EURASIAN DEVELOPMENT BANK

Financial Statements and
Independent Auditor's Report
For the Years ended 31 December 2021 and 31 December 2020

Eurasian Development Bank

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Russell Bedford
taking you further

Approve, General Director
IAC Russell Bedford A+ Partners LLP
S. E. Kudaibergenova

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Members of the Council of the Eurasian Development Bank

OPINION

We have audited the accompanying financial statements of Eurasian Development Bank (hereinafter – the Bank), which comprise the statement of financial position of the Bank on December 31, 2021 and December 31, 2020, the statement of profit or loss and other comprehensive income of the Bank for 2021 and 2020, the statement of changes in equity of the Bank for 2021 and 2020, the statement of cash flows of the Bank for 2021 and 2020, and the notes to the financial statements of the Bank for 2021 and 2020, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank on December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for 2021 and 2020 in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibility under those standards is disclosed in the Responsibilities of the Auditor for the Audit of the Financial Statements section of this report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (Including International Standards on Independence) adopted by the International Ethics Standards Board for Accountants (IESBA) (the IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Bank's financial statements. These matters were considered in the context of our audit of the Bank's financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters	Audit procedures in relation to key audit matters
Internal credit rating model used in estimating expected credit losses (ECL) under IFRS 9 Financial Instruments As disclosed in note 15 to the Bank's financial statements on December 31, 2021 and 2020, the Bank recognized total loans issued to customers of 1,710,004 thousand US dollars and 2,171,589 thousand US dollars, with corresponding provisions for ECL of 73,896 thousand US dollars and 72,891 thousand US dollars, respectively. The estimation of expected credit loss is a complex calculation requiring a number of inputs and assumptions	Audit procedures performed in this matter included: • gaining an understanding of the procedures and related controls for assessing and monitoring the credit rating of the Bank's borrowers; • assessing the methodology for compliance with IFRS 9 requirements with the involvement of our internal risk management specialists;

such as credit rating, probability of default and credit loss in case of default.

In accordance with IFRS 9, the Bank applies the expected loss model to create an allowance for impairment of financial assets. The key principle of this model is to reflect deterioration in the credit quality of financial assets in a timely manner, taking into account the use of reasonable and verifiable information about past events, current economic conditions and reasonable forecasts of future events and economic conditions that is available at the measurement date without undue effort to obtain it; the probabilistic nature of the values obtained from an assessment of all possible outcomes; unbiased and balanced in terms of the assumptions and judgments used; application of the concept of time value of money.

For loans to customers without external ratings based on international rating agency methodology (hereinafter - Internal models), which take into account information on current conditions as well as forecasts of future events.

Internal models generate a credit rating for each borrower, which corresponds to a certain probability of default based on data on financial indicators, the operating environment of the Bank's borrowers, macroeconomic indicators, projected cash flows, etc.

Professional judgment was required in assessing risk parameters such as macroeconomic conditions, projected cash flows, creditworthiness and solvency.

Information on gross carrying amount of loans and expected credit losses is disclosed in notes 3 "Significant accounting policies", 10 "Provision for expected credit losses", and 15 "Loans to customers" to the financial statements.

- assessing the reasonableness of the Bank's management assumptions and inputs used in the model, including analysis of projected macroeconomic indicators with the involvement of our internal risk management specialists;
- reviewing the adequacy and completeness of the Bank's disclosures on credit risk, loan portfolio structure and quality, and impairment provisions in accordance with IFRS 9, including the impact of COVID-19 on expected credit losses.

OTHER DATA

The financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on February 20, 2020.

OTHER INFORMATION

The Bank's management is responsible for the other information. The other information includes the information contained in the Reports for 2021 and 2020, but excludes the financial statements and our auditor's report thereon.

Our opinion on the Bank's financial statements does not cover the other information and we do not provide a conclusion that provides any form of assurance on that information.

In connection with our audit of the Bank's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Bank's financial statements or our knowledge obtained in the audit and whether the other information is otherwise materially misstated. If, based on our work, we conclude that such other information contains a material misstatement, we are required to report that fact. We did not identify any facts that need to be disclosed in our report.

RESPONSIBILITIES OF MANAGEMENT AND THOSE RESPONSIBLE FOR CORPORATE GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and preparing the financial statements on a going concern basis unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to liquidate or cease operations.

Those charged with governance are responsible for overseeing the preparation of the Bank's financial statements.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our goal is to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion. Reasonable assurance represents a high degree of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always reveal material misstatement, if any. Misstatements may be the result of fraud or error and are considered material if it can reasonably be assumed that, individually or collectively, it may affect the economic decisions of users based on these financial statements.

We apply professional judgment and maintain professional skepticism throughout the audit as part of the audit conducted in accordance with the International Auditing Standards. In addition, we do the following:

a. we identify and assess the risks of material misstatement of the financial statements due to fraud or error; we develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as the basis for our opinion. The risk of not detecting material misstatement as a result of fraud is higher than the risk of not detecting material misstatement as a result of an error, as fraud can include conspiracy, forgery, intentional omission, misrepresentation of information or actions that bypass the internal control system;
b. we gain an understanding of the internal control system that is relevant to the audit, with the aim of developing audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system;
c. we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by management;
d. we conclude that it is legitimate for management to apply the going concern assumption, and based on the audit evidence obtained, it concludes that there is significant uncertainty in connection with events or conditions that could result in significant doubts about the Bank's ability to continue its business. If we conclude that there is material uncertainty, we must draw attention in our audit report to the appropriate disclosures in the financial statements or, if such disclosures are inappropriate, to modify our opinion. Our findings are based on audit evidence obtained prior to the date of our audit opinion. However, future events or conditions may cause the Bank to lose its ability to continue to operate continuously;
e. we evaluate the presentation of the financial statements as a whole, its structure and content, including disclosure of information, as well as whether the financial statements represent the underlying operations and events in such a way that their reliable presentation is ensured.

We carry out information interaction with persons responsible for corporate governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify during the audit process.

We also provide the persons in charge of corporate governance with statement that we have complied with all relevant ethical requirements regarding independence and informed these persons of all relationships and other issues that can reasonably be considered to affect the independence of the auditor and appropriate precautions, if necessary.

We identify the issues that were most significant for the audit of financial statements for the current period and, therefore, are key audit issues from the issues that we brought to the attention of those responsible for corporate governance. We describe these issues in our audit opinion, except when public disclosure of information about these issues is prohibited by law or regulation, or when, in extremely rare cases, we conclude that information about any issue should not be communicated in our conclusion, since it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefit of its communication.

Bakyt Zhumadylov
Audit Assignment Manager

The qualification certificate of the auditor No. MF-0001686 dated June 30, 2021

Mikhail Bryukhanov
Assignment Partner

The qualification certificate of the auditor No. 06-000025 dated December 20, 2011

Sholpanay Kudaibergenova
General Director
IAC Russell Bedford A+ Partners LLP

State license for engaging in audit activities in the Republic of Kazakhstan No. 18013076, issued by the Committee of Internal State Audit of the Ministry of Finance of the Republic of Kazakhstan on July 3, 2018.

August 4, 2023
Almaty, Kazakhstan

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US Dollars)

	Note	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Interest income, calculated using the effective interest method:				
on Investment portfolio	4	203,799	204,288	199,952
on Treasury portfolio	4	52,817	57,206	60,966
Other interest income on Treasury portfolio	4	10,755	7,075	4,110
Interest expense	4	(197,331)	(198,195)	(168,697)
Net interest income		**70,040**	**70,374**	**96,331**
Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss	5	46,491	1,948	(35,814)
Net (loss)/ gain on transactions in foreign currencies	6	(43,843)	8,301	53,074
Net realised gain on financial assets at fair value through other comprehensive income	7	9,862	4,619	546
Net gain/ (loss) from modification and recognition of new financial instruments	15	5,078	193	(3,436)
Losses from investments in associates	18	(1,968)	(2,908)	-
Net (loss)/ gain on trading with debt securities issued		(39)	(295)	24
Refund for management of Eurasian Fund for Stabilisation and Development	8	10,485	8,057	7,312
Fee and commission income	9	4,524	3,302	1,413
Fee and commission expense		(977)	(1,043)	(455)
Dividend income	13, 16	3,332	-	-
Net other (expense)/ income		(18)	129	46
Net non-interest income		**32,927**	**22,303**	**22,710**
Operating income before provision for expected credit losses		**102,967**	**92,677**	**119,041**
Provision for expected credit losses on interest bearing assets	10	(7,825)	(15,909)	(6,194)
(Provision for)/ recovery of expected credit losses on guarantees issued and other assets	10	(5,235)	156	(602)
Net operating income		**89,907**	**76,924**	**112,245**
Operating expenses	11	(52,787)	(44,335)	(43,023)
Technical assistance fund expenses, net		-	(7)	(245)
NET PROFIT		**37,120**	**32,582**	**68,977**
Earnings per share	24	0.0245	0.0215	0.0455

EURASIAN DEVELOPMENT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

(in thousands of US Dollars)

		Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
OTHER COMPREHENSIVE (LOSS)/ INCOME:				
Items that are or may be reclassified subsequently to profit or loss:				
Treasury portfolio:				
Net unrealised (loss)/ gain on revaluation of financial assets at fair value through other comprehensive income		(18,904)	2,779	31,919
Net realised gain on financial assets at fair value through other comprehensive income transferred to profit or loss	7	(9,860)	(4,547)	(546)
Net unrealized (loss)/gain on revaluation of hedge instruments		-	(292)	727
Other comprehensive (loss)/income on Treasury portfolio		***(28,764)***	***(2,060)***	***32,100***
Investment portfolio:				
Net unrealised (loss)/ gain on revaluation of financial assets at fair value through other comprehensive income		(12,005)	7,242	10,939
Net realised gain on financial assets at fair value through other comprehensive income transferred to profit or loss	7	(2)	(72)	-
Other comprehensive (loss)/income on Investment portfolio		***(12,007)***	***7,170***	***10,939***
Total items that are or may be reclassified subsequently to profit or loss		**(40,771)**	**5,110**	**43,039**
OTHER COMPREHENSIVE (LOSS)/ INCOME		**(40,771)**	**5,110**	**43,039**
TOTAL COMPREHENSIVE (LOSS)/ INCOME		**(3,651)**	**37,692**	**112,016**

Approved on behalf of the Management of the Bank:

N.R. Podguzov
Chairman of the Management Board

4 August 2023
Almaty, Kazakhstan

Евразийский Банк Развития

B.K. Mukhambetzhanov
Deputy Chairman of the Management Board

4 August 2023
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(in thousands of US Dollars)

	Note	31 December 2021	31 December 2020	31 December 2019
ASSETS				
Cash and cash equivalents	12	430,280	663,840	765,144
Financial assets at fair value through profit or loss:	13	79,548	51,561	10,017
in Treasury portfolio		*78,846*	*46,743*	*3,450*
in Investment portfolio		*702*	*4,818*	*6,567*
Loans to financial institutions:	14	594,008	185,475	266,298
in Treasury portfolio		-	-	*34,685*
in Investment portfolio		*594,008*	*185,475*	*231,613*
Loans to customers	15	1,636,108	2,098,698	1,960,004
Financial assets at fair value through other comprehensive income:	16	2,585,877	2,261,050	2,106,299
in Treasury portfolio		*1,889,906*	*1,629,142*	*1,513,960*
in Investment portfolio		*695,971*	*631,908*	*592,339*
Debt securities at amortised cost	17	408,680	294,497	-
Investments in associates	18	15,221	17,260	20,131
Property and equipment		10,667	10,492	11,046
Intangible assets		1,109	762	1,011
Other assets	19	46,697	16,040	20,814
TOTAL ASSETS		**5,808,195**	**5,599,675**	**5,160,764**
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	20	1,616,708	1,560,112	740,475
Financial liabilities at fair value through profit or loss	13	6,904	5,001	26,955
Deposits from customers	21	284,578	391,598	297,344
Debt securities issued	22	1,969,518	1,719,552	2,209,328
Hedging instruments		-	-	1,616
Other liabilities	23	69,256	41,274	35,050
Total liabilities		**3,946,964**	**3,717,537**	**3,310,768**
EQUITY:				
Share capital:				
Authorised share capital	24	7,000,000	7,000,000	7,000,000
Less: callable share capital	24	(5,484,300)	(5,484,300)	(5,484,300)
Paid-in share capital	24	1,515,700	1,515,700	1,515,700
Reserve fund	24	146,220	146,220	111,732
Technical assistance fund reserve	25	15,569	23,685	19,133
Digital initiative fund reserve	25	4,887	10,000	-
Revaluation (deficit)/ reserve for Treasury portfolio:				
for financial assets at fair value through other comprehensive income		(15,985)	12,779	14,547
for hedging instruments		-	-	292
Revaluation reserve for Investment portfolio:				
for financial assets at fair value through other comprehensive income		5,864	17,871	10,701
Retained earnings		188,976	155,883	177,891
Total equity		**1,861,231**	**1,882,138**	**1,849,996**
TOTAL LIABILITIES AND EQUITY		**5,808,195**	**5,599,675**	**5,160,764**

Approved on behalf of the Management of the Bank:

N.R. Podguzov
Chairman of the Management Board

4 August 2023
Almaty, Kazakhstan

B.K. Mukhambetzhanov
Deputy Chairman
of the Management Board

4 August 2023
Almaty, Kazakhstan

Евразийский Банк Развития

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US Dollars)

	Share capital			Reserve fund	Technical assistance fund reserve	Digital initiative fund reserve	Treasury portfolio revaluation (deficit)/ reserve for financial assets at fair value through other comprehensive income	Treasury portfolio revaluation (deficit)/ reserve for hedging instruments	Investment portfolio revaluation (deficit)/ reserve for financial assets at fair value through other comprehensive income	Retained earnings	Total
	Authorised	Callable	Paid-in								
31 December 2018	**7,000,000**	**(5,484,300)**	**1,515,700**	**111,732**	**-**	**-**	**(16,826)**	**(435)**	**(238)**	**128,047**	**1,737,980**
Net profit	-	-	-	-	-	-	-	-	-	68,977	68,977
Other comprehensive income	-	-	-	-	-	-	31,373	727	10,939	-	43,039
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**31,373**	**727**	**10,939**	**68,977**	**112,016**
Transfer to Technical assistance fund reserve	-	-	-	-	19,133	-	-	-	-	(19,133)	-
31 December 2019	**7,000,000**	**(5,484,300)**	**1,515,700**	**111,732**	**19,133**	**-**	**14,547**	**292**	**10,701**	**177,891**	**1,849,996**
Net profit	-	-	-	-	-	-	-	-	-	32,582	32,582
Other comprehensive (loss)/ income	-	-	-	-	-	-	(1,768)	(292)	7,170	-	5,110
Total comprehensive (loss)/ income	**-**	**-**	**-**	**-**	**-**	**-**	**(1,768)**	**(292)**	**7,170**	**32,582**	**37,692**
Transfer to Reserve funds	-	-	-	34,488	-	-	-	-	-	(34,488)	-
Transfer to Digital initiative fund reserve	-	-	-	-	-	10,000	-	-	-	(10,000)	-
Transfer to Technical assistance fund reserve	-	-	-	-	10,102	-	-	-	-	(10,102)	-
Allocation of Technical assistance fund reserve	-	-	-	-	(5,550)	-	-	-	-	-	(5,550)
31 December 2020	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**23,685**	**10,000**	**12,779**	**-**	**17,871**	**155,883**	**1,882,138**
Net profit	-	-	-	-	-	-	-	-	-	37,120	37,120
Other comprehensive loss	-	-	-	-	-	-	(28,764)	-	(12,007)	-	(40,771)
Total comprehensive (loss)/ income	**-**	**-**	**-**	**-**	**-**	**-**	**(28,764)**	**-**	**(12,007)**	**37,120**	**(3,651)**
Recognition of Digital initiative fund assets	-	-	-	-	-	-	-	-	-	860	860
Transfer to Digital initiative fund reserve	-	-	-	-	-	4,887	-	-	-	(4,887)	-
Allocation of Digital initiative fund reserve	-	-	-	-	-	(10,000)	-	-	-	-	(10,000)
Allocation of Technical assistance fund reserve	-	-	-	-	(8,116)	-	-	-	-	-	(8,116)
31 December 2021	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**15,569**	**4,887**	**(15,985)**	**-**	**5,864**	**188,976**	**1,861,231**

Approved on behalf of the Management of the Bank:

N.R. Podguzov
Chairman of the Management Board

4 August 2023
Almaty, Kazakhstan

B.K. Mukhambetzhanov
Deputy Chairman
of the Management Board

4 August 2023
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of US Dollars)

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to customers	116,146	134,003	148,162
Interest received on loans to financial institutions and cash and cash equivalents	18,614	26,365	34,589
Interest and income received from financial assets at fair value through profit or loss	43,306	7,879	2,277
Interest income received on financial assets at fair value through other comprehensive income	93,449	81,201	43,369
Interest income received on debt securities at amortised cost	18,857	6,180	-
Interest paid on loans and deposits from banks	(45,589)	(24,834)	(9,296)
Interest paid on financial liabilities at fair value through profit or loss	(13,492)	(21,353)	(5,507)
Interest paid on deposits from customers	(21,379)	(15,454)	(14,889)
Interest paid on debt securities issued	(105,961)	(147,111)	(116,647)
Fees and commissions received	8,155	16,445	1,279
Fees and commissions paid	(976)	(1,031)	(436)
Other (expenses paid)/ income received	(18)	129	46
Operating expenses paid	(47,513)	(35,988)	(35,129)
Cash inflow from operating activities before changes in operating assets and liabilities	**63,599**	**26,431**	**47,818**
Changes in operating assets			
Decrease/(increase) in loans to customers	386,375	(190,654)	(263,607)
(Increase)/decrease in loans to financial institutions	(418,012)	71,787	(13,013)
Increase in financial assets at fair value through profit or loss	(12,435)	(63,169)	(2,709)
Increase in other assets	(19,967)	(2,260)	(1,475)
Changes in operating liabilities			
Increase/(decrease) in deposits from banks	144,119	(110,049)	154,504
(Decrease)/increase in deposits from customers	(98,549)	115,727	119,864
Increase/(decrease) in other liabilities	5,382	(1,275)	86
Cash flows from/(used in) operating activities	**50,512**	**(153,462)**	**41,468**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income, Treasury portfolio	(3,852,142)	(4,411,611)	(6,862,624)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, Treasury portfolio	3,560,960	4,274,921	6,336,649
Purchase of debt securities at amortised cost	(141,812)	(300,396)	-
Proceeds from redemption of debt securities at amortised cost	10,500	2,155	-
Purchase of financial assets at fair value through other comprehensive income, Investment portfolio	(113,104)	(82,079)	(349,405)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, Investment portfolio	8,270	16,799	-
Purchase of investment in associates	-	-	(20,131)
Dividends from investment in associates	70	-	-
Purchase of property, equipment and intangible assets	(1,819)	(1,132)	(875)
Cash flows used in investing activities	**(529,077)**	**(501,343)**	**(896,386)**

EURASIAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)
(in thousands of US Dollars)

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities (Note 22)	701,658	403,040	775,557
Repayments of debt securities (Note 22)	(397,755)	(713,990)	(164,129)
Proceeds from loans from banks and loans under repurchase agreements (Note 20)	92,579	1,041,900	359,879
Repayments of loans from banks (Note 20)	(123,110)	(177,839)	(20,920)
Repayment of lease liabilities	(2,500)	(1,850)	(2,215)
Cash flows from financing activities	**270,872**	**551,261**	**948,172**
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	**(207,693)**	**(103,544)**	**93,254**
Cash and cash equivalents at the beginning of the year	663,840	765,144	641,170
Effect of changes in foreign exchange rate on cash and cash equivalents	(25,867)	2,240	30,720
Cash and cash equivalents at the end of the year (Note 12)	**430,280**	**663,840**	**765,144**

Approved on behalf of the Management of the Bank:

N.R. Podguzov
Chairman of the Management Board

4 August 2023
Almaty, Kazakhstan

B.K. Mukhambetzhanov
Deputy Chairman
of the Management Board

4 August 2023
Almaty, Kazakhstan

1. BACKGROUND

(a) Principal activities

Eurasian Development Bank ("the Bank") is an international organisation, which was established in accordance with the Agreement Establishing Eurasian Development Bank, entered into between the Russian Federation and the Republic of Kazakhstan on 12 January 2006 ("the Agreement on Incorporation"). The Agreement on Incorporation became effective on 16 June 2006, since its ratification by the Russian Federation and the Republic of Kazakhstan via adoption of relevant laws.

The Bank's membership is open to new participants such that other states and international organisations that have mutual objectives with the Bank. The strategic objective of the Bank is to promote the development of the market economy in its Member states, including their economic growth and the expansion of mutual trade and economic relations through investment activity. The Bank aims to assist Member states in integrating their economies and developing their infrastructure.

In December 2008, the Council of the Bank approved the accession of the Republic of Armenia, the Republic of Belarus and the Republic of Tajikistan to the Agreement on Incorporation.

On 3 April 2009, on 22 June 2009 and 21 June 2010 the Republic of Armenia, the Republic of Tajikistan and the Republic of Belarus, respectively, have fulfilled their respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation of the Bank, made their contributions to the share capital and became Member states of the Bank.

On 28 June 2011, the Council of the Bank approved the accession of the Kyrgyz Republic to the Agreement on Incorporation of the Bank. The Kyrgyz Republic has fulfilled its respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation, made its contribution to the share capital and became Member state of the Bank on 26 August 2011.

As at 31 December 2021, the following states were members of the Bank: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan.

The Bank's principal activity is an engagement in investment activities for the benefit of socioeconomic development of the member states. One of the Bank's primary functions is to provide financing for large infrastructure projects in the Member states, which it implements through the provision of loans and debt financing to private and public entities, investing in the equity of customers, participating in, or establishing, private equity funds, providing investment consulting, and providing other financial instruments. The Bank seeks to insure that all its projects are financially viable.

The headquarters of the Bank is located at: 220, Dostyk Avenue, Almaty, the Republic of Kazakhstan. Also the Bank has representative offices in Astana, Bishkek, Dushanbe, Minsk, Moscow, Yerevan and a branch office in St. Petersburg.

(in thousands of US dollars)

1. BACKGROUND, CONTINUED

(a) Principal activities, continued

In accordance with article 31 of the Charter of the Bank, which is an integral part of the Agreement on Incorporation, the Bank possesses immunity against any legal proceedings under the jurisdiction of its Member states, except in cases which do not result from its execution of its powers. Actions may be brought against the Bank only in a court of competent jurisdiction in the territory of a state in which the Bank has its principal or a branch office, a subsidiary bank or a representative office, or has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. Property and assets of the Bank located in member states shall be immune from search, requisition, attachment, confiscation, expropriation or any other form of taking or foreclosure unless and until a final judgment is delivered against the Bank. The Bank, its income, property, assets, and its operations and transactions carried out as per this Charter in the territory of member states shall be exempt from all taxes, duties, levies or fees, except charges for particular services.

As at 31 December 2021, 2020 and 2019, shares of the Bank were owned as follows:

	%
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
The Kyrgyz Republic	0.01
Total	**100.00**

According to the Charter of the Bank, significant decisions like: accession of new Member states, changes in share capital of the Bank, liquidation/suspension of activity of the Bank must be approved by no less than 75% of votes. Also the Council of the Bank elects the Chairman and members of the Management Board and approves/disapproves all counterparty risks above 100 million US dollars. According to the Charter at least 75% of the shareholders must be present at the Council’s meeting, thus effectively requiring both the Russian Federation and the Republic of Kazakhstan to vote similarly on most of the key decision of the Council. The Bank does not have an ultimate controlling party. All six Member states have representatives in the Council of the Bank.

