

Research Update:

Black Sea Trade and Development Bank Upgraded To 'BBB+' On Strengthened Funding Profile; Outlook Stable

July 29, 2026

Overview

- We consider the Black Sea Trade and Development Bank (BSTDB) has reestablished a more stabilized and diversified funding profile--evidenced by broader market access and committed lines from other institutions--that is aligned with its operational scale and provides sufficient capacity to support renewed growth in its lending trajectory.
- We think that BSTDB's ability to execute its lending trajectory continues to be subject to the evolving regional landscape, where a primary risk to our base-case expectations remains potential repercussions from the further evolution of the Russia-Ukraine war and its spillover effects on the bank.
- We assess BSTDB's financial risk profile as extremely strong thanks to its solid capital and liquidity, a position we believe will enable the bank to rebuild its loan book and progressively enhance its developmental impact and policy utility.
- We raised our long-term issuer credit rating on BSTDB to 'BBB+' from 'BBB'. We also affirmed our 'A-2' short-term rating on the bank.
- The stable outlook reflects our expectation that shareholders will follow through on their commitments under the capital replenishment program while the broader risks from the war in Ukraine on the bank's asset quality and financial positions will remain manageable.

Rating Action

On July 29, 2026, S&P Global Ratings raised its long-term issuer credit rating on the Black Sea Trade and Development Bank (BSTDB) to 'BBB+' from 'BBB' and affirmed its 'A-2' short-term rating on the bank. The outlook is stable.

Outlook

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The stable outlook reflects our expectation that shareholders will fulfill their capital replenishment commitments. It also assumes that the war in Ukraine's impact on asset quality and the bank's financial position will remain manageable, and that the bank will secure sufficient funding through diverse channels to support growing lending volumes in 2026-2027.

Downside scenario

We could lower our ratings on BSTDB within the next 24 months if shareholders fail to fulfill their capital replenishment commitments or reduce their support to the institution, or if the bank experiences a significant deterioration in asset quality--such as substantial loan write-offs in war-affected portfolios--leading to a material reduction in its risk-adjusted capital (RAC) position. Consequently, such developments could trigger an erosion in the bank's access to funding markets.

Upside scenario

We could consider an upgrade if BSTDB successfully navigates the regional and institutional impacts of the war in Ukraine and restores the policy relevance lost since the conflict began. An upgrade would require a fully supportive shareholder community and continued evidence of steady business growth.

Rationale

The upgrade reflects our assessment that BSTDB's funding profile has been adequately reestablished, with market access no longer posing a constraint to its disbursement pipeline.

The bank has demonstrated a normalized funding situation over the past 18 months, evidenced by the successful execution of recent hard-currency issuances under its Euro Medium-Term Note program at yields comparable with pre-conflict norms. This stability is further bolstered by a diversified range of liquidity sources, including the syndicated loan market and committed undrawn credit lines from key international financial institutions (IFI).

While issuance volumes are modest relative to larger multilateral institutions (MLIs), we believe they remain broadly aligned with the bank's current disbursement requirements and operational scale. Following a turnaround in 2025, we expect BSTDB's lending and balance sheet to rebound more strongly in 2026, and project net loan book growth to reach about 5%-10% in 2026 increasing progressively into 2027. While management's current pipeline suggests further potential, we expect the bank's growth to remain more gradual as it focuses on smaller-scale projects across renewable energy, societal development, and second-floor lending. We anticipate the average project size to be in the order of €25 million–€30 million. We understand his controlled expansion aligns with shareholder preferences for maintaining underwriting diligence and managing capital sufficiency. We expect shareholder confidence to remain steady, and do not expect delays from the capital replenishment program agreed in May 2024--with funding expected from 2027--which we view as a constructive measure to mitigate near-term commitment risks.

