

International
Credit Update

Eurasian Development Bank

Ratings

Eurasian Development Bank

Foreign Currency

Long-Term IDR*	BBB+
Short-Term IDR*	F2
Outlook	Stable

*IDR- Issuer Default Rating

Financial Data

Eurasian Development Bank

	31 Aug 06	
Total Assets (USDm)	416.1	n.a.
Equity (USDm)	415.8	n.a.
Net Income	1.9	n.a.
Net RoA (%)	0.46	n.a.
Net RoE (%)	0.46	n.a.
Equity/Assets (%)	99.93	n.a.
Available Equ./	n.s	n.a.
Required Cap. (x)		

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■ Rating Rationale

- The ratings assigned to Eurasian Development Bank ("EDB") are essentially based on the support from its two founding member countries, the Russian Federation ("RF") and the Republic of Kazakhstan ("RK"). The ratings also take into account the conservative risk management guidelines set by EDB's management and the high level of capitalisation relative to the targeted size and risk of its loan portfolio.
- EDB's mission is to finance large infrastructure projects in the Eurasian Economic Community ("EEC"), which includes Russian Federation, Republic of Kazakhstan, Belarus, Kyrgyz Republic, Uzbekistan and Tajikistan. The two founding members will be the main recipients of EDB's financing (with about two-thirds of total financing). The financing may take the form of long-term loans either to public or private entities, guarantees and equity participations. EDB finances only projects that are financially viable. It will not engage in financing social projects or in concessional lending.
- The Bank expects its loan portfolio to reach USD3.5bn by end-2009. Total assets, including the treasury portfolio, should amount to USD5.5bn at that date. EDB benefits from preferred creditor status on its loans. 70% of assets will be denominated in USD and will be backed by hard currency resources. Funding, which is expected to be predominantly long term, should consist of loans from Western banks and of bond issues on the international and local markets.
- The Bank's capitalisation will be strong. EDB's authorised capital is USD1,500m, out of which USD414m had been paid as of end-October 2006. The remaining payments are due to be made by shareholders by end 2008. Fitch expects the ratio of equity to total assets to stand at around 30% at end-2009. EDB liquidity is expected to remain high, with treasury assets accounting for at least 30% of total assets.
- EDB is not subject to banking regulation and has set conservative risk management guidelines regarding capital requirement, asset quality, loan concentration, liquidity and asset-liability management. An independent risk management department has been established.

Support

- RF (rated 'BBB+' by Fitch) and RK ('BBB') respectively own two-thirds and one-third of the Bank's statutory capital, and are strongly committed to supporting EDB. Member countries have not subscribed callable shares, which differentiates EDB from other multilateral development banks ("MDBs"). However, based on a comfort letter signed by the deputy finance ministers of RF and RK, Fitch believes these countries would support EDB in the event of need. Support may be channelled through RF state owned banks, in case of a liquidity crisis. More EEC countries are expected to participate in EDB's capital in the future.

■ Rating Outlook and Key Rating Drivers

- The Rating Outlook for EDB is Stable. A change in the rating of EDB's member countries would trigger a review of the rating, with a more pronounced sensitivity to the rating of RF, which is the larger and more highly rated shareholder. EDB's intrinsic credit quality will be eventually factored into the rating.

■ Profile

- EDB is a MDB created in 2006 to foster the integration in the EEC region. It officially started its operations on 16 June 2006. It is headquartered in Almaty (the Republic of Kazakhstan) and had 49 staff as of October 2006.

