

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 BOND ISSUE AND AAA(RU) TO BOND ISSUES

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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 strong capital adequacy, a satisfactory risk profile, and adequate liquidity and funding positions.

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 (RU000A100JC1, RU000A101574, RU000A101L54, RU000A101PK9), which are senior unsecured debt instruments of EDB, were affirmed at AAA(RU). The credit rating of the bond issue (KZX000001003), which is a senior unsecured debt instrument of EDB, was 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), 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. The strategy for 2018–2022 aims to actively 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.

In addition, EDB is the Resources Manager of the Eurasian Fund for Stabilization and Development (EFSD), which indicates the high systemic importance of EDB for the shareholder countries. The EFSD is a regional financial arrangement of USD 9.5 bln (as of June 30, 2021; separate from EDB's balance sheet) founded by the shareholding sovereigns of EDB in 2009. During the COVID-19 pandemic, EDB administrated the process of providing EFSD funds (including loans to support budgets) to its member states for pandemic relief purposes.

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 33.4% as of June 30, 2021 according to ACRA). Operating efficiency is assessed as adequate, despite its continuing decline (the return on equity ratio (ROE), which takes into account the efficiency of operations over the past three years, amounted to 2.8%).

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. As of June 30, 2021, the Russian Federation accounted for around 40% of assets, Kazakhstan accounted for 26.1%, while other countries accounted for 22.5%, including countries outside the EAEU, and minority shareholders accounted for the remaining asset exposure.

The treasury securities portfolio, which accounted for about 38% of EDB's assets as of the end of June 2021, is formed primarily by debt securities, including bonds from majority member states (13% of assets). The quality of financial assets and contingent liabilities is generally assessed as adequate, taking into account the low level of problem debt (Stage 3 loans under IFRS account for 2.5% 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 (1.4x total equity). The loan portfolio is mostly covered by guarantees and collaterals, including those issued by governments. ACRA also notes that asset exposure (10.6%) to Belarus is higher than the paid-in capital share (0.99%) of the country, and that prolonged political instability in a number of member states may negatively affect EDB's risk profile assessment.

EDB's liquidity and funding position is adequate. EDB is characterized by its strong liquidity position as it consistently maintains a substantial share of highly-liquid assets on its balance sheet. Highly liquid assets stand at more than three times the amount of short-term (up to 30 days) liabilities. EDB's liabilities are moderately diversified in terms of funding sources (the Herfindahl-Hirschman index stood at 0.29 as of June 30, 2021). ACRA notes that EDB is increasing its dependence on bank loans (as of June 30, 2021 they amounted to more than 40% of liabilities, including repo transactions). EDB does not have any liquidity gaps.

KEY ASSUMPTIONS

- No significant changes to member state structure, and maintaining EDB's systemic importance to the Eurasia region;
- Maintaining the current strategy and business model within the 12 to 18-month horizon;
- Maintaining adequate capital levels within the 12 to 18-month horizon;
- Maintaining a comfortable funding and liquidity position.

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:

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

A negative rating action may be prompted by:

- 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 bond (KZX000001003), maturity date: December 20, 2023, issue volume: USD 100 mln — **A-**.

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

Eurasian Development Bank Exchange-traded bond Series 001P-05 (RU000A101574), maturity date: June 9, 2023, issue volume: RUB 8 bln — **AAA(RU)**.

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

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

Rationale. The credit ratings of the bond issue (KZX000001003) and the bond issues series 001P-04 (RU000A100JC1), 001P-05 (RU000A101574), 001P-06 (RU000A101L54) and 001P-07 (RU000A101PK9) are in line with the credit rating of Eurasian Development Bank.

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 rating was assigned to the bond 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 (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](#). 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 bond issues (RU000A100JC1, RU000A101574, RU000A101L54, RU000A101PK9). 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-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 assigned under the international scale to the bond 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 was, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

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

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