These financial statements were authorised for issue on 4 August 2023 by the Management of the Bank.

(b) Business environment

The Bank’s operations are primarily located in the Member states. Consequently, the Bank is exposed to the economic and financial markets of the Member states that display characteristics of emerging markets. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Member states. In particular, the current economic and political situation, including the situation in Ukraine and the introduction of sanctions against the Russian Federation and Republic of Belarus by particular countries and the introduction of responsive sanctions against particular countries by the Russian Federation and Republic of Belarus, creates risks for operations conducted by the Bank. The financial statements reflect management’s assessment of the impact of the Member states’ business environment on the operations and financial position of the Bank. The future business environment may differ from management’s assessment.

1. BACKGROUND, CONTINUED

(b) Business environment, continued

Member states has successfully adapted to pandemic conditions. Economic activity in the Banks region of operations has returned to pre-pandemic level, and the aggregate annual growth of member states GDP is projected to reach 4.6% as per Bank's expectations. Economic recovery of member states in 2021 was supported by easing of fiscal and monetary policies since 2020, adaptation of population and businesses to pandemic conditions, growth of world demand and rise in prices for key export goods. During 2021 the economic recovery was uneven among member states, as GDP's of the Republic of Belarus, of the Republic of Kazakhstan, of the Russian Federation and of the Republic of Tajikistan has exceeded pre-pandemic levels. GDP's of the Republic of Armenia and of the Kyrgyz Republic are still below than pre-pandemic levels as these countries has suffered from more significant decrease of economies in 2020 and need more time to recover. After the active phase of economic recovery, GDP growth in member states is expected to become steady. In such conditions state budget stimulus is decreasing and monetary policies become stricter.

The downside of fast economic recovery in the world and member states of the Bank is the global inflation of demand on assets in 2021. Significant budget and monetary infusions in developed countries has led to speedy recovery of demand, which exceeds the current supply potential. This growth of demand has caused the rapid growth of prices on many assets, including energy and raw materials and led to increased delivery time. Aforementioned factors and changes on labor market has caused the high level of global consumer inflation. This problem has also affected member states as inflation in the Bank's region of operation, as per Bank's assessment, has grown to 8.5% from 5.6% on an annual comparison. The target levels of consumer price indices were exceeded in all member states except for the Republic of Tajikistan, where it just held at the top of target level. The mitigation of inflationary factors would take some time and consequently inflation is expected to be high in 2022.

In 2021 central/national banks of member states of the Bank have increased key policy rates to slow down inflation as part of their monetary policies. The Central Bank of the Russian Federation has increased its key rate from 4.25% as of end of 2020 to 8.50% as of end of 2021. During the same period, the National Bank of the Republic of Kazakhstan has increased base rate for tenge from 9.00% to 9.75% for the same period. Prolonged period of high inflation rates would probably require key policy rates to stay above their neutral levels for this period.

Growth of prices on commodities and increase of key policy rates in member states has supported exchange rates of their national currencies. As at the end of 2021 the exchange rate of Russian ruble was 74.3 rubles per US dollar compared to 73.9 rubles per US dollar as at the end of 2020. Respective exchange rates of Kazakhstani tenge were 431.7 and 420.7 tenge per US dollar. Aforementioned economic factors are expected to be effective for major part of 2022. The pressure on foreign exchange rates will also take place due to closing up of US monetary incentives, and for Russian ruble due to geopolitical risks.

In order to analyse and project the economic situation in Member states, the Bank uses an integrated model system comprising interrelated models of six states and the external sector. The tool allows the Bank to come up with consistent sets of forecasts of key macroeconomic indicators (GDP, inflation rate, foreign currency exchange rate, interest rate, budget deficit, money transfers) with projections being made on a quarterly basis.

The Bank plans to further refine macroeconomic forecasts and update models to assess the macroeconomic effect on financial results of the Bank.

2. BASIS OF PREPARATION

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future.

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis except for financial instruments measured at fair value through profit or loss ("FVTPL") and financial assets measured at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below.

(c) Functional and presentation currency

The functional currency of the Bank is the US dollar as it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The US dollar is also the presentation currency for the purposes of these financial statements.

The Bank considered the following factors in determining its functional currency: the Bank is an international organisation, share capital is formed in US dollars, funds from financing activities are generated mainly in US dollars, and the majority of the Bank's principal activities are conducted in US dollars.

Financial information presented in US dollars is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Please see details on critical accounting estimates and judgements in Note 3 (p).

(in thousands of US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

As at 31 December 2021 the Bank has changed representation of few lines in its statement of financial position and statement of profit or loss and other comprehensive income. Comparative data as at and for the years ended 31 December 2020 and 2019 has been respectively restated. The Bank believes that current presentation better reflects results of the Bank's activity. Assets in the Investment portfolio pursue the strategic objectives of the Bank based on its mandate. Assets in the Treasury portfolio are intended to protect the share capital of the Bank from the influence of risk factors, and also to maintain a sufficient level of liquidity.

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Bank.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value is determined. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated to the functional currency using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the translation of equity instruments at fair value through other comprehensive income unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

Rates of exchange

The exchange rates used by the Bank in the preparation of the financial statements were as follows:

	31 December 2021	31 December 2020	31 December 2019
US dollar/1 Kazakhstan tenge ("KZT")	0.00230181	0.00237445	0.00261342
US dollar/1 Russian rouble ("RUB")	0.01340500	0.01347900	0.01611700
US dollar/1 British pound sterling ("GBP")	1.34860000	1.36510000	1.32630000
US dollar/1 Euro ("EUR")	1.13150000	1.22250000	1.12290000

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments

(i) Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions on similar instruments, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest rate method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(i) Financial instruments – key measurement terms, continued

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

(ii) Financial instruments – initial recognition

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit loss allowance is recognized for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in an immediate accounting loss.

(iii) Financial assets – classification and subsequent measurement – measurement categories

The Bank classifies financial assets in the following measurement categories: fair value through profit or loss, fair value through other comprehensive income and amortised cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

(iv) Financial assets – classification and subsequent measurement – business model

The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at fair value through profit or loss.

The business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(iv) Financial assets – classification and subsequent measurement – business model, continued

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

(v) Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at fair value through profit or loss. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

(vi) Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Bank did not change its business model during the current and comparative period and did not make any reclassifications.

(vii) Financial assets impairment – credit loss allowance for expected credit loss

The Bank assesses, on a forward-looking basis, the expected credit loss for loans to customers and financial institutions and other debt instruments measured at amortized cost, debt instruments measured at fair value through other comprehensive income and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures expected credit loss and recognizes credit loss allowance at each reporting date.

Debt instruments measured at amortised cost are presented in the statement of financial position net of provisions for expected credit loss. For financial guarantees issued, a separate provision for expected credit loss is recognised as a liability in the statement of financial position. For debt instruments at fair value through other comprehensive income no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the provision for expected credit losses is included as part of the revaluation amount in the revaluation reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(viii) Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(ix) Financial assets – derecognition

The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale. Please see details on critical judgements over derecognition in Note 3 (p).

(x) Financial assets – modification

The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), and recognises a modification gain or loss in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(x) Financial assets – modification, continued

The Bank might assess the changes in the contractual terms of the financial assets as a "market-driven" modification if (a) there were no significant increase in credit risk of an asset, (b) the borrower/issuer had contractual rights and practical ability to refinance its debt without significant expenses, (c) the change of interest rate was based in correlation with market pricing. If these conditions are met, then the effect of the change of interest rate is not recognized as modification gain or loss in profit or loss and is carried perspectively. Please see details on critical judgements over modification in Note 3 (p).

(xi) Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at amortised cost, except for derivatives that are carried at fair value through profit or loss.

(xii) Financial liabilities – derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(xiii) Financial instruments – statement of financial position lines

Cash and cash equivalents are non-derivative financial assets that are carried at amortised cost in the statement of financial position. Cash and cash equivalents include notes and coins on hand, balances (nostro accounts, term deposits) held with other banks, and highly liquid financial assets with original maturities of less than three months (such as reverse repurchase agreements), which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments.

Loans to financial institutions are recorded when the Bank advances money to counterparty financial institutions. Amounts due from other financial institutions are carried at amortised cost when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at fair value through profit or loss.

Loans to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans to customers into one of the following measurement categories: (i) amortised cost: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at fair value through profit or loss, and (ii) fair value through profit or loss: loans that do not meet the SPPI test or other criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Debt securities are carried at amortised cost if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at fair value through profit or loss in order to significantly reduce an accounting mismatch.

Debt securities are carried at fair value through other comprehensive income if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at fair value through profit or loss. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in other comprehensive income. When the debt security is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(xiii) Financial instruments – statement of financial position lines, continued

Investments in debt securities are carried at fair value through profit or loss if they do not meet the criteria for amortised cost or fair value through other comprehensive income. The Bank may also irrevocably designate investments in debt securities at fair value through profit or loss on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Bank. Investments in equity securities are measured at fair value through profit or loss, except where the Bank elects at initial recognition to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as fair value through other comprehensive income when those investments are held for strategic purposes other than solely to generate investment returns. When the fair value through other comprehensive income election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends continue to be recognised in profit or loss when the Bank's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The corresponding liability is presented within loans and deposits from banks. Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as cash and cash equivalents or loans to financial institutions, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Loans and deposits from banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. These non-derivative liabilities are carried at amortised cost.

Deposits from customers. Customer accounts are non-derivative liabilities to corporate customers and are carried at amortised cost.

Debt securities issued. Debt securities issued consist of bonds issued by the Bank. Debt securities issued are stated at amortised cost. If the Bank purchases its own debt securities, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gain/loss arising from trading with debt securities issued.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(xiii) Financial instruments – statement of financial position lines, continued

Derivative financial instruments include swaps, forwards, futures and spot transactions.

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

(xiv) Financial instruments – hedge accounting

The Bank is exposed to financial risks arising from many aspects of its business and implements different risk management strategies to eliminate or reduce their risk exposures.

The objective of hedge accounting is to represent, in the financial statements, the effect of risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss or other comprehensive income. Hedge accounting is a technique that modifies the normal basis for recognising gains and losses on associated hedging instruments and hedged items, so that both are recognised in profit or loss or other comprehensive income in the same accounting period.

The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. Changes in fair value might arise through changes in interest rates (for fixed-rate loans), foreign exchange rates, equity prices or commodity prices.

The carrying value of the hedged item is adjusted for fair value changes attributable to the risk being hedged, and those fair value changes are recognised in profit or loss. The hedging instrument is measured at fair value, with changes in fair value also recognised in profit or loss.

The risk being hedged in a cash flow hedge is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, an unrecognised firm commitment (currency risk only) or a highly probable forecast transaction, and could affect profit or loss.

Future cash flows might relate to existing assets and liabilities, such as future interest payments or receipts on floating rate debt. Future cash flows can also relate to forecast sales or purchases in a foreign currency. Volatility in future cash flows might result from changes in interest rates, exchange rates, equity prices or commodity prices.

Provided the hedge is effective, changes in the fair value of the hedging instrument are initially recognised in other comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognised directly in profit or loss.

Under IFRS 9, hedge accounting continues to be optional, and Management of the Bank considers the costs and benefits when deciding whether to use it. When the hedge is decided to be used then the Bank cannot discontinue it.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

(xv) Financial instruments – Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Bank's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(d) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and provision for impairment.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated annual depreciation rates are as follows:

Furniture and equipment	14.29-50.00%
Vehicles	25.00%
Office buildings	3.33%

(e) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated annual amortisation rates are 14.29%-50.00%.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Provisions and contingencies

Provisions are recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is probable.

(g) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments and letters of credit. These commitments represent the Bank's credit agreements to enter into a specific project. Loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the remaining unamortised balance of the amount at initial recognition.

Financial guarantees. Financial guarantees require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an expected credit loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

(h) Share capital

Share capital is recognised at cost.

(i) Taxation

The Bank, its income, property and other assets, and also its operations and transactions carried out in accordance with Agreement on Incorporation on the territory of Member states of the Bank, are exempted from any taxes, levies, duties and other payments, except for that which represent payment for certain types of services.

(j) Income and expense recognition

Interest income and expense are recorded for all debt instruments, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(j) Income and expense recognition, continued

Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows to the fair value on initial recognition. As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortised cost.

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank.

Other fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(k) Fiduciary assets

The Bank provides asset management services that result in the holding of assets on behalf of third parties. These assets and the income arising from them are not included in the Bank's financial statements as they are not assets of the Bank. Commissions received from such business are shown within operational income in profit or loss.

(l) Technical Assistance Fund

The Council of the Bank, in its capacity as representatives of shareholders regularly sets an amount of funds that the Bank might spend on a) pre-investment research; b) programs of regional integration; and c) research aimed at economic growth, development of market economies and the expansion of mutual trade between Member states, for the benefit of the Member states.

After the Council of the Bank approves funding of specific projects and programs, allocated sums are transferred from reserves into liabilities, which are then used for financig TAF projects and/or for refund of the Bank's expenditures on TAF projects. Any unused amount of TAF is accumulated in equity and liabilities of the Bank and could be used in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) Digital Initiatives Fund

The Digital Initiatives Fund's ("DIF") resources are formed from the Bank's own and Donors' recourses and income received from the placement of temporarily free funds of the Donors. The purpose of the DIF is to assist the Bank's member states in the formation of tools and practices for digital transformation. It includes the integration of informational resources and, participation in project development and financing, including those adopted under the "Main Directions of Digital Agenda of Eurasian Economic Union".

After the Council of the Bank approves funding of specific projects and programs, allocated sums are transferred from reserves into liabilities, which are then used for financig DIF projects and/or for refund of the Bank's expenditures on DIF projects. Any unused amount of DIF is accumulated in equity and liabilities of the Bank and could be used in future periods

(n) Employee benefits

The Bank is exempt from payments of obligatory pension contributions to funds operating in the Member states of the Bank. The Bank provides non-state retirement benefits in accordance with internal regulative documents of the Bank. The retirement savings plans are similar to a defined contribution plan and are recorded as operating expenses in the statement of comprehensive income and as other liabilities in the statement of financial position of the Bank.

The accumulated funds are disbursed to the employee when he/she leaves the Bank or at the date of dismissal (Note 23).

(o) Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing services within a particular economic environment (geographical segment), which is subject to specific risks and rewards. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. The segment operating results are regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance. The Bank recognises geographical segments that are reported in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(p) Critical Accounting Estimates, and Judgements in Applying Accounting Policies

Valuation of expected credit losses

In accordance with the requirements of IFRS 9, the Bank applies the model of expected credit losses for the purpose of reserving financial assets, the key principle of which is the timely reflection of the deterioration in the credit quality of financial assets, taking into account information about past events, current economic conditions, and reasonable forecasts of future events and economic conditions, available on the valuation date without undue cost of effort, probability of the amount determined by assessing the range of possible outcomes, an unbiased and weighted decisions regarding used pre-conditions and judgements, the time value of money.

Provision for impairment is formed on the basis of:

- 12 months expected credit losses - for financial assets without evidence of a significant increase in credit risk since the initial recognition;
- lifetime expected credit losses - for financial assets with an evidence of a significant increase in credit risk since the initial recognition or impairment, and for purchased or originated credit-impaired (POCI) financial assets.

In accordance with the general approach, depending on the degree of deterioration in credit risk from the time of initial recognition, financial assets fall into one of the following stages:

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(1) Stage 1 - financial assets for which there was no significant increase in credit risk and for which 12 months expected credit losses are calculated;
(2) Stage 2 - financial assets with a significant increase in credit risk since the initial recognition, but not being defaulted and for which lifetime expected credit losses are calculated;
(3) Stage 3 - financial assets with one or more events of credit-impairment since the initial recognition and for which lifetime expected credit losses are calculated.

Financial assets are classified into different stages basing on the results of individual credit risk assessment on a quarterly basis. Credit risk assessment is done via monitoring events that may indicate significant increase in credit risk since the initial recognition and/or credit impairment since the initial recognition.

A financial asset is considered impaired at the time of acquisition or provision when one or more events occur that adversely affect the estimated future cash flows of that financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(p) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued

Significant increase in credit risk

The Bank recognizes a significant increase in credit risk of financial assets in the Investment portfolio (except for loans to financial institutions) if data on one/ or more of the following events is observed since the initial recognition:

– payments overdue more than calendar 30 days, but less than calendar 90 days;
– downgrade of external credit rating of the borrower/issuer by international credit rating agencies by three or more grades;
– downgrade of external credit rating of the borrower/issuer by international credit rating agencies to or below «CCC+» equivalent of credit rating by S&P Global Ratings;
– downgrade of external credit rating of the borrower/issuer by international credit rating agencies by one or more grades from «CCC+» or below equivalent of credit rating by S&P Global Ratings;
– downgrade of credit rating of the borrower/issuer estimated in accordance with S&P Global Market Intelligence methodology by three or more grades;
– downgrade of credit rating of the borrower/issuer estimated in accordance with S&P Global Market Intelligence methodology to or below «CCC+» equivalent of credit rating;
– downgrade of credit rating of the borrower/issuer estimated in accordance with S&P Global Market Intelligence methodology by one or more grades from «CCC+» or below equivalent of credit rating;
– downgrade of credit rating of the borrower/issuer (without considering collateral) estimated in accordance with the Bank's internal methodology by two or more grades or to «C» level;
– significant breach of terms of agreements that may lead to withdrawal or changes in financial covenants;
– other facts that indicate significant increase of credit risk.

The Bank recognizes a significant increase in credit risk of loans to financial institutions if data on one/ or more of the following events is observed since the initial recognition:

– payments overdue more than calendar 30 days, but less than calendar 90 days;
– downgrade of external credit rating of the borrower/issuer by international credit rating agencies by three or more grades and below «BBB-» equivalent of credit rating by S&P Global Ratings;
– downgrade of external credit rating of the borrower/issuer by international credit rating agencies to or below «CCC+» equivalent of credit rating by S&P Global Ratings;
– downgrade of external credit rating of the borrower/issuer by international credit rating agencies by one or more grades from «CCC+» or below equivalent of credit rating by S&P Global Ratings;
– regular breaches of prudential norms and legislations;
– decrease of fair value of the financial asset by more than 20%;
– other facts that indicate significant increase of credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(p) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued

Events of credit impairment

The Bank recognizes credit impairment of financial assets in the Investment portfolio (except for loans to financial institutions) if data on one/ or more of the following events is observed since the initial recognition:

- payments overdue more than calendar 90 days;
- downgrade of external credit rating of the borrower/issuer by international credit rating agencies to or below «CC» equivalent of credit rating by S&P Global Ratings;
- downgrade of credit rating of the borrower/issuer estimated in accordance with S&P Global Market Intelligence methodology to or below «CC» equivalent of credit rating;
- downgrade of credit rating of the borrower/issuer (without considering collateral) estimated in accordance with the Bank's internal methodology to «C-» level;
- the Bank is forced to restructure financial assets with some economic and/or legal concessions due to financial complications of the borrower. Otherwise the Bank wouldn't make such concessions;
- other facts of credit impairment.

The Bank recognizes credit impairment of loans to financial institutions if data on one/ or more of the following events is observed since the initial recognition:

- payments overdue more than calendar 30 days;
- cross-default;
- downgrade of external credit rating of the borrower/issuer by international credit rating agencies to or below «D» (or «RD» or «SD») equivalent of credit rating by S&P Global Ratings;
- other facts of credit impairment.

A financial asset is considered purchased or originated credit-impaired when one or more of the above listed events occur at the date of recognition of an asset.

Financial assets that the Bank was forced to restructure are classified as credit-impaired until the end of the stabilization period. The Stabilization period is defined as four consecutive principal repayments made in accordance with the repayment schedule and in no less than a six-month period. If the aforementioned conditions are met, and there are no other evident facts of credit impairment, then financial asset is no longer considered within Stage 3.

A sensitivity analyses on ECL effect on loans to customers is disclosed in Note 15.

Definition of default

Defaulted financial assets are those that have the highest credit risk. Default is actual or expected unfulfillment of terms of financial agreement, with zero probability of full repayment within initially agreed terms. A full/partial impairment loss is expected; modification of an asset is forcibly required, or in case when such modification is not possible enforcement is required to reduce the losses.

Due to the specific character of each of the Bank's financial assets in the Investment portfolio, the decision on recognition of default is done by the Management Board of the Bank. Usually this decision is based on the occurrence of the events or events highly possible to occur, which are described above in "Significant increase in credit risk".

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(p) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued

Calculation of expected credit losses

Expected credit losses of the Bank are estimated as result of multiplication of point-in-time probability of default, loss given default (reverse of «recovery rate») and expenditure at default.

Point-in-time probability of default is estimated on a basis of through-the-cycle probability of default, which is adjusted basing on prognosis of changes of macroeconomic situation (Bank's expectations on GDP and unemployment rate, World Bank's expectations of changes in energy and non-energy indices). Also few other actual indices that may indicate changes in economic cycle (changes in stock-market indices, estimations that reflect changes of credit ratings of the Bank's borrowers) are considered. Through-the-cycle probability of default is derived from international credit agencies data.

Loss given default is estimated on analysis of historical data of the Bank on defaults and recovery rates, international credit agencies data on recovery rates, S&P Global Market Intelligence models for estimation of loss given default for individual financial assets. The highest of possible values of loss given default is used for estimation of expected credit losses of the Bank.

Expenditure at default is estimated as sum of financial claims of the Bank minus value of non-operational collateral. The value of non-operational collateral is the sell price (minus transactional costs and discounted for the time period) in accordance with pessimistic scenario. Non-operational collateral are non-specialized assets that have sufficient market demand for sale and/or rent.

The Bank estimates expected credit losses based on external credit rating of the borrower/issuer by international credit rating agencies. For borrowers/issuers that doesn't have an external credit rating the Bank uses S&P Global Market Intelligence methodology which helps to define equivalent rating. As the Bank uses this model it analyses large quantitative and qualitative figures, including counterparties' performance indicators and macroeconomic factors, the model then assigns grades and forms general rating, tied to rating scale of S&P Global Ratings, and to respective probability of default value.

For financial institutions that doesn't have an external credit rating the Bank may use credit rating of parent organization, guarantor or similar financial institution.

Modification of financial assets

The Bank sometimes revises or otherwise modifies contractual cash flows on financial assets. When this occurs, the Bank' assesses whether the new conditions differ significantly from the original conditions. The Bank does this, considering, among other things, the following factors:

- if the borrower/issuer has financial difficulties, whether the modification reduces the contractual cash flows to the amounts that the borrower/issuer is expected to pay;
- are there any significant new conditions, such as a return in the form of a share of profits/in the form of shares, which significantly affect the degree of risk on the financial asset;
- substantial extension of the term of financial asset, when the borrower/issuer has no financial difficulties;

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(p) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued

Modification of financial assets, continued

- significant change in the interest rate;
- change in the currency in which the financial asset is expressed;
- adding guarantees, other collateral or means to reduce credit risk, which significantly affects the credit risk associated with the financial asset.

If the conditions are materially different (change of the currency of the financial asset, or change of net present value of the financial asset by more than 10%), the Bank derecognizes the initial financial asset and recognizes the "new" financial asset at fair value, and recalculates the new effective interest rate for the financial asset. Accordingly, the date of the review is the date of initial recognition for the purpose of calculating the impairment, including for the purpose of determining whether there has been a significant increase in credit risk. However, the Bank also assesses whether a newly recognized financial asset is considered to be credit-impaired at initial recognition, especially in circumstances in which the review is determined by the debtor's/issuer’s inability to make the originally specified payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss from derecognition.