We think that BSTDB has successfully weathered the primary reputational and institutional shocks stemming from the Russia-Ukraine war, transitioning toward a steady operational footing. This resilience is evidenced by a disciplined derisking of its Russian exposure--which has been reduced by 80% since 2022 (to €96.6 million from €475.2 million)--and a resilient Ukrainian portfolio that maintains a 94.4% recovery rate on due amounts. Consequently, the nonperforming loan (NPL) ratio improved to 5.5% at year-end 2025 (down from 8.4% in 2022), with all NPLs

concentrated within the Russian and Ukrainian books. While we recognize the ongoing risk of further deterioration in the Ukrainian portfolio should the conflict persist, the bank's 106% provisioning coverage ensures that potential write-offs remain capital neutral. While we expect the bank to maintain a stable disbursement trajectory--provided shareholder support remains consistent with the agreed capital replenishment program--its ability to strongly expand lending and enjoy competitive market funding terms remains fundamentally contingent upon the regional geopolitical developments.

While BSTDB's proactive risk management and clear policies have successfully navigated complex governance and sanctions-related challenges over the past three years, the persisting conflict between its key shareholders, Russia and Ukraine, remains a source to potential instability. Although the bank has demonstrated resilience--evidenced by its disciplined unwinding of the Russian loan book and commitment to zero new Russian lending under current sanctions, we maintain concerns that an escalated conflict could destabilize the shareholder base and derail strategic decision-making, potentially impacting the bank's core role and function.

Notably, BSTDB's balance sheet contracted by 37% in 2022-2024, a consolidation that has significantly reduced its lending footprint and overall policy relevance. We believe the bank's ability to maintain its developmental impact through volatile cycles is constrained, suggesting that restoring its previous level of policy importance will be a gradual process contingent on sustained balance sheet growth.

We assess BSTDB liquidity position as strong, supported by reestablished funding avenues and a low level of near-term debt maturities, even as new disbursements increase. Under our liquidity stress scenario--which assumes a total loss of new funding access alongside ongoing contracted disbursements--BSTDB is expected to fulfill its mandate. As of year-end 2025, the bank's 12-month stressed liquidity ratio is estimated at 1.15x.

BSTDB's financial profile is underpinned by an extremely strong capital position. As of Dec. 31, 2025, the bank's risk-adjusted capital (RAC) ratio is estimated at 32.5% (based on July 2026 sovereign and banking industry country risk assessments). We project the RAC ratio to remain above 23% through 2027, providing a sufficient buffer to absorb gradual lending growth. Furthermore, the anticipated inflow of share capital starting in 2027 will further strengthen the bank's capital position and its capacity to underwrite new lending.

BSTDB's private sector focus precludes it from being treated as a preferred creditor. Direct sovereign exposure is typically below 25%. We therefore do not incorporate preferred creditor treatment in our assessment of the bank's enterprise risk profile. Moreover, the ratings on BSTDB do not reflect potential extraordinary support from shareholders, since our view of BSTDB's weak policy importance precludes the notion of callable capital support. Moreover, all its shareholders, except Bulgaria (BBB+/Positive/A-2) with a 13.6% ownership are rated below its stand-alone credit profile.

Black Sea Trade and Development Bank -- Rating component scores

	To	From
Issuer credit rating	BBB+/Stable/A-2	BBB/Stable/A-2
Stand-alone credit profile	bbb+	bbb
Enterprise risk profile	Weak	Weak
Policy importance	Weak	Weak

Black Sea Trade and Development Bank -- Rating component scores

	To	From
Governance and management expertise	Adequate	Adequate
Financial risk profile	Extremely strong	Very strong
Capital adequacy	Extremely strong	Extremely strong
Funding and liquidity	Strong	Adequate
Extraordinary support	0	0
Callable capital	0	0
Group support	0	0

Related Criteria

- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), May 5, 2026
- [Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology](#), Oct. 13, 2025
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Abridged Supranationals Interim Edition 2026: Multilateral Lending Institutions Sector Updates](#), May 28, 2026

Ratings List

Ratings List		
Upgraded		
	To	From
Black Sea Trade and Development Bank		
Sovereign Credit Rating		
Foreign Currency	BBB+/Stable/A-2	BBB/Stable/A-2
Senior Unsecured	BBB+	BBB

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