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Ratings

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Black Sea Trade and Development Bank

September 19, 2025

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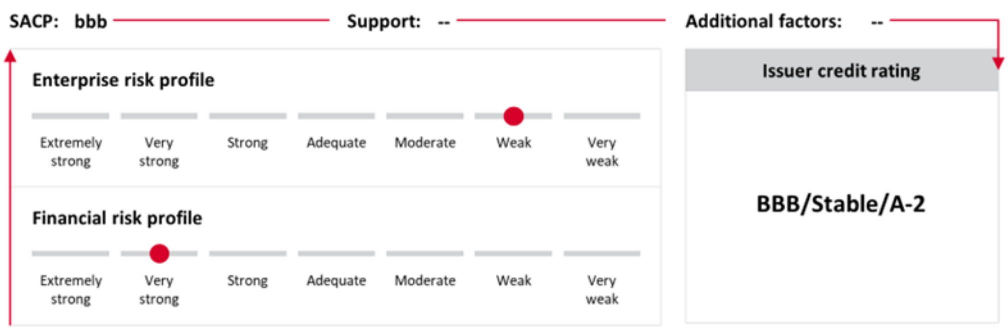
This report does not constitute a rating action.

Ratings Score Snapshot



SACP--Stand-alone credit profile.

Overview

Enterprise risk profile	Financial risk profile
Consolidation over the past three years has resulted in a materially reduced lending footprint and, in our view, diminished policy relevance.	Very strong capital position underpins a stabilizing and still resilient financial profile.
-- Lending outstanding stood at €1.38 billion at year-end 2024, down 40% from the 2021 level.	-- De-risking strategy, especially reduced lending exposure to Russia since the start of the Russia-Ukraine war, has strengthened capital position.
-- Balance sheet is forecast to return to growth in 2025, with loans outstanding expected to expand by about 7% and similar growth estimated over 2026-2027.	-- Nonperforming assets have stabilized at 6%-7% of loan book, with impaired loans concentrated in either Russia or Ukraine.
-- Shareholder support expected to remain despite complex intra-shareholder relationships.	-- The bank is expected to be an infrequent issuer and only execute wholesale market trades sporadically over the next two years.

Black Sea Development Bank's (BSTDB's) reduced balance sheet has lessened its developmental impact and policy importance over the past three years. While we understand shareholders agreed to BSTDB's consolidation and the bank is producing near-term support for capitalization, this has come at the expense of diminishing policy importance, in our view. We believe BSTDB could take time to restore this, partly because the bank's resumed lending activity remains subject to challenges due to the war between Russia and Ukraine, which are among the bank's main shareholders.

We expect the bank's lending outstanding and balance sheet will begin rebounding in 2025, resulting in net loan growth of about 7%. We forecast new disbursements will be evenly spread across BSTDB's shareholder economies and focus on renewable energy, societal development, and second-floor lending in cooperation with domestic banking sectors. The bank's key value proposition lies in loans to smaller-sized projects, which typically amount to $10 million-$15 million. This suggests growth in BSTDB's lending book will be gradual in the medium term. We understand that the bank's shareholders favor a cautious increase in disbursement volumes, and want BSTDB to maintain quality and underwriting diligence so that it can manage capital expenditure toward new lending in a controlled manner.

We believe BSTDB's shareholders remain confident about the bank's ability to execute its strategy. BSTDB's shareholders agreed upon a capital replenishment program in May 2024, with funding expected to flow in from 2027. We view this as a constructive step in addressing the immediate risk that shareholders' near-term commitment to the bank might waver.

The bank is adapting its funding profile, in our view. BSTDB has begun to reestablish its access to broader funding alternatives in tandem with increasing disbursement volumes, most recently by acquiring funds from the syndicated loan market and by contracting credit facilities from partner development banks. We expect the bank's funding market profile will need to be reestablished and likely developed in line with its success in expanding lending activities and building funding volumes over 2025-2027.

