

# Black Sea Trade and Development Bank



A

STABLE  
OUTLOOK

## Credit strengths

- High capitalisation and stable profits
- Strong asset performance and diversified loan portfolio
- Sound liquidity and funding profiles

## Credit challenges

- High risk of mandated activities in challenging operating environment
- Rising leverage

## Rating rationale and Outlook:

The Black Sea Trade and Development Bank's (BSTDB) A rating is driven by its 'strong' intrinsic strength. In detail:

- **Institutional profile:** The BSTDB benefits from strong governance and high importance for its shareholder governments. This is supported by its dual mandate in the Black Sea region, successful implementation of medium-term strategic goals and strong growth in loan disbursements since 2018.
- **Financial profile:** The BSTDB's financial profile benefits from very high capitalisation levels, supported by adequate profitability and retained earnings. The bank's loan book is well diversified and benefits from credit protections and asset performance is strong with limited non-performing loans. The BSTDB's liquidity and funding profiles are adequate. Challenges include a difficult operating environment and expanding operations as foreseen in the bank's strategy.
- **Shareholder support:** The BSTDB's rating does not benefit from an uplift from Scope's assessment of the bank's shareholder support as measured via the key shareholders' sovereign credit ratings, with a weighted average rating of BB+.
- **Outlook and triggers:** The Stable Outlook reflects Scope's view that risks are balanced over the next 12 to 18 months. The ratings/Outlooks could be upgraded if, individually or collectively: i) liquidity buffers increased; ii) profitability improved, raising capitalisation; and/or iii) key shareholders' ratings improved.

Conversely, the ratings/Outlooks could be downgraded if, individually or collectively: i) liquidity buffers declined; ii) asset quality deteriorated, resulting in sustained losses; iii) capitalisation levels decreased; and/or iv) the bank's implementation of its strategy diverged from self-imposed targets and shareholder demands.

## Scope's assessment of the BSTDB's rating drivers

Institutional Profile	Strong	+	Financial Profile	Strong		
Intrinsic Strength			Strong (+)	+	Shareholder Support	Weak
Indicative Rating					A / BBB+	Add. Consid.: Positive
Final Rating					A/ Stable	

## Positive rating-change drivers

- Increase in liquidity buffers
- Increase in profitability, raising capitalisation
- Upgrade of key shareholders

## Negative rating-change drivers

- Reduction in liquidity buffers
- Deterioration of asset quality, resulting in sustained losses
- Decrease of capitalisation
- Implementation of strategy diverging from targets and shareholder demand

## Ratings and Outlook

### Foreign currency

Long-term issuer rating	A/Stable
Senior unsecured debt	A/Stable
Short-term issuer rating	S-1/Stable

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## I Indicative Rating: Black Sea Trade and Development Bank

### Indicative rating: A / BBB+

We first map the assessments for the institutional and financial profiles to determine the supranational's intrinsic strength. In a second step, we map this assessment against the shareholder support to determine the indicative rating.

#### Intrinsic Strength: Mapping institutional and financial profiles for the BSTDB

	Intrinsic Strength	Institutional Profile				
		Very Strong	Strong	Moderate	Weak	Very Weak
Financial Profile	Excellent	Excellent	Excellent	Excellent	Very strong (+)	Very strong
	Very Strong (+)	Excellent	Excellent	Very strong (+)	Very strong	Very strong (-)
	Very Strong	Excellent	Very strong (+)	Very strong	Very strong (-)	Strong (+)
	Very Strong (-)	Very strong (+)	Very strong	Very strong (-)	Strong (+)	Strong
	Strong (+)	Very strong	Very strong (-)	Strong (+)	Strong	Strong (-)
	Strong	Very strong (-)	Strong (+)	Strong	Strong (-)	Adequate (+)
	Strong (-)	Strong (+)	Strong	Strong (-)	Adequate (+)	Adequate
	Adequate (+)	Strong	Strong (-)	Adequate (+)	Adequate	Adequate (-)
	Adequate	Strong (-)	Adequate (+)	Adequate	Adequate (-)	Moderate (+)
	Adequate (-)	Adequate (+)	Adequate	Adequate (-)	Moderate (+)	Moderate
	Moderate (+)	Adequate	Adequate (-)	Moderate (+)	Moderate	Moderate (-)
	Moderate	Adequate (-)	Moderate (+)	Moderate	Moderate (-)	Weak (+)
	Moderate (-)	Moderate (+)	Moderate	Moderate (-)	Weak (+)	Weak
	Weak (+)	Moderate	Moderate (-)	Weak (+)	Weak	Weak (-)
	Weak	Moderate (-)	Weak (+)	Weak	Weak (-)	Very Weak (+)
	Weak (-)	Weak (+)	Weak	Weak (-)	Very Weak (+)	Very Weak
	Very Weak (+)	Weak	Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)
Very Weak	Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)	Very Weak (-)	
Very Weak (-)	Very Weak (+)	Very Weak	Very Weak (-)	Very Weak (-)	Very Weak (-)	

