

# **EURASIAN DEVELOPMENT BANK**

## **Consolidated Financial Statements and Independent Auditor's Report**

For the Year ended 31 December 2022

# Eurasian Development Bank

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **OPINION**

We have audited the accompanying consolidated financial statements of Eurasian Development Bank (hereinafter referred to as the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income for the year 2022, the consolidated statement of changes in equity for the year 2022, the consolidated cash flow statement for the year 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Bank's consolidated financial statements present fairly, in all material respects, the Bank's consolidated financial position as at 31 December 2022, its consolidated financial results and consolidated cash flows for the year 2022 in accordance with International Financial Reporting Standards ("IFRSs").

### **BASIS FOR OPINION**

We have 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 Consolidated 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 (the IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated 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 matters that, in our professional judgment, were of most significance to our audit of the Bank's consolidated financial statements. These matters were addressed in the context of our audit of the Bank's consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key Audit Matters

### *Internal credit rating model used in measuring expected credit losses ("ECL") in accordance with IFRS 9 Financial Instruments*

As disclosed in Note 15 of the Bank's consolidated financial statements as at 31 December 2022. The Bank recognized the total amount of loans to customers in the amount of USD 2,324,280 thousand, with the corresponding allowance for ECLs in the amount of USD 163,395 thousand, respectively.

The measurement of expected credit loss is a complex calculation that requires a number of inputs and assumptions, such as credit rating, probability of default and loss given default.

In accordance with IFRS 9, the Bank applies an expected loss model to create an allowance for impairment of financial assets. A 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, available at the valuation date without undue cost to obtain it; the probabilistic nature of the values obtained as a result of evaluating all possible outcomes; impartiality and balance in relation to the assumptions and judgments used; application of the concept of the time value of money.

For loans to customers without external rating, based on the methodology of the international rating agency (hereinafter referred to as the "Internal Models"), which takes into account information about current conditions, as well as forecasts of future events.

Internal models generate individual credit rating for each counterparty with individual probability of default based on data on financial performance, the operating environment of the Bank's borrowers, macroeconomic indicators, projected cash flows, etc.

Judgment is required in evaluating the risk parameters such as macroeconomic conditions, projected cash flows, creditworthiness and solvency.

Information about expected credit losses is disclosed in Notes 3 "Significant Accounting Policies", 14 "Loans and Amounts due from Financial Institutions" and 15 "Loans to Customers" to the consolidated financial statements.

## Audit Procedures for Key Audit Matters

The audit procedures performed in this area included:

- obtaining an understanding of the procedures and associated controls to assess and monitor the credit rating of the Bank's borrowers. The procedures included an assessment of relevant controls over the model, including mathematical accuracy;
- assessment of the methodology with the requirements outlined in IFRS 9 with involvement of our internal risk advisory specialists;
- assessment of the reasonableness of management's assumptions and input data used in the model, including the analysis of the forecasted macroeconomic variables with the involvement of our internal risk advisory specialists;
- consideration of the adequacy and completeness of information disclosed by the Bank on credit risk, the structure and quality of the loan portfolio and provisions for impairment in accordance with IFRS 9, including the impact of economic sanctions against Russia and Belarus.

## **OTHER INFORMATION**

The management of the Bank is responsible for the other information. The other information includes the information contained in the Report for 2022, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the Bank's consolidated 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 consolidated 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 consolidated 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 reported in our report.

## **RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

Those charged with governance are responsible for overseeing the Bank's consolidated financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we do the following:

- a. identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement from fraud is greater than the risk of not detecting a material misstatement from an error because fraud may include collusion; forgery, omission, misrepresentation, or circumvention of internal controls;
- b. obtain an understanding of the internal control system relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system;
- c. evaluate the appropriateness of the accounting policies used and the reasonableness of management estimates and related disclosures;
- d. conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to be able to continue as a going concern;


- e. evaluate the presentation of the consolidated financial statements as a whole, structure and content, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that ensures their fair presentation.

We communicate with those charged with governance regarding among other matters the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, which constitute the key audit matters included herein. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.




  
Bakyt Zhumadilov  
Audit Assignment Manager

Auditor Qualification Certificate No. MF-0001686 dated 06/30/2021

  
Mikhail Bryukhanov  
Assignment Partner

Qualification certificate of the auditor No. 06-000025 dated 12/20/2011

  
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



# EURASIAN DEVELOPMENT BANK

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of US Dollars)

