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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 AAA(RU) TO BOND ISSUES

BATCHULUUN LKHAGVAA
Director, Financial Institutions Ratings Group
+7 (495) 139 04 80, ext. 135
batchuluun.lkhagvaa@acra-ratings.ru

ZHANNUR ASHIGALI
Associate Director, Sovereign Ratings and Macroeconomic Analysis Group
+7 (495) 139 03 02
zhannur.ashigali@acra-ratings.ru

The credit rating assigned to Eurasian Development Bank (hereinafter, EDB or the Bank) is driven by EDB's standalone creditworthiness assessment (SCA) of a-, which stems from strong capital adequacy, satisfactory risk profile, and adequate liquidity and funding positions. EDB's shareholders are able to support the Bank's operations.

EDB is an International Financial Institution (IFI) 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) later known as 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%).

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. EDB's strategy for 2018–2022 aims to actively expand 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 would strengthen EDB's position as a leading multilateral development institution for the Eurasian region.

EDB's capital adequacy position is strong. EDB has a significant amount of capital, which provides a comfortable absorption buffer against potential losses. As of end-June 2021, the capital adequacy ratio stood at 33.6% according to ACRA. This is supported by adequate operating efficiency metrics including return on equity ratio (ROE) of 2.8%, as calculated by ACRA. Furthermore, EDB has a substantial supply of callable capital, which stood at USD 5.5 bln, as well as paid-in capital of USD 1.5 bln as of end-June 2021.

ACRA assesses EDB's risk profile as satisfactory. The risk profile is driven by a satisfactory risk management quality assessment. In addition, the risk profile exhibits relatively high country diversification. The Russian Federation accounts for 40% of assets while other countries account

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for 22.4%, including countries outside the EAEU, with Kazakhstan (26.1%) and minority shareholders accounting for the remaining asset exposure.

The securities portfolio, which accounts for about 49% of total assets as of end-June 2021, is formed primarily by highly reliable debt securities, including bonds from majority member states. ACRA notes in its assessment of EDB's risk profile the high concentration of its loan portfolio, and also the fact that the loan book currency composition is mostly in RUB and KZT. This is in line with EDB's mandate, which stems from its majority shareholders. In addition, EDB's loan portfolio is mostly covered by guarantees and collaterals, most of it stemming from sovereign and corporate guarantees covering 56.35% of loans. ACRA also notes that asset exposure (10.7%) to Belarus is higher than the paid-in capital share (0.99%) of the country and the prolonged political instability in the country may affect the risk profile assessment negatively.

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 sheet. The liquid assets stood at three times the amount of short-term liabilities. This, along with diversified funding sources, 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 31.6%). ACRA notes that EDB is increasing its dependence on bank loans (as of end-June 2021, bank loans amount to about 29.5% of total liabilities compared to 27.9% as of end-2020) relative to debt securities (which amount to just over 31% compared to 38% a year earlier). In its assessment, ACRA notes the high percentage of RUB (26.8%) and KTZ (20.9%) denominated bonds issued by EDB, of which 3.8% mature within the next 12 months.

ACRA notes that shareholders support the operations of EDB, which determines its significant importance to the shareholder countries. Underlining its systemic importance to its member-states, EDB acts as the designated Resources Manager for the Eurasian Fund for Stabilization and Development (EFSD), which is a regional financial arrangement (RFA) of USD 9.5 bln (separate from EDB's balance sheet) founded by the shareholding sovereigns of EDB in 2009. During 2020, a period that was defined by the COVID-19 global pandemic, the Bank, being EFSD's Resources Manager, administrated the process of providing EFSD funds to its members states for pandemic relief purposes, including a 20-year USD 500 mln loan to support the budget of Belarus and a USD 50 mln loan to Tajikistan.

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 asset quality as well as funding and liquidity metrics.

A negative rating action may be prompted by:

- Decrease in systemic importance for key member states;
- Deterioration in capital adequacy and asset quality.

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.

ISSUE RATINGS

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 001P-05 (RU000A101574), maturity: June 9, 2023, issue volume: RUB 8 bln — AAA(RU).

Eurasian Development Bank Exchange-traded bond Series 001P-06 (RU000A101L54), maturity: April 18, 2023, issue volume: RUB 5 bln — AAA(RU).

Eurasian Development Bank Exchange-traded bond Series 001P-07 (RU000A101PK9), maturity: May 23, 2024, issue volume: RUB 10 bln — AAA(RU).

Rationale. The credit ratings of bond issues series 001P-04 (RU000A100JC1), 001P-05 (RU000A101574), 001P-06 (RU000A101L54) and 001P-07 (RU000A101PK9) are in line 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 under the International Scale to International Financial Institutions and Other Supranational Development Institutions. The credit ratings were assigned to Eurasian Development Bank and the bonds issued by Eurasian Development Bank (RU000A100JC1, RU000A101574, RU000A101L54, RU000A101PK9) 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 and the Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities. The Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments on the National Scale for the Russian Federation was also applied to assign credit ratings to the above issues.

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-04 (RU000A100JC1), series 001P-05 (RU000A101574), series 001P-06 (RU000A101L54) and series 001P-07 (RU000A101PK9) were published by ACRA for the first time on July 16, 2019, December 12, 2019, April 20, 2020 and May 27, 2020, respectively. 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 are based on data provided by Eurasian Development Bank, information from publicly available sources, and ACRA's own databases. The rating analysis was conducted using the 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.

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

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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.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website – www.acra-ratings.com/criteria.

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website – www.acra-ratings.com. Information is provided on an "as is" basis.

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ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by legislation of the Russian Federation.