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Eurasian Development Bank – First Time Ratings Assigned with a Stable Outlook

Capital Intelligence Ratings (CI Ratings or CI) today announced that it has assigned a first time Long-Term Foreign Currency Rating (LT FCR) and a Short-Term Foreign Currency Rating (ST FCR) to Eurasian Development Bank (EDB or the Bank) of 'BBB' and 'A2', respectively. At the same time, CI Ratings has assigned to EDB a Bank Standalone Rating (BSR) of 'bbb', Core Financial Strength (CFS) rating of 'bbb' and Extraordinary Support Level (ESL) of Moderate. The Outlook for the LT FCR and BSR is Stable.

Rating Drivers

EDB's LT FCR is set at the same level as the Bank's BSR. There is no uplift for the LT FCR despite an ESL of Moderate, because the BSR is higher than the estimated average credit strength of the Bank's shareholders (the member states). Nevertheless, the member states exhibit willingness to provide extraordinary support to EDB if needed by committing to a high level of callable capital. The BSR is derived from a CFS rating of 'bbb' and an operating environment risk anchor (OPERA) of 'bbb-'. The CFS rating is supported by EDB's solid capital position and balance sheet leverage ratio, low NPL ratio and more than full loan-loss reserve coverage reflecting effective risk management. Additional credit strengths are the comfortable liquidity and low refinancing risk, and satisfactory earnings strength (despite a decline in 2025). The CFS is constrained by the international sanctions on the economies of both Russia, which is currently one of the largest shareholders, and Belarus. Additional rating constraints are the challenging operating environment in the region, including high inflation in Kazakhstan, and significant concentrations among borrowers. The OPERA indicates modest risk and is not adjusted to reflect exposures in higher-risk economies, as the bulk of lending is to borrowers in Kazakhstan and the loan portfolio is moderate.

EDB is a Multilateral Development Bank (MDB) with headquarters and a main operational office located in Almaty, Kazakhstan. The Banks operates in its members states (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan), with whose governments it has concluded agreements that establish the terms and conditions of operations. Uzbekistan joined in 2025. The business model is focused on long-term lending for projects with significant and measurable social and development impacts, including in the infrastructure and green energy sectors. Notwithstanding ongoing geopolitical challenges, the business model has demonstrated a fair degree of resilience since EDB's establishment twenty years ago. EDB is permitted to do sovereign finance, but it chooses to curtail this activity and primarily focuses on non-sovereign business. The Bank is currently the leader among MDBs in non-sovereign financing within the Eurasian region, with a market share of 63% in the countries of operation. As a supranational, EDB benefits from the immunities and privileges in its member states, including preferred creditor status (for sovereign exposures) and tax exemptions. With respect to non-sovereign loans, the Bank generally acts as a senior lender. A limited number of loans provided to non-sovereign borrowers rank pari passu with the loans provided by other lenders.

While the governments of Kazakhstan and Russia retain significant equity stakes in the Bank, the Russian shareholding has been reduced to below a majority since 2022. The recent accession of Uzbekistan as a member state, and soon the addition of a GCC state as well, is projected to reduce Russia's stake further down to 38.7% from the current 42.3% (66% in 2022). One of EDB's strategic objectives is to progressively diversify ownership through membership expansion across Asia and the Middle East (including the GCC) with the aim of becoming a full-fledged Regional Development Bank. The process of admitting new member states will also contribute to equity by way of additional capital injections from the new members. According to EDB's Charter, key Council decisions must be approved by no less than 75% of votes. Voting power is currently dominated by Russian and Kazakhstan, but no individual Council member can make decisions unilaterally. EDB is not subject of any sanctions. Crucially, EDB is compliant with applicable international sanction-related regulations and has implemented safeguarding measures to reduce exposure in Russia through collections and suspension of loan disbursements.

EDB's capitalisation is a key credit strength. The capital ratios are solid, even allowing for the significant share of zero risk-weighted exposures. The Bank's balance sheet leverage ratio also remains very good at 36.4% at end-2025 and indicates high financial flexibility. EDB's capital level is expected to remain sustainable and sufficient to absorb any normal losses, and to support growth over the medium term. Capital adequacy remains subject to mark-to-market revaluation adjustments on equity arising from the FVOCI portfolio, although the impact of this so far has been moderate. With callable capital approximately four times of the paid-in capital, the willingness of shareholders to provide financial assistance to the Bank in the event of need, is high. However, the financial capacity to provide extraordinary support is somewhat constrained by the moderate credit standing of most member states.

We consider the Bank's risk management framework to be effective, particularly within the context of being a self-regulated entity. Overall asset quality is good relative to the rating level. Liquid asset holdings consisting of cash, cash equivalents and highly rated debt securities dominate the asset base, while the loan portfolio remains moderate in size (equivalent to 114% of total equity or 41% of total assets in 2025). Although NPLs (Stage 3) have grown since 2023, albeit from a low base due to IFRS 9 impairment triggers, they remain at a relatively low 2.2% as of end 2025. Loan asset quality is considered to be a supporting rating factor. EDB follows a prudent provisioning policy as evidenced by consistently more than full LLR coverage of NPLs. Currently NPLs relate to only two projects (one in Armenia and the other in Kazakhstan). Exposures are provisioned according to IFRS 9 and secured against project and non-project assets, as well as guarantees from the sponsors and sponsors' other entities. EDB in general has a good track record of recovering NPLs. Stage 2 loans constitute a low 1.5% of gross loans, suggesting that NPL accretion is likely to be limited in the short term.