Source: Scope Ratings GmbH

#### Indicative Rating: Mapping intrinsic strength and shareholder support for the BSTDB

	Indicative Rating	Shareholder Support			
		Very High	High	Moderate	Weak
Intrinsic Strength	Excellent	AAA	AAA	AAA / AA	AA+ / AA-
	Very strong +	AAA	AAA / AA	AA+ / AA-	AA / A+
	Very strong -	AAA / AA	AA+ / AA-	AA / A+	AA- / A
	Strong +	AA+ / AA-	AA / A+	AA- / A	A+ / A-
	Strong -	AA / A+	AA- / A	A+ / A-	A / BBB+
	Adequate +	AA- / A	A+ / A-	A / BBB+	A- / BBB
	Adequate -	A+ / A-	A / BBB+	A- / BBB	BBB+ / BBB-
	Moderate +	A / BBB+	A- / BBB	BBB+ / BBB-	BBB / BB+
	Moderate -	A- / BBB	BBB+ / BBB-	BBB / BB+	BBB- / BB
	Weak +	BBB+ / BBB-	BBB / BB+	BBB- / BB	BB+ / BB-
	Weak -	BBB / BB+	BBB- / BB	BB+ / BB-	BB / B+
	Very Weak +	BBB- / BB	BB+ / BB-	BB / B+	BB- / B
	Very Weak -	BB+ / BB-	BB / B+	BB- / B	B+ / B-
		BB / B+	BB- / B	B+ / B-	B / CCC
	BB- / B	B+ / B-	B / CCC	B- / CCC	
	B+ / B-	B / CCC	B- / CCC	CCC	
	B / CCC	B- / CCC	CCC	CCC	
	B- / CCC	CCC	CCC	CCC	
	CCC	CCC	CCC	CCC	

Source: Scope Ratings GmbH



## Black Sea Trade and Development Bank

### II Key Shareholders: Black Sea Trade and Development Bank

EUR '000s

Key Shareholders	Paid-in capital	Callable capital	Subscribed capital	Key (%)	Rating	Callable capital ≥ AA-
Greece	113,850.0	265,650.0	379,500.0	16.6	BB+/Stable	
Russian Federation	113,850.0	265,650.0	379,500.0	16.6	BBB/Stable	
Turkey	113,850.0	265,650.0	379,500.0	16.6	B/Negative	
Romania	96,600.0	225,400.0	322,000.0	14.1	BBB-/Stable	
Bulgaria	93,150.0	217,350.0	310,500.0	13.6	BBB+/Stable	
Ukraine*	93,150.0	217,350.0	310,500.0	13.6		
<b>Total key shareholders</b>	<b>624,450.0</b>	<b>1,457,050.0</b>	<b>2,081,500.0</b>	<b>91.0</b>		<b>0.0</b>
Other shareholders	62,100.0	144,900.0	207,000.0	9.0		<b>0.0</b>
<b>Total</b>	<b>686,550.0</b>	<b>1,601,950.0</b>	<b>2,288,500.0</b>	<b>100.0</b>		<b>0.0</b>
<b>Key shareholder rating</b>						<b>BB+</b>

\* A credit estimate was used for Ukraine, which is not publicly rated by Scope.

