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Lead analyst:

Batchuluun Lkhagvaa, Director
+7 (495) 139-0480, ext. 135
batchuluun.lkhagvaa@acra-
ratings.ru

Key rating assessment
factors

ACRA assigns A- to Eurasian Development Bank, outlook Stable, under the international scale, AAA(RU), outlook Stable, under the national scale for the Russian Federation, affirms AAA(RU) to bond issues (RU000A0ZZRR6), (RU000A1004X4), (RU000A100JC1) and assigns AAA(RU) to bond issue (RU000A100US4)

The credit rating assigned to [Eurasian Development Bank](#) (hereinafter, EDB) is based on high member-state support, high capital adequacy, a satisfactory risk profile, and adequate liquidity and funding.

EDB is a supranational development institution established to promote the economic growth, expansion of trade, and economic relations between the member states of the Eurasian Economic Union (hereinafter, the EAEU). The member states of EDB are the Russian Federation (65.97%), the Republic of Kazakhstan (32.99%), the Republic of Belarus (0.99%), the Republic of Tajikistan (0.03%), the Republic of Armenia (0.01%), and the Kyrgyz Republic (0.01%).

ACRA assesses member-state support at A-. This assessment is based on the highest achievable level of support from key member states, i.e., A- from the Russian Federation and BBB+ from the Republic of Kazakhstan.

The level of support from the Russian Federation is determined by the combination of EDB's high systemic importance for the Russian economy and the credit rating of the Russian Federation at A-, outlook Stable.

The level of support from the Republic of Kazakhstan is determined by the combination of EDB's high systemic importance for the Kazakh economy and the credit rating of the Republic of Kazakhstan at BBB+, outlook Stable.

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 activities. EDB's strategy for 2018-2022 provides for active expansion in investment activities, particularly in the energy sector. In addition, EDB intends to develop settlement operations (letters of credit and clearing services) between EAEU member states, as well as issue customs guarantees and guarantees for the fulfillment of state orders. This will strengthen EDB's position as a development institution for the Eurasian region.

However, ACRA believes this assessment is limited by the likelihood of interference in EDB's activities by member states pressured by sanctions.

EDB's capital adequacy position is strong. EDB has a significant supply of capital, which provides a comfortable absorption buffer against losses. As of July 1, 2019, the adequacy of EDB's paid-in capital, calculated according to ACRA's methodology, amounted to 36.3%. ACRA notes that on top of the paid-in capital (USD 1.5 bln), EDB has a substantial supply of callable capital (USD 5.5 bln), which exceeds all assets and off-balance sheet liabilities.

ACRA assesses EDB's risk profile as satisfactory. The risk profile is characterized primarily by the loan profile's high concentration on the ten largest credit risks, which represent 94.8% of paid-in capital. In addition, the risk profile exhibits relatively high country diversification, with the Russian Federation accounting for 36.3% of financial assets, the Republic of Kazakhstan accounting for 28.2%, and other countries accounting for the remaining shares, including countries outside the EAEU. ACRA notes the high quality of EDB's financial assets; as of July 1, 2019, the share of overdue (NPL90+) and potentially problem debt amounted to only 4.4%.

The securities portfolio, which accounts for about 36.5% of total assets as of July 1, 2019, is formed primarily by highly reliable debt securities, including bonds from majority member states.

ACRA assesses the quality of EDB's risk management as satisfactory due to its comprehensive risk management policy. However, ACRA believes that this sub-factor is limited due to the low level of disclosure of risk management principles and the results of work in this area.

EDB's liquidity and funding position is adequate. EDB is characterized by its strong liquidity position as it maintains a substantial share of highly liquid assets on its balance, the lowest share of which over the last 36 months was 30.5% of total assets. This, along with diversified funding in terms of urgency, provides a comfortable cushion of liquidity in the short- and medium-terms.

EDB's liabilities are moderately diversified in terms of funding sources (Herfindahl-Hirschman index at 39%). ACRA notes that EDB is reducing its dependence on bank loans in favor of debt securities; as of July 1, 2019, bank loans amount to about 6% of total liabilities, while debt securities amount to just over 44%.

