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Lead analysts:

Alexander Rudykh, Senior Analyst
+7 (495) 139-0480, ext. 130
alexander.rudykh@acra-ratings.ru

Zhannur Ashigali, Associate Director
+7 (495) 139-0302
zhannur.ashigali@acra-ratings.ru

ACRA assigns AAA(RU) to RU000A1004X4 bond issued by the Eurasian Development Bank

Credit rating rationale. The issue represents senior unsecured debt of the [Eurasian Development Bank](#) (hereinafter, the EDB). Due to the absence of either structural or contractual subordination of the issue, ACRA regards it *pari passu* with other existing and future unsecured and unsubordinated debt obligations of the EDB.

EDB's credit quality is due to the support of member states in the group along with the moderately high systemic importance of funded projects, moderate business profile, high capital adequacy, weak risk profile, and adequate funding and liquidity position.

Key issue properties

Borrower / Actual issuer	Eurasian Development Bank
Type of security	Series 001P-03 exchange-traded bond
Issue volume	RUB 5 bln
ISIN	RU000A1004X4
Placement start date	March 12, 2019
Maturity date	March 9, 2021

EDB is an international finance organization established to promote the formation and development of the market economy of the member states, their economic growth, and the expansion of trade and economic relations between their governments. Member states in EDB include the Russian Federation (65.97% - paid-in capital), 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%).

EDB's strategy for 2018-2022 includes the broadening of its investment activities as well as the provision of new settlement and clearing services, which will further strengthen its position as an institution for the development of the Eurasian region.

Systemic importance of EDB for shareholding countries. EDB is a part of integration infrastructure in Eurasia. The credit quality of EDB's key shareholder, Russia, is supported by a very low leverage (the country is a net creditor in the world financial market), strict budget rules, and resistance to the sanctions regime in 2014-2018. Risks to Russia's credit quality are the dependence of its economy on the dynamics of commodity prices and the uncertainty regarding the sanctions regime. The credit quality of EDB's second key shareholder, Kazakhstan, is characterized by stable growth dynamics in the basic sectors of the economy, significant volumes of international reserves and moderate public debt. The risks are the dependence on the external environment for the main export goods and the slow process of the country's industrial diversification.

Capital adequacy. EDB has a significant supply of capital, which provides a comfortable absorption buffer against losses. As of July 1, 2018, the adequacy of EDB's paid-in capital, calculated according to ACRA's methodology, amounted to 34%. The adequacy of shareholder capital in compliance with Basel standards amounted to 60%. In addition, ACRA notes that EDB has a substantial supply of unpaid capital (USD 5.5 bln) which covers by all assets and off-balance sheet liabilities x1.5 over.

Return on equity has a neutral impact on EDB's financial profile. In 2016 and 2017, the ROE indicator was 10.4% and 2.5% respectively.

The risk profile is characterized primarily by the high concentration on the ten largest credit risks (112.8% of paid-in capital); together with a moderately high country diversification (48.1% of the financial assets are in Russia). At the same time, ACRA notes the high quality of the loan portfolio. As of July 1, 2018, the share of overdue debt (NPL90+) was 1.4%.

The securities portfolio, which holds about 30% of EDB's total assets (as of July 1, 2018), is made up mainly of highly reliable debt securities as well as bonds of EDB's majority shareholders. The ratio of market risk calculated in accordance with Basel requirements to paid-in capital was about 3%.

Funding and liquidity. EDB is characterized by its strong liquidity position. EDB maintains a substantial share of highly liquid assets on its balance, the lowest share of which over the last 36 months was 25.4%, which in total with the diversified funding in terms of urgency provides a comfortable cushion of liquidity in the short and medium terms.

EDB's liabilities are moderately diversified according to funding sources (Herfindahl–Hirschman Index amounting to 38.9%). However, ACRA notes EDB's increased dependency on raised loans from banks. As of July 1, 2018, EDB's share of interbank loans in total liabilities was 27.8%.

The credit rating has been assigned to series 001P-03 (ISIN RU000A1004X4) bond under the national scale for the Russian Federation and is based on the [Methodology for Comparing Credit Ratings Assigned under ACRA's International Scale with Credit Ratings Assigned under ACRA's National Scale for the Russian Federation](#), the Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments under the National Scale of the Russian Federation, and the [Key Concepts Used by Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating has been assigned to series 001P-03 (ISIN RU000A1004X4) for the first time. The credit rating is 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 rating is based on the data provided by the Eurasian Development Bank, information from publicly available sources, and ACRA's own databases. The credit rating is solicited, and the Eurasian Development Bank participated in its assignment.

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

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

Regulatory disclosure

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75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

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