Source: BSTDB, Scope Ratings GmbH

## III Scope's supranational scorecard: Black Sea Trade and Development Bank

Risk factors	Variables	Unit									BSTDB		
			+4	+3	+2	+1	0	-1	-2	Value	Assessment	Notches	
Mandate & ESG (-2; +2)	Mandate	Importance of mandate	Qualitative	--	--	--	Very High	High	Declining	--	--	High	
		Social factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Strong	0
		Environmental factors	Qualitative	--	--	--	Strong	Medium/ N/A	Weak	--	--	Medium/ N/A	
	Governance	Shareholder concentration	HII	--	--	--	--	≤ 1500	> 1500	--	1400.0	Strong	
		Shareholder control	%	--	--	--	--	≤ 25	> 25	--	17.0	Strong	1
		Strategy and internal controls	Qualitative	--	--	--	Strong	Medium	Weak	--	--	Strong	
<b>Institutional Profile</b>											<b>Strong</b>		
Capitalisation (-3; +6)	Capital/ Potential assets		%	≥ 30	< 30; ≥ 20	< 20; ≥ 15	< 15; ≥ 10	< 10; ≥ 7.5	< 7.5; ≥ 5	< 5	34.0	Excellent	4
		Capital/ Actual assets*	%	--	--	--	≥ 40	< 40	--	--	44.0	Excellent	1
		Profitability (Return on equity)	%	--	--	--	≥ 3	< 3; ≥ 0	< 0	--	2.0	Adequate	0
	Portfolio quality	Incl. risk mitigants	Qualitative	--	--	Very Strong	Strong	Adequate	Moderate	Weak	Adequate	Adequate	0
		NPLs	% total loans	--	≤ 0.5	> 0.5; ≤ 1	> 1; ≤ 3	> 3; ≤ 5	> 5	--	0.9	Very Strong	2
	Liquid assets ratio		%	> 100	≤ 100; > 75	≤ 75; > 50	≤ 50; > 25	≤ 25; > 15	≤ 15; > 10	≤ 10	40.0	Adequate	1
		Maturity gap	Multiple	--	--	--	≥ 0.75	< 0.75; ≥ 0.50	< 0.50	--	0.8	Strong	1
		Funding volume	EUR or USD bn	--	--	≥ 25	< 25; ≥ 5	< 5; ≥ 2	< 2	--	1.0	Moderate/Low	-1
	Currency diversification	Top 1 share	--	--	--	≤ 70	> 70	--	--	60.0	Strong	1	
	<b>Financial Profile</b>											<b>Strong</b>	
<b>Intrinsic Strength</b>											<b>Strong (+)</b>		
Weighted average rating of key shareholders	Shareholder strength (0; +3)		Avg. rating	--	≥ AA-	≥ A-	≥ BBB-	< BBB-	--	--	--	BB+	
		Share of portfolio related to key shareholders	%	--	--	--	--	≤ 50	> 50	--	82.0	High / Negative adjustment	0
		Adjusted key shareholder rating	Avg. rating	--	--	--	--	--	--	--	--	BB	
	Callable capital [rated ≥ AA-]/ Actual assets		%	--	--	≥ 100	< 100; ≥ 20	< 20	--	--	0.0	Adequate	0
		Additional support mechanisms	Qualitative	--	--	Very Strong	Strong	N/A	--	--	N/A		
<b>Shareholder Support</b>											<b>Weak</b>		
<b>Indicative Rating</b>											<b>A / BBB+</b>		
Additional considerations (-1; +1)											Positive		
<b>Final Rating</b>											<b>A</b>		

Source: BSTDB, Scope Ratings GmbH

## IV Asset quality assessment

<b>Portfolio quality (initial assessment)</b>		Very Strong	Strong	Adequate	Moderate	Weak
Indicative borrower quality		aaa/aa	a	bbb	bb	b/cc
<b>Notches</b>		+2	+1	0	-1	-2

  

<b>Adjustments</b>		<b>Indicator</b>	<b>Assessment/ Thresholds</b>								
<b>Points</b>			+5	+4	+3	+2	+1	0	-1	-2	-3
<b>Credit Protection</b>	Sovereign PCS	% of loan portfolio	100	≥ 80	≥ 60	≥ 40	≥ 20	< 20			
	Private sector secured										
<b>Diversification</b>	Geography	HHI				≤ 1000	≤ 2000	> 2000			
	Sector	HHI					≤ 2000	> 2000			
	Top 10 exposures	% of loan portfolio				≤ 25	≤ 75	> 75			
<b>Equity Exposure</b>		% of equity						≤ 25	> 25	> 50	> 75
		Total points	+5								
		Adjustments	+2 categories								