Outlook

The stable outlook reflects our expectation that shareholders will follow through on their commitments under the agreed-to capital replenishment program. The outlook also assumes that the broader risks from the war in Ukraine on the bank's asset quality and financial positions remain manageable, and the bank will secure sufficient financing for its medium-term commitments, primarily via the contracting of bilateral credit facilities, to allow for progressively increasingly lending volumes from 2025.

Downside scenario

We could consider lowering our ratings on BSTDB within the next 24 months if:

- BSTDB's shareholders did not follow through on their commitments under the capital replenishment program or otherwise lessened their support to the institution;
- The bank faced loan write-offs in its war-affected lending portfolios, leading to a substantial reduction in its risk-adjusted capital (RAC) position; or
- Its liquidity position deteriorated, possibly from an extended inability to contract financing, in combination with the lack of asset-side inflows.

Upside scenario

We could consider an upgrade if BSTDB navigated the numerous direct and indirect consequences--on the institution and on the region--from the war in Ukraine. We would assume this scenario to entail a fully supportive shareholder community, normalized access to funding markets, alongside evidence that the bank is able to resume solid business growth, replenishing the policy relevance lost since the start of the war in Ukraine.

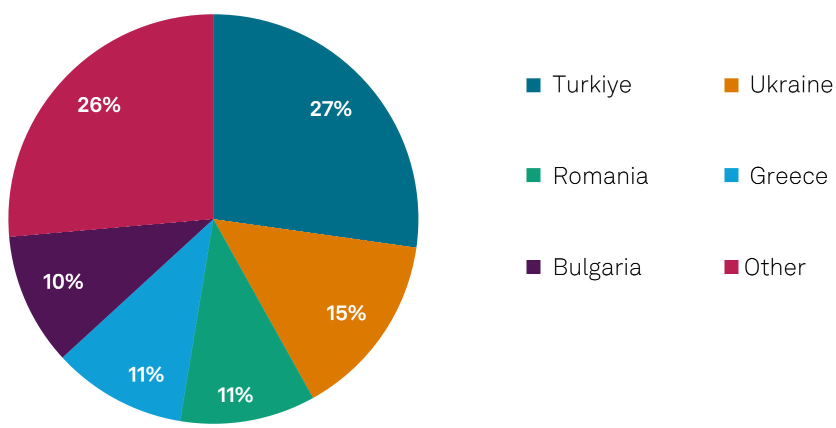
Enterprise Risk Profile

BSTDB has a dual mandate of promoting regional economic cooperation and economic development. It does this by financing private- and public-sector operations for member states and undertaking activities that promote the Black Sea region and create value for its shareholders. Its shareholders comprise 11 countries that adjoin or are near the Black Sea. This is a challenging mandate in a complex region. The war between Russia and Ukraine--among the bank's main shareholders and key lending jurisdictions--resulted in profound and multiple effects on BSTDB's operational and strategic fundamentals. Notably, it led to a deep and broad-based reduction in the bank's outstanding loan book. While we think the decline in the bank's balance sheet has bottomed out and expect to see growth in net outstanding loans, we believe the ongoing war continues to pose challenges to resumption in lending activity.

We believe the breadth of the bank's consolidation over 2022-2024 demonstrates its inability to pivot resources to other geographies to adequately fulfill its policy function through distressed cycles. The bank's balance sheet decreased by 37% over 2022-2024. This largely reflected a conscious de-risking by reducing Russia-based end exposure by 66% over the period. While the bank's Ukraine-based exposure reduced by 29% over 2022-2023, it has since increased by 17%--this signals the bank has restarted disbursements and also confirms its function as a relevant, supportive multilateral lender to wartime Ukraine. That said, we observe that outside the scope of BSTDB's Russia and Ukraine books, loans to key markets decreased substantially over 2022-2024: the bank's Turkey book reduced by 12%, and its Bulgarian and Romanian exposures by 40% and 22%, respectively, with concurrent reductions in the loan books of several smaller recipient countries.