If the terms do not differ materially, the revision or modification does not lead to the termination of recognition and the Bank recalculates the gross book value based on the revised cash flows on the financial asset and recognizes the profit or loss from the modification in profit or loss. The new gross book value is recalculated by discounting the modified cash flows at the original effective interest rate.

Derecognition of financial assets, except for cases of modification

Financial assets, or part thereof, are written off when the contractual rights to receive cash flows from the financial assets have expired or when they were transferred and (or) the Bank transferred a significant portion of all the risks and rewards of ownership or the Bank neither transferred nor retained a substantial portion of all risks and rewards of ownership, and the Bank did not retain control.

The Bank enters into transactions in which it retains its contractual rights to receive cash flows from assets, but allows a contractual obligation to pay these cash flows to other companies and transfers substantially all risks and rewards. These transactions are accounted for as "transit" transfers that result in cancellation if the Bank:

- has no obligation to pay, except when it receives equivalent amounts from financial assets;
- the Bank is prohibited from selling or pledging financial assets; and
- has an obligation to transfer any cash that it receives from financial assets without significant delay.

The management has not applied any new estimates and judgments, except for applying the model of expected credit losses on financial instruments in accordance with IFRS 9. In the process of estimation expected credit losses the Bank applies its own judgements on a wide variety of macroeconomic factors, including exchange rates, inflation indexes, refinancing rates, consumption indexes, manufacturer’ prices indexes, prices on different raw materials and other indexes.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(q) New and revised IFRS, amendments and interpretations effective from 1 January 2021

In 2021, the Bank has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following amended standards became effective for the Bank from 1 January 2021, but did not have any material impact on the Bank:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform (Phase 2);*
- Amendments to FRS 16 *Covid-19-Related Rent Concessions;*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (Phase 2)

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted

Due to the phasing out of LIBOR the Bank has assembled a committee consisted of personnel from business-process departments. This committee is tasked with the purpose of fluid transition to other risk-free international rates and with reviewing financial instruments of the Bank that have LIBOR-based interest rates and maturity beyond 30 June 2023.

During 2021 this committee has reviewed financial instruments of the Bank and has setup a plan of transition from LIBOR to other risk-free international rates. A changes into typical financial agreements has been introduced basing on recommendations of Loan Markets Association (LMA) and International Swaps and Derivatives Association (ISDA). Also a process of implementation of Secured Overnight Financing Rate (SOFR) into the Bank’s accounting system.

Committee will continue its work in 2022, and the Bank expects that in the second half of 2022 transition from LIBOR would be finished.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(r) New and revised IFRS in issue, but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17;
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles);
- Amendments to IAS 8 "Definition of Accounting Estimates";
- Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies".

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2022 or 1 January 2023, with early application permitted.

The management of the Bank does not expect that the application of these standards will have a significant impact on the financial statements of the Bank in the future.

Annual Improvements to IFRS 2018-2021 Cycles

The list of amendments includes amendments to the three standards, as well as annual improvements to the Board, which are changes that clarify the wording or eliminate minor inconsistencies, omissions or contradictions between the requirements in the standards.

- The amendments to IFRS 3 Business Combinations update the reference in IFRS 3 to the Conceptual Framework for Financial Statements without changing the accounting requirements for a business combination.
- Amendments to IAS 16 Property, Plant and Equipment prohibit deducting from the value of property, plant and equipment the amounts received from the sale of manufactured goods while preparing the asset for its intended use. Instead, these sales revenue and related costs are recognized in profit or loss.
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" determine the costs to be included in assessing whether the contract is onerous.
- Annual improvements introduce minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples accompanying IFRS 16 "Leases".
- Amendments to IAS 12 "Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction".
- Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The management of the Bank does not expect that the application of these amendments will have an impact on the Bank's financial statements in future periods should such transactions occur.

(in thousands of US dollars)

4. NET INTEREST INCOME

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Interest income, calculated using the effective interest method, Investment portfolio:			
Interest income on financial assets recorded at amortised cost			
loans to customers	137,607	141,465	147,753
loans to financial institutions	11,138	11,404	14,693
	148,745	**152,869**	**162,446**
Interest income on financial assets recorded at fair value			
financial assets at fair value through other comprehensive income	55,054	51,419	37,506
	55,054	**51,419**	**37,506**
Total Interest income, calculated using the effective interest method, Investment portfolio	**203,799**	**204,288**	**199,952**
Interest income, calculated using the effective interest method, Treasury portfolio:			
Interest income on financial assets recorded at amortised cost			
debt securities at amortised cost	8,801	1,850	-
cash and cash equivalents	8,562	10,785	17,095
loans to financial institutions	-	2,531	3,413
	17,363	**15,166**	**20,508**
Interest income on financial assets recorded at fair value			
financial assets at fair value through other comprehensive income	35,454	42,040	40,458
	35,454	**42,040**	**40,458**
Total Interest income, calculated using the effective interest method, Treasury portfolio	**52,817**	**57,206**	**60,966**
Other interest income on Treasury portfolio:			
Financial assets at fair value through profit or loss	10,755	7,075	4,110
Total other interest income on Treasury portfolio	**10,755**	**7,075**	**4,110**
Total Interest income	**267,371**	**268,569**	**265,028**
Interest expense comprises:			
Interest expense on financial liabilities measured at amortised cost			
debt securities issued	(109,918)	(133,018)	(132,433)
loans and deposits from banks	(49,561)	(29,540)	(14,214)
deposits from customers	(21,367)	(15,377)	(14,932)
Total interest expense on financial liabilities recorded at amortised cost	**(180,846)**	**(177,935)**	**(161,579)**
Interest expense on financial liabilities measured at fair value			
financial liabilities at fair value through profit or loss	(16,485)	(20,260)	(7,118)
Total interest expense on financial liabilities recorded at fair value	**(16,485)**	**(20,260)**	**(7,118)**
Total interest expense	**(197,331)**	**(198,195)**	**(168,697)**
Net interest income	**70,040**	**70,374**	**96,331**

(in thousands of US dollars)

5. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Treasury portfolio:			
Net gain/(loss) on derivative financial instruments	51,962	6,453	(35,617)
Net loss on equity instruments	(4,026)	(2,791)	-
Net loss on debt instruments	(1,365)	-	-
	46,571	**3,662**	**(35,617)**
Investment portfolio:			
Net loss on equity instruments	(80)	(1,714)	(197)
	(80)	**(1,714)**	**(197)**
Total net gain/ (loss) on financial assets and liabilities at fair value through profit or loss	**46,491**	**1,948**	**(35,814)**

The Bank enters into most deals with derivative financial instruments with an aim to minimise possible gain/loss from foreign exchange revaluation of its on-balance sheet financial instruments. Consequently, the result of operations with derivative financial instruments should be considered in conjunction with the gain/loss on foreign currency revaluation (Note 7).

The Bank incurred net loss on equity instruments mainly due to the depreciation of foreign currency in which the instruments are nominated against US dollar.

6. NET (LOSS)/GAIN ON TRANSACTIONS IN FOREIGN CURRENCIES

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Translation differences, net	(44,519)	8,314	52,929
Dealing, net	676	(13)	145
Total net (loss)/ gain on transactions in foreign currencies	**(43,843)**	**8,301**	**53,074**

7. NET REALISED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Net gain on transactions with debt securities in Treasury portfolio	9,860	4,547	546
Net gain on transactions with debt securities in Investment portfolio	2	72	-
Total net realised gain on financial assets at fair value through other comprehensive income	**9,862**	**4,619**	**546**

(in thousands of US dollars)

8. REFUND FOR MANAGEMENT OF EURASIAN FUND FOR STABILISATION AND DEVELOPMENT

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Refund for management of Eurasian Fund for Stabilisation and Development	10,485	8,057	7,312
Total refund for management of Eurasian Fund for Stabilisation and Development	**10,485**	**8,057**	**7,312**

The Bank provides trust services to Eurasian Fund for Stabilisation and Development (the "Fund"), whereby it manages operational activities of the Fund. The Bank has neither control nor significant influence over decision-making process of the Fund.

As part of the Fund's resources management, based on the Fund Council's decisions and consistent with the Fund's documents, the Bank:

- performs operations with the accounts of the Fund;
- presents bills issued by the member states for payment;
- concludes Agreements on the provision of Fund resources and disburses Fund's resources in accordance with the terms of such agreements;
- invests temporarily idle resources of the Fund;
- prepares annual Programme of activities, administrative budget, annual and financial reports;
- considers applications for the provision of financing from the Fund's resources, prepares appropriate appraisals drafts Agreements on the provision of Fund's resources;
- keeps records of the debts of the recipients of the Fund's resources; monitors and assesses the fulfillment of obligations under Agreements on the provision of Fund's resources;
- cooperates with member states, the Expert Council, and the recipients of the Fund resources; and
- performs other necessary actions.

While performing its functions as the Fund Resources' Manager, the Bank is guided solely by the interests of the member states of the Fund and the goals of its foundation. In order to manage the Fund's resources and to fulfil the Fund Secretariat functions, the Fund Project Unit was established within the Bank. In close cooperation with structural divisions of the Bank, member states and other international development institutes, the Unit is responsible for the preparation and implementation of all Fund projects.

9. FEE AND COMMISSION INCOME

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Credit related fees	3,493	3,184	1,101
Other fees and commissions	1,031	118	312
Total fee and commission income	**4,524**	**3,302**	**1,413**

(in thousands of US dollars)

10. PROVISION FOR EXPECTED CREDIT LOSSES

The table below represents provision for expected credit losses for the years ended 31 December 2021, 2020 and 2019:

	Year ended 31 December 2021	**Year ended 31 December 2020**	**Year ended 31 December 2019**
(Provision for)/recovery of expected credit losses on interest bearing assets:			
Cash and cash equivalents	42	31	1
Loans to financial institutions:			
in Investment portfolio	(6,330)	(240)	597
Loans to customers	(4,320)	(11,065)	(5,102)
Financial assets at fair value through other comprehensive income			
in Treasury portfolio	(113)	10	148
in Investment portfolio	3,007	(4,302)	(1,838)
Debt securities at amortised cost	(111)	(343)	-
Total provision for expected credit losses on interest bearing assets	**(7,825)**	**(15,909)**	**(6,194)**
(Provision for)/ recovery of expected credit losses on guarantees issued	(5,235)	156	(691)
Recovery of expected credit losses on other assets	-	-	89
Total (provision for)/ recovery of expected credit losses on guarantees and other assets	**(5,235)**	**156**	**(602)**
Total provision for expected credit losses	**(13,060)**	**(15,753)**	**(6,796)**

The movements in expected credit losses on cash and cash equivalents were as follows:

	Year ended 31 December 2021	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Beginning of the year	(45)	(67)	(68)
Net recovery	42	31	1
Effect of foreign currency movements	-	(9)	-
End of the year (Note 12)	**(3)**	**(45)**	**(67)**

The movements in allowance for expected credit losses on loans to financial institutions in Investment portfolio were as follows:

	Year ended 31 December 2021	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Beginning of the year	(2,391)	(2,126)	(2,670)
Net (charge)/ recovery	(6,330)	(240)	597
Effect of foreign currency movements	29	(25)	(53)
End of the year (Note 14)	**(8,692)**	**(2,391)**	**(2,126)**

Table with details on stages is presented in Note 14.

(in thousands of US dollars)

10. PROVISION FOR EXPECTED CREDIT LOSSES, CONTINUED

The movements in allowance for expected credit losses on loans to customers were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Beginning of the year	(72,891)	(62,758)	(66,202)
Net charge	(4,320)	(11,065)	(5,102)
Write-offs	-	973	9,178
Effect of foreign currency movements	3,315	(41)	(632)
End of the year (Note 15)	**(73,896)**	**(72,891)**	**(62,758)**

Table with details on stages is presented in Note 15.

The movements in allowance for expected credit losses on debt financial assets at fair value through other comprehensive income in Treasury portfolio were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Beginning of the year	(536)	(561)	(702)
Net (charge)/recovery	(113)	10	148
Effect of foreign currency movements	17	15	(7)
End of the year	**(632)**	**(536)**	**(561)**

The movements in allowance for expected credit losses on debt financial assets at fair value through other comprehensive income in Investment portfolio were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Beginning of the year	(7,282)	(3,385)	(1,461)
Net recovery/ (charge)	3,007	(4,302)	(1,838)
Effect of foreign currency movements	(7)	405	(86)
End of the year	**(4,282)**	**(7,282)**	**(3,385)**

The movements in allowance for expected credit losses on debt securities at amortised cost were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Beginning of the year	(343)	-	-
Net charge	(111)	(343)	-
Effect of foreign currency movements	3	-	-
End of the year (Note 17)	**(451)**	**(343)**	-

(in thousands of US dollars)

10. PROVISION FOR EXPECTED CREDIT LOSSES, CONTINUED

The movements in allowance for expected credit losses on guarantees issued were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Beginning of the year	(488)	(720)	(8)
Net (charge)/ recovery	(5,235)	156	(691)
Effect of foreign currency movements	4	76	(21)
End of the year (Note 27)	**(5,719)**	**(488)**	**(720)**

11. OPERATING EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Staff costs and other payments to employees	37,552	35,495	31,396
Business development expenses	3,190	499	1,210
Premises expenses	2,734	2,403	2,508
Business trip expenses	2,158	595	2,163
Depreciation and amortization	1,547	1,481	1,278
Professional services	1,398	1,057	929
Communication expenses	902	746	755
Maintenance of acquired systems and programs	769	684	692
Security	617	482	511
Transportation expenses	276	198	253
Office, postal and printing expenses	250	137	176
Training	128	69	211
Other	1,266	489	941
Total operating expenses	**52,787**	**44,335**	**43,023**

Staff costs and other payments to employees include a retirement savings plan expense (see Note 23). For the year ended 31 December 2021, retirement savings plan expenses were equal to 2,847 thousand US dollars (year ended 31 December 2020: 4,333 thousand US dollars; year ended 31 December 2019: 3,565 thousand US dollars).

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2021	31 December 2020	31 December 2019
Cash and balances with national (central) banks of Member states of the Bank	1,296	1,146	499
Correspondent accounts with other banks	93,035	135,213	29,553
Term deposits in other banks	100,452	377,487	478,762
Loans under reverse repurchase agreements with maturity less than three months	235,500	150,039	256,397
	430,283	**663,885**	**765,211**
Less expected credit loss provisions (Note 10)	(3)	(45)	(67)
Total cash and cash equivalents	**430,280**	**663,840**	**765,144**

(in thousands of US dollars)

12. CASH AND CASH EQUIVALENTS, CONTINUED

The information on credit ratings according to the international rating scale, of counterparties with which the Bank had balances as at 31 December 2021, 2020 and 2019, is presented in the Note 31 (b).

As at 31 December 2021, 2020 and 2019, all cash and cash equivalents were classified within stage 1 of credit quality assessment. There were no movements between different stages of credit quality assessment during the years ended 31 December 2021, 2020 and 2019.

As at 31 December 2021, 2020 and 2019, no banks have balances that exceed 10% of equity of the Bank.

There were no material non-cash transactions to disclose within the statement of cash flows.

The fair value of assets pledged and carrying amount of loans under reverse repurchase agreements as at 31 December 2021, 2020 and 2019 are as follows:

	31 December 2021		**31 December 2020**		**31 December 2019**	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
With pledge credit ratings AA+, AA, AA-	50,011	49,872	-	-	-	-
With pledge credit ratings A+, A, A-	50,011	49,466	25,710	25,721	-	-
With pledge credit ratings BBB+, BBB, BBB-	135,478	130,394	119,035	135,319	256,397	285,450
With pledge credit ratings BB+, BB, BB-	-	-	5,294	5,991	-	-
	235,500	**229,732**	**150,039**	**167,031**	**256,397**	**285,450**
Less expected credit loss provisions	(1)		(15)		(14)	
Total loans under reverse repurchase agreements with maturity less than three months	**235,499**		**150,024**		**256,383**	

13. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	**31 December 2020**	**31 December 2019**
Treasury portfolio:			
Derivative financial instruments – assets	44,017	24,109	3,450
Equity instrument	18,608	22,634	-
Debt instrument	16,221	-	-
Total in Treasury portfolio	**78,846**	**46,743**	**3,450**
Investment portfolio:			
Equity instrument	702	4,818	6,567
Total in Investment portfolio	**702**	**4,818**	**6,567**
Financial assets at fair value through profit or loss	**79,548**	**51,561**	**10,017**
Derivative financial instruments – liabilities	(6,904)	(5,001)	(26,955)
Financial liabilities at fair value through profit or loss	**(6,904)**	**(5,001)**	**(26,955)**

(in thousands of US dollars)

13. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, CONTINUED

In 2020 the Bank purchased less than 1% of shares of the Russian state-owned company in Treasury portfolio. In 2021 the Bank received dividend income on these shares in the amount of 1,667 thousand US dollars (2020: nil).

The Bank's equity instrument in Investment portfolio is an investment in private equity fund "Macquarie Russia and CIS Infrastructure Fund" (hereinafter "the Fund"). The Bank's ownership interest is 15.87%. The table below shows the reconciliation of changes in this investment during 2021, 2020 and 2019:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Equity instrument in Investment portfolio, carried at fair value through profit or loss, as at beginning of the year	4,818	6,567	16,878
Net redemption of instrument	(4,036)	(190)	(10,114)
Losses less gains from equity securities at fair value through profit or loss	(80)	(1,559)	(197)
Equity instrument in Investment portfolio, carried at fair value through profit or loss, as at end of the year	**702**	**4,818**	**6,567**

As at 31 December 2021, 2020 and 2019, the fair value of the Bank's investments in the Fund was estimated using a valuation technique based on discounted cash flows, where the discount rate for future cash flows comprised of the risk-free interest rate applicable in the country where the asset is located and risk premium reflecting the uncertainty associated with the cash flows.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount (as a US dollar equivalent) of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	31 December 2021			31 December 2020			31 December 2019		
	Notional amount	Net fair value		Notional amount	Net fair value		Notional amount	Net fair value	
		Asset	Liability		Asset	Liability		Asset	Liability
Derivative financial instruments:									
Foreign currency interest rate swap	556,226	38,146	(2,639)	220,000	23,716	(506)	364,482	3,450	(26,953)
Foreign currency swap	243,427	3,496	(610)	653,456	380	(4,495)	-	-	-
Interest rate swap	68,747	2,363	(3,109)	-	-	-	-	-	-
Foreign currency forward	47,000	12	(546)	2,107	13	-	1,279	-	(2)
		44,017	**(6,904)**		**24,109**	**(5,001)**		**3,450**	**(26,955)**

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

(in thousands of US dollars)

14. LOANS TO FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020	31 December 2019
Treasury portfolio:			
Loans under reverse repurchase agreements	-	-	34,685
Total in Treasury portfolio	**-**	**-**	**34,685**
Investment portfolio:			
Loans to financial institutions	602,700	187,866	233,739
Less expected credit loss provisions (Note 10)	(8,692)	(2,391)	(2,126)
Total in Investment portfolio	**594,008**	**185,475**	**231,613**
Total loans to financial institutions	**594,008**	**185,475**	**266,298**

The fair value of assets pledged and carrying amount of loans under reverse repurchase agreements as at 31 December 2021, 2020 and 2019:

	31 December 2021		31 December 2020		31 December 2019	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Loans under reverse repurchase agreements:						
with pledge credit ratings AA+, AA, AA-	-	-	-	-	34,685	34,682
	-	**-**	**-**	**-**	**34,685**	**34,682**

The table below summarizes the movement of loans to financial institutions in Investment portfolio between the stages of credit quality assessment during the year ended 31 December 2021:

	Stage 1	Stage 2	Total
Outstanding amount			
As at 1 January 2021	126,351	61,515	187,866
Net issue/(redemption)	456,542	(37,153)	419,389
Transfer from Stage 2 to Stage 1	11,259	(11,259)	-
Net change in discounts	(320)	42	(278)
Effect of foreign currency movements	(4,021)	(256)	(4,277)
As at 31 December 2021	**589,811**	**12,889**	**602,700**
Allowance for expected credit losses			
As at 1 January 2021	(688)	(1,703)	(2,391)
Net (charge)/ recovery	(7,128)	798	(6,330)
Transfer from Stage 2 to Stage 1	(245)	245	-
Effect of foreign currency movements	28	1	29
As at 31 December 2021	**(8,033)**	**(659)**	**(8,692)**
Total loans to financial institutions	**581,778**	**12,230**	**594,008**

(in thousands of US dollars)

14. LOANS TO FINANCIAL INSTITUTIONS, CONTINUED

The table below summarizes the movement of loans to financial institutions in Investment portfolio between the stages of credit quality assessment during the year ended 31 December 2020:

	Stage 1	Stage 2	Total
Outstanding amount			
As at 1 January 2020	233,443	296	233,739
Net issue/(redemption)	7,048	(45,204)	(38,156)
Transfer from Stage 1 to Stage 2	(118,523)	118,523	-
Net change in discounts	(13)	52	39
Effect of foreign currency movements	4,396	(12,152)	(7,756)
As at 31 December 2020	**126,351**	**61,515**	**187,866**
Allowance for expected credit losses			
As at 1 January 2020	(2,126)	-	(2,126)
Net charge	270	(510)	(240)
Transfer from Stage 1 to Stage 2	1,181	(1,181)	-
Effect of foreign currency movements	(13)	(12)	(25)
As at 31 December 2020	**(688)**	**(1,703)**	**(2,391)**
Total loans to financial institutions	**125,663**	**59,812**	**185,475**

The table below summarizes the movement of loans to financial institutions in Investment portfolio between the stages of credit quality assessment during the year ended 31 December 2019:

	Stage 1	Stage 2	Total
Outstanding amount			
As at 1 January 2020	225,180	-	225,180
Net issue/(redemption)	1,494	(295)	1,199
Transfer from Stage 1 to Stage 2	(593)	593	-
Net change in discounts	330	1	331
Effect of foreign currency movements	7,032	(3)	7,029
As at 31 December 2019	**233,443**	**296**	**233,739**
Allowance for expected credit losses			
As at 1 January 2020	(2,670)	-	(2,670)
Net recovery	597	-	597
Effect of foreign currency movements	(53)	-	(53)
As at 31 December 2019	**(2,126)**	**-**	**(2,126)**
Total loans to financial institutions	**231,317**	**296**	**231,613**

As at 31 December 2021, 2020 and 2019, no loans to financial institutions were past due.

As at 31 December 2021, the Bank has loans to one financial institution, whose balance exceeds 10% of total equity of the Bank and totals to 376,817 thousand US dollars. This financial institution is a government-owned entity located in the Republic of Belarus and is assigned «B» credit rating by S&P Global Ratings. As at 31 December 2020 and 2019 there were no loans to financial institutions, whose balance exceeds 10% of total equity of the Bank.

(in thousands of US dollars)

14. LOANS TO FINANCIAL INSTITUTIONS, CONTINUED

The information on credit ratings of financial institutions assigned according to the methodology (models) of S&P Global Market Intelligence is presented in the Note 31 (b).

As at 31 December 2021, loans and advances to financial institutions include accrued interest income amounting to 2,521 thousand US dollars (31 December 2020: 1,768 thousand US dollars; 31 December 2019: 3,328 thousand US dollars).

15. LOANS TO CUSTOMERS

	31 December 2021	31 December 2020	31 December 2019
Stage 1 loans	1,565,649	1,961,400	1,668,863
Stage 2 loans	48,163	91,292	115,885
Stage 3 loans:			
not overdue	25,103	94,033	208,921
overdue less than 90 days	49,790	-	-
overdue more than 90 days	21,299	24,864	29,093
	1,710,004	**2,171,589**	**2,022,762**
Less expected credit loss provisions (Note 10)	(73,896)	(72,891)	(62,758)
Total loans to customers	**1,636,108**	**2,098,698**	**1,960,004**

As at 31 December 2021, 2020 and 2019 there were no overdue loans to customers in Stage 1 and Stage 2.

