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Key rating assessment factors

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

The credit rating assigned to [Eurasian Development Bank](#) (hereinafter, EDB or the Bank) is driven by both moderately high support from shareholding sovereigns and EDB's own standalone creditworthiness assessment (SCA) of a-, which stems from strong capital adequacy, satisfactory risk profile, and adequate liquidity and funding positions.

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%).

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 2020, the capital adequacy ratio stood at 36.5% according to ACRA. This is supported by adequate operating efficiency metrics including return on equity ratio (ROE) of 3.6%, 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 2020.

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 36.9% of assets while other countries account for 26.6%, including countries outside the EAEU, with Kazakhstan and minority shareholders accounting for the remaining asset exposure.

The securities portfolio, which accounts for about 41.6% of total assets as of end-June, 2020, is formed primarily by highly reliable debt securities, including bonds from majority member states. ACRA notes in its assessment of EDB's risk profile 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 84.15% of loans. ACRA notes that asset exposure (9.1%) 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 2.2 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%). ACRA notes that EDB is increasing its dependence on bank loans in favor of debt securities; as of end-June 2020, bank loans amount to about 22% of total liabilities, while debt securities amount to just under 38%. In this assessment, ACRA notes the high percentage of RUB (39.2%) and KTZ (21.8%) denominated bonds issued by EDB, of which 33.6% mature within the next 12 months.

ACRA assesses support from shareholder countries as moderately high. This assessment is supported by two elements: ACRA's view that the importance of EDB operations for shareholder countries is high and the moderately strong creditworthiness assessment of 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 9.4 bln (separate from EDB balance sheet) founded by the shareholding sovereigns of EDB in 2009. During H1 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 100 mln loan to support the budget of Kyrgyzstan and 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 the creditworthiness of key member states;
- 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.

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-07 \(RU000A101PK9\)](#), maturity: May 23, 2024, issue volume: RUB 10 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-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 001P-05 \(RU000A101574\)](#), maturity: June 9, 2023, issue volume: RUB 8 bln — **AAA(RU)**.

Rationale. The credit ratings of bond issues series 001P-02 (RU000A0ZZRR6), 001P-03 (RU000A1004X4), 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 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, RU000A101574, RU000A101L54, RU000A101PK9) 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 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 bond issues series 001P-02 (RU000A0ZZRR6), series 001P-03 (RU000A1004X4), 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 November 8, 2018, March 11, 2019, 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 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.

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