ACRA

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ACRA AFFIRMS A- TO EURASIAN DEVELOPMENT BANK, OUTLOOK STABLE, UNDER THE INTERNATIONAL SCALE, AAA(RU), OUTLOOK STABLE, UNDER THE NATIONAL SCALE FOR THE RUSSIAN FEDERATION, AND AFFIRMS A- TO NOTE ISSUE AND AAA(RU) TO BOND ISSUES

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PRESS RELEASE

The credit rating of Eurasian Development Bank (hereinafter, EDB or the Bank) is A- under the international scale based on the standalone creditworthiness assessment (SCA) of EDB (a-), which stems from the strong capital adequacy, satisfactory risk profile, and adequate liquidity and funding position.

EDB's credit rating is AAA(RU), outlook Stable, under the national scale for the Russian Federation as per the Methodology for Mapping Credit Ratings Assigned on ACRA's International Scale to Credit Ratings Assigned on ACRA's National Scale for the Russian Federation.

The credit ratings of the bond issues (RU000A101574, RU000A101L54, RU000A101PK9, RU000A104TQ2, RU000A1050H0, RU000A1057B8, RU000A105EV1, RU000A105KW6), which are senior unsecured debt instruments of EDB, are affirmed at AAA(RU). The credit rating of the note issue (KZX000001003), which is a senior unsecured debt instrument of EDB, is affirmed at A-.

EDB is an international financial institution established to promote the economic growth, expansion of trade, and economic relations between some of the member states of the Commonwealth of Independent States (CIS) that established Eurasian Economic Union (hereinafter, the EAEU).

KEY ASSESSMENT FACTORS

The quality of management, strategy, and transparency of activities is satisfactory. EDB's organizational structure and corporate governance are in line with the scope of its mandate. The strategy for 2022–2026 aims to further expand investment activities, with a special focus on transport infrastructure, the energy sector, and digital transformation. In addition, EDB intends to develop settlement operations (letters of credit and clearing services) between EAEU member states, as well as increase the size of the guarantee business (including in the areas of customs guarantees and guarantees for the fulfillment of state orders), which should strengthen EDB's position as the leading international development institution in the EAEU.

Strong capital position. EDB has a significant amount of capital (including USD 1.5 bln of paid-in capital, and USD 5.5 bln of callable capital), which provides a comfortable absorption buffer against potential losses (the capital adequacy ratio stood at 37.6% as of June 30, 2022, according to ACRA's calculations). EDB's operating efficiency is still assessed as adequate despite its continuing decline (the return on equity (ROE), which takes into account the efficiency of operations over the past three years, amounted to 2.3%).

EDB's risk profile is assessed as satisfactory, including taking into account the satisfactory risk management quality assessment. The risk profile exhibits moderate country diversification. According to EDB, as of June 30, 2022, the USA accounted for about 37% of the Bank's assets, the Russian Federation and Kazakhstan accounted for 26% and 19%, respectively.

The treasury securities portfolio, which accounted for about 35% of EDB's assets as of the end of June 2022, was formed primarily by debt securities, including bonds from majority member states and their residents (about 8% of assets). The quality of financial assets and contingent liabilities is generally assessed as adequate, taking into account the low level of non-performing loans (in H1 2022, the share of IFRS 9 Stage 3 loans declined from 1.6% to 1.3% of financial assets and contingent liabilities). However, ACRA notes the high concentration of EDB's financial assets and contingent liabilities on the 10 largest groups of clients/issuers (1.3x total equity). The loan portfolio is mostly covered by guarantees and collaterals, including those issued by governments.

ACRA maintains the adequate assessment of the liquidity and funding position regardless the weakening of some indicators in H1 2022. EDB consistently maintains a substantial amount of high-liquid assets on its balance sheet, however, in H1 2022, their share against short-term (up to 30 days) liabilities significantly declined as the growth of funds held in loro accounts outpaced the growth of high-liquid assets. This led to a cash gap of about 10% of liabilities on the period of up to one month as of June 30, 2022, while there were no gaps on other periods. At the same time, in H2 2022, EDB actively increased the durations of its short-term liabilities, which, according to EDB's expectations, will ensure no cash gaps by the end of 2022. The diversification of EDB's liabilities by funding source has also deteriorated in H1 2022 (the Herfindahl-Hirschman Index grew from 0.3 to 0.43) as the Bank's liabilities are dominated by interbank liabilities (about 60%). However, in H2 2022, EDB was active in rising funds in local debt markets in various currencies, including Russian ruble, US dollar, and Chinese yuan, for up to four years.

KEY ASSUMPTIONS

- Maintaining EDB's systemic importance for the Eurasian region.
- Pursuing the current strategy within the 12 to 18-month horizon.
- Maintaining adequate capital levels within the 12 to 18-month horizon.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS UNDER THE INTERNATIONAL SCALE

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Significant increase in asset quality, as well as funding and liquidity metrics.

A negative rating action may be prompted by:

- No improvements in the liquidity and funding position;
- Lower asset quality, including further decline in the coverage of credit assets by sovereign guarantees/sureties;

– Significant deterioration in capital metrics.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS UNDER THE NATIONAL SCALE FOR THE RUSSIAN FEDERATION

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

A negative rating action may be prompted by:

– Downgrade in EDB's credit rating under the international scale.