BSTDB's purpose-related exposures--the five largest countries

As a % of gross purpose-related assets plus guarantees



Source: S&P Global Ratings. Data as of Dec. 31, 2024.

BSTDB's capital replenishment program is set to start in 2027. Under the program, shareholders will be allocated shares in line with their existing ownership. We understand that 10 of the bank's 11 shareholders have expressed their intention to take part in the program. We expect that after the program's conclusion, Albania's share will reduce to 1.48% (from 2.01%) due to its non-participation in the capital increase, Romania and Ukraine will increase their shareholding to 14.08% due to oversubscription (versus Romania's 14.07% and Ukraine's 13.57%), and all other shareholders will retain their stakes. This includes Russia, which will be allocated shares according to its pro rata ownership and thereby retain its 16.58% stake in the bank.

In addition to finding an internal shareholder agreement on the capital program, we understand BSTDB has sought legal advice to ensure it fulfills regulatory compliance requirements for receiving capital from sanctioned shareholders.

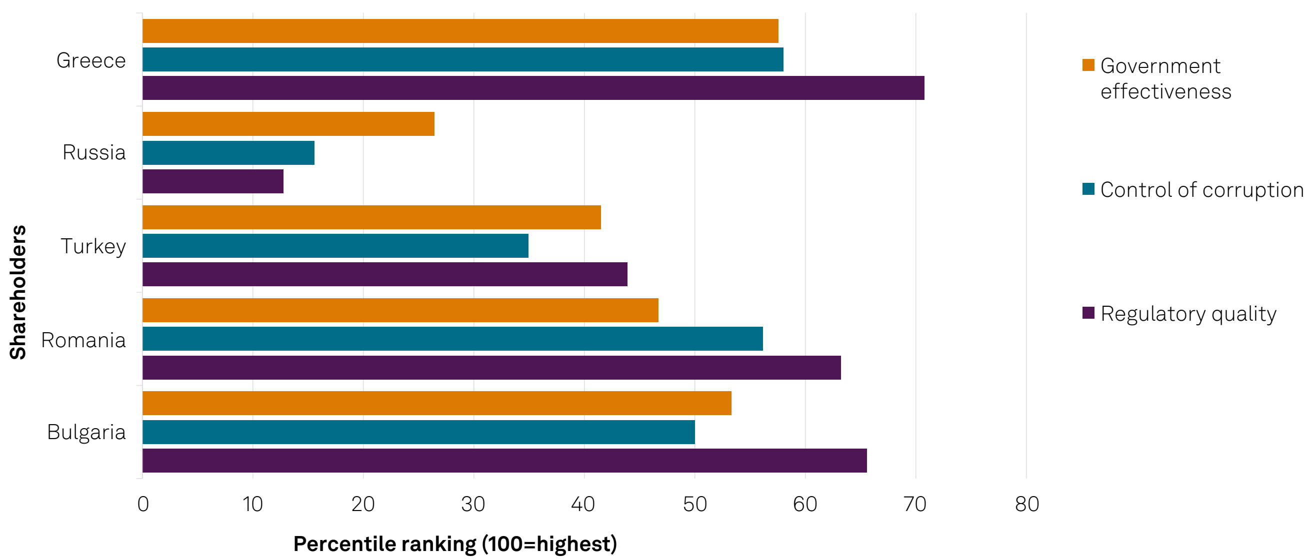
The persisting conflict between key shareholders Russia and Ukraine continues to pose risks to shareholder stability. While the bank has been able to navigate conflicts between shareholders in earlier situations, we maintain concerns that a prolonged and escalated conflict could destabilize the shareholder base, potentially derail strategic decisions, and, depending on its severity, carry risks of broader implications for the bank's role and function.