As at 31 December 2021, the Bank has one customer with loans overdue more than 90 days (31 December 2020 and 2019: no customers) with outstanding balance of 49,790 thousand US dollars and provision for expected credit losses of 23,747 thousand US dollars.

As at 31 December 2021, the Bank has two customers with loans overdue more than 90 days (31 December 2020: two customers; 31 December 2019: three customers) with outstanding balance of 21,299 thousand US dollars (31 December 2020: 24,864 thousand US dollars; 31 December 2019: 29,093 thousand US dollars). As at 31 December 2021 and 2020, these loans were fully provisioned (31 December 2019: with a related allowance for expected credit losses of 28,399 thousand US dollars). These projects have impaired due to various reasons, primarily due to the deterioration of market conditions.

During the year ended 31 December 2021, there were no loan write-offs. During the year ended 31 December 2020, a loan to one customer in the amount of 973 thousand US dollars was written-off. This loan was overdue more than 90 days as at 31 December 2019. During the year ended 31 December 2019, loans to four customers in the amount of 9,178 thousand US dollars were written-off. These loans were overdue more than 90 days as at 31 December 2018.

(in thousands of US dollars)

15. LOANS TO CUSTOMERS, CONTINUED

The table below summarizes the movement of loans to customers between the stages of credit quality assessment during the year ended 31 December 2021:

	Stage 1	Stage 2	Stage 3	Total
Outstanding amount				
As at 1 January 2021	1,961,400	91,292	118,897	2,171,589
Net redemption	(296,978)	(63,401)	(10,247)	(370,626)
Transfer from Stage 1 to Stage 2	(16,632)	16,632	-	-
Transfer from Stage 2 to Stage 3	-	(48,130)	48,130	-
Transfer from Stage 3 to Stage 2	-	57,594	(57,594)	-
Net change in discounts	7,136	4	106	7,246
Effect of foreign currency movements	(89,277)	(5,828)	(3,100)	(98,205)
As at 31 December 2021	**1,565,649**	**48,163**	**96,192**	**1,710,004**
Allowance for expected credit losses				
As at 1 January 2021	(21,159)	(10,740)	(40,992)	(72,891)
Net recovery/(charge)	3,373	4,042	(11,735)	(4,320)
Transfer from Stage 1 to Stage 2	19	(19)	-	-
Transfer from Stage 2 to Stage 3	-	6,306	(6,306)	-
Transfer from Stage 3 to Stage 2	-	(1,952)	1,952	-
Effect of foreign currency movements	1,532	279	1,504	3,315
As at 31 December 2021	**(16,235)**	**(2,084)**	**(55,577)**	**(73,896)**
Total loans to customers	**1,549,414**	**46,079**	**40,615**	**1,636,108**

The table below summarizes the movement of loans to customers between the stages of credit quality assessment during the year ended 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
Outstanding amount				
As at 1 January 2020	1,668,863	115,885	238,014	2,022,762
Net issue/(redemption)	421,314	(19,204)	(199,922)	202,188
Transfer from Stage 1 to Stage 2	(103,810)	103,810	-	-
Transfer from Stage 2 to Stage 1	27,740	(27,740)	-	-
Transfer from Stage 2 to Stage 3	-	(76,577)	76,577	-
Net change in (premiums)/discounts	(2,535)	(57)	3,269	677
Write-offs	-	-	(973)	(973)
Effect of foreign currency movements	(50,172)	(4,825)	1,932	(53,065)
As at 31 December 2020	**1,961,400**	**91,292**	**118,897**	**2,171,589**
Allowance for expected credit losses				
As at 1 January 2020	(20,022)	(1,406)	(41,330)	(62,758)
Net (charge)/recovery	(2,209)	(9,538)	682	(11,065)
Transfer from Stage 1 to Stage 2	981	(981)	-	-
Transfer from Stage 2 to Stage 1	(29)	29	-	-
Transfer from Stage 2 to Stage 3	-	1,377	(1,377)	-
Write-offs	-	-	973	973
Effect of foreign currency movements	120	(221)	60	(41)
As at 31 December 2020	**(21,159)**	**(10,740)**	**(40,992)**	**(72,891)**
Total loans to customers	**1,940,241**	**80,552**	**77,905**	**2,098,698**

(in thousands of US dollars)

15. LOANS TO CUSTOMERS, CONTINUED

The table below summarizes the movement of loans to customers between the stages of credit quality assessment during the year ended 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
Outstanding amount				
As at 1 January 2019	1,282,963	81,631	351,898	1,716,492
Net issue/(redemption)	335,433	(48,412)	(23,789)	263,232
Transfer from Stage 1 to Stage 3	(4,144)	-	4,144	-
Transfer from Stage 2 to Stage 3	-	(23,920)	23,920	-
Transfer from Stage 3 to Stage 2	-	108,025	(108,025)	-
Net change in (premiums)/discounts	(5,059)	326	(688)	(5,421)
Write-offs	-	-	(9,178)	(9,178)
Effect of foreign currency movements	59,670	(1,765)	(268)	57,637
As at 31 December 2019	**1,668,863**	**115,885**	**238,014**	**2,022,762**
Allowance for expected credit losses				
As at 1 January 2019	(9,329)	(1,930)	(54,943)	(66,202)
Net (charge)/recovery	(10,094)	114	4,878	(5,102)
Transfer from Stage 1 to Stage 3	1	-	(1)	-
Transfer from Stage 2 to Stage 3	-	546	(546)	-
Transfer from Stage 3 to Stage 2	-	(138)	138	-
Write-offs	-	-	9,178	9,178
Effect of foreign currency movements	(600)	2	(34)	(632)
As at 31 December 2019	**(20,022)**	**(1,406)**	**(41,330)**	**(62,758)**
Total loans to customers	**1,648,841**	**114,479**	**196,684**	**1,960,004**

The Bank estimates loan impairment for its loans to customers based on an analysis of the future cash flows and collateral realization approach.

The table below summarises the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2021	31 December 2020	31 December 2019
Loans collateralised by real estate, equipment and inventories	610,231	822,295	955,107
Loans collateralised by guarantees:			
state entities	139,896	116,460	319,083
governments of the Member-states of the Bank	84,016	100,465	94,554
financial and commercial organisations	261,157	579,588	455,324
Loans collateralised by future cash inflows from clients' contracts	614,704	552,781	198,694
	1,710,004	**2,171,589**	**2,022,762**
Less expected credit loss provisions	(73,896)	(72,891)	(62,758)
Total loans to customers	**1,636,108**	**2,098,698**	**1,960,004**

The recoverability of the above loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, but the Bank considers the current value of the collateral as one of the factors that reduces the amount of expected credit losses assuming that the collateral retains its value when default takes place and that active sale and purchase and/or lease market for such collateral exists.

(in thousands of US dollars)

15. LOANS TO CUSTOMERS, CONTINUED

The current value of collateral takes into account period of collateral realization, cost of realization, liquidity coefficients, therefore, does not equal fair value of collateral.

As at 31 December 2021, as per the Bank's estimation the fair value of collateral of Stage 3 loans is equal to 64,107 thousand US dollars (31 December 2020: 30,722 thousand US dollars; 31 December 2019: 172,764 thousand US dollars).

The table below presents the economic sector breakdown of the loans:

	31 December 2021	31 December 2020	31 December 2019
Transport	670,497	732,151	657,389
Energy	545,023	440,698	490,302
Mining	148,985	213,719	282,153
Machinery	95,650	98,699	73,650
Chemical industry	68,007	464,436	112,431
Agriculture	66,198	24,865	29,093
Infrastructure	53,222	109,031	212,876
Metallurgy	25,553	50,168	114,899
Other	36,869	37,822	49,969
	1,710,004	**2,171,589**	**2,022,762**
Less expected credit loss provisions	(73,896)	(72,891)	(62,758)
Total loans to customers	**1,636,108**	**2,098,698**	**1,960,004**

As at 31 December 2021, loans to customers included accrued interest income amounting to 32,232 thousand US dollars (31 December 2020: 20,435 thousand US dollars; 31 December 2019: 17,852 thousand US dollars). For the year ended 31 December 2021, net unwinding effect resulted in gain of 223 thousand US dollars (interest income on Stage 3 loans arose from discounting) (31 December 2020: gain of 2,071 thousand US dollars; 31 December 2019: loss of 1,288 thousand US dollars).

During the year ended 31 December 2021, the Bank has recognized gain from modification of loans to customers in the amount of 5,078 thousand US dollars (31 December 2020: gain of 193 thousand US dollars; 31 December 2019: loss of 3,436 thousand USD dollars).

The information on credit ratings of customers assigned according to the methodology (models) of S&P Global Market Intelligence is presented in the Note 31 (b).

Concentration of loans to customers

As at 31 December 2021, the Bank has loans to one customer, whose balance exceeds 10% of total equity of the Bank, and amounts to 309,029 thousand US dollars. This customer is located in the Russian Federation and has credit rating «BBB -» according to methodology (models) of S&P Global Market Intelligence.

As at 31 December 2020, the Bank has loans to two customers, whose balances exceed 10% of total equity of the Bank, and total to 411,869 thousand US dollars and 338,736 thousand US dollars, respectively. The first customer is located in the Republic of Belarus and has credit rating «B +» according to methodology (models) of S&P Global Market Intelligence, the second customer located in the Russian Federation and has credit rating «BBB-» according to methodology (models) of S&P Global Market Intelligence.

(in thousands of US dollars)

15. LOANS TO CUSTOMERS, CONTINUED

As at 31 December 2019, the Bank has loans to one customer, whose balance exceeds 10% of total equity of the Bank, and amounts to 356,651 thousand US dollars. This customer is located in the Russian Federation and has credit rating «BBB-» according to methodology (models) of S&P Global Market Intelligence.

Stress-testing of expected credit loss provisions

The Bank performs stress-testing of expected credit loss provisions via applying a scenario when all loans that are classified into Stage 1 credit quality category would be reclassified into Stage 2 credit quality category. Subsequently a lifetime expected credit loss allowance instead of 12-month portion allowance would be required. According to the result of the test, as at 31 December 2021 an increase of 147,557 thousand US dollars (31 December 2020: 123,691 thousand US dollars; 31 December 2019: 36,936 thousand US dollars) in expected credit loss provisions would be required.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2021, 2020 and 2019, financial instruments at fair value through other comprehensive income consist of:

	31 December 2021	31 December 2020	31 December 2019
Treasury portfolio:			
Debt instruments	1,871,331	1,606,548	1,513,960
Equity instruments	18,575	22,594	-
Total in Treasury portfolio	**1,889,906**	**1,629,142**	**1,513,960**
Investment portfolio:			
Debt instruments	695,971	631,908	592,339
Total in Investment portfolio	**695,971**	**631,908**	**592,339**
Total financial assets at fair value through other comprehensive income	**2,585,877**	**2,261,050**	**2,106,299**

In 2020 the Bank purchased less than 1% of shares of the Russian state-owned company in Treasury portfolio. In 2021 the Bank received dividend income on these shares in the amount of 1,665 thousand US dollars (2020: nil).

As at 31 December 2021, debt instruments at fair value through other comprehensive income in Treasury portfolio include financial assets used as collateral for Repo operations with a fair value of 767,885 thousand US dollars (31 December 2020: 672,332 thousand US dollars; 31 December 2019: 251,643 thousand US dollars) (Note 20).

(in thousands of US dollars)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

The tables below present the breakdown of the debt instruments in Treasury portfolio:

	31 December 2021		31 December 2020		31 December 2019	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Bonds issued by foreign state governments	0.00-1.75%	679,926	0.00-2.50%	877,557	0.00-1.38%	470,137
Bonds issued by financial institutions	0.00-5.95%	481,072	0.00-7.25%	139,029	1.80-2.92%	549,839
Bonds issued by governments of member-states of the Bank	1.13-10.50%	414,625	0.00-7.60%	361,565	0.00-7.60%	280,389
Bonds issued by non-financial organizations	0.00-8.75%	295,708	3.37-6.66%	228,397	3.45-6.00%	213,595
		1,871,331		**1,606,548**		**1,513,960**

As at 31 December 2021, 2020 and 2019, all debt financial instrument at fair value through other comprehensive income in Treasury portfolio were classified at Stage 1. There were no movements between the stages during the years ended 31 December 2021, 2020 and 2019.

The information on credit ratings of debt instruments' issuers in Treasury portfolio according to the international rating scale, is presented in the Note 31 (b).

The tables below present the breakdown of the debt instruments in Investment portfolio:

	31 December 2021		31 December 2020		31 December 2019	
	Nominal interest rate	Fair value	Nominal interest Rate	Fair value	Nominal interest rate	Fair value
Bonds issued by non-financial organisations	4.38-11.5%	546,781	4.38-11.50%	551,590	4.38-11.50%	556,965
Bonds issued by governments of member-states of the Bank	5.40-8.65%	92,229	5.40-8.65%	72,888	8.65%	15,872
Bonds issued by financial institutions	8.00-9.05%	56,961	15.00%	7,430	9.10-15.00%	19,502
		695,971		**631,908**		**592,339**

The table below summarises the distribution of debt financial instruments in Investment portfolio between the stages of credit quality assessment as at 31 December 2021, 2020 and 2019:

	31 December 2021	31 December 2020	31 December 2019
Stage 1	695,967	536,680	576,767
Stage 2	-	95,223	15,567
Stage 3	4	5	5
Total debt instruments at fair value through other comprehensive income	**695,971**	**631,908**	**592,339**

During the year ended 31 December 2021, three financial instruments with the carrying amount of 94,930 thousand US dollars and expected credit losses in the amount of 1,345 thousand US dollars were moved from Stage 2 to Stage 1.

(in thousands of US dollars)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

During the year ended 31 December 2020, one financial instrument with the carrying amount of 86,333 thousand US dollars and expected credit losses in the amount of 4,266 thousand US dollars was moved from Stage 1 to Stage 2.

During the year ended 31 December 2019, one financial instrument with the carrying amount of 15,567 thousand US dollars and expected credit losses in the amount of 981 thousand US dollars was moved from Stage 1 to Stage 2.

The information on credit ratings of debt instruments' issuers in Investment portfolio assigned according to the methodology (models) of S&P Global Market Intelligence is presented in the Note 31 (b).

As at 31 December 2021, debt instruments at fair value through other comprehensive income include accrued interest income amounting to 30,509 thousand US dollars (31 December 2020: 27,699 thousand US dollars; 31 December 2019: 23,115 thousand US dollars).

17. DEBT SECURITIES AT AMORTISED COST

The tables below present the breakdown of the debt instruments at amortised cost in Treasury portfolio:

	31 December 2021		31 December 2020		31 December 2019	
	Nominal interest rate	Carrying value	Nominal interest Rate	Carrying value	Nominal interest rate	Carrying value
Bonds issued by governments of member-states of the Bank	4.25-12.75%	253,455	4.75-12.75%	131,937	-	-
Bonds issued by non-financial organizations	2.25-6.66%	155,676	2.25-6.66%	152,041	-	-
Bonds issued by financial institutions	-	-	7.25%	10,862	-	-
		409,131		**294,840**		**-**
Less expected credit loss provisions (Note 10)		(451)		(343)		-
Total debt securities at amortised cost		**408,680**		**294,497**		**-**

As at 31 December 2019 there were no debt securities at amortised cost.

As at 31 December 2021 and 2020, all debt securities at amortised cost were classified at Stage 1. There were no movements between the stages during the years ended 31 December 2021 and 2020.

The information on credit ratings of debt instruments' issuers according to the international rating scale, is presented in the Note 31 (b).

As at 31 December 2021, debt securities at amortised cost include accrued interest income amounting to 2,130 thousand US dollars (31 December 2020: 1,817 thousand US dollars).

As at 31 December 2021, debt instruments at amortized cost include financial assets used as collateral for Repo operations with a fair value of 211,773 thousand US dollars (31 December 2020: 142,739 thousand US dollars) (Note 20).

(in thousands of US dollars)

18. INVESTMENTS IN ASSOCIATES

Associates of the Bank as at reporting date are set out below:

	31 December 2021		31 December 2020		31 December 2019	
	Ownership interest	**Carrying value**	**Ownership interest**	**Carrying value**	**Ownership interest**	**Carrying value**
Investments in associates						
Common shares of JSCB "NRBank" (JSC)	18.68%	15,197	18.68%	17,236	18.68%	20,121
Common shares of other companies	-	24	-	24	-	10
		15,221		**17,260**		**20,131**

In December 2019, the Bank has purchased an 18.68% share in Russia-based bank JSCB "NRBank" (JSC). The purchase price was based on the result of an external assessment of the fair value of the JSCB "NRBank" (JSC) conducted by an independent appraiser in October 2019.

In 2021 the Bank had recognized impairment loss on its investments in JSCB "NRBank" (JSC) of 1,968 thousand US dollars based on the external assessment of the fair value of the JSCB "NRBank" (JSC) conducted by an independent appraiser.

During 2020, the fair value of the Bank's investments in JSCB "NRBank" (JSC) based on the Bank's assessment has declined by 2,908 thousand US dollars.

19. OTHER ASSETS

	31 December 2021	31 December 2020	31 December 2019
Other financial assets:			
Receivables on Donation agreement	23,823	-	-
Other receivables and accrued commission income	14,164	9,098	10,868
	37,987	**9,098**	**10,868**
Other non-financial assets:			
Right-of-use asset	3,168	4,703	6,967
Receivables and other assets under DIF's projects	2,179	-	-
Prepaid expenses	1,310	1,238	1,911
Capital expenditure debtors	612	843	390
Value added tax reimbursable	164	103	243
Other debtors	1,338	205	611
	8,771	**7,092**	**10,122**
Less: allowance for impairment losses	(61)	(150)	(176)
	8,710	**6,942**	**9,946**
Total other assets	**46,697**	**16,040**	**20,814**

In December 2020 the Bank acting as a Manager of the Eurasian Fund for Stabilisation and Development (the "Fund") and Ministry of Finance of the Russian Federation has signed a Donation agreement (the "Agreement"). According to the Agreement Ministry of Finance of the Russian Federation finances construction and equipment of schools with Russian language education in the Republic of Tajikistan. Amount of donated funds is equal to the sum of actual expenses on realization of the project. In 2021 the Bank acting as a Manager of the Fund has started construction of aforementioned schools and as at 31 December 2021 the outstanding balance of receivables on Donation agreement was equal to 23,823 thousand US dollars.

(in thousands of US dollars)

19. OTHER ASSETS, CONTINUED

Receivables and other assets under DIF's projects represent prepaid expenses for development of digital projects and received rights on intellectual property on DIF's projects.

20. LOANS AND DEPOSITS FROM BANKS

	31 December 2021	31 December 2020	31 December 2019
Loans under repurchase agreements	914,679	762,905	242,150
Loans from banks	602,306	634,147	453,529
Short-term deposits from banks	77,692	149,909	41,185
Correspondent accounts of other banks	22,031	13,151	3,611
	1,616,708	**1,560,112**	**740,475**

The Bank has signed several loan agreements to receive financing from different international banks to fund its investment projects. Due to the terms of such agreements, the Bank shall comply with the covenants such as maintaining financial stability, non-payment clauses, cross-default, encumbrances, court proceedings and some others. As at 31 December 2021, 2020 and 2019, the Bank was in compliance with all covenants.

The Bank concludes repurchase agreement operations in order to satisfy its need in liquidity.

The table below presents the breakdown of assets pledged and carrying amount of loans under repurchase agreements:

	31 December 2021		31 December 2020		31 December 2019	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Bonds issued by foreign state governments	502,394	528,579	547,034	541,387	35,133	37,782
Bonds issued by governments of member-states of the Bank	371,115	401,414	208,094	263,854	207,017	213,861
Bonds issued by financial institutions	40,889	49,332	-	-	-	-
Bonds issued by non-financial organizations	281	333	7,777	9,830	-	-
Total loans under repurchase agreements	**914,679**	**979,658**	**762,905**	**815,071**	**242,150**	**251,643**

(in thousands of US dollars)

20. LOANS AND DEPOSITS FROM BANKS, CONTINUED

The table below presents the breakdown of assets pledged and carrying amount of loans under repurchase agreements by credit risk rating:

	31 December 2021		31 December 2020		31 December 2019	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
With pledge credit ratings A+, A, A-	543,283	577,911	547,034	541,387	35,133	37,782
With pledge credit ratings BBB+, BBB, BBB-	371,115	401,414	208,094	263,854	207,017	213,861
With pledge credit ratings BB+, BB, BB-	281	333	7,777	9,830	-	-
Total loans under repurchase agreements	**914,679**	**979,658**	**762,905**	**815,071**	**242,150**	**251,643**

As at 31 December 2021, loans and deposits from banks included accrued interest payable amounting to 12,914 thousand US dollars (31 December 2020: 10,120 thousand US dollars; 31 December 2019: 5,885 thousand US dollars).

Maturities of amounts of loans and deposits from banks are included in Note 31 under liquidity risk.

The reconciliation of long-term loans from banks and loans under repurchase agreements movement to cash flows arising from financing activities in 2021, 2020 and 2019 is as follows:

	31 December 2021	**31 December 2020**	**31 December 2019**
At the beginning of the year	1,397,052	453,529	108,999
Cash inflow	92,579	1,041,900	359,879
Cash outflow	(123,110)	(177,839)	(20,920)
Foreign exchange and interest accrued movement	4,983	79,462	5,571
At the end of the year	**1,371,504**	**1,397,052**	**453,529**

(in thousands of US dollars)

21. DEPOSITS FROM CUSTOMERS

	31 December 2021	31 December 2020	31 December 2019
Deposits from customers	150,096	223,197	141,147
Current accounts	134,482	168,401	156,197
	284,578	**391,598**	**297,344**

During 2018, the Council of the Bank has adopted a strategy for the period from 2018 to 2022. In accordance with the strategy, the Bank has started to provide settlement and clearing services to its customers. As at 31 December 2021, 2020 and 2019, all deposits were from corporate customers based in the member-states of the Bank.