However, the long-term horizon of lending, alongside the concentrated borrower base, elevates the risk profile of the credit portfolio. Concentration risk is an inherent salient feature of a moderate loan book and the current limited number of member states. A partial risk mitigating factor is that a significant proportion of the top ten borrowers are GREs operating across reasonably diverse industrial sectors in Kazakhstan, where economic conditions and the operating environment are benign (in comparison with other member states). Balance sheet exposure to Kazakhstan rose to 50% of total assets, while that of Russia declined further to 13% of total assets in 2025. CI expects the concentration risks seen in the asset base to gradually reduce over time through disbursements for new members, including recently joined Uzbekistan.

EDB's high grade and unencumbered debt securities portfolio support overall asset quality. Exposure is reasonably diversified across issuers, and the majority (75%) comprise instruments issued by financial institutions and sovereigns in the Asia Pacific region, US, EU and GCC. Debt securities in the AAA, AA and A rating categories made up 60% of total holdings in 2025. The bulk are liquid and facilitate funding through the repo market, as and when necessary. Approximately one-third of debt instruments have maturities up to 3 months with market risk being moderate due to the dominance of fixed rate debt instruments.

EDB does not have a profit maximisation mandate or target. Nevertheless, we assess profitability within the context of the Bank's ability to absorb cost of risk and to generate capital internally. EDB's capacity to produce operating income is satisfactory, notwithstanding some degree of volatility due to limited non-interest income (non-II) and NIM fluctuation. Provision write-backs have contributed to the variability, as has the limited number of borrowers. Net interest income (NII) is projected to remain the largest component of operating income going forward, given that NIM compression may ease in 2026. Although operating profitability declined in 2025, it remains adequate and provides sound risk absorption capacity. The Bank does not pay any cash dividends. Upon resolution of the Bank's Council, profit could be distributed among the Bank's members only after the reserve fund reaches 15% of the Bank's share capital, Consequently, a policy of full earnings retention supports an acceptable rate of internal capital generation. These factors support the rating. Given adequate earnings quality, we envisage profitability metrics to remain broadly stable in the short term.

Funding, although predominantly wholesale-based, is available from various sources and in multiple currencies. Among non-equity sources, the issued debt securities funded the largest 38.4% of total assets, followed by loans and deposits from FIs. While there is increasing reliance on Chinese funds in the latter, it reflects borrowings for projects involving either Chinese suppliers or component providers. Despite international sanctions on the Russian and Belarussian economies, the Bank has demonstrated ongoing access to domestic and international non-Western debt capital markets, which we expect to continue. The Bank also taps bank borrowings and corporate deposits as additional funding sources. The share of outstanding Russian liabilities, as per geographic segmentation, remains dominant but has reduced to 45.6% of total liabilities (excluding equity) as at end 2025, and risk to the Bank from withdrawal of such funds is regarded as low. The net broad liquid assets ratio fell to a more moderate level in 2025. That said, the Bank's internal liquidity metric indicates a sufficient buffer vis-a-vis the internal threshold of meeting the next 12-month projected net loan disbursements and annual cost of servicing financial debt. Furthermore, the satisfactory loan-based liquidity metrics are supported by stable capital funds.

The OPERA of 'bbb-' reflects Kazakhstan's good international liquidity, moderate monetary policy flexibility, sound macroeconomic policies and very strong economic growth performance, supported by the availability of large hydrocarbon and mineral resource bases. However, prevailing geopolitical risks and volatility in global energy markets continue to weigh on the OPERA. The latter takes into consideration Kazakhstan's relative dependence on hydrocarbons, as well as very high inflationary pressures. The banking system is small, circa 45% of GDP in 2025, and it benefits from stable domestic funding conditions, adequate system liquidity and good capitalisation, profitability and asset quality.

Rating Outlook

The Stable Outlook on the LT FCR and BSR reflects our expectation that EDB will maintain solid capital buffers, satisfactory earnings and liquidity, as well as good loan asset quality over the next 12 months.

Rating Dynamics: Upside Scenario

Although unlikely in the near term, the Outlook on the LT FCR and BSR could be revised to Positive in the event of a substantial improvement in the underlying creditworthiness of the sovereign shareholders, a reduction in operating environment risks, and a greater diversification of funding sources.

Rating Dynamics: Downside Scenario

A downward revision of the Outlook and/or a one-notch downgrade of the LT FCR and BSR is possible in case of a significant deterioration of EDB's standalone risk profile, in particular a sharp decline in capital ratios, profitability, asset quality and liquidity. Furthermore, if our internal assessment of Kazakhstan sovereign credit risk is lowered and/or the OPERA was to deteriorate significantly, the Outlook and/or ratings could also fall.

Ratings

Foreign Currency		Outlook	BSR	Outlook	CFS	ESL	OPERA
LT	ST	LT FC		BSR			
BBB	A2	Stable	bbb	Stable	bbb	Moderate	bbb-

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About the Ratings

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