BSTDB predominantly lends to the private sector, so preferred creditor treatment (PCT) does not apply to most of its portfolio. That said, we consider that BSTDB still receives preferential treatment because of its private sector loan book. We note that it was the only institution to be explicitly exempt from the first capital control restrictions imposed by Greece in 2015 during the debt crisis.

Conservative management balances concentrated and complex shareholder composition. BSTDB's shareholder base is concentrated, and the bank disburses a meaningful share of its loans to countries that are also large shareholders (see chart 1). At the same time, few of the bank's top shareholders continue to exhibit some weaknesses linked to governance effectiveness, as shown by the World Bank's governance indicators (see chart 2).

BSTDB's five largest shareholders

World Bank Governance Indicators



Data as of Dec. 31, 2023. Source: S&P Global Ratings.

We believe the bank's clear policies and proactive risk management will balance the complicated governance dynamics in shareholder countries. This approach has helped the bank navigate numerous complex situations in the past three years, relating to, for example: i) staying abreast of sanctions-relevant issues related to the reduction and unwinding of its Russian loan book, and ii) seeking and securing full regulatory compliance for the capital increase program. We understand the bank will not engage in any new lending in Russia for as long as the global sanction regimes are in place.

The bank's management has demonstrated its ability to set strategic goals while balancing and meeting shareholder demands and targets. BSTDB executes conservative risk and liquidity policies and imposes operational restrictions on single-party and country exposures, demonstrating management's limited risk appetite. It also limits outstanding loans, equity investments, and guarantees made for ordinary operations to 150% of unimpaired subscribed capital, reserves, and surpluses. We view the bank's policy of not paying dividends as a sign of shareholder support, and expect this trend will continue.

Financial Risk Profile

Capital adequacy: Very strong capital continues to underpin BSTDB's financial profile. We consider the reduction and de-risking of the bank's loan book over the past three years to have strengthened its near-term capital resilience. We estimate BSTDB's RAC ratio at 31.9% based on balance-sheet exposure as of Dec. 31, 2024 (and based on sovereign ratings and our Banking Industry Country Risk Assessments as of July 25, 2025). This is up from 27.1% at year-end 2023, reflecting a 13% decrease in total exposures over 2024, with a similar reduction in risk-weighted assets.

We expect BSTDB's RAC ratio will remain above 23% over the next two years as it comfortably absorbs the gradual increase in lending we forecast over 2025-2026. Following a nearly 70% reduction over the past two years, the rest of the bank's lending exposures in Russia are to, or are closely linked to, the public sector and related companies, which we believe support its credit position. That said, we understand that repayment continues to be hindered by the lengthy processes involved in gaining specific approvals from Russian authorities that Russia-based borrowers require for making transfers to the EU. We expect BSTDB's Russia-based lending exposures to further fall over 2025-2026. This should continue to support asset quality and help reduce risks related to payment delays.

BSTDB's impaired and nonperforming loans (NPLs) have plateaued after an increase over 2022-2024. The bank had a NPL ratio of 3%-4% till 2022. Following the full-scale war in Ukraine, the bank's NPL ratio increased to 8% over 2022-2023, reflecting heightened credit risk in its Ukraine book and disruptions to repayment across its Russian book, along with sizable reduction in total loans. We observe that the bank's NPL ratio has now stabilized and begun to reduce given its exposure to Russia has decreased and BSTDB has broadly upheld the credit quality of its loans in Ukraine. At year-end 2024, the bank's NPL ratio stood at 7% of gross loans. We also recognize that specific loan loss provisions cover 96% of the bank's NPLs thanks to its cautious provisioning policies.