RATING COMPONENTS UNDER THE INTERNATIONAL SCALE

SCA: **a-**.

Adjustments: none.

ISSUE RATINGS

EDB's note (KZX000001003), maturity date: December 20, 2023, issue volume: USD 100 mln — A-.

EDB's exchange-traded bond, series 001P-05 (RU000A101574), maturity date: June 9, 2023, issue volume: RUB 8 bln — AAA(RU).

EDB's exchange-traded bond, series 001P-06 (RU000A101L54), maturity date: April 18, 2023, issue volume: RUB 5 bln — AAA(RU).

EDB's exchange-traded bond, series 001P-07 (RU000A101PK9), maturity date: May 23, 2024, issue volume: RUB 10 bln — AAA(RU).

EDB's exchange-traded bond, series 001P-08 (RU000A104TQ2), maturity date: November 21, 2024, issue volume: RUB 7 bln — AAA(RU).

EDB's exchange-traded bond, series 003P-001 (RU000A1050H0), maturity date: July 29, 2025, issue volume: RUB 10 bln — AAA(RU).

EDB's exchange-traded bond, series 003P-003 (RU000A1057B8), maturity date: September 14, 2026, issue volume: USD 700 mln — AAA(RU).

EDB's exchange-traded bond, series 003P-004 (RU000A105EV1), maturity date: November 07, 2025, issue volume: CNY 1.9 bln — AAA(RU).

EDB's exchange-traded bond, series 003P-005 (RU000A105KW6), maturity date: December 03, 2025, issue volume: RUB 5 bln — AAA(RU).

Rationale. The credit ratings of the note issue (KZX000001003) and the bond issues series 001P-05 (RU000A101574), 001P-06 (RU000A101L54), 001P-07 (RU000A101PK9), 001P-08 (RU000A104TQ2), 003P-001 (RU000A1050H0), 003P-003 (RU000A1057B8), 003P-004 (RU000A105EV1), and 003P-005 (RU000A105KW6) are equal to the credit rating of Eurasian Development Bank.

The note and bonds listed above are senior unsecured debt instruments of EDB. Due to the absence of either structural or contractual subordination of the issues, ACRA ranks the bonds as equal to other existing and future unsecured and unsubordinated debt obligations of EDB.

REGULATORY DISCLOSURE

The credit rating was assigned to Eurasian Development Bank under the international scale based on the Methodology for Assigning Credit Ratings under the International Scale to International Financial Institutions and Other Supranational Development Institutions. The credit rating was assigned to the note issue of Eurasian Development Bank (KZX000001003) under the international scale based on the Methodology for Assigning Credit Ratings to Financial Instruments under the International Scale. The credit ratings were assigned to Eurasian Development Bank and the bonds issued by Eurasian Development Bank (RU000A101574, RU000A101L54, RU000A101PK9, RU000A104TQ2, RU000A1050H0, RU000A1057B8, RU000A105EV1, RU000A105KW6) under the national scale for the Russian Federation based on the Methodology for Mapping Credit Ratings Assigned on ACRA's International Scale to Credit Ratings Assigned on ACRA's National Scale for the Russian Federation. The Methodology for Assigning Credit Ratings to Financial Instruments on the National Scale for the Russian Federation was also applied to assign credit ratings to the bond issues (RU000A101574, RU000A101L54, RU000A101PK9, RU000A104TQ2, RU000A1050H0, RU000A1057B8, RU000A105EV1, RU000A105KW6). In addition, the Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities were also applied to assign all of the aforementioned credit ratings.

The credit ratings under the international scale and the national scale for the Russian Federation for Eurasian Development Bank were published by ACRA for the first time on September 30, 2019. The credit ratings assigned under the national scale for the Russian Federation to the bond issues series 001P-05 (RU000A101574), series 001P-06 (RU000A101L54), series 001P-07 (RU000A101PK9), series 001P-08 (RU000A104TQ2), series 003P-001 (RU000A1050H0), series 003P-003 (RU000A1057B8), series 003P-004 (RU000A105EV1) and series 003P-005 (RU000A105KW6) were published by ACRA for the first time on December 12, 2019, April 20, 2020, May 27, 2020, May 30, 2022, August 02, 2022, September 19, 2022, November 11, 2022 and December 07, 2022, respectively; the credit rating assigned under the international scale to the note issue (KZX000001003) of Eurasian Development Bank was published by ACRA for the first time on December 22, 2021.

The credit rating and credit rating outlook for Eurasian Development Bank, and the credit ratings of the bond issues listed above are expected to be revised within 182 days following the publication date of this press release as per the Calendar of sovereign credit rating revisions and publications.

The credit ratings were assigned based on data provided by Eurasian Development Bank, information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the IFRS reporting of Eurasian Development Bank. The credit ratings are solicited, and Eurasian Development Bank participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which were, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

Disclosure of deviations from the methodologies: in its assessment of the Funding and Liquidity factor, ACRA adjusted the calculations of the ratio of high-liquid assets to short-term liabilities in view of the one-off nature of the significant increase in the volume of funds held in loro accounts as of the reporting date and taking into account the preliminary data for 2022. This deviation related to the Methodology for Assigning Credit Ratings under the International Scale to International Financial Institutions and Other Supranational Development Institutions.

ACRA provided additional services to Eurasian Development Bank. No conflicts of interest were discovered in the course of the credit rating assignment.

The Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bln. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

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