The table below present the breakdown of the deposits from customers by counterparty:

	31 December 2021	31 December 2020	31 December 2019
Current accounts:			
state-owned companies	80,202	113,720	106,945
private companies	54,279	54,681	34,202
Deposits from customers:			
state-owned companies	133,064	73,013	43,721
private companies	17,033	150,184	112,476
	284,578	**391,598**	**297,344**

(in thousands of US dollars)

22. DEBT SECURITIES ISSUED

				31 December 2021	31 December 2020	31 December 2019
Debt securities issued and denominated in USD						
Issue series	Next put option date	Due date	Interest rate, %			
Series 03	-	Sep 2022	4.767	508,893	511,960	515,383
w/o	-	Dec 2023	1.500	100,035	-	-
w/o	-	Dec 2021	0.750	-	100,008	-
Series 05	-	Sep 2020	5.000	-	-	289,291
Total debt securities issued and denominated in USD				**608,928**	**611,968**	**804,674**
Debt securities issued and denominated in RUB						
Issue series	Next put option date	Due date	Interest rate, %			
Series 001P-07	-	May 2024	5.900	134,609	135,248	-
Series 001P-05	-	Jun 2023	6.800	107,557	108,066	129,339
Series 001P-04	-	Jan 2023	8.000	69,487	69,810	83,386
Series 001P-06		Apr 2023	7.600	68,023	68,370	-
Series 11	Aug 2023	Jan 2025	7.350	28,349	69,509	83,060
Series 10	-	Jan 2023	12.250	28,347	28,492	34,044
Series 001P-01	Jan 2023	Jul 2028	5.950	7,693	7,733	166,248
Series 001P-03	-	Mar 2021	8.600	-	69,189	82,595
Series 001P-02	-	May 2021	8.900	-	68,268	81,490
Series 08	-	Oct 2020	8.200	-	-	82,061
Series 06	-	Sep 2020	7.300	-	-	54,002
Series 002P-02	-	Feb 2020	6.150	-	-	48,389
Series 07	-	Sep 2020	8.750	-	-	28,254
Series 05	-	Jul 2020	7.800	-	-	16,038
Total debt securities issued and denominated in RUB				**444,065**	**624,685**	**888,906**
Debt securities issued and denominated in KZT						
Issue series	Next put option date	Due date	Interest rate, %			
Series 01, programme 3	-	Aug 2022	11.000	95,488	98,484	-
w/o, EMTN Programme	-	Jul 2024	10.000	51,298	-	-
Series 05, programme 1	-	Feb 2022	9.700	47,617	49,072	53,964
Series 02, programme 3	-	Sep 2024	10.500	47,269	-	-
Series 06, programme 2	-	Oct 2023	9.500	46,935	48,385	53,243
Series 03, programme 3	-	Nov 2024	10.600	46,729	-	-
Series 03, programme 2	-	Nov 2022	9.700	46,671	48,105	52,920
Series 05, programme 2	-	May 2024	9.500	46,400	47,858	52,663
Series 09, programme 2	-	May 2024	9.500	46,400	47,858	52,663
Series 11, programme 2	-	May 2024	9.500	23,193	23,929	26,331
w/o	-	Jun 2022	9.548	22,074	-	-
w/o	-	Jul 2022	9.646	21,901	-	-
w/o	-	Jan 2022	9.500	11,477	-	-
w/o	-	Feb 2022	9.826	11,391	-	-
w/o	-	Apr 2022	9.687	6,715	-	-
w/o	-	May 2022	9.921	6,660	-	-
Series 01, programme 2	-	Jun 2021	9.100	-	47,683	52,432
Series 02, programme 2	-	Jun 2021	9.100	-	47,683	52,431
Series 07, programme 2	-	Jun 2021	9.100	-	23,842	26,216
Series 10, programme 2	-	Oct 2020	9.400	-	-	53,314
Series 04, programme 2	-	May 2020	10.100	-	-	39,571
Total debt securities issued and denominated in KZT				**578,218**	**482,899**	**515,748**
Debt securities issued and denominated in EURO						
Issue series	Next put option date	Due date	Interest rate, %			
w/o, EMTN Programme	-	Mar 2026	1.000	338,307	-	-
Total debt securities issued and denominated in EURO				**338,307**	**-**	**-**
Total debt securities issued				**1,969,518**	**1,719,552**	**2,209,328**

(in thousands of US dollars)

22. DEBT SECURITIES ISSUED, CONTINUED

As at 31 December 2021, debt securities issued included accrued interest payable amounting to 28,334 thousand US dollars (31 December 2020: 26,439 thousand US dollars; 31 December 2019: 37,392 thousand US dollars).

The reconciliation of debt securities issued movement to cash flows arising from financing activities in 2021, 2020 and 2019 is as follows:

	31 December 2021	31 December 2020	31 December 2019
At the beginning of the year	1,719,552	2,209,328	1,525,786
Cash inflow	701,658	403,040	775,557
Cash outflow	(397,755)	(713,990)	(164,129)
Interest accrued movement	(17,103)	(10,909)	11,609
Foreign exchange movement	(36,834)	(167,917)	60,505
At the end of the year	**1,969,518**	**1,719,552**	**2,209,328**

23. OTHER LIABILITIES

	31 December 2021	31 December 2020	31 December 2019
Other financial liabilities:			
Prepaid refund on management of Eurasian Fund for Stabilisation and Development	3,966	-	-
Lease liabilities	2,569	4,071	6,967
Prepaid commissions for loans	2,471	3,303	2,730
Accrued commission payables	168	142	157
	9,174	**7,516**	**9,854**
Other non-financial liabilities:			
Defined contribution plans: Retirement savings plan	20,970	20,718	16,751
TAF resources for distribution as per Council's decision	11,687	3,943	-
Short-term payments to employees	10,421	7,634	7,166
DIF resources for distribution as per Council's decision	9,140	-	-
Expected credit loss provisions on contingent liabilities	5,719	488	720
Accrued administrative expenses	2,130	746	558
Other	15	229	1
	60,082	**33,758**	**25,196**
Total other liabilities	**69,256**	**41,274**	**35,050**

The Bank has developed a retirement savings plan aimed at providing savings that are transferred to employees at the date of retirement or employment termination whichever is earlier. The program was developed as an equivalent to pension plans which are stipulated by legislation of Member states of the Bank. The retirement savings plan consists of three savings plans: obligatory plan and two optional plans. The obligatory plan covers all employees while the optional plans are at the discretion of each employee. The obligatory plan is fully paid by the Bank. A contribution is provided by the Bank on a monthly basis for each member of the plan, and the amount is stipulated by the Bank's internal regulation. The optional plans are jointly financed by the Bank and each employee participating in the respective plan.

(in thousands of US dollars)

23. OTHER LIABILITIES, CONTINUED

The Bank's liabilities on retirement savings are estimated using time and interest discount factors. The reconciliation between nominal amount and carrying amount is as follows:

Date	Nominal amount	Time discount factor*	Interest discount factor**	Carrying amount
31 December 2021	22,047	4.20 years	1.204%	20,970
31 December 2020	20,908	3.45 years	0.269%	20,718
31 December 2019	17,582	3.39 years	1.582%	16,751

* Time discount factor is estimated as a half of an average term of employment
** Interest discount factor is equal to US dollar mid-swap interest rate at time discount factor.

In March 2021, the Council of the Bank has approved the allocation of DIF resources (see Note 25) in the amount of 10,000 thousand US dollars on digital projects of 2020-2021 and DIF programs. During 2021, 860 thousand US dollars were disbursed for projects, and as at 31 December 2021 DIF resources for distribution were equal to 9,140 thousand US dollars.

In March 2021, the Council of the Bank has approved the allocation of TAF resources (see Note 25) in the amount of 12,060 thousand US dollars on technical assistance projects of 2021 and TAF programs. During 2021, 372 thousand US dollars were disbursed for projects, and as at 31 December 2021 TAF resources for distribution were equal to 11,687 thousand US dollars.

In July 2020, the Council of the Bank has approved the allocation of TAF resources (see Note 25) in the amount up to 5,550 thousand US dollars on technical assistance projects of 2020 and TAF programs. During 2020, 1,607 thousand US dollars were disbursed for projects, and as at 31 December 2020 TAF resources for distribution were equal to 3,943 thousand US dollars.

24. SHARE CAPITAL

	31 December 2021, 2020 and 2019		
	Authorised share capital	Callable share capital	Paid-in share capital
The Russian Federation	4,617,900	(3,617,900)	1,000,000
The Republic of Kazakhstan	2,309,300	(1,809,300)	500,000
The Republic of Belarus	69,300	(54,300)	15,000
The Republic of Tajikistan	2,100	(1,600)	500
The Republic of Armenia	700	(600)	100
The Kyrgyz Republic	700	(600)	100
	7,000,000	**(5,484,300)**	**1,515,700**

As at 31 December 2021, 2020 and 2019, the authorised share capital consists of 7,000,000 common shares with a nominal value of 1,000 US dollars each. One paid-in share represents one voting right.

(in thousands of US dollars)

24. SHARE CAPITAL, CONTINUED

On 2 July 2014, the Council of the Bank approved the increase of authorised share capital of the Bank up to 7,000,000 thousand US dollars via issue of 5,484,300 shares, payable on call, with a nominal value of 1,000 US dollars each. In accordance with the terms and conditions for subscription to additional shares, in case of the lack of monetary resources to perform its commitments and obligations, the Bank has the right to request payment of capital, payable on call, after initiating an extraordinary meeting of the Council of the Bank.

Earnings per one paid-in share for years ended 31 December 2021, 2020 and 2019 are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Net income attributable to the Member states	37,120	32,582	68,977
Weighted average number of paid-in shares	1,515,700	1,515,700	1,515,700
Earnings per one paid-in share	**0.0245**	**0.0215**	**0.0455**

The Bank has established a reserve fund that represents a segregation of a portion of its retained earnings. The Council of the Bank determines annually the amount of the prior year's profit to be transferred to this fund. The Council of the Bank has restricted any distributions to participants until the reserve reaches fifteen percent of the total share capital. After that happens any such distributions could be made to participants proportionately based upon the number of the shares.

The following table represents the Reserve fund of the Bank as at 31 December 2021, 2020 and 2019:

	31 December 2021	31 December 2020	31 December 2019
Beginning of the year	146,220	111,732	111,732
Transfer from Retained earnings	-	34,488	-
End of the year	**146,220**	**146,220**	**111,732**

25. TECHNICAL ASSISTANCE FUND AND DIGITAL INITIATIVE FUND RESERVES

	Technical Assistance Fund reserve	Digital Initiative Fund reserve
31 December 2018		
Transfer from Retained earnings to Technical assistance fund reserve	19,133	-
31 December 2019	**19,133**	**-**
Transfer from Retained earnings to Digital initiative fund reserve	-	10,000
Transfer from Retained earnings to Technical assistance fund reserve	10,102	-
Allocation of Technical assistance fund reserve	(5,550)	-
31 December 2020	**23,685**	**10,000**
Allocation of Technical assistance fund reserve	(8,116)	-
Transfer from Retained earnings to Digital initiative fund reserve	-	4,887
Allocation of Digital initiative fund reserve	-	(10,000)
31 December 2021	**15,569**	**4,887**

25. TECHNICAL ASSISTANCE FUND AND DIGITAL INITIATIVE FUND RESERVES, CONTINUED

The purpose of TAF is to effectively assist to strategic objective of the Bank via financing events aimed for preparation and implementation of investment projects, supporting programs of regional integration, carrying out cross-state, interstate, industrial and innovation researches aimed at economic growth, development of market economies, expansion of mutual trade between Member states and other measures related to the mission of the Bank.

The purpose of DIF is to assist the Bank's Member states in creating digital transformation tools and practices by integrating information resources and participating in the development and financing of projects, including those implemented under the EAEU digital agenda.

The Council of the Bank has decided to separate TAF and DIF reserves as individual parts of the equity of the Bank via transferring funds from retained earnings. After the Council of the Bank approves funding of specific TAF/DIF projects and programs, allocated sums are transferred from the equity reserve into liabilities (see Note 23).

The amount of resources available for the TAF and the DIF programs and allocated for specific projects/programs are set by the Council of the Bank on a regular basis. The unused part of the reserves is accumulated and could be used in future periods.

26. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while improving its performance through the optimisation of debt and equity.

The objective of the Bank's share capital is to cover potential losses from its operations. In accordance with the Bank's internal policies, the equity should exceed 16% of the sum of credit, market and operational risks, estimated as per the Basel II Standardized approach. As at 31 December 2021, 2020 and 2019, the Bank was in compliance with its internal policy requirements. The Bank is not a subject of local banking regulation in Member-states.

The capital structure of the Bank consists of equity attributable to Member-states, comprising share capital, reserves and retained earnings as disclosed in the statements of changes in equity.

The Assets and Liabilities Management Committee ("ALMC") reviews the capital structure on a monthly basis. As a part of this review, the ALMC considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the ALMC the Management Board of the Bank makes decisions over the issue of new debt or the redemption of existing debt. Changes in the share capital of the Bank are approved by the Council of the Bank.

(in thousands of US dollars)

27. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments. The Bank plans to fund these commitments primarily with debt securities issued. As at 31 December 2021, the maximum credit risk exposure on unused credit lines amounts to 1,222,498 thousand US dollars (31 December 2020: 1,186,735 thousand US dollars; 31 December 2019: 1,275,796 thousand US dollars).

The Bank's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2021, 2020 and 2019, the nominal or contractual amounts are:

	31 December 2021 Nominal amount	31 December 2020 Nominal amount	31 December 2019 Nominal amount
Guarantees and letters of credit issued	127,111	157,348	116,301
Contingent liabilities:			
on loans and credit lines	1,222,498	1,186,735	1,275,796
on guarantees and letters of credit	180,316	111,115	69,303
to join private equity funds	-	3,995	3,995
Total contingent liabilities and credit commitments	**1,529,925**	**1,459,193**	**1,465,395**

The table below summarises the distribution of issued guarantees and letters of credit between the stages of credit quality assessment as at 31 December 2021, 2020 and 2019:

	31 December 2021 Stage 1	31 December 2020 Stage 1	31 December 2019 Stage 1
Guarantees and letters of credit issued	127,111	157,348	116,301
Less provision for expected credit losses (Note 10)	(5,719)	(488)	(720)
Total guarantees and letters of credit issued	**121,392**	**156,860**	**115,581**

No movements between stages of credit quality assessment were made during the years ended 31 December 2021, 2020 and 2019.

The Bank doesn't create an allowance for expected credit losses on commitments on loans and unused credit lines because there are no automatic issues within the loan commitments of the Bank. Whenever the Bank receives a request from a customer for a new loan tranche within unused credit lines, it is reviewed each time on an individual and independent basis. The procedure of issuing new tranches includes an updated review of current financial position of a customer by credit risk, compliance and law departments of the Bank and is similar to the procedure of initial approval of credit line. As the Bank on a regular basis declines part of the requests for new tranches, the Bank considers that the issue of new loan tranches within its commitments is debatable, and makes an allowance for expected credit losses only after transfer of funds to the borrower.

27. COMMITMENTS AND CONTINGENCIES, CONTINUED

Capital commitments

As at 31 December 2021, 2020 and 2019, the Bank had no capital commitments.

Fiduciary activities

The Bank provides trust services to Eurasian Fund for Stabilisation and Development (the "Fund"), whereby it holds and manages assets or invests funds received in various financial instruments as a Manager of Fund.

As at 31 December 2021, the amount of assets of the Fund was 4,087,572 thousand US dollars (31 December 2020: 3,919,340 thousand US dollars; 31 December 2019: 3,830,251 thousand US dollars).

The Bank is not answerable with its own property under obligations it has entered into on behalf of Fund Members within the scope of carrying out Fund operations, except in cases when by entering into such obligations the Bank has violated the provisions of Fund Documents.

Insurance

The insurance industry in Member states is in a developing state and many forms of insurance protection are not yet generally available. The Bank does not have full insurance coverage of the risks that may arise for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to the Bank's operations. The Bank bears a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigations

In the ordinary course of business, the Bank is subject to legal actions and complaints, however in accordance with the Agreement on Incorporation the Bank possesses immunity against any legal proceedings in the territories of the Member states, except in cases which do not result from its execution of its powers. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Bank.

(in thousands of US dollars)

28. TRANSACTIONS WITH RELATED PARTIES

Related parties and transactions with related parties are assessed in accordance with IAS 24 *"Related Party Disclosures"*. As discussed in Note 1, the Bank's operations include the financing of projects within its Member states, which include projects undertaken by governmental entities. Accordingly, the Bank enters into numerous transactions with related parties as a result of its ownership by the Member states. The Bank decided not to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the member countries has control, joint control or significant influence over such party.

(a) Transactions with key management

The remuneration of key management personnel included in staff costs and other payments to employees (including accommodation cost of employees) (Note 11) was as follows:

	Year ended 31 December 2021		Year ended 31 December 2020		Year ended 31 December 2019	
	Transactions with key management	Total category as per financial statements caption	Transactions with key management	Total category as per financial statements caption	Transactions with key management	Total category as per financial statements caption
Salary expenses and other compensation costs	6,177	34,705	4,602	31,162	6,420	27,831
Retirement savings plan expenses	705	2,847	519	4,333	605	3,565
Staff costs and other payments to employees	**6,882**	**37,552**	**5,121**	**35,495**	**7,025**	**31,396**

The outstanding balances as at 31 December 2021, 2020 and 2019 for transactions with the key management personnel are as follows:

Statement of Financial Position	**31 December 2021**	**31 December 2020**	**31 December 2019**
Short-term payments to employees	3,398	3,189	3,613
Retirement savings	1,715	1,883	1,541

(b) Transactions with other related parties

According to IAS 24 *Related Party Disclosures* other related parties of the Bank comprise the Russian Federation and the Republic of Kazakhstan, national companies and other organisations controlled by these Member states, and the Eurasian Fund for Stabilisation and Development. Russian Federation and Republic of Kazakhstan have significant influence over the Bank. At the same time Russian Federation and Republic of Kazakhstan have control over companies, which are related parties of the Bank.

The Bank did not use the exemption on disclosure of government related entities.

(in thousands of US dollars)

28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

The outstanding balances as at 31 December 2021, 2020 and 2019 and related profit or loss amounts of transactions for the years ended 31 December 2021, 2020 and 2019 with other related parties are as follows:

	31 December 2021	31 December 2020	31 December 2019
Statement of financial position			
ASSETS			
Cash and cash equivalents:	**267,640**	**146,095**	**279,364**
in US dollars	117,104	71,778	2,218
in Russian rouble	13,872	48,450	220,878
in Kazakhstani tenge	136,562	25,661	16,714
in Euro	78	162	39,506
in other currencies	25	62	66
less expected credit losses	(1)	(18)	(18)
Financial assets at fair value through profit or loss:			
in Treasury portfolio:	**34,921**	**22,646**	**2,759**
in US dollars	18,635	22,646	2,308
in Russian rouble	16,286	-	451
Loans to financial institutions:			
in Investment portfolio:	**72,469**	**36,363**	**65,381**
in US dollars	2,665	532	1,151
in Russian rouble	47,195	-	-
in Kazakhstani tenge	18,549	24,892	25,839
in Euro	4,271	11,259	38,839
less expected credit losses	(211)	(320)	(448)
Loans to customers, investment portfolio:	**686,617**	**699,071**	**890,202**
in US dollars	39,233	43,929	227,000
in Russian rouble	329,120	216,492	239,337
in Kazakhstani tenge	22,609	108,591	164,774
in Euro	300,798	334,400	266,573
less expected credit losses	(5,143)	(4,341)	(7,482)
Financial assets at fair value through other comprehensive income:			
in Treasury portfolio:	**623,125**	**552,463**	**441,306**
in US dollars	351,878	282,045	293,513
in Russian rouble	46,046	10,629	7,831
in Kazakhstani tenge	143,932	166,282	139,962
in Euro	81,269	93,507	-
Financial assets at fair value through other comprehensive income:			
in Investment portfolio:	**621,384**	**553,458**	**513,738**
in US dollars	44,079	46,635	42,477
in Russian rouble	201,114	123,041	98,135
in Kazakhstani tenge	376,191	383,782	373,126
Debt securities at amortised cost:	**329,449**	**225,414**	**-**
in US dollars	271,741	190,416	-
n Russian rouble	25,734	-	-
in Euro	32,349	35,272	-
less expected credit losses	(375)	(274)	-
Investments in associates:	**15,197**	**17,260**	**20,131**
in Russian rouble	15,197	17,260	20,131
Other assets:	**9,840**	**7,009**	**8,778**
in US dollars	9,821	3,508	8,765
in Russian rouble	13	13	13
in Kazakhstani tenge	10	14	-
in Euro	4	3,474	-
less expected credit losses	(8)	-	-

(in thousands of US dollars)

28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

	As at and for the year ended 31 December 2021	As at and for the year ended 31 December 2020	As at and for the year ended 31 December 2019
Statement of financial position			
LIABILITIES			
Loans and deposits from banks:	**206,386**	**272,174**	**264,569**
in US dollars	4,508	-	25,000
in Russian rouble	58,495	35,111	8
in Kazakhstani tenge	143,383	237,056	138,558
in Euro	-	7	101,003
Financial liabilities at fair value through profit or loss:	**1,689**	**632**	**5,432**
in US dollars	1,608	632	4,646
in Russian rouble	81	-	-
in Kazakhstani tenge	-	-	786
Deposits from customers:	**191,841**	**173,639**	**150,666**
in US dollars	3,880	58,096	57,887
in Russian rouble	53	84	-
in Kazakhstani tenge	187,908	115,459	92,779
Hedge instruments:	**-**	**-**	**632**
in US dollars	-	-	632
Debt securities issued:	**562,767**	**556,634**	**744,219**
in Russian rouble	188,250	243,546	442,819
in Kazakhstani tenge	374,517	313,088	301,400
Other liabilities:	**4,973**	**1,159**	**1,778**
in US dollars	4,195	186	793
in Russian rouble	677	669	678
in Kazakhstani tenge	6	201	91
in Euro	95	103	216
Guarantees received:	**529,105**	**244,674**	**380,733**
in US dollars	44,296	3,839	265,978
in Russian rouble	349,688	207,864	25,563
in Kazakhstani tenge	29,525	32,971	89,192
in Euro	105,596	-	-
Commitments:	**665,134**	**515,751**	**476,871**
in US dollars	108,564	150,253	167,699
in Russian rouble	327,915	261,621	174,649
in Kazakhstani tenge	-	62,865	48,107
in Euro	228,655	41,012	86,416
Statement of profit or loss			
Interest income, calculated using the effective interest method:			
on Investment portfolio	85,896	101,339	110,891
on Treasury portfolio	45,923	37,947	20,865
Other interest income on Treasury portfolio	1,694	5,144	2,595
Interest expense	(68,587)	(83,053)	(77,572)
Net loss on financial assets and liabilities at fair value through profit or loss	(3,221)	(21,967)	(7,667)
Net (loss)/gain on transactions in foreign currencies	(43,877)	(24,510)	4,721
Net realised gain/(loss) on financial assets at fair value through other comprehensive income	8,884	4,094	(265)
Net loss from modification and recognition of new financial instruments	-	-	(1,072)
Losses from investments in associates	(1,968)	(2,908)	-
Refund on management of Eurasian fund for stabilisation and development	10,485	8,057	7,312
Fee and commission income	705	421	251
Fee and commission expense	(233)	(470)	(153)
Dividend income	3,332	-	-
Net other income	-	27	-
Recovery of/(provision for) expected credit losses on interest bearing assets	1,664	(1,201)	(1,708)
Recovery of/(provision for) expected credit losses on contingent liabilities and other assets	-	5	(5)
Net operating income	**40,697**	**22,925**	**58,193**

(in thousands of US dollars)

29. SEGMENT REPORTING

Segment performance

Segment information for the geographical segments of the Bank as at and for the year ended 31 December 2021 is set out below:

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total
Interest income, calculated using the effective interest method:						
on Investment portfolio	81,796	96,930	22,626	2,447	-	203,799
on Treasury portfolio	18,149	31,875	55	62	2,676	52,817
Other interest income on Treasury portfolio	970	724	-	-	9,061	10,755
Interest expense	(42,078)	(84,201)	(32)	(91)	(70,929)	(197,331)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(1,779)	(1,169)	-	(2)	49,441	46,491
Net loss on transactions in foreign currencies	(2,264)	(265)	(3)	(5)	(41,306)	(43,843)
Net realised gain/ (loss) on financial assets at fair value through other comprehensive income	9,979	(174)	5	3	49	9,862
Net gain/ (loss) from modification and recognition of new financial instruments	5,753	(675)	-	-	-	5,078
Net loss on investments in associates	(1,968)	-	-	-	-	(1,968)
Net loss on trading with debt securities issued	(39)	-	-	-	-	(39)
Refund on management of Eurasian Fund for Stabilisation and Development	10,485	-	-	-	-	10,485
Fee and commission income	1,098	681	2,086	1	658	4,524
Fee and commission expense	(239)	(112)	(3)	(2)	(621)	(977)
Dividend income	3,332	-	-	-	-	3,332
Net other income/(expense)	-	5	-	(28)	5	(18)
(Provision for)/recovery of expected credit losses on interest bearing assets	(15,875)	4,053	3,734	280	(17)	(7,825)
Recovery of/(provision for) expected credit losses on guarantees issued and other assets	425	-	(5,660)	-	-	(5,235)
Net operating income/(loss)	**67,745**	**47,672**	**22,808**	**2,665**	**(50,983)**	**89,907**
Cash and cash equivalents	17,215	253,626	106	428	158,905	430,280
Financial assets at fair value through profit or loss:	19,402	16,226	-	-	43,920	79,548
in Treasury portfolio	*18,700*	*16,226*	-	-	*43,920*	*78,846*
in Investment portfolio	*702*	-	-	-	-	*702*
Loans to financial institutions:	107,314	65,645	381,812	39,237	-	594,008
in Treasury portfolio	-	-	-	-	-	-
in Investment portfolio	*107,314*	*65,645*	*381,812*	*39,237*	-	*594,008*
Loans to customers	954,294	588,082	78,830	14,902	-	1,636,108
Financial assets at fair value through other comprehensive income:	641,068	690,803	29,527	13,479	1,211,000	2,585,877
in Treasury portfolio	*502,657*	*176,249*	-	-	*1,211,000*	*1,889,906*
in Investment portfolio	*138,411*	*514,554*	*29,527*	*13,479*	-	*695,971*
Debt securities at amortised cost	355,825	52,855	-	-	-	408,680
Investments in associates	15,198	23	-	-	-	15,221
Property, equipment and intangible assets	929	10,663	6	178	-	11,776
Other assets	17,286	1,924	829	399	26,259	46,697
Total assets	**2,128,531**	**1,679,847**	**491,110**	**68,623**	**1,440,084**	**5,808,195**
Total liabilities	**685,114**	**1,050,223**	**6,593**	**20,416**	**2,184,618**	**3,946,964**
Contingent liabilities and credit commitments, gross	**640,751**	**378,324**	**332,466**	**178,384**	**-**	**1,529,925**
Capital expenditure	**692**	**1,210**	**1**	**172**	**-**	**2,075**
Depreciation and amortisation	**295**	**1,205**	**4**	**43**	**-**	**1,547**

(in thousands of US dollars)

29. SEGMENT REPORTING, CONTINUED

Segment performance, continued

Segment information for the geographical segments of the Bank as at and for the year ended 31 December 2020 is set out below:

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total
Interest income, calculated using the effective interest method:						
on Investment portfolio	73,640	107,054	20,815	2,779	-	204,288
on Treasury portfolio	21,081	25,010	38	48	11,029	57,206
Other interest income on Treasury portfolio	-	5,144	-	-	1,931	7,075
Interest expense	(53,542)	(90,295)	(25)	(9)	(54,324)	(198,195)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(5,984)	(29,932)	16	(28)	37,876	1,948
Net (loss)/gain on transactions in foreign currencies	(11,734)	(826)	(27)	(8)	20,896	8,301
Net realised gain on financial assets at fair value through other comprehensive income	4,429	3	62	8	117	4,619
Net (loss)/gain from modification and recognition of new financial instruments	(159)	352	-	-	-	193
Net loss on investments in associates	(2,908)	-	-	-	-	(2,908)
Net (loss)/gain on trading with debt securities issued	(307)	-	-	-	12	(295)
Refund on management of Eurasian Fund for Stabilisation and Development	8,057	-	-	-	-	8,057
Fee and commission income	2,480	598	191	-	33	3,302
Fee and commission expense	(546)	(87)	(5)	(9)	(396)	(1,043)
Net other income	84	44	-	-	1	129
(Provision for)/recovery of expected credit losses on interest bearing assets	(7,989)	1,998	(11,308)	1,317	73	(15,909)
Recovery of/(provision for) expected credit losses on guarantees issued and other assets	213	-	(57)	-	-	156
Net operating income	**26,815**	**19,063**	**9,700**	**4,098**	**17,248**	**76,924**
Cash and cash equivalents	206,714	84,297	145	378	372,306	663,840
Financial assets at fair value through profit or loss:	27,465	-	-	-	24,096	51,561
in Treasury portfolio	*22,647*	-	-	-	*24,096*	*46,743*
in Investment portfolio	*4,818*	-	-	-	-	*4,818*
Loans to financial institutions:	78,501	24,474	42,108	40,392	-	185,475
in Treasury portfolio	-	-	-	-	-	-
in Investment portfolio	*78,501*	*24,474*	*42,108*	*40,392*	-	*185,475*
Loans to customers	889,196	651,734	557,768	-	-	2,098,698
Financial assets at fair value through other comprehensive income:	528,341	682,113	31,958	13,157	1,005,481	2,261,050
in Treasury portfolio	*446,274*	*177,387*	-	-	*1,005,481*	*1,629,142*
in Investment portfolio	*82,067*	*504,726*	*31,958*	*13,157*	-	*631,908*
Debt securities at amortised cost	258,838	35,659	-	-	-	294,497
Investments in associates	17,236	24	-	-	-	17,260
Property, equipment and intangible assets	498	10,698	9	49	-	11,254
Other assets	9,039	2,027	498	293	4,183	16,040
Total assets	**2,015,828**	**1,491,026**	**632,486**	**54,269**	**1,406,066**	**5,599,675**
Total liabilities	**743,561**	**1,088,259**	**769**	**11,800**	**1,873,148**	**3,717,537**
Contingent liabilities and credit commitments, gross	**593,671**	**476,190**	**324,858**	**64,474**	**-**	**1,459,193**
Capital expenditure	**215**	**455**	**-**	**7**	**-**	**677**
Depreciation and amortisation	**223**	**1,231**	**5**	**22**	**-**	**1,481**

(in thousands of US dollars)

29. SEGMENT REPORTING, CONTINUED

Segment performance, continued

Segment information for the geographical segments of the Bank as at and for the year ended 31 December 2019 is set out below:

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total
Interest income, calculated using the effective interest method:						
on Investment portfolio	90,928	92,805	13,402	1,302	1,515	199,952
on Treasury portfolio	24,442	10,686	3	125	25,710	60,966
Other interest income on Treasury portfolio	-	2,595	-	1,515	-	4,110
Interest expense	(52,588)	(74,924)	(13)	(2)	(41,170)	(168,697)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(87)	(8,961)	(381)	30	(26,415)	(35,814)
Net gain/(loss) on transactions in foreign currencies	30,873	27,600	(4)	(8)	(5,387)	53,074
Net realised gain on financial assets at fair value through other comprehensive income	93	364	-	-	89	546
Net loss from modification and recognition of new financial instruments	(688)	(2,748)	-	-	-	(3,436)
Net gain on trading with debt securities issued	24	-	-	-	-	24
Refund on management of Eurasian Fund for Stabilisation and Development	7,312	-	-	-	-	7,312
Fee and commission income	843	465	40	15	50	1,413
Fee and commission expense	(233)	(83)	(5)	(6)	(128)	(455)
Net other income	2	44	-	-	-	46
(Provision for)/recovery of expected credit losses on interest bearing assets	(4,745)	2,070	(2,429)	(1,058)	(32)	(6,194)
(Provision for)/recovery of expected credit losses on guarantees issued and other assets	(691)	89	-	-	-	(602)
Net operating income	**95,485**	**50,002**	**10,613**	**1,913**	**(45,768)**	**112,245**
Cash and cash equivalents	345,908	19,825	13,580	146	385,685	765,144
Financial assets at fair value through profit or loss:	6,567	2,759	-	30	661	10,017
in Treasury portfolio	-	*2,759*	-	*30*	*661*	*3,450*
in Investment portfolio	*6,567*	-	-	-	-	*6,567*
Loans to financial institutions:	78,495	60,505	84,204	43,094	-	266,298
in Treasury portfolio	-	*34,685*	-	-	-	*34,685*
in Investment portfolio	*78,495*	*25,820*	*84,204*	*43,094*	-	*231,613*
Loans to customers	1,044,024	704,256	192,589	19,135	-	1,960,004
Financial assets at fair value through other comprehensive income:	463,513	591,370	15,359	15,567	1,020,490	2,106,299
in Treasury portfolio	*354,023*	*139,961*	-	-	*1,019,976*	*1,513,960*
in Investment portfolio	*109,490*	*451,409*	*15,359*	*15,567*	*514*	*592,339*
Investments in associates	20,131	-	-	-	-	20,131
Property, equipment and intangible assets	462	11,518	13	64	-	12,057
Other assets	8,072	2,480	124	471	9,667	20,814
Total assets	**1,967,172**	**1,392,713**	**305,869**	**78,507**	**1,416,503**	**5,160,764**
Total liabilities	**1,139,959**	**997,061**	**174**	**5,288**	**1,168,286**	**3,310,768**
Contingent liabilities and credit commitments, gross	**703,801**	**521,443**	**156,290**	**83,861**	**-**	**1,465,395**
Capital expenditure	**260**	**737**	**14**	**21**	**-**	**1,032**
Depreciation and amortisation	**182**	**1,072**	**3**	**21**	**-**	**1,278**

(in thousands of US dollars)

29. SEGMENT REPORTING, CONTINUED

Segment performance, continued

Segment performance information is presented to the management of the Bank for decision making in the way it is disclosed above. The Bank believes that more detailed disclosure of segment information will not have significant impact on segment performance of the Bank.

The Bank operates in the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus and other countries. In presenting geographical information the allocation of revenue is based on the geographical location of customers and assets. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The functions of the CODM are performed by the Management Board of the Bank.

External operating income, assets, liabilities and capital expenditure have generally been allocated based on the domicile of the counterparty. Tangible assets (cash on hand, premises and equipment) have been allocated based on the country in which they are physically held.

There are no intersegment revenues. Information on major customers is disclosed in Notes 14 and 15.

The table below provides a reconciliation between the amounts of net operating income disclosed in segment performance tables and net profit of the Bank:

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Net operating income	**89,907**	**76,924**	**112,245**
Operating expenses	(52,787)	(44,335)	(43,023)
Technical Assistance Fund expenses, net	-	(7)	(245)
Net profit	**37,120**	**32,582**	**68,977**

For the years ended 31 December 2021, 2020 and 2019, there were no loans to customers with interest income exceeding 10% of total interest income.

The Bank also allocates assets and liabilities in investment and treasury portfolios, which is another segment reporting form. Refer to Note 31 (b).

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determining fair values

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(b) (i). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair value using valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other observable information used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting in an arm's length transaction. For inputs and sensitivities refer to Note 13 and 16.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Instruments involving significant unobservable inputs are presented by certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

(in thousands of US dollars)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

The table below analyses financial instruments measured at fair value at 31 December 2021, 2020 and 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	Level 1	Level 2	Level 3	As at 31 December 2021 Total
Financial assets at fair value through profit or loss:				
in Treasury portfolio:				
Derivative financial instruments - assets	-	44,017	-	44,017
Equity instruments	-	18,608	-	18,608
Debt instruments	-	16,221	-	16,221
in Investment portfolio:				
Equity instruments	-	-	702	702
Financial assets at fair value through other comprehensive income:				
in Treasury portfolio:				
Debt instruments	1,414,875	456,456	-	1,871,331
Equity instruments	18,575	-	-	18,575
in Investment portfolio:				
Debt instruments	260,066	435,901	4	695,971
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - liabilities	-	(6,904)	-	(6,904)

	Level 1	Level 2	Level 3	As at 31 December 2020 Total
Financial assets at fair value through profit or loss:				
in Treasury portfolio:				
Derivative financial instruments - assets	-	24,109	-	24,109
Equity instruments	-	22,634	-	22,634
in Investment portfolio:				
Equity instruments	-	-	4,818	4,818
Financial assets at fair value through other comprehensive income:				
in Treasury portfolio:				
Debt instruments	1,418,628	187,920	-	1,606,548
Equity instruments	-	22,594	-	22,594
in Investment portfolio:				
Debt instruments	-	631,903	5	631,908
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - liabilities	-	(5,001)	-	(5,001)

(in thousands of US dollars)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

	Level 1	Level 2	Level 3	As at 31 December 2019 Total
Financial assets at fair value through profit or loss:				
in Treasury portfolio:				
Derivative financial instruments - assets	-	3,450	-	3,450
in Investment portfolio:				
Equity instruments	-	-	6,567	6,567
Financial assets at fair value through other comprehensive income:				
in Treasury portfolio:				
Debt instruments	964,121	549,839	-	1,513,960
in Investment portfolio:				
Debt instruments	-	592,334	5	592,339
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - liabilities	-	(26,955)	-	(26,955)
Hedging instruments	-	(1,616)	-	(1,616)

The following table shows reconciliation for the years ended 31 December 2021, 2020 and 2019 for fair value measurements in Level 3 of the fair value hierarchy, in Investment portfolio:

	Level 3		
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Financial assets at fair value through profit or loss			
Balance at beginning of the year	4,818	6,567	16,878
Redemption of instruments, net	(4,036)	(190)	(10,114)
Losses less gains from equity securities at fair value through profit or loss	(80)	(1,559)	(197)
Balance at end of the year	**702**	**4,818**	**6,567**
Financial assets at fair value through other comprehensive income			
Balance at the beginning of the year	**5**	**5**	**3**
Interest income accrued	-	-	2
Revaluation	(1)	-	-
Balance at end of the year	**4**	**5**	**5**

The Bank uses different methodologies to value the assets at Level 3 such as a "book value to equity multiplier or discounted cash flow" approach. Under any scenario the above estimates are sensitive to changes in the market parameters and future expectations and may result in a change of the carrying amount of the investments by 10 or more percent within a one-year horizon.

The Bank believes that the carrying amount of loans to financial institutions represents their fair value. The Bank is a development financial organization and, thus, most of the loans are unique and interest rates are specific for each project. The Bank and its customers have contractual rights to review interest rates according to changes on financial markets. Due to such changes in market environment (not credit-related) some of the financial instruments of the Bank had changes in interest rate and/or were modified.

(in thousands of US dollars)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

The table below analyses the fair value of financial instruments that are not measured at fair value on a recurring basis (but fair value disclosures are required) as at 31 December 2021, 2020 and 2019:

				As at 31 December 2021	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets:					
Cash and cash equivalents	-	335,950	94,330	430,280	430,280
Loans to financial institutions:					
in Investment portfolio	-	-	597,863	597,863	594,008
Loans to customers	-	-	1,662,536	1,662,536	1,636,108
Debt securities at amortised cost	-	455,231	-	455,231	408,680
Other financial assets	-	-	37,987	37,987	37,987
Financial liabilities:					
Loans and deposits from banks	-	-	1,594,569	1,594,569	1,616,708
Deposits from customers	-	-	282,592	282,592	284,578
Debt securities issued	-	1,968,301	-	1,968,301	1,969,518
Other financial liabilities	-	-	9,174	9,174	9,174

				As at 31 December 2020	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets:					
Cash and cash equivalents	-	527,481	136,359	663,840	663,840
Loans to financial institutions:					
in Investment portfolio	-	-	187,710	187,710	185,475
Loans to customers	-	-	2,169,905	2,169,905	2,098,698
Debt securities at amortised cost	-	295,727	-	295,727	294,497
Other financial assets	-	-	9,098	9,098	9,098
Financial liabilities:					
Loans and deposits from banks	-	-	1,539,032	1,539,032	1,560,112
Deposits from customers	-	-	389,994	389,994	391,598
Debt securities issued	-	1,722,105	-	1,722,105	1,719,552
Other financial liabilities	-	-	7,516	7,516	7,516

				As at 31 December 2019	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets:					
Cash and cash equivalents	-	256,383	508,761	765,144	765,144
Loans to financial institutions:	-	34,685	231,613	266,298	266,298
in Treasury portfolio	-	*34,685*	-	*34,685*	*34,685*
in Investment portfolio	-	-	*231,613*	*231,613*	*231,613*
Loans to customers	-	-	1,960,004	1,960,004	1,960,004
Other financial assets	-	-	10,868	10,868	10,868
Financial liabilities:					
Loans and deposits from banks	-	-	740,475	740,475	740,475
Deposits from customers	-	-	297,344	297,344	297,344
Debt securities issued	-	2,225,417	-	2,225,417	2,209,328
Other financial liabilities	-	-	9,854	9,854	9,854

31. RISK MANAGEMENT

(a) Risk management organisational structure

To achieve its strategic goals the Bank faces risks which arise due to insufficiency and asymmetry of data, non-linear and contradictory nature of economical and other processes, random elements, etc.

Establishment and development of effective and integral risk management system, which is an important part of corporate governance system of the Bank, is a key aspect of long-term financial stability of the Bank.

The main purposes of risk management system of the Bank are provision of rational confidence that strategic goals of the Bank would be achieved without detriment to its long-term financial stability, and minimization of probable losses of the Bank from different risk factors as a safety measure of the Bank's equity.

Risk management is conducted by (i) the Council, (ii) the Management Board, (iii) ALMC, (iv) the Credit Committee, (v) the Credit and risk management department, (vi) Assets and liabilities management department, (vii) Internal audit department, and other Committees and departments of the Bank which together are responsible for devising and implementing the Bank's risk management policies, including credit, market, operational and liquidity risks. The responsible departments of the Bank regularly prepare management reports to the Bank's Committees for risk management.

(i) The Council

The Council participates in the risk management of the Bank by:

- determining major direction of business and the strategy of the Bank;
- approving the Bank's investment operations policy;
- approving the Bank's investment projects within its limits in accordance with the Investment regulations;
- approving the Bank's financial ratios within its limits in accordance with the internal and financial ratios regulations; and
- approving planned annual budget for upcoming year.

(ii) The Management Board

The Management Board is responsible for the overall supervision of risk management of the Bank, including:

- development and realization of Bank's activity programme, including Investment activity, aimed at achieving strategic goals of the Bank;
- approving risk management rules and regulations of the Bank, including interaction guidelines for different departments of the Bank;
- approving the Bank's investment projects within its limits in accordance with the Investment regulations;
- approving the Bank's financial ratios within its limits in accordance with the internal and financial ratios regulations; and
- creation of collective bodies/committees of the Bank and approving their capabilities.

31. RISK MANAGEMENT, CONTINUED

(a) Risk management organisational structure, continued

(iii) ALMC

ALMC is a permanent collective body reporting to the Management Board which is responsible for setting and managing the Bank's assets and liabilities management policy, liquidity policy and market risk policy.

(iv) Credit Committee

The Credit Committee is a permanent collective body reporting to the Management Board which reviews each investment project and makes decisions within its limits. Investment projects beyond Credit Committee limits are reviewed and recommendation for Management Board must be made.

(v) Credit and risk management department

The credit and risk management department executes:

- identification and assessment of credit risk of each individual investment project proposal and making recommendations to the Credit Committee how to maximally reduce associated credit risks;
- administrating and monitoring each individual investment project including changes in credit risk accepted by the Bank;
- assessment and monitoring of collaterals;
- loan and other financial assets classification and provision for expected losses;
- analysing counterparties risk for treasury operations and monitoring compliance with limits;
- conducting stress-testing of of the Bank's risk positions;
- producing and presentation of analytical information on the risk management.

(vi) Assets and liabilities management department

Assets and liabilities management division is responsible for the evaluation and monitoring of interest rate and liquidity risks, including gap-analysis of these risks, and preparation of management reports and recommendations.

(vii) Internal audit department

Internal audit department executes independent assessment of the effectiveness of risk management system.

(b) Credit risk

Credit risk is a possibility of financial losses, emerging from non-fulfillment of contractual obligations by the borrowers/issuers.

The Bank separates its assets into two portfolios which are the Investment portfolio and the Treasury portfolio. The purpose of this separation is to provide management of the Bank with the information about the portfolios' assets structure as these portfolios pursue different aims of the Bank and are managed differently. The sources of credit risk are Investment portfolio of the Bank, comprised of loans/credit lines to borrowers and securities purchased within project activity, and Treasury portfolio, comprised of securities, inter-bank loans, reverse REPO operations and derivative financial instruments.

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Assets in the Investment portfolio pursue the strategic objectives of the Bank based on its mandate. These assets must conform with the Investment regulations, which set out the main principles that guide the Bank when considering investment projects. Origination and acquisition of these assets must be approved by the Credit Committee, the Management Board and, in certain cases, the Council of the Bank.

Assets in the Treasury portfolio are intended to protect the share capital of the Bank from the influence of risk factors, and also to maintain a sufficient level of liquidity. Assets in Treasury portfolio are managed in accordance with the Investment declaration, the Market and treasury risks and balance liquidity management rules and other internal guidelines regulation. These assets are managed by the Treasury department, overviewed and controlled by the ALMC.

The Committees of the Bank manage the credit risk through consideration and approval investment projects and limits, and control realisation of projects and limits execution, and take corrective actions where needed.

The Bank pays close attention to control credit concentration risks. In accordance with the internal limits the maximum credit exposure on a single borrower or a group of associated borrowers cannot be more than 25 per cent of the Bank's equity.

	Current investment portfolio	**Treasury Portfolio**	**Unallocated**	**31 December 2021 Total**
Cash and cash equivalents	-	430,280	-	430,280
Financial assets at fair value through profit or loss:	702	78,846	-	79,548
in Treasury portfolio	-	*78,846*	-	*78,846*
in Investment portfolio	*702*	-	-	*702*
Loans to financial institutions:	594,008	-	-	594,008
in Treasury portfolio	-	-	-	-
in Investment portfolio	*594,008*	-	-	*594,008*
Loans to customers	1,636,108	-	-	1,636,108
Financial assets at fair value through other comprehensive income:	695,971	1,889,906	-	2,585,877
in Treasury portfolio	-	*1,889,906*	-	*1,889,906*
in Investment portfolio	*695,971*	-	-	*695,971*
Debt securities at amortised cost	-	408,680	-	408,680
Investments in associates	15,221	-	-	15,221
Property, equipment and intangible assets	-	-	11,776	11,776
Other assets	-	-	46,697	46,697
	2,942,010	**2,807,712**	**58,473**	**5,808,195**
Adjustment to CIP*	46,804	-	(46,804)	-
Total assets	**2,988,814**	**2,807,712**	**11,669**	**5,808,195**
Total liabilities	**-**	**1,021,306**	**2,925,658**	**3,946,964**
Contingent liabilities and credit commitments, gross	1,523,835	-	6,090	1,529,925
Total current investment portfolio	**4,512,649**			

*According to the internal policies, the Bank allocates balance of current investment portfolio based on the nominal values, excluding allowances for impairment losses, accrued interest and unamortised premiums and discounts.