Black Sea Trade and Development Bank--Risk-Adjusted Capital Framework Data: December 2024

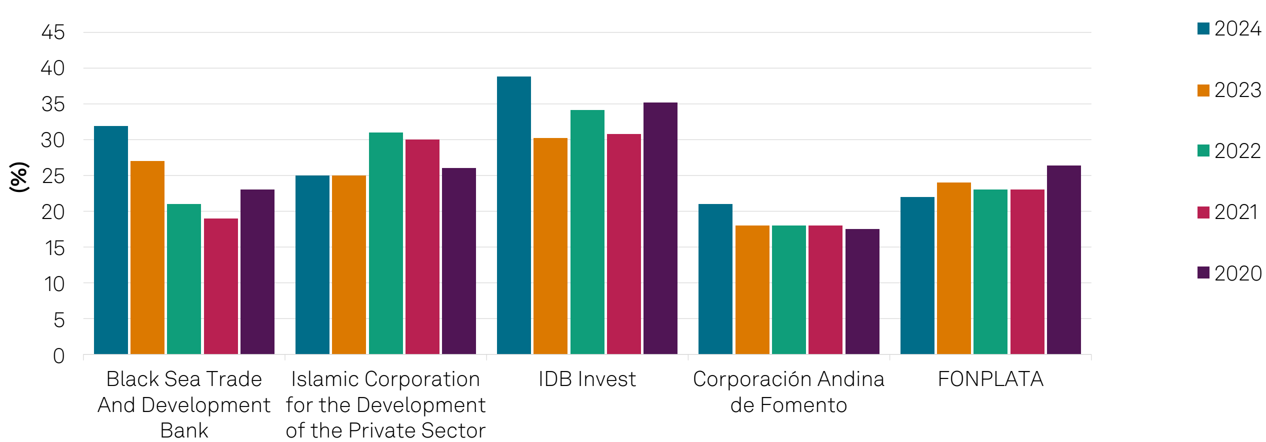
Mil. EUR	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk			
Government and central banks	105	163	155
Institutions	682	654	96
Corporate	989	1 705	172
Retail	0	0	0
Securitization	0	0	0
Other assets	47	143	306

Black Sea Trade and Development Bank--Risk-Adjusted Capital Framework Data: December 2024

Mil. EUR	Exposure	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Total credit risk	1 823	2 665	146
Market risk			
Equity in the banking book	11	33	314
Trading book market risk		0	--
Total market risk		33	--
Operational risk			
Total operational risk		196	--
Risk transfer mechanisms			
Risk transfer mechanisms RWA		0	
RWA before MLI Adjustments		2 894	100
MLI adjustments			
Single name (on corporate exposures)		885	52
Sector (on corporate portfolio)		-261	-10
Geographic		-340	-10
Preferred creditor treatment (on sovereign exposures)		-1	-1
Preferential treatment (on FI and corporate exposures)		-299	-13
Single name (on sovereign exposures)		11	7
Total MLI adjustments		-5	-0
RWA after MLI adjustments		2 889	100
		Total adjusted capital	**S&P Global Ratings RAC ratio (%)**
Capital ratio before adjustments		920	31,8
Capital ratio after adjustments		920	31,9

MLI--Multilateral lending institutions. RW--Risk weight. RWA--Risk-weighted assets.

