MOODY'S
RATINGS

Rating Action: Moody's Ratings changes outlook on BSTDB to positive, affirms Baa2 ratings

21 Jul 2026

London, July 21, 2026 -- Moody's Ratings (Moody's) has today changed the outlook on the Black Sea Trade & Development Bank (BSTDB) to positive from stable and affirmed the Baa2 long-term issuer and senior unsecured debt ratings and the (P)Baa2 senior unsecured MTN programme rating.

The change in outlook to positive reflects the increasing likelihood that BSTDB's improving funding and liquidity profiles will prove sustained, alongside a gradual reduction in legacy problem exposures. A more stable and diversified funding structure will support the planned expansion in lending and, at the same time, allow the bank to maintain higher liquidity than in the past. Asset performance is also likely to improve as remaining Russian exposures mature over the next two years, reducing legacy problem assets and improving the credit quality of the portfolio. In addition, the capital increase approved by shareholders in 2024 will begin in 2027 and further strengthen capital adequacy if implemented as planned. It will also substantially reduce downside risks to the bank's medium-term strategic direction stemming from a shareholder base characterised by geopolitical tensions and a difficult operating environment in some borrowing countries.

The ratings affirmation at Baa2 reflects BSTDB's strong capital adequacy, underpinned by the balance-sheet consolidation in response to the war in Ukraine (Ca, stable), and an improvement of the liquidity and funding profile over the past two years. These factors are balanced against still weak asset performance, because of legacy exposures in Ukraine and Russia, despite stronger performance across the remainder of the portfolio. The ratings also reflect moderate member support, underpinned by the bank's high levels of callable capital, which provide a strong source of extraordinary support, partly offset by the limited capacity of some shareholders to provide financial support, as reflected in their relatively low sovereign ratings.

RATINGS RATIONALE

RATIONALE FOR CHANGING THE OUTLOOK TO POSITIVE

INCREASING LIKELIHOOD THAT RECENT IMPROVEMENTS IN FUNDING ACCESS AND LIQUIDITY WILL BE SUSTAINED

BSTDB's stability and diversification of funding has improved materially since mid-2024, and we expect the bank to retain a solid funding profile following a period in which market access became more constrained after the start of the Russia-Ukraine war. The bank has rebuilt access across a range of funding channels, including regional bond markets, bilateral facilities, a syndicated loan and, more recently, a $350 million benchmark bond, its first since 2019.

After the substantial improvement of 2025, we expect some decline in liquidity metrics over the medium term as loan disbursements increase, but buffers might remain above 2024 and pre-war levels if the bank continues to preserve strong access to multiple funding channels amid prudent lending. At the end of 2025, high-quality liquid assets expressed as a proportion of expected net outflows over the next 18 months stood at 123%, up from 67% in 2024, partly reflecting stronger funding activity at a time when asset growth remains muted.

LEGACY ASSET-QUALITY PRESSURES ARE LIKELY TO EASE AS RUSSIAN EXPOSURES MATURE

Asset performance remains weak but has improved since 2022. Non-performing assets as a percentage of development assets declined in 2025 to 5.6% from 7.5% in 2024. All non-performing exposures are in Russia and Ukraine. BSTDB has not originated new business in Russia since the start of the war in February 2022, and its remaining Russian exposures are scheduled to mature over the next few years. Given that 60% of the bank's total non-performing assets relate to Russia, as these exposures run off legacy problem assets are likely to decline materially and cease to be a significant source of risk on the bank's balance sheet. As a consequence, the credit quality of its portfolio should improve. Ukraine-related asset-quality pressures are likely to persist for longer because of the continuing effects of the war on some borrowers.

2027-2034 CAPITAL INCREASE WILL GRADUALLY STRENGTHEN ALREADY STRONG CAPITAL ADEQUACY

The implementation of the capital increase approved by shareholders in 2024 will begin in 2027 and continue until 2034. Subscribed capital will increase by nearly 35% to €3.1 billion with 30% in paid-in capital. The start of implementation will reduce remaining execution uncertainty and gradually add to BSTDB's paid-in capital, strengthening already high capital adequacy. The capital increase also reduces downside risks associated with the bank's challenging shareholder structure, demonstrating shareholder commitment to the institution despite the difficult operating environment. At the same time, BSTDB's shareholder rating mix remains relatively weak.

RATIONALE FOR THE RATINGS AFFIRMATION

The ratings affirmation reflects our expectation that BSTDB will maintain a strong capitalisation as balance-sheet growth resumes. Following a period of significant balance-sheet contraction in response to the war in Ukraine, with total assets declining to around €2.1 billion at the end of 2025 from €3.2 billion at the end of 2021, BSTDB has resumed modest asset growth since mid-2024, a trend we expect to gain momentum over 2026-27. The ratings are also underpinned by the bank's improved funding profile, with more stable and diversified funding sources that are solid for the planned asset expansion. The operating environment remains especially challenging in Ukraine, where the bank holds an exposure just below 15% of total development assets.

The gradual increase in paid-in capital over 2027-34 will help preserve BSTDB's capitalisation as lending activity expands and balance-sheet growth accelerates, although uncertainty remains on Russia's effective transfer of allocated capital. The bank's high levels of callable capital provide additional protection in the event of a severe shock.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) CONSIDERATIONS

The BSTDB's credit impact score of CIS-2 indicates that ESG considerations are not material to the rating. The environmental issuer profile score of E-2 reflects BSTDB's low exposure to sectors affected by environmental considerations. BSTDB's S-2 social issuer profile reflects limited exposure to social risks. The governance issuer profile score at G-2 is underpinned by prudent policies and improvements in the bank's risk management framework over the past decade

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The rating could be upgraded if the improvements in funding observed to date are sustained and the bank maintains solid levels of liquidity. A further substantial reduction in the non-performing asset ratio could also be a trigger for a higher rating. While less likely in the near term, a significant improvement in the bank's operating environment would also be credit positive.

The outlook would likely return to stable if BSTDB does not maintain the improvements in its funding and liquidity profile, or if the NPA ratio does not decline as we expect. Over the longer term, the rating could come under downward pressure in the event of materially weakened asset quality and asset performance that adversely impacted its capital position. Significant liquidity pressures or a substantial rise in funding costs would also be credit negative. Furthermore, diminished cooperation among member states that hampers decision-making and constrains the bank's ability to achieve its strategic objectives would weigh negatively on the credit profile.

The principal methodology used in these ratings was Multilateral Financial Institutions published in June 2026 and available at https://ratings.moodys.com/rmc-documents/468058. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

BSTDB's long-term issuer and senior unsecured debt ratings are Baa2, one notch below the scorecard-indicated outcome range of A2-Baa1. As the bank resumes balance-sheet growth following several years of consolidation, uncertainty remains regarding the sustainability of its recently improved funding and liquidity profiles and its ability to maintain capitalisation at current levels. These risks are not fully captured in the scorecard-indicated outcome.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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