/2013 |
| Review for Upgrade | A3 | P-2 | A3 | | 12/16/2013 |
| Outlook Changed | | | | STA | 09/30/2010 |
| Rating Raised | A3 | | A3 | | 09/30/2010 |
| Rating Assigned | | | Baa1 | | 05/12/2009 |
| Outlook Changed | | | | POS | 12/11/2007 |
| Outlook Changed | | | | STA | 10/19/2006 |
| Rating Raised | Baa1 | | | | 10/19/2006 |
| Outlook Changed | | | | RUR | 06/29/2006 |
| Review for Upgrade | Baa2 | | | | 06/29/2006 |
| Outlook Assigned | | | | STA | 03/23/2004 |
| Rating Assigned | Baa2 | P-2 | | | 03/23/2004 |

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 29

BSTDB

| Balance Sheet, EUR Thousands | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Assets | | | | | | | |
| Cash & Equivalents | 63,955 | 49,745 | 70,034 | 81,481 | 48,598 | 87,171 | 60,568 |
| Securities | 75,016 | 139,299 | 414,539 | 292,248 | 395,335 | 419,826 | 687,961 |
| Derivative Assets | 0 | 3,485 | 576 | 1,659 | 662 | 3,128 | 26,701 |
| Net Loans | 821,263 | 1,015,512 | 1,101,315 | 1,080,866 | 1,292,868 | 1,769,457 | 1,973,171 |
| Net Equity Investments | 84,860 | 63,800 | 52,766 | 31,361 | 27,655 | 30,386 | 26,310 |
| Other Assets | 11,969 | 17,470 | 26,641 | 27,311 | 30,649 | 38,019 | 34,308 |
| Total Assets | 1,057,063 | 1,289,311 | 1,665,871 | 1,514,926 | 1,795,767 | 2,347,987 | 2,809,019 |
| Liabilities | | | | | | | |
| Borrowings | 341,215 | 540,948 | 862,533 | 722,592 | 954,030 | 1,485,155 | 1,892,330 |
| Derivative Liabilities | 11,769 | 20,427 | 35,100 | 18,242 | 24,164 | 6,552 | 28,935 |
| Other Liabilities | 8,968 | 6,389 | 15,568 | 15,422 | 15,973 | 25,871 | 44,046 |
| Total Liabilities | 361,952 | 567,764 | 913,201 | 756,256 | 994,167 | 1,517,578 | 1,965,311 |
| Equity | | | | | | | |
| Subscribed Capital | 2,288,500 | 2,288,500 | 2,288,500 | 2,288,500 | 2,288,500 | 2,288,500 | 2,288,500 |
| Less: Callable Capital | 1,601,950 | 1,601,950 | 1,601,950 | 1,601,950 | 1,601,950 | 1,601,950 | 1,601,950 |
| Less: Adjustments | 143,702 | 110,137 | 72,741 | 44,984 | 0 | 0 | 0 |
| Equals: Paid-In Capital | 542,848 | 576,413 | 613,809 | 641,566 | 685,122 | 686,550 | 686,550 |
| Retained Earnings (Accumulated Loss) | 80,874 | 91,684 | 91,684 | 83,521 | 83,521 | 89,850 | 98,860 |
| Accumulated Other Comprehensive Income (Loss) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserves | 71,389 | 53,450 | 47,177 | 33,583 | 32,957 | 54,009 | 58,298 |
| Other Equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Equity | 695,111 | 721,547 | 752,670 | 758,670 | 801,600 | 830,409 | 843,708 |

Source: Moody's Investors Service

Exhibit 30

BSTDB

| Income Statement, EUR Thousands | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Interest Income | 30,113 | 37,127 | 29,805 | 27,768 | 33,144 | 36,582 | 44,235 |
| Interest Income | 41,818 | 53,083 | 67,976 | 68,146 | 78,717 | 93,969 | 97,856 |
| Interest Expense | 11,705 | 15,956 | 38,171 | 40,378 | 45,573 | 57,387 | 53,621 |
| Net Non-Interest Income | 2,605 | 4,273 | 1,011 | 10,654 | 898 | 551 | 5,935 |
| Net Commissions/Fees Income | 635 | 1,075 | 1,748 | 2,087 | 1,652 | 967 | 2,040 |
| Income from Equity Investments | 1,690 | 2,589 | 6 | 5,978 | 572 | 51 | 441 |
| Other Income | 280 | 609 | -743 | 2,589 | -1,326 | -467 | 3,454 |
| Other Operating Expenses | 17,292 | 18,447 | 19,089 | 19,741 | 21,175 | 21,517 | 20,783 |
| Administrative, General, Staff | 16,527 | 17,782 | 18,499 | 19,280 | 20,722 | 20,945 | 20,258 |
| Grants & Programs | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Expenses | 765 | 665 | 590 | 461 | 453 | 572 | 525 |
| Pre-Provision Income | 15,426 | 22,953 | 11,727 | 18,681 | 12,867 | 15,616 | 29,387 |
| Loan Loss Provisions (Release) | 1,403 | 7,739 | 9,976 | 10,026 | 7,691 | 1,952 | 15,172 |
| Net Income (Loss) | 14,023 | 15,214 | 1,751 | 8,655 | 5,176 | 13,664 | 14,215 |
| Other Accounting Adjustments and Comprehensive Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Comprehensive Income (Loss) | 14,023 | 15,214 | 1,751 | 8,655 | 5,176 | 13,664 | 14,215 |