BSTDB's risk-adjusted capital ratio versus that of peers



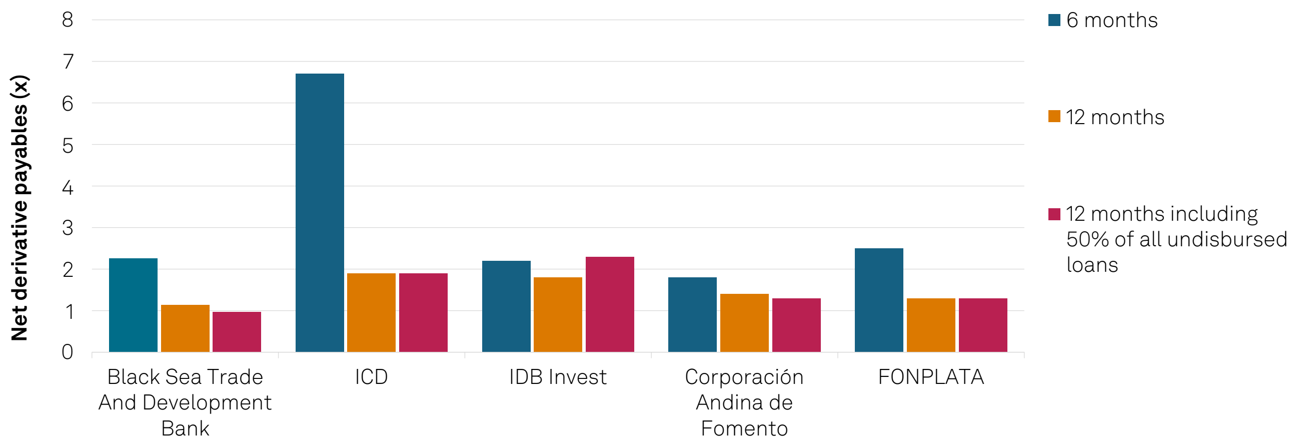
Data as of December 31. Source: S&P Global Ratings.

In our view, BSTDB's access to commercial funding has structurally weakened, translating into a notable uptick in funding costs in the capital markets. However, we view positively BSTDB's ability to strike bilateral financial arrangements with other multilateral development banks , which we assess will be sufficient to secure financing for its medium-term commitments. In our view, the bank's funding market profile will need to be reestablished and likely developed in line with its success in expanding lending and building funding volumes over 2025-2027. We therefore expect the bank will be an infrequent issuer and only execute wholesale market trades sporadically till it normalizes its funding profile.

Low level of debt maturities and access to comprehensive contracted credit facilities through partner MLIs sustain strong liquidity amid increased new disbursements. Under our liquidity stress scenario, we assess BSTDB would continue to fulfill its mandate even in extremely stressed market conditions. We factor in a situation in which it has no access to new funding while its contracted loan disbursements continue. As of year-end 2024, we estimated BSTDB's stressed liquidity ratios at 2.26x for a six-month period and 1.14x for 12 months. As part of a policy approved by the bank's board, BSTDB maintains a minimum ratio of liquid assets to net cash requirements of 75% for the subsequent 12 months. The bank generally maintains liquidity well above this minimum.

BSTDB compares well against peers in liquidity stress scenarios

Liquidity ratio versus peers



ICD--Islamic Corporation for the Development of the Private Sector. Data as of Dec. 31, 2024. Source: S&P Global Ratings.

Extraordinary Shareholder Support

The ratings on BSTDB do not reflect potential extraordinary support from shareholders. Our view of BSTDB's weak policy importance precludes the notion of callable capital support.

Black Sea Trade and Development Bank--Selected Indicators

	2024	2023	2022	2021	2020
ENTERPRISE PROFILE					
Policy importance					
Total purpose-related exposure (loans, equity, etc.) (mil. EUR)*	1,485	1,649	2,137	2,378	2,077
Public-sector (including sovereign-guaranteed) loans/purpose-related exposure (%)	13	23	16	15	17
Private-sector loans/purpose-related exposures (%)	86	76	83	84	82
Gross loan growth (%)	-9.7	-21.6	-10.6	14.8	11.9