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

	Current investment portfolio	Treasury Portfolio	Unallocated	31 December 2020 Total
Cash and cash equivalents	-	663,840	-	663,840
Financial assets at fair value through profit or loss:	4,818	46,743	-	51,561
in Treasury portfolio	-	*46,743*	-	*46,743*
in Investment portfolio	*4,818*	-	-	*4,818*
Loans to financial institutions:	185,475	-	-	185,475
in Treasury portfolio	-	-	-	-
in Investment portfolio	*185,475*	-	-	*185,475*
Loans to customers	2,098,698	-	-	2,098,698
Financial assets at fair value through other comprehensive income:	631,908	1,629,142	-	2,261,050
in Treasury portfolio	-	*1,629,142*	-	*1,629,142*
in Investment portfolio	*631,908*	-	-	*631,908*
Debt securities at amortised cost	-	294,497	-	294,497
Investments in associates	17,260	-	-	17,260
Property, equipment and intangible assets	-	-	11,254	11,254
Other assets	-	-	16,040	16,040
	2,938,159	**2,634,222**	**27,294**	**5,599,675**
Adjustment to CIP*	47,596	-	(47,596)	**-**
Total assets	**2,985,755**	**2,634,222**	**(20,302)**	**5,599,675**
Total liabilities	**-**	**925,964**	**2,791,573**	**3,717,537**
Contingent liabilities and credit commitments, gross	1,437,071	-	22,122	1,459,193
Total current investment portfolio	**4,422,826**			

	Current investment portfolio	Treasury Portfolio	Unallocated	31 December 2019 Total
Cash and cash equivalents	-	765,144	-	765,144
Financial assets at fair value through profit or loss:	6,567	3,450	-	10,017
in Treasury portfolio	-	*3,450*	-	*3,450*
in Investment portfolio	*6,567*	-	-	*6,567*
Loans to financial institutions:	231,613	34,685	-	266,298
in Treasury portfolio	-	*34,685*	-	*34,685*
in Investment portfolio	*231,613*	-	-	*231,613*
Loans to customers	1,960,004	-	-	1,960,004
Financial assets at fair value through other comprehensive income:	592,339	1,513,960	-	2,106,299
in Treasury portfolio	-	*1,513,960*	-	*1,513,960*
in Investment portfolio	*592,339*	-	-	*592,339*
Investments in associates	20,131	-	-	20,131
Property, equipment and intangible assets	-	-	12,057	12,057
Other assets	-	-	20,814	20,814
	2,810,654	**2,317,239**	**32,871**	**5,160,764**
Adjustment to CIP*	46,062	-	(46,062)	-
Total assets	**2,856,716**	**2,317,239**	**(13,191)**	**5,160,764**
Total liabilities	**-**	**315,517**	**2,995,251**	**3,310,768**
Contingent liabilities and credit commitments, gross	1,465,395	-	-	1,465,395
Total current investment portfolio	**4,322,111**			

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Credit risk in the investment project financing

The process of risk management in investment project financing consists of the following stages: risk identification, risk assessment, control and monitoring of risks.

At risk identification stage the Bank makes list of risks and their description. For these purposes the Bank defines following integrated list of risks that might affect the overall credit risk in investment project financing:

- infrastructural risks;
- engineering and project risks;
- constructional and completion risks;
- resource supply risks;
- operational risks and risks related to effectiveness (technology, expenditure and management);
- industry (market) risks;
- currency risks;
- interest rate risks;
- compliance risks;
- legal risks;
- social and ecological risks;
- country (political) risks.

A further analysis of identified risks is performed to determine the probability of risk events occurrence (risk level) and possible consequences (financial losses). Valuation of identified risks is based on internal methodology (models) and S&P Global Market Intelligence methodology (models). Each of methodologies includes analysis of wide range of quantative and quality parameters. At this stage the Bank prepares individual counter measures for identified and evaluated risks (risk acceptance «as is», risk rejection, risk diminution, full or partial risk transfer) and sets up a list of covenants for early risk detection that is used for control and monitoring of risks.

At the project approval stage, based on the presentation and preliminary decision of the Credit Committee, either the Management Board or the Council of the Bank (in case if credit exposure on a single borrower or a group of associated borrowers exceeds 100 million US dollars) within the limits of their powers, reviews and approves investment projects and makes decisions on any changes and addenda to the existing loan agreements.

At the stage of control and monitoring of risks the Bank keeps watch over early risk detection covenants and on a regular and repetitive basis revises risk levels of investment projects. For this purpose, an internal methodology (models) and S&P Global Market Intelligence methodology (models) are used. In case of significant increase of risk levels of investment projects, the Bank prepares risk reduction measures.

For classification of financial assets by credit ratings set by international rating agency S&P Global Ratings the Bank primarily uses external credit rating of the borrower/issuer by international credit rating agencies. In case of absence or withdrawal of external credit rating by international credit rating agencies, the Bank uses credit rating of the borrower/issuer estimated in accordance with S&P Global Market Intelligence methodology (models).

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Credit risk in the investment project financing, continued

The following tables show financial assets in Investment portfolio (except investments in associates and financial assets at fair value through profit or loss) by credit ratings set by international rating agency S&P Global Ratings model, as at 31 December 2021:

	Stage 1	Stage 2	Stage 3	Total
Loans to financial institutions:				
with credit ratings BBB+, BBB, BBB-	47,932	-	-	47,932
with credit ratings BB+, BB, BB-	113,120	-	-	113,120
with credit ratings B+, B, B-	428,759	12,889	-	441,648
	589,811	**12,889**	**-**	**602,700**
Less expected credit loss provisions	(8,033)	(659)	-	(8,692)
Total loans to financial institutions	**581,778**	**12,230**	**-**	**594,008**

	Stage 1	Stage 2	Stage 3	Total
Loans to customers:				
with credit ratings BBB+, BBB, BBB-	462,958	-	-	462,958
with credit ratings BB+, BB, BB-	508,966	17,006	-	525,972
with credit ratings B+, B, B-	593,725	31,157	-	624,882
with credit ratings CC, C, D	-	-	96,192	96,192
	1,565,649	**48,163**	**96,192**	**1,710,004**
Less expected credit loss provisions	(16,235)	(2,084)	(55,577)	(73,896)
Total loans to customers	**1,549,414**	**46,079**	**40,615**	**1,636,108**

	Stage 1	Stage 2	Stage 3	Total
Financial assets at fair value through other comprehensive income:				
with credit ratings BBB+, BBB, BBB-	244,733	-	-	244,733
with credit ratings BB+, BB, BB-	295,201	-	-	295,201
with credit ratings B+, B, B-	156,033	-	-	156,033
with credit ratings CC, C, D	-	-	4	4
Total financial assets at fair value through other comprehensive income	**695,967**	**-**	**4**	**695,971**

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Credit risk in the investment project financing, continued

The following tables show financial assets in Investment portfolio (except investments in associates and financial assets at fair value through profit or loss) by credit ratings set by international rating agency S&P Global Ratings model, as at 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
Loans to financial institutions:				
with credit ratings BBB+, BBB, BBB-	347	-	-	347
with credit ratings BB+, BB, BB-	54,399	-	-	54,399
with credit ratings B+, B, B-	71,605	61,515	-	133,120
	126,351	**61,515**	**-**	**187,866**
Less expected credit loss provisions	(688)	(1,703)	-	(2,391)
Total loans to financial institutions	**125,663**	**59,812**	**-**	**185,475**

	Stage 1	Stage 2	Stage 3	Total
Loans to customers:				
with credit ratings BBB+, BBB, BBB-	567,961	-	-	567,961
with credit ratings BB+, BB, BB-	414,925	-	-	414,925
with credit ratings B+, B, B-	978,514	43,162	-	1,021,676
with credit ratings CCC+, CCC, CCC-	-	48,130	-	48,130
with credit ratings CC, C, D	-	-	118,897	118,897
	1,961,400	**91,292**	**118,897**	**2,171,589**
Less expected credit loss provisions	(21,159)	(10,740)	(40,992)	(72,891)
Total loans to customers	**1,940,241**	**80,552**	**77,905**	**2,098,698**

	Stage 1	Stage 2	Stage 3	Total
Financial assets at fair value through other comprehensive income:				
with credit ratings BBB+, BBB, BBB-	181,328	-	-	181,328
with credit ratings BB+, BB, BB-	290,717	-	-	290,717
with credit ratings B+, B, B-	64,635	95,223	-	159,858
with credit ratings CC, C, D	-	-	5	5
Total financial assets at fair value through other comprehensive income	**536,680**	**95,223**	**5**	**631,908**

As at 31 December 2021 average-weighted credit rating of financial assets in Investment portfolio was «BB-». In 2021 the Bank has introduced S&P Global Market Intelligence methodology (models) into its risk management process. If this methodology would have been introduced in 2020 then an average-weighted credit rating of financial assets in Investment portfolio as at 31 December 2020 would have also been at «BB-» level.

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Credit risk in the treasury portfolio

For credit risk management of financial assets in Treasury portfolio the Bank uses a system of limits for the whole structure of portfolio, for different types of financial instruments and individual limits for counterparties/issuers. Structural limits are set by the Management Board, other limits are set by ALMC. In a process of setting limits, the Bank conducts necessary procedures (analysis) of acceptability of credit risk quality of potential counterparties/issuers.

If available funds are placed in securities, the issuers of these securities must have an external long-term credit rating by international credit rating agencies not less than «BB-». If available funds are placed in a financial institution, such financial institution must an external long-term credit rating by international credit rating agencies not less than «B». If funds are being placed with a financial institution subsidiary, it is not necessary for the financial institution subsidiary to have a credit rating provided that the parent financial institution has an external long-term credit rating by international credit rating agencies not less than «A».

At the stage of control and monitoring of risks the Bank keeps watch on limits and adjusts them if necessary.

The following tables detail the credit ratings of financial assets in Treasury portfolio of the Bank (except for equity instruments) according to S&P Global Ratings as at 31 December 2021, 2020 and 2019:

	31 December 2021	31 December 2020	31 December 2019
Cash and cash equivalents:			
with credit ratings AA+, AA, AA-	50,174	27,855	140,146
with credit ratings A+, A, A-	208,515	352,756	220,365
with credit ratings BBB+, BBB, BBB-	153,222	270,321	331,486
with credit ratings BB+, BB, BB-	15,154	10,429	53,799
with credit ratings B+, B, B-	455	1,441	14,566
with credit ratings CCC+, CCC, CCC-	-	-	66
not rated	2,763	1,083	4,783
	430,283	**663,885**	**765,211**
Less expected credit loss provisions (Note 10)	(3)	(45)	(67)
Total cash and cash equivalents	**430,280**	**663,840**	**765,144**

	31 December 2021	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss:			
with credit ratings A+, A, A-	43,920	24,096	661
with credit ratings BBB+, BBB, BBB-	16,313	13	2,759
with credit ratings BB+, BB, BB-	5	-	-
with credit ratings B+, B, B-	-	-	30
Total financial assets at fair value through profit or loss	**60,238**	**24,109**	**3,450**

	31 December 2021	31 December 2020	31 December 2019
Loans to financial institutions:			
with credit ratings AA+, AA, AA-	-	-	34,685
Total loans to financial institutions	**-**	**-**	**34,685**

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Credit risk in the treasury portfolio, continued

	31 December 2021	31 December 2020	31 December 2019
Debt instruments at fair value through other comprehensive income:			
with credit ratings AAA	25,044	49,997	96,803
with credit ratings AA+, AA, AA-	982,525	760,699	494,038
with credit ratings A+, A, A-	203,418	194,785	429,135
with credit ratings BBB+, BBB, BBB-	658,337	589,962	493,984
with credit ratings BB+, BB, BB-	2,007	11,105	-
Total debt instruments at fair value through other comprehensive income	**1,871,331**	**1,606,548**	**1,513,960**

	31 December 2021	31 December 2020	31 December 2019
Debt securities at amortised cost:			
with credit ratings BBB+, BBB, BBB-	397,872	273,056	-
with credit ratings BB+, BB, BB-	11,259	21,784	-
	409,131	**294,840**	**-**
Less expected credit loss provisions (Note 10)	(451)	(343)	-
Total debt securities at amortised cost	**408,680**	**294,497**	**-**

Financial assets in Treasury portfolio that have more than one credit rating by international credit rating agencies are disclosed by the lowest of ratings.

All financial assets in Treasury portfolio were classified as Stage 1 of credit quality assessment as at 31 December 2021, 2020 and 2019.

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Maximum exposure

The maximum exposure to credit risk is generally reflected in the carrying amounts of debt financial assets on the statement of financial position and unused credit lines. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from unused credit lines at the reporting date is presented in Note 27.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position, or
- are subject to an enforceable master arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative agreements and global master repurchase agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Bank enters into derivative transactions primarily with the aim of mitigating/hedging its market risks. These operations might carry some credit risk for the Bank. The Bank's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association ("ISDA") Master Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In order to minimize its credit risk these agreements usually have a collateral clause if threshold limits are breached. In the event of an early termination due to a termination event and/or, an event of default, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement transactions.

The Bank's similar financial instruments are covered by global master repurchase agreements with netting terms similar to those of ISDA Master Agreements.

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The above ISDA and similar master arrangements do not meet the offsetting criteria in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2021:

			Related amounts not offset in the statement of financial position	
Types of financial assets/liabilities	**Gross amounts of recognised financial asset/ liability**	**Net and gross amount of financial assets/ liabilities presented in the statement of financial position**	**Financial instruments/ collateral received**	**Net amount**
Derivative assets	44,017	44,017	-	44,017
Loans under reverse repurchase agreements	235,499	235,499	(235,499)	-
Total financial assets	**279,516**	**279,516**	**(235,499)**	**44,017**
Derivatives liabilities	(6,904)	(6,904)	-	(6,904)
Loans under repurchase agreements	(914,679)	(914,679)	914,679	-
Total financial liabilities	**(921,583)**	**(921,583)**	**914,679**	**(6,904)**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

			Related amounts not offset in the statement of financial position	
Types of financial assets/liabilities	**Gross amounts of recognised financial asset/ liability**	**Net and gross amount of financial assets/ liabilities presented in the statement of financial position**	**Financial instruments/ collateral received**	**Net amount**
Derivative assets	24,109	24,109	-	24,109
Loans under reverse repurchase agreements	150,024	150,024	(150,024)	-
Total financial assets	**174,133**	**174,133**	**(150,024)**	**24,109**
Derivatives liabilities	(5,001)	(5,001)	-	(5,001)
Loans under repurchase agreements	(762,905)	(762,905)	762,905	-
Total financial liabilities	**(767,906)**	**(767,906)**	**762,905**	**(5,001)**

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019:

			Related amounts not offset in the statement of financial position	
Types of financial assets/liabilities	**Gross amounts of recognised financial asset/ liability**	**Net and gross amount of financial assets/ liabilities presented in the statement of financial position**	**Financial instruments/ collateral received**	**Net amount**
Derivative assets	3,450	3,450	-	3,450
Loans under reverse repurchase agreements	256,383	256,383	(256,383)	-
Total financial assets	**259,833**	**259,833**	**(256,383)**	**3,450**
Derivatives liabilities	(26,955)	(26,955)	-	(26,955)
Hedging instruments	(1,616)	(1,616)	-	(1,616)
Loans under repurchase agreements	(242,150)	(242,150)	**242,150**	-
Total financial liabilities	**(270,721)**	**(270,721)**	**242,150**	**(28,571)**

(c) Liquidity risk

Liquidity risk is a possibility of financial losses, emerging from insufficiency of funds to fulfil the Bank's financial obligations as they actually fall due.

Liquidity risk arises in the general funding of the Bank's investment activities and in the management of positions. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The Bank maintains liquid assets in amount sufficient to ensure that cash can quickly be made available to honor all of its obligations, even under adverse conditions. The ALMC is primarily responsible for the management of liquidity risk and the liquidity profile of the Bank.

The Council of the Bank set the minimum level of liquid assets in treasury portfolio not less than 1-year projected net loan disbursements (loans disbursed less repayments and tied financing), if greater than zero, plus the annual cost of financial debt. This limit is reviewed on a quarterly basis.

An amount of liquid assets in treasury portfolio is the sum of assets in treasury portfolio less: (a) derivative financial assets and liabilities at fair value through profit or loss, (b) hedge instruments, (c) assets that were deemed as illiquid, (d) treasury liabilities, (e) deposits from customers. Therefore, a fulfillment of the Council's ratio of minimal amount of liquid assets in Treasury portfolio is one of the objectives of liquidity management of the Bank.

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk

The monitoring of liquidity risk is done by the Bank on a continuous basis. The ALMC manages this risk through analysis of asset and liability maturity. The assets and liabilities management division of the Bank monitors liquidity indicators and conducts gap taking in consideration possible changes in a composition of assets and liabilities of the Bank. Such analysis is conducted on a semi-monthly basis and is reviewed on ALMC meetings. Based on the results of these reviews ALMC makes decisions on liquidity risk management, including decisions to borrow funds on financial markets.

An analysis of the liquidity risk, based on the contractual dates of repayment of financial assets and liabilities, is presented in the following table.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2021 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1.72%	335,950	-	-	-	-	335,950
Financial assets at fair value through other comprehensive income:		-	-	15	-	16,206	16,221
in Treasury portfolio	*7.88%*	-	-	*15*	-	*16,206*	*16,221*
Loans to financial institutions:		216	40,688	71,751	481,353	-	594,008
in Investment portfolio	*3.34%*	*216*	*40,688*	*71,751*	*481,353*	-	*594,008*
Loans to customers	7.17%	60,937	15,129	214,357	894,084	451,601	1,636,108
Financial assets at fair value through other comprehensive income:		134,785	210,532	781,041	820,047	620,897	2,567,302
in Treasury portfolio	*1.61%*	*134,785*	*206,908*	*745,969*	*611,708*	*171,961*	*1,871,331*
in Investment portfolio	*9.09%*	-	*3,624*	*35,072*	*208,339*	*448,936*	*695,971*
Debt securities at amortised cost	2.15%	62	20,080	39,439	166,415	182,684	408,680
Total interest bearing financial assets		**531,950**	**286,429**	**1,106,603**	**2,361,899**	**1,271,388**	**5,558,269**
Cash and cash equivalents		94,330	-	-	-	-	94,330
Financial assets at fair value through profit or loss		1,996	702	44,217	14,357	2,055	63,327
in Treasury portfolio		*1,996*	-	*44,217*	*14,357*	*2,055*	*62,625*
in Investment portfolio		-	*702*	-	-	-	*702*
Financial assets at fair value through other comprehensive income:		-	-	18,575	-	-	18,575
in Treasury portfolio		-	-	*18,575*	-	-	*18,575*
Other financial assets		-	-	37,987	-	-	37,987
Total financial assets		**628,276**	**287,131**	**1,207,382**	**2,376,256**	**1,273,443**	**5,772,488**
FINANCIAL LIABILITIES:							
Loans and deposits from banks	3.19%	119,584	159,496	275,298	882,878	179,452	1,616,708
Deposits from customers	6.97%	137,840	5,570	106,332	29,391	5,445	284,578
Debt securities issued*	5.97%	16,582	69,097	707,301	1,169,045	7,493	1,969,518
Other financial liabilities	6.88%	71	558	1,638	302	-	2,569
Total interest bearing financial liabilities		274,077	234,721	1,090,569	2,081,616	192,390	3,873,373
Financial liabilities at fair value through profit or loss		31	610	1,651	4,144	468	6,904
Other financial liabilities		-	-	6,605	-	-	6,605
Total financial liabilities		**274,108**	**235,331**	**1,098,825**	**2,085,760**	**192,858**	**3,886,882**
Liquidity gap		**354,168**	**51,800**	**108,557**	**290,496**	**1,080,585**	

* For the purpose of liquidity calculations the maturity of debt securities issued is taken according to next put option dates (if any).

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1.11%	512,475	15,006	-	-	-	527,481
Loans to financial institutions:		3,539	12,316	94,191	75,429	-	185,475
in Investment portfolio	*5.41%*	*3,539*	*12,316*	*94,191*	*75,429*	-	*185,475*
Loans to customers	6.13%	105,659	240,180	200,544	1,191,855	360,460	2,098,698
Financial assets at fair value through other comprehensive income:		288,418	499,734	229,332	781,827	439,145	2,238,456
in Treasury portfolio	1.82%	*288,418*	*499,446*	*182,052*	*519,492*	*117,140*	*1,606,548*
in Investment portfolio	9.13%	-	*288*	*47,280*	*262,335*	*322,005*	*631,908*
Debt securities at amortised cost	2.01%	10,881	472	1,102	160,209	121,833	294,497
Total interest bearing financial assets		**920,972**	**767,708**	**525,169**	**2,209,320**	**921,438**	**5,344,607**
Cash and cash equivalents		136,359	-	-	-	-	136,359
Financial assets at fair value through profit or loss		393	27,452	-	23,716	-	51,561
in Treasury portfolio		*393*	*22,634*	-	*23,716*	-	*46,743*
in Investment portfolio		-	*4,818*	-	-	-	*4,818*
Financial assets at fair value through other comprehensive income:		22,594	-	-	-	-	22,594
in Treasury portfolio		*22,594*	-	-	-	-	*22,594*
Other financial assets		-	-	9,098	-	-	9,098
Total financial assets		**1,080,318**	**795,160**	**534,267**	**2,233,036**	**921,438**	**5,564,219**
FINANCIAL LIABILITIES:							
Loans and deposits from banks	2.81%	173,378	99,897	10,728	1,069,076	207,033	1,560,112
Deposits from customers	5.02%	196,262	9,771	120,800	61,824	2,941	391,598
Debt securities issued*	6.81%	6,439	78,227	362,672	1,272,214	-	1,719,552
Other financial liabilities	2.09%	59	499	1,571	1,942	-	4,071
Total interest bearing financial liabilities		376,138	188,394	495,771	2,405,056	209,974	3,675,333
Financial liabilities at fair value through profit or loss		3,800	1,201	-	-	-	5,001
Other financial liabilities		61	-	3,384	-	-	3,445
Total financial liabilities		**379,999**	**189,595**	**499,155**	**2,405,056**	**209,974**	**3,683,779**
Liquidity gap		**700,319**	**605,565**	**35,112**	**(172,020)**	**711,464**	

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	3.60%	735,092	-	-	-	-	735,092
Loans to financial institutions:		3,822	14,569	141,082	106,825	-	266,298
in Treasury portfolio	*13.00%*	-	-	*34,685*	-	-	*34,685*
in Investment portfolio	*5.90%*	*3,822*	*14,569*	*106,397*	*106,825*	-	*231,613*
Loans to customers	7.63%	51,704	169,836	222,122	1,227,887	288,455	1,960,004
Financial assets at fair value through other comprehensive income:		476,890	376,475	326,658	333,574	592,702	2,106,299
in Treasury portfolio	*3.17%*	*476,881*	*373,044*	*324,336*	*281,623*	*58,076*	*1,513,960*
in Investment portfolio	*9.45%*	*9*	*3,431*	*2,322*	*51,951*	*534,626*	*592,339*
Total interest bearing financial assets		**1,267,508**	**560,880**	**689,862**	**1,668,286**	**881,157**	**5,067,693**
Cash and cash equivalents		30,052	-	-	-	-	30,052
Financial assets at fair value through profit or loss:		30	9,652	335	-	-	10,017
in Treasury portfolio		*30*	*3,085*	*335*	-	-	*3,450*
in Investment portfolio		-	*6,567*	-	-	-	*6,567*
Other financial assets		-	-	10,868	-	-	10,868
Total financial assets		**1,297,590**	**570,532**	**701,065**	**1,668,286**	**881,157**	**5,118,630**
FINANCIAL LIABILITIES:							
Loans and deposits from banks	3.71%	245,482	12,771	18,709	334,608	128,905	740,475
Deposits from customers	5.00%	216,187	29,251	16,350	25,267	10,289	297,344
Debt securities issued*	7.21%	176,177	77,098	588,990	1,367,063	-	2,209,328
Other financial liabilities	3.68%	-	-	2,370	4,597	-	6,967
Total interest bearing financial liabilities		637,846	119,120	626,419	1,731,535	139,194	3,254,114
Financial liabilities at fair value through profit or loss		716	2,053	6,877	17,309	-	26,955
Hedging instruments		-	-	1,616	-	-	1,616
Other financial liabilities		157	-	2,730	-	-	2,887
Total financial liabilities		**638,719**	**121,173**	**637,642**	**1,748,844**	**139,194**	**3,285,572**
Liquidity gap		**658,871**	**449,359**	**63,423**	**(80,558)**	**741,963**	