8 November 2006

Balance Sheet Analysis
EURASIAN DEVELOPMENT BANK

	31 Aug 2006			
	2 Months	2 Months	As % of	Average
	USDm	USDm	Assets	USDm
	Partial	Partial	Partial	Partial
A. LOANS				
1. Loans made through Banks	355.6	355.6	85.46	n.a.
2. To/Guaranteed by Public Institutions	n.a.	n.a.	-	n.a.
3. To Private Sector	n.a.	n.a.	-	n.a.
4. Trade Financing Loans	n.a.	n.a.	-	n.a.
5. Other Loans	n.a.	n.a.	-	n.a.
6. Loan Loss Reserves (deducted)	n.a.	n.a.	-	n.a.
TOTAL A	355.6	355.6	85.46	n.a.
B. OTHER EARNING ASSETS				
1. Deposits with Banks	n.a.	n.a.	-	n.a.
2. Securities held for Sale & Trading	53.6	53.6	12.88	n.a.
3. Investment Debt Securities - (incl. other invest.)	n.a.	n.a.	-	n.a.
4. Equity Investments	n.a.	n.a.	-	n.a.
TOTAL B	53.6	53.6	12.88	n.a.
C. TOTAL EARNING ASSETS (A+B)	409.2	409.2	98.34	n.a.
D. FIXED ASSETS	0.3	0.3	0.07	n.a.
E. NON-EARNING ASSETS				
1. Cash and Due from Banks	5.0	5.0	1.20	n.a.
2. Other	1.6	1.6	0.38	n.a.
F. TOTAL ASSETS	416.1	416.1	100.00	n.a.
G. SHORT-TERM FUNDING				
1. Bank Borrowings (< 1 Year)	n.a.	n.a.	-	n.a.
2. Securities Issues (< 1 Year)	n.a.	n.a.	-	n.a.
3. Other (incl. Deposits)	n.a.	n.a.	-	n.a.
TOTAL G	n.a.	n.a.	-	n.a.
H. OTHER FUNDING				
1. Bank Borrowings (> 1 Year)	n.a.	n.a.	-	n.a.
2. Other Borrowings (incl. Securities Issues)	n.a.	n.a.	-	n.a.
3. Subordinated Debt	n.a.	n.a.	-	n.a.
4. Hybrid Capital	n.a.	n.a.	-	n.a.
TOTAL H	n.a.	n.a.	-	n.a.
I. OTHER (Non-Int Bearing)	0.3	0.3	0.07	n.a.
J. GENERAL PROVISIONS & RESERVES	n.a.	n.a.	-	n.a.
L. EQUITY				
1. Preference Shares	n.a.	n.a.	-	n.a.
2. Subscribed Capital	414.0	414.0	99.50	n.a.
3. Callable Capital	0.0	0.0	0.00	n.a.
4. Arrears/Advances on Capital	0.0	0.0	0.00	n.a.
5. Paid in Capital (memo)	n.a.	n.a.	-	n.a.
6. Reserves (incl. Net Income for the year)	1.8	1.8	0.43	n.a.
TOTAL L	415.8	415.8	99.93	n.a.
M. TOTAL LIABILITIES & EQUITY	416.1	416.1	100.00	n.a.

Exchange Rate

USD1 = USD 1.0000

Income Statement Analysis
EURASIAN DEVELOPMENT BANK

	31 Aug 2006	
	Income	As % of
	Expenses	Total AV
	USDm	Earning Assts
	Partial	Partial
1. Interest Received	2.5	-
2. Interest Paid	n.a.	-
3. NET INTEREST REVENUE	2.5	-
4. Other Operating Income	0.7	-
5. Other Income	0.0	-
6. Personnel Expenses	1.0	-
7. Other Non-Interest Expenses	0.3	-
8. Loan Loss Provisions	n.a.	-
9. Other Provisions	n.a.	-
10. OPERATING PROFIT	1.9	-
11. Exceptional Items	n.a.	-
12. NET INCOME	1.9	-

Ratio Analysis
EURASIAN DEVELOPMENT BANK

	31 Aug 2006	
		Partial
I. PROFITABILITY LEVEL		
1. Net Income/Equity (av.)	%	n.a.
2. Net Income/Total Assets (av.)	%	n.a.
3. Net Interest Revenue + Commitment Fees/Gross Loans (av.) + Liquid Assets (av.) + Average Guarantees (av.)	%	n.a.
4. Non-int. Exp./Net Interest Rev. + Other Operating Income	%	40.63
5. Income from Equity Investment/Equity Investment (av.)	%	n.a.
6. Provision on Loans & Equity Part. & Guarantees/Gross Loans (av.) + Equity Investment (av.) & Guarantees (av.)	%	n.a.
II. CAPITAL ADEQUACY		
1. Internal Capital Generation	%	n.a.
2. Outstanding Loans + Net Equity Invest. + Net Guarantees /Subscribed Capital + Reserves	%	85.52
3. Equity/Total Assets	%	99.93
4. AAA-AA- Callable Capital/Callable Capital	%	n.a.
5. Broad Capital/Required Capital	%	n.a.
6. Usable Capital/Required Capital	%	n.a.
III. LIQUIDITY		
1. Liquid Assets & Marketable Debt Securities/Debt < 1 Year	%	n.a.
2. Liquid Assets & Marketable Debt Securities/Total Assets	%	14.08
3. Liquid Assets + Marketable Debt Securities/Undisbursed Loans and Equity	%	n.a.
IV. ASSET QUALITY		
1. Non Accrual Loans /Gross Loans	%	n.a.
2. Loan Loss Reserves / Gross Loans	%	n.a.
3. Equity Loss Reserves /Equity Investment	%	n.a.
4. Total reserves / Gross Loans, Equity Investment & Guarantees	%	n.a.
5. Loan Loss Reserves/Non Accrual Loans	%	n.a.
6. Loans to Investment Grade Borrowers/Gross Loans Loans	%	n.a.
V. LEVERAGE		
1. Debt/Equity	%	n.a.
2. Debt/Subscribed Capital + Reserves	%	n.a.
3. Debt/Callable Capital	%	n.a.
4. Net Income + Interest Paid/Interest Paid	%	n.a.