Black Sea Trade and Development Bank--Selected Indicators

	2024	2023	2022	2021	2020
Preferred creditor treatment ratio (%)	N/A	N/A	N/A	N/A	N/A
Governance and management expertise					
Share of votes controlled by eligible borrower member countries (%)	100	100	100	100	100
Concentration of top two shareholders (%)	33	33	33	33	33
Eligible callable capital (mil. EUR)	N.A	N.A	N.A	N.A	N.A
FINANCIAL RISK PROFILE					
Capital and earnings					
RAC ratio (%)	32	27	21	19	23
Net interest income/average net loans (%)	2.5	3.2	4.5	2.8	2.4
Net income/average shareholders' equity (%)	2.7	2.4	-3.2	5.1	1.7
Impaired loans and advances/total loans (%)	7.2	9.3	9.2	3.0	3.9
Liquidity ratios					
Liquid assets/adjusted total assets (%)	22.4	25.4	28.9	26.4	26.7
Liquid assets/gross debt (%)	50.7	47.1	44.5	37.7	39.6
Liquidity coverage ratio (with planned disbursements):					
Six months (net derivative payables) (x)	2.3	2.4	1.6	1.2	1.3
12 months (net derivative payables) (x)	1.1	1.6	1.1	1.0	1.2
12 months (net derivative payables) including 50% of all undisbursed loans (x)	1.0	2	1.1	1.2	1.4
Funding ratios					
Gross debt/adjusted total assets (%)	44.2	53.9	65.0	70.0	67.4
Short-term debt (by remaining maturity)/gross debt (%)	1.5	37.3	42.2	32.7	42.27
Static funding gap (with planned disbursements)					
12 months (net derivative payables) (x)	22.4	1.9	2	2.6	2.0
Summary balance sheet					
Total assets (mil. EUR)	1,843	2,169	2,935	3,235	2,809
Total liabilities (mil. EUR)	952	1,310	2,099	2,349	1,965
Shareholders' equity (mil. EUR)	891	859	836	886	844

* Not including committed disbursements. PCT--Preferred creditor treatment. RAC--Risk-adjusted capital. N.A.--Not available.

Black Sea Trade and Development Bank--Peer Comparison

	Black Sea Trade And Development Bank	Islamic Corporation for the Development of the Private Sector (ICD)	IDB Invest	Corporación Andina de Fomento	FONPLATA
Issuer credit ratings	BBB/Stable/A-2	A/Stable/--	AA+/Positive/A-1+	AA/Stable/A-1+	A/Stable/A-1
Total purpose-related exposure (mil.$)	1,538	1,193	8,874	34,334	2,382
Preferred creditor treatment ratio (%)	N.A.	N.A.	N.A.	6.1	0.0
Risk adjusted capital ratio (%)	32	25	39	21	22
Liquidity ratio 12 months (net derivative payables; %)	1.1	1.9	1.8	1.4	1.3
Funding gap 12 months (net derivative payables; %)	22.4	2.0	2.5	2.0	11.0

Note: Purpose-related exposure for ICD is as of Dec. 31, 2023. The rest of the data are as of Dec. 31, 2024. N.A.-- Not available. Source: S&P Global Ratings.

Rating Component Scores

Enterprise risk profile	Extremely strong	Very strong	Strong	Adequate	Moderate	**Weak**	Very weak
Policy importance	Very strong	Strong	Adequate	Moderate	**Weak**		
Governance and management	Strong	**Adequate**	Weak				
Financial risk profile	Extremely strong	**Very strong**	Strong	Adequate	Moderate	Weak	Very weak
Capital adequacy	**Extremely strong**	Very strong	Strong	Adequate	Moderate	Weak	Very weak
Funding and liquidity	Very strong	Strong	**Adequate**	Moderate	Weak	Very weak	

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology, July 26, 2024
- 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

- Commentary: Abridged Supranationals Interim Edition 2025: Multilateral Lending Institutions Sector Updates, May 22, 2025
- Supranationals Special Edition 2024, Oct. 31, 2024

Ratings Detail (as of September 19, 2025)*

Black Sea Trade and Development Bank		
Issuer Credit Rating		
Foreign Currency		BBB/Stable/A-2
Senior Unsecured		BBB
Issuer Credit Ratings History		
05-Jul-2024	*Foreign Currency*	BBB/Stable/A-2
21-Sep-2023		BBB+/Watch Neg/A-2
26-Jul-2023		A-/Watch Neg/A-2
30-Mar-2022		A-/Negative/A-2

Ratings Detail (as of September 19, 2025)*

25-Nov-2021	A/Stable/A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.