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded in the statement of financial position as the presentation below includes a maturity analysis for financial assets and liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognised in the statement of financial position under the effective interest rate method.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2021 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	430,517	-	-	-	-	430,517
Financial assets at fair value through profit or loss:	1,996	702	46,312	19,132	22,851	90,993
in Treasury portfolio	*1,996*	-	*46,312*	*19,132*	*22,851*	*90,291*
in Investment portfolio	-	*702*	-	-	-	*702*
Loans to financial institutions:	218	42,384	87,055	514,964	-	644,621
in Investment portfolio	*218*	*42,384*	*87,055*	*514,964*	-	*644,621*
Loans to customers	63,063	24,246	298,975	1,188,358	580,127	2,154,769
Financial assets at fair value through other comprehensive income:	134,975	216,878	877,878	1,167,235	624,026	3,020,992
in Treasury portfolio	*134,975*	*209,503*	*782,956*	*663,500*	*185,799*	*1,976,733*
in Investment portfolio	-	*7,375*	*94,922*	*503,735*	*438,227*	*1,044,259*
Debt securities at amortised cost	66	20,326	57,635	229,871	199,728	507,626
Other financial assets	-	-	37,987	-	-	37,987
Total financial assets	**630,835**	**304,536**	**1,405,842**	**3,119,560**	**1,426,732**	**6,887,505**
FINANCIAL LIABILITIES:						
Loans and deposits from banks	119,655	163,408	285,881	989,703	196,022	1,754,669
Financial liabilities at fair value through profit or loss	31	610	1,651	4,144	468	6,904
Deposits from customers	135,511	7,549	117,013	35,646	7,961	303,680
Debt securities issued	19,526	77,496	777,248	1,269,018	-	2,143,288
Other financial liabilities	72	577	8,275	308	-	9,232
Total financial liabilities	**274,795**	**249,640**	**1,190,068**	**2,298,819**	**204,451**	**4,217,773**
Net position	**356,040**	**54,896**	**215,774**	**820,741**	**1,222,281**	**2,669,732**
Contingent liabilities and credit commitments, gross	1,045	175,331	386,535	927,591	39,423	1,529,925

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	649,201	15,014	-	-	-	664,215
Financial assets at fair value through profit or loss:	393	27,452	-	23,716	-	51,561
in Treasury portfolio	*393*	*22,634*	-	*23,716*	-	*46,743*
in Investment portfolio	-	*4,818*	-	-	-	*4,818*
Loans to financial institutions:	4,553	15,076	100,524	83,607	-	203,760
in Investment portfolio	*4,553*	*15,076*	*100,524*	*83,607*	-	*203,760*
Loans to customers	107,580	245,032	290,750	1,588,751	522,768	2,754,881
Financial assets at fair value through other comprehensive income:	311,174	505,092	256,774	885,669	742,617	2,701,326
in Treasury portfolio	*311,174*	*499,304*	*199,965*	*525,038*	*113,235*	*1,648,716*
in Investment portfolio	-	*5,788*	*56,809*	*360,631*	*629,382*	*1,052,610*
Debt securities at amortised cost	10,917	233	11,834	165,182	130,198	318,364
Other financial assets	-	-	9,098	-	-	9,098
Total financial assets	**1,083,818**	**807,899**	**668,980**	**2,746,925**	**1,395,583**	**6,703,205**
FINANCIAL LIABILITIES:						
Loans and deposits from banks	173,843	104,689	28,479	1,160,135	229,836	1,696,982
Financial liabilities at fair value through profit or loss	3,800	1,201	-	-	-	5,001
Deposits from customers	197,126	11,591	128,038	68,153	4,540	409,448
Debt securities issued	7,163	86,488	433,279	1,398,606	-	1,925,536
Other financial liabilities	120	499	4,956	2,032	-	7,607
Total financial liabilities	**382,052**	**204,468**	**594,752**	**2,628,926**	**234,376**	**4,044,574**
Net position	**701,766**	**603,431**	**74,228**	**117,999**	**1,161,207**	**2,658,631**
Contingent liabilities and credit commitments, gross	33,923	46,802	152,735	1,173,967	51,766	1,459,193

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	765,886	-	-	-	-	765,886
Financial assets at fair value through profit or loss:	30	9,652	335	-	-	10,017
in Treasury portfolio	*30*	*3,085*	*335*	-	-	*3,450*
in Investment portfolio	-	*6,567*	-	-	-	*6,567*
Loans to financial institutions:	4,181	16,812	153,551	116,519	-	291,063
in Treasury portfolio	-	-	*37,240*	-	-	*37,240*
in Investment portfolio	*4,181*	*16,812*	*116,311*	*116,519*	-	*253,823*
Loans to customers	57,567	192,786	335,401	1,692,288	375,142	2,653,184
Financial assets at fair value through other comprehensive income:	477,592	379,628	364,064	581,753	814,074	2,617,111
in Treasury portfolio	*477,473*	*375,818*	*342,350*	*305,168*	*55,705*	*1,556,514*
in Investment portfolio	*119*	*3,810*	*21,714*	*276,585*	*758,369*	*1,060,597*
Other financial assets	-	-	10,868	-	-	10,868
Total financial assets	**1,305,256**	**598,878**	**864,219**	**2,390,560**	**1,189,216**	**6,348,129**
FINANCIAL LIABILITIES:						
Loans and deposits from banks	246,689	14,083	22,153	396,020	143,166	822,111
Financial liabilities at fair value through profit or loss	716	2,053	6,877	17,309	-	26,955
Deposits from customers	216,732	29,809	18,183	30,749	11,890	307,363
Debt securities issued	176,177	77,098	657,002	1,592,400	-	2,502,677
Hedge instruments	-	-	1,616	-	-	1,616
Other financial liabilities	157	-	5,100	4,863	-	10,120
Total financial liabilities	**640,471**	**123,043**	**710,931**	**2,041,341**	**155,056**	**3,670,842**
Net position	**664,785**	**475,835**	**153,288**	**349,219**	**1,034,160**	**2,677,287**
Contingent liabilities and credit commitments, gross	116,411	199,455	844,570	304,959	-	1,465,395

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

The Bank plans to manage its net negative maturity position through the issuance of debt securities and attraction of other borrowed funds. Also assets from portfolio of financial assets at fair value through other comprehensive income are eligible to be sold if required for liquidity purposes. Most of the commitments have a number of requirements before been issued. Also in some cases the Bank has an option to withdraw or delay issue of loan.

(d) Market risk

Market risk covers interest rate risk, currency and pricing risks. In order to measure price and currency risks the Bank uses a value-at-risk (VAR) methodology. In order to measure interest rate risk the Bank assesses its sensitivity to changes in interest rates. The Bank uses a system of limits to manage these risks.

Interest rate sensitivity

Interest rate risk is a possibility of financial losses, emerging from negative changes in market interest rates on balance and off-balance positions of the Bank.

The ALMC of the Bank manages interest rate risk through the management of interest-sensitive asset and liability positions of the Bank, and controls risk from changes in market interest rates through setting limits on the maximum amount of interest rate risk accepted by the Bank. The Bank’s assets and liability management division together with the treasury department monitors interest rate risk, estimates sensitivity of the Bank in relation to changes in interest rates and the influence of changes in interest rates on the net profit of the Bank.

The Bank conducts a regular analysis of interest rate risk in order to maintain this type of risk at an adequate level and control its impact on the Bank's financial indicators. To analyse the level of interest rate risk, the Bank uses gap analysis and the Economic Values of Equity (EVE) method, which assesses the Bank's assets and liabilities in terms of sensitivity to changes in interest rates. In order to manage interest rate risk, the Bank sets limits on negative financial results in case of changing market interest rates. The analysis is carried out by the ALM division, general management and setting of limits - ALCO.

The following table details the Bank’s sensitivity to a 3% increase and decrease in the interest rates in 2021, 2020 and 2019. This is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the possible change in interest rates. The sensitivity analysis includes only outstanding financial assets and liabilities with variable interest rates.

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(d) Market risk, continued

Interest rate sensitivity, continued

An analysis of sensitivity of net profit and equity to changes in interest rates (repricing risk) based on a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves and positions of variable interest rate assets and liabilities existing as at 31 December 2021, 2020 and 2019 is as follows:

	As at 31 December 2021		**As at 31 December 2020**		**As at 31 December 2019**	
	Interest rate +3%	**Interest rate -3%**	**Interest rate +3%**	**Interest rate -3%**	**Interest rate +3%**	**Interest rate -3%**
Financial assets:						
Loans to financial institutions:						
in Investment portfolio	15,214	(12,615)	3,926	(3,487)	875	(875)
Loans to customers	29,834	(25,538)	42,980	(37,105)	33,175	(31,175)
Financial liabilities:						
Loans from banks	(5,580)	2,422	(7,269)	3,741	(9,458)	4,788
Net impact on net profit and equity	**39,468**	**(35,731)**	**39,637**	**(36,851)**	**24,592**	**(27,262)**

An analysis of sensitivity of equity as a result of changes in the financial assets at fair value through other comprehensive income due to changes in the interest rates based on positions existing as at 31 December 2021, 2020 and 2019, and a simplified scenario of a 300 bp symmetrical fall or rise in all yield curves is as follows:

	As at 31 December 2021		**As at 31 December 2020**		**As at 31 December 2019**	
	Interest rate +3%	**Interest rate -3%**	**Interest rate +3%**	**Interest rate -3%**	**Interest rate +3%**	**Interest rate -3%**
Financial assets at fair value through other comprehensive income:						
in Treasury portfolio	(95,522)	105,376	(55,057)	65,777	(38,087)	52,961
in Investment portfolio	(116,778)	103,607	(118,991)	87,490	(113,997)	129,046
Net impact on equity	**(212,300)**	**208,983**	**(174,048)**	**153,267**	**(152,084)**	**182,007**

(e) Currency risk

Currency risk is a possibility of financial losses, emerging from negative changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The treasury department together with the assets and liabilities management division manages currency risk through the management of the quantities held in open currency positions, which enables the Bank to minimise losses from significant fluctuations of exchange rates of foreign currencies. The credit and risk management department monitors the currency risk limits set by the Management Board of the Bank.

Transactions are undertaken in derivative financial instruments ("derivatives"), which include cross currency swaps, forwards and options. Derivatives are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date.

Derivatives may be used for full or partial hedging, reducing the effect of market risks or open positions, subject to the restrictions imposed by the Investment Declaration. The Bank may open short positions only for the purposes of hedging or risk-reducing transactions.

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(e) Currency risk, continued

Currency risk analysis is performed by analysing the amount of the Bank's assets and liabilities in different currencies. Potential changes in the balance sheet structure are also taken into account. The bank maintains this type of risk at an acceptable level. The Bank sets limits on the open currency position in one single currency and in aggregate for all currencies. All the currency limits are being controlled on a daily basis. Limits are set and managed by the ALCO of the Bank.

The maximum amount of any currency position of the Bank may not exceed 10% of the Bank's equity capital in any one currency or 20% of the Bank's equity capital in all currencies.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2021 Total
Financial assets:						
Cash and cash equivalents	232,329	137,081	15,569	43,751	1,550	430,280
Financial assets at fair value through profit or loss:	60,170	-	16,873	-	2,505	79,548
in Treasury portfolio	*59,468*	-	*16,873*	-	*2,505*	*78,846*
in Investment portfolio	*702*	-	-	-	-	*702*
Loans to financial institutions:	120,027	19,235	59,376	395,370	-	594,008
in Investment portfolio	*120,027*	*19,235*	*59,376*	*395,370*	-	*594,008*
Loans to customers	112,459	255,805	700,898	566,946	-	1,636,108
Financial assets at fair value through other comprehensive income:	1,555,353	551,703	280,718	111,267	86,836	2,585,877
in Treasury portfolio	*1,497,794*	*143,932*	*50,077*	*111,267*	*86,836*	*1,889,906*
in Investment portfolio	*57,559*	*407,771*	*230,641*	-	-	*695,971*
Debt securities at amortised cost	350,658	-	25,706	32,316	-	408,680
Investments in associates	15,221	-	-	-	-	15,221
Other financial assets	34,498	1,110	332	1,753	294	37,987
Total financial assets	**2,480,715**	**964,934**	**1,099,472**	**1,151,403**	**91,185**	**5,787,709**
Financial liabilities:						
Loans and deposits from banks	190,762	156,738	388,824	642,200	238,184	1,616,708
Financial liabilities at fair value through profit or loss	3,844	-	2,931	129	-	6,904
Deposits from customers	34,292	214,484	26,340	9,462	-	284,578
Debt securities issued	608,928	578,218	444,065	338,307	-	1,969,518
Other financial liabilities	5,567	372	2,712	415	108	9,174
Total financial liabilities	**843,393**	**949,812**	**864,872**	**990,513**	**238,292**	**3,886,882**
OPEN BALANCE SHEET POSITION	**1,637,322**	**15,122**	**234,600**	**160,890**	**(147,107)**	**1,900,827**
Accounts payable on spot and derivative contracts	(194,700)	(30,515)	(405,106)	(158,775)	(87,025)	(876,121)
Accounts receivable on spot and derivative contracts	528,727	24,839	125,277	-	236,227	915,070
Net spot and derivative financial instruments position	**334,027**	**(5,676)**	**(279,829)**	**(158,775)**	**149,202**	**38,949**
TOTAL OPEN POSITION	**1,971,349**	**9,446**	**(45,229)**	**2,115**	**2,095**	**1,939,776**
Contingent liabilities and credit commitments, gross	584,899	36,717	569,017	295,075	44,217	1,529,925

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(e) Currency risk, continued

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2020 Total
Financial assets:						
Cash and cash equivalents	470,865	31,411	51,722	21,796	88,046	663,840
Financial assets at fair value through profit or loss:	51,561	-	-	-	-	51,561
in Treasury portfolio	*46,743*	-	-	-	-	*46,743*
in Investment portfolio	*4,818*	-	-	-	-	*4,818*
Loans to financial institutions:	63,577	24,820	48,367	48,711	-	185,475
in Investment portfolio	*63,577*	*24,820*	*48,367*	*48,711*	-	*185,475*
Loans to customers	174,484	333,040	622,087	969,087	-	2,098,698
Financial assets at fair value through other comprehensive income:	1,227,788	583,443	165,584	93,507	190,728	2,261,050
in Treasury portfolio	*1,167,996*	*166,282*	*10,629*	*93,507*	*190,728*	*1,629,142*
in Investment portfolio	*59,792*	*417,161*	*154,955*	-	-	*631,908*
Debt securities at amortised cost	259,264	-	-	35,233	-	294,497
Investments in associates	17,260	-	-	-	-	17,260
Other financial assets	4,260	1,163	131	3,477	67	9,098
Total financial assets	**2,269,059**	**973,877**	**887,891**	**1,171,811**	**278,841**	**5,581,479**
Financial liabilities:						
Loans and deposits from banks	177,222	273,073	153,148	728,306	228,363	1,560,112
Financial liabilities at fair value through profit or loss	4,495	-	506	-	-	5,001
Deposits from customers	111,781	211,917	43,235	24,665	-	391,598
Debt securities issued	611,968	482,899	624,685	-	-	1,719,552
Other financial liabilities	1,351	609	4,975	443	138	7,516
Total financial liabilities	**906,817**	**968,498**	**826,549**	**753,414**	**228,501**	**3,683,779**
OPEN BALANCE SHEET POSITION	**1,362,242**	**5,379**	**61,342**	**418,397**	**50,340**	**1,897,700**
Accounts payable on spot and derivative contracts	(2,000)	(95)	(196,339)	(420,755)	(236,816)	(856,005)
Accounts receivable on spot and derivative contracts	587,905	-	101,509	-	186,149	875,563
Net spot and derivative financial instruments position	**585,905**	**(95)**	**(94,830)**	**(420,755)**	**(50,667)**	**19,558**
TOTAL OPEN POSITION	**1,948,147**	**5,284**	**(33,488)**	**(2,358)**	**(327)**	**1,917,258**
Contingent liabilities and credit commitments, gross	431,561	79,772	546,297	382,147	19,416	1,459,193

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(e) Currency risk, continued

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2019 Total
Financial assets:						
Cash and cash equivalents	383,055	17,032	302,515	62,052	490	765,144
Financial assets at fair value through profit or loss:	9,566	-	451	-	-	10,017
in Treasury portfolio	2,999	-	451	-	-	3,450
in Investment portfolio	6,567	-	-	-	-	6,567
Loans to financial institutions:	15,664	60,505	78,495	111,634	-	266,298
in Treasury portfolio	-	34,685	-	-	-	34,685
in Investment portfolio	15,664	25,820	78,495	111,634	-	231,613
Loans to customers	518,002	227,739	734,405	479,858	-	1,960,004
Financial assets at fair value through other comprehensive income:	1,424,212	548,893	133,194	-	-	2,106,299
in Treasury portfolio	1,366,168	139,961	7,831	-	-	1,513,960
in Investment portfolio	58,044	408,932	125,363	-	-	592,339
Investments in associates	20,131	-	-	-	-	20,131
Other financial assets	9,417	1,277	155	19	-	10,868
Total financial assets	**2,380,047**	**855,446**	**1,249,215**	**653,563**	**490**	**5,138,761**
Financial liabilities:						
Loans and deposits from banks	116,118	233,378	16,148	374,723	108	740,475
Financial liabilities at fair value through profit or loss	25,339	786	830	-	-	26,955
Deposits from customers	129,309	134,011	33,507	517	-	297,344
Debt securities issued	804,674	515,748	888,906	-	-	2,209,328
Hedge instruments	1,616	-	-	-	-	1,616
Other financial liabilities	273	687	8,307	519	68	9,854
Total financial liabilities	**1,077,329**	**884,610**	**947,698**	**375,759**	**176**	**3,285,572**
OPEN BALANCE SHEET POSITION	**1,302,718**	**(29,164)**	**301,517**	**277,804**	**314**	**1,853,189**
Accounts payable on spot and derivative contracts	(109,598)	(102,079)	(427,921)	(74,502)	(442)	(714,542)
Accounts payable on hedge instruments	-	-	-	(208,175)	-	(208,175)
Accounts receivable on spot and derivative contracts	430,756	135,254	121,400	2,248	-	689,658
Accounts receivable on hedge instruments	206,559	-	-	-	-	206,559
Net spot and derivative financial instruments position	**527,717**	**33,175**	**(306,521)**	**(280,429)**	**(442)**	**(26,500)**
TOTAL OPEN POSITION	**1,830,435**	**4,011**	**(5,004)**	**(2,625)**	**(128)**	**1,826,689**
Contingent liabilities and credit commitments, gross	373,929	163,796	681,308	246,362	-	1,465,395

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(e) Currency risk, continued

Currency risk sensitivity

The following table details the Bank's sensitivity to a 15% increase and decrease in the US Dollar/Russian rouble and US Dollar/Kazakhstani tenge exchange rates as at 31 December 2021, 2020 and 2019, respectively and a 10% increase and decrease in the US Dollar/Euro exchange rate. These sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for respective changes in currency rates as at 31 December 2021, 2020 and 2019.

Impact on net profit and equity based on asset values as at 31 December 2021, 2020 and 2019:

	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	USD/RUB +15%	USD/RUB -15%	USD/RUB +15%	USD/RUB -15%	USD/RUB +15%	USD/RUB -15%
Impact on net profit	(6,784)	6,784	(5,023)	5,023	751	(751)
Impact on equity	(6,784)	6,784	(5,023)	5,023	751	(751)

	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	USD/KZT +15%	USD/KZT -15%	USD/KZT +15%	USD/KZT -15%	USD/KZT +15%	USD/KZT -15%
Impact on net profit	1,417	(1,417)	793	(793)	(602)	602
Impact on equity	1,417	(1,417)	793	(793)	(602)	602

	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	212	(212)	(236)	236	263	(263)
Impact on equity	212	(212)	(236)	236	263	(263)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(e) Currency risk, continued

Limitations of sensitivity analysis, continued

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

(f) Presentation of financial instruments by measurement category

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2021:

	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	31 December 2021 Total
Cash and cash equivalents	-	-	430,280	430,280
Financial assets at fair value through profit or loss:	79,548	-	-	79,548
in Treasury portfolio	*78,846*	-	-	*78,846*
in Investment portfolio	*702*	-	-	*702*
Loans to financial institutions:	-	-	594,008	594,008
in Investment portfolio	-	-	*594,008*	*594,008*
Loans to customers	-	-	1,636,108	1,636,108
Financial assets at fair value through other comprehensive income:	-	2,585,877	-	2,585,877
in Treasury portfolio	-	*1,889,906*	-	*1,889,906*
in Investment portfolio	-	*695,971*	-	*695,971*
Debt securities at amortised cost	-	-	408,680	408,680
Other financial assets	-	-	37,987	37,987

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2020:

	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	31 December 2020 Total
Cash and cash equivalents	-	-	663,840	663,840
Financial assets at fair value through profit or loss:	51,561	-	-	51,561
in Treasury portfolio	*46,743*	-	-	*46,743*
in Investment portfolio	*4,818*	-	-	*4,818*
Loans to financial institutions:	-	-	185,475	185,475
in Investment portfolio	-	-	*185,475*	*185,475*
Loans to customers	-	-	2,098,698	2,098,698
Financial assets at fair value through other comprehensive income:	-	2,261,050	-	2,261,050
in Treasury portfolio	-	*1,629,142*	-	*1,629,142*
in Investment portfolio	-	*631,908*	-	*631,908*
Debt securities at amortised cost	-	-	294,497	294,497
Other financial assets	-	-	9,098	9,098

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(f) Presentation of financial instruments by measurement category, continued

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2019:

	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	31 December 2019 Total
Cash and cash equivalents	-	-	765,144	765,144
Financial assets at fair value through profit or loss:	10,017	-	-	10,017
in Treasury portfolio	*3,450*	-	-	*3,450*
in Investment portfolio	*6,567*	-	-	*6,567*
Loans to financial institutions:	-	-	266,298	266,298
in Treasury portfolio	-	-	*34,685*	*34,685*
in Investment portfolio	-	-	*231,613*	*231,613*
Loans to customers	-	-	1,960,004	1,960,004
Financial assets at fair value through other comprehensive income:	-	2,106,299	-	2,106,299
in Treasury portfolio	-	*1,513,960*	-	*1,513,960*
in Investment portfolio	-	*592,339*	-	*592,339*
Other financial assets	-	-	10,868	10,868

As at 31 December 2021, 2020 and 2019, all of the Bank's financial liabilities, except for derivatives and hedge instruments carried at fair value through profit or loss, were carried at amortised cost.

32. EVENTS AFTER THE REPORTING PERIOD

On 30 December 2022, the Council of the Bank unanimously approved a redistribution of the Bank's charter capital among its Member states. A portion comprising 321,151 shares held by the Russian Federation in the Bank's paid-in capital has been evenly distributed among the other Member states. In May-June 2023 all of the Intergovernmental agreements between the Russian Federation and the other five Member states on redistribution of the Russia owned shares of the Bank had come into action.

As at the date of authorization of these financial statements shares of the Bank were owned as follows:

	4 August 2023, %
The Russian Federation	44.79
The Republic of Kazakhstan	37.29
The Republic of Belarus	5.21
The Republic of Tajikistan	4.25
The Republic of Armenia	4.23
The Kyrgyz Republic	4.23
Total	**100.00**

32. EVENTS AFTER THE REPORTING PERIOD, CONTINUED

In 2023 the Bank continues to operate in the current geopolitical and economic situation, while the economies of the region are quickly adapting to external economic impacts. Inflation in most countries in the region has passed its peaks during 2022.

As at the date of issue of these financial statements, the Bank's total assets increased by 41% as compared to 31 December 2021, mainly due to short-term funds raised from financial institutions during 2022 for liquidity management. The funds raised were placed in highly liquid assets of the Treasury portfolio.

During 2022, the Bank placed its debt securities in the amount of near to 2.3 billion US dollars, during the first half of 2023 - in the amount of near to 0.4 billion US dollars. The funds raised were used to finance projects in industry, infrastructure, renewable energy and energy conservation.