  

<b>Portfolio quality (final assessment)</b>		Very Strong	Strong	Adequate	Moderate	Weak
<b>Notches</b>		+2	+1	0	-1	-2

N.B. \* Based on i) Scope's estimate of the geographical and sectoral distribution of the BSTDB's loan portfolio before any credit enhancements via collateral or guarantees, and ii) Scope's sovereign ratings.

Source: Scope Ratings GmbH. Three points usually correspond to one assessment category. In the case of the BSTDB, this implies up to two higher categories from the initial portfolio quality assessment based on the estimated average borrower quality.



## V Statistical tables

	2015	2016	2017	2018	2019	2020
<b>Capitalisation (EUR m)</b>						
Mandated potential assets	2,323.5	2,354.6	2,360.6	2,403.6	2,432.4	2,445.7
Mandated (disbursed) assets	1,113.5	1,191.8	1,168.7	1,361.0	1,853.5	2,071.6
Capitalisation ratio, potential (%)	31.1	32.0	32.1	33.4	34.1	34.5
Capitalisation ratio, actual (%)	64.8	63.2	64.9	58.9	44.8	40.7
<b>Profitability (EUR m)</b>						
Net income	15.2	1.8	8.7	5.2	13.7	14.2
Return on equity (%)	2.1	0.2	1.1	0.6	1.6	1.7
<b>Asset quality (EUR m)</b>						
Total gross loans	1,049.7	1,139.1	1,132.4	1,318.4	1,808.2	2,030.4
Non-performing loans / gross loans (%)	1.2	3.4	2.1	-	0.2	1.4
Stage 3 loans	42.1	72.7	61.1	41.7	50.9	78.4
Stage 3 loans / gross loans (%)	4.0	6.4	5.4	3.2	2.8	3.9
Provisions for Stage 3 loans	18.1	21.7	45.5	27.0	34.4	37.4
Provisions for Stage 3 loans / Stage 3 loans (%)	42.9	29.8	74.3	64.6	67.7	47.7
<b>Liquidity (EUR m)</b>						
Liquid assets and undrawn credit facilities	189.0	327.1	289.0	362.1	394.9	604.7
Cash and cash equivalents	49.7	70.0	81.5	48.6	82.6	34.3
Assets ≤ 12 months and undrawn credit facilities*	139.3	257.0	207.5	313.6	312.3	570.4
Liabilities maturing within 12 months and disbursements	706.2	516.6	678.3	1,186.5	994.3	1,528.1
Liabilities ≤ 12 months	262.5	130.4	105.3	315.3	210.3	646.1
Disbursements over the next 12 months	443.7	386.2	573.0	871.1	783.9	882.0
Liquid assets ratio (%)	26.8	63.3	42.6	30.5	39.7	39.6
<b>Funding (EUR m)</b>						
Volume	275.7	619.0	106.7	433.6	1,267.3	944.2
<i>Share of borrowings outstanding (%)</i>						
USD	30.6	72.2	69.2	62.4	68.7	54.6
EUR	13.8	8.5	10.6	13.3	6.4	17.9
CHF	51.3	10.8	11.9	9.3	12.3	9.8
ESG issuance	-	-	-	-	-	-
% total	-	-	-	-	-	-
<b>Equity (EUR m)</b>						
Paid-in capital	542.8	613.8	641.6	685.1	686.6	686.6
Retained earnings and reserves	178.7	138.9	117.1	116.5	143.9	157.2
Total equity	721.5	752.7	758.7	801.6	830.4	843.7
<b>Key shareholders</b>						
Average capital-key weighted rating	BB	BB	BB	BB	BB	BB
Shareholders rated at least AA- (%)	-	-	-	-	-	-
Callable capital [rated ≥ AA-] / Mandated assets (%)	-	-	-	-	-	-

N.B. \* Includes committed, undrawn and unconditional credit lines from supranational counterparties or national development banks rated AA- or higher.

Source: BSTDB, Scope Ratings GmbH



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