Source: Moody's Investors Service

Exhibit 31

BSTDB

| Financial Ratios | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-------|-------|---------|-------|-------|-------|-------|
| Capital Adequacy, % | | | | | | | |
| DRA / Usable Equity | 138.4 | 154.3 | 158.3 | 153.2 | 167.8 | 221.3 | 243.7 |
| Development Assets Credit Quality (Year-End) | -- | -- | -- | -- | baa | baa | baa |
| Non-Performing Assets / DRA | 5.0 | 1.2 | 3.3 | 2.1 | 0.0 | 0.2 | 1.5 |
| Return On Average Assets | 1.4 | 1.3 | 0.1 | 0.5 | 0.3 | 0.7 | 0.6 |
| Net Interest Margin | 3.1 | 3.1 | 1.9 | 1.9 | 1.9 | 1.6 | 1.6 |
| Liquidity, % | | | | | | | |
| Quality of Funding Score (Year-End) | -- | -- | -- | -- | baa | baa | baa |
| Liquid Assets / ST Debt + CMLTD | 187.7 | 72.0 | 1,086.6 | 736.1 | 190.1 | 387.9 | 128.9 |
| Liquid Assets / Total Debt | 40.7 | 34.9 | 56.2 | 51.7 | 46.5 | 34.1 | 39.6 |
| Liquid Assets / Total Assets | 13.1 | 14.7 | 29.1 | 24.7 | 24.7 | 21.6 | 26.6 |
| Strength of Member Support, % | | | | | | | |
| Weighted Average Shareholder Rating (Year-End) | Ba3 | B1 | B1 | Ba3 | Ba3 | Ba3 | Ba2 |
| Callable Capital / Gross Debt | 469.5 | 296.1 | 185.7 | 221.7 | 167.9 | 107.9 | 84.7 |
| Callable Capital (CC) of Baa3-Aaa Members/Total CC | 65.8 | 49.2 | 27.6 | 27.6 | 27.6 | 44.2 | 44.2 |

Source: Moody's Investors Service

Moody's related publications

- » **Outlook:** [Sovereigns – Global: Stable 2022 outlook as economic recovery eases credit pressures, but long-term costs of the pandemic weigh on sovereigns](#), 3 November 2021
- » **Issuer Comment:** [Black Sea Trade and Development Bank: Increase in subscribed capital indicates shareholders' commitment to bank's growth strategy](#), 28 October 2021
- » **Credit Opinion:** [Black Sea Trade and Development Bank –A2 Stable: Regular update](#), 6 April 2021
- » **Rating Methodology:** [Multilateral Development Banks and Other Supranational Entities](#), 28 October 2020

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](#)
- » [BSTDB: Black Sea Trade and Development Bank](#)

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Endnotes

- 1 See BSTDB, [REVIEW AND UPDATE OF MEDIUM-TERM STRATEGY AND BUSINESS PLAN 2019-2022](#), 5 February 2020.
- 2 See BSTDB, [MEDIUM-TERM STRATEGY AND BUSINESS PLAN 2019-2022](#), February 2019
- 3 With its focus on growth, BSTDB's revised and updated strategy deviates from its MTSBP for the period 2015-18, which emphasised moderate portfolio growth.
- 4 See BSTDB, [Long-Term Strategic Framework 2021-2030](#), 25 June 2021.
- 5 The increase in usable equity by €470.9 million to €843.7 million over 2008-20 was mainly driven by an increase in paid-in capital (+€364.0 million to €686.6 million in 2020), followed by retained earnings (+€68.8 million to €98.9 million) and an increase in reserves (+€33.1 million to €58.3 million).
- 6 According to the bank's charter, no part of the net income or surplus of the bank shall be distributed pro rata based on paid-in shares to Members by way of profit until the general reserves of the Bank shall have attained the level of 10% of the subscribed capital.
- 7 See also [Developments in Turkey are credit negative, but BSTDB's credit strengths mitigate impact](#), 29 August 2018.
- 8 See [Stress-testing confirms broad resilience of MDB ratings](#), 1 September 2020.
- 9 This limit is calculated on the basis of the BSTDB's total board of directors-approved operations net of repayments and cancellations.

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