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](#).

Key assumptions

- Maintaining member-state structure and creditworthiness, as well as EDB's systemic importance;
- Maintaining the current strategy and business model within the 12 to 18-month horizon;
- Maintaining paid-in capital levels within the 12 to 18-month horizon;
- Maintaining a high level of funding diversification and short-term liquidity.

Potential outlook or rating change factors under the international scale

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

A positive rating action may be prompted by:

- Increase in the creditworthiness of key member states while maintaining systemic importance for said member states.

A negative rating action may be prompted by:

- Decrease in the creditworthiness of key member states;
- Decrease in systemic importance for key member states;
- Deterioration in capital adequacy;
- Deterioration in liquidity and funding position.

Potential outlook or rating change factors under the national scale for the Russian Federation

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

A negative rating action may be prompted by:

- Decrease in EDB's credit rating under the international scale.

Rating components under the international scale

SCA: a-.

Adjustments: none.

Support: on par with the average weighted creditworthiness of member states and EDB's systemic importance for said states.

Issue ratings

[Eurasian Development Bank Exchange-traded bond Series 001P-02 \(RU000A0ZZRR6\)](#), maturity: May 7, 2021, issue volume: RUB 5 bln — **AAA(RU)**.

[Eurasian Development Bank Exchange-traded bond Series 001P-03 \(RU000A1004X4\)](#), maturity: March 9, 2021, issue volume: RUB 5 bln — **AAA(RU)**.

[Eurasian Development Bank Exchange-traded bond Series 001P-04 \(RU000A100JC1\)](#), maturity: January 10, 2023, issue volume: RUB 5 bln — **AAA(RU)**.

[Eurasian Development Bank Exchange-traded bond Series 002P-01 \(RU000A100US4\), with previously assigned expected rating of eAAA\(RU\)](#), maturity: November 29, 2019, issue volume: RUB 2 bln — **AAA(RU)**.

Rationale. The credit ratings of bond issues series 001P-02 (RU000A0ZZRR6), 001P-03 (RU000A1004X4), 001P-04 (RU000A100JC1), and 002P-01 (RU000A100US4) correspond with the credit rating of the Issuer.

The 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 on the International Scale to International Financial Institutions and Other Supranational Development Institutions](#). The credit ratings were assigned to Eurasian Development Bank and bonds issued by Eurasian Development Bank (RU000A0ZZRR6, RU000A1004X4, RU000A100JC1, RU000A100US4) under the national scale for the Russian Federation based on [Methodology for Mapping Credit Ratings Assigned on ACRA's International Scale to Credit Ratings Assigned on ACRA's National Scale for the Russian Federation](#) and the [Key Concepts Used by Analytical Credit Rating Agency within the Scope of Its Rating Activities](#). In the course of assigning credit ratings to the bond issues above, the Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments under the National Scale of the Russian Federation was also used.

Credit ratings under the international scale and the national scale for the Russian Federation have been assigned to Eurasian Development Bank for the first time. The credit ratings assigned under the national scale for the Russian Federation to bond issues series 001P-02 (RU000A0ZZRR6), series 001P-03 (RU000A1004X4), series 001P-04 (RU000A100JC1), were published by ACRA for the first time on November 8, 2018, March 11, 2019 and July 16, 2019, respectively. The credit rating has been assigned to series 002P-01 (RU000A100US4) bond for the first time. 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 planned sovereign credit rating revisions and publications](#).

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

No material discrepancies between the provided information and the data officially disclosed by Eurasian Development Bank in its financial statements have been discovered.

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

Disclosure of deviations from the approved methodologies. In assessing support from member states, ACRA did not assess the creditworthiness of those countries whose share in EDB's paid-in capital is insignificant (a total of 1.04%), nor did it assess EDB's systemic importance for said countries. These member states include the Republic of Belarus (0.99% of paid-in capital), the Republic of Tajikistan (0.03%), the Republic of Armenia (0.01%) and the Kyrgyz Republic (0.01%).

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Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

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