|   | Note   | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|---|--------|-----------------------------------|-----------------------------------|-----------------------------------|
| Interest income, calculated using the effective interest method:                              |        |                                   |                                   |                                   |
| on Investment portfolio   | 4      | 239,297                           | 203,799                           | 204,288                           |
| on Treasury portfolio   | 4      | 95,306                            | 52,817                            | 57,206                            |
| Other interest income on Treasury portfolio   | 4      | 24,408                            | 10,755                            | 7,075                             |
| Interest expense  | 4      | (259,443)                         | (197,331)                         | (198,195)                         |
| <b>Net interest income</b>  |        | <b>99,568</b>                     | <b>70,040</b>                     | <b>70,374</b>                     |
| Net (loss)/gain on financial assets and liabilities at fair value through profit or loss      | 5      | (190,653)                         | 46,491                            | 1,948                             |
| Net gain/(loss) on transactions in foreign currencies   | 6      | 261,317                           | (43,843)                          | 8,301                             |
| Net realised (loss)/gain on financial assets at fair value through other comprehensive income | 7      | (2,664)                           | 9,862                             | 4,619                             |
| Net gain from modification and recognition of new financial instruments                       | 15, 22 | 40,252                            | 5,078                             | 193                               |
| Losses on investments in associates   | 18     | (395)                             | (1,968)                           | (2,908)                           |
| Net loss on disposal of assets held for sale  | 18     | (12,173)                          | -                                 | -                                 |
| Net gain/(loss) on trading with debt securities issued  | 22     | 54,440                            | (39)                              | (295)                             |
| Refund for management of Eurasian Fund for Stabilisation and Development                      | 8      | 11,133                            | 10,485                            | 8,057                             |
| Fee and commission income   | 9      | 14,226                            | 4,524                             | 3,302                             |
| Fee and commission expense  |        | (2,578)                           | (977)                             | (1,043)                           |
| Dividend income   | 13, 16 | -                                 | 3,332                             | -                                 |
| Net other income/(expense)  |        | 7                                 | (18)                              | 129                               |
| <b>Net non-interest income</b>  |        | <b>172,912</b>                    | <b>32,927</b>                     | <b>22,303</b>                     |
| <b>Operating income before provision for expected credit losses</b>                           |        | <b>272,480</b>                    | <b>102,967</b>                    | <b>92,677</b>                     |
| Provision for expected credit losses on interest bearing assets                               | 10     | (184,945)                         | (7,825)                           | (15,909)                          |
| (Provision for)/recovery of expected credit losses on guarantees and letters of credit issued | 10     | (8,125)                           | (5,235)                           | 156                               |
| <b>Net operating income</b>   |        | <b>79,410</b>                     | <b>89,907</b>                     | <b>76,924</b>                     |
| Net income on discontinued operations   | 18     | 7,901                             | -                                 | -                                 |
| Operating expenses  | 11     | (56,655)                          | (52,787)                          | (44,335)                          |
| Technical assistance fund expenses, net   |        | -                                 | -                                 | (7)                               |
| <b>NET PROFIT</b>   |        | <b>30,656</b>                     | <b>37,120</b>                     | <b>32,582</b>                     |
| Earnings per share  | 24     | 0.0202                            | 0.0245                            | 0.0215                            |

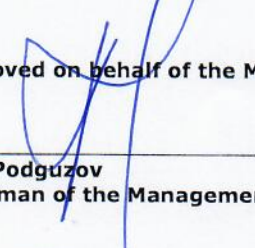
# EURASIAN DEVELOPMENT BANK

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of US Dollars)

|  | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>OTHER COMPREHENSIVE (LOSS)/ INCOME:</b>   |                                   |                                   |                                   |
| <b>Items that are or may be reclassified subsequently to profit or loss:</b>   |                                   |                                   |                                   |
| <b>Treasury portfolio:</b>   |                                   |                                   |                                   |
| Net unrealised (loss)/ gain on revaluation of financial assets at fair value through other comprehensive income              | (48,639)                          | (18,904)                          | 2,779                             |
| Net realised loss/ (gain) on financial assets at fair value through other comprehensive income transferred to profit or loss | 7 2,665                           | (9,860)                           | (4,547)                           |
| Net unrealised loss on revaluation of hedge instruments  | -                                 | -                                 | (292)                             |
| <b>Other comprehensive loss on Treasury portfolio</b>  | <b>(45,974)</b>                   | <b>(28,764)</b>                   | <b>(2,060)</b>                    |
| <b>Investment portfolio:</b>   |                                   |                                   |                                   |
| Net unrealised (loss)/ gain on revaluation of financial assets at fair value through other comprehensive income              | (9,383)                           | (12,005)                          | 7,242                             |
| Net realised gain on financial assets at fair value through other comprehensive income transferred to profit or loss         | 7 (1)                             | (2)                               | (72)                              |
| <b>Other comprehensive (loss)/income on Investment portfolio</b>   | <b>(9,384)</b>                    | <b>(12,007)</b>                   | <b>7,170</b>                      |
| <b>Total items that are or may be reclassified subsequently to profit or loss</b>  | <b>(55,358)</b>                   | <b>(40,771)</b>                   | <b>5,110</b>                      |
| <b>OTHER COMPREHENSIVE (LOSS)/ INCOME</b>  | <b>(55,358)</b>                   | <b>(40,771)</b>                   | <b>5,110</b>                      |
| <b>TOTAL COMPREHENSIVE (LOSS)/ INCOME</b>  | <b>(24,702)</b>                   | <b>(3,651)</b>                    | <b>37,692</b>                     |

Approved on behalf of the Management of the Bank:

  
N.R. Podguzov  
Chairman of the Management Board

4 August 2023  
Almaty, Kazakhstan



  
B.K. Mukhambetzhonov  
Deputy Chairman  
of the Management Board

4 August 2023  
Almaty, Kazakhstan

# EURASIAN DEVELOPMENT BANK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(in thousands of US Dollars)

|  | Note | 31 December<br>2022 | 31 December<br>2021 | 31 December<br>2020 |
|--|------|---------------------|---------------------|---------------------|
| <b>ASSETS</b>  |      |                     |                     |                     |
| Cash and cash equivalents  | 12   | 1,279,281           | 430,280             | 663,840             |
| Financial assets at fair value through profit or loss:   |      |                     |                     |                     |
| <i>in Treasury portfolio</i>   | 13   | 156,471             | 79,548              | 51,561              |
| <i>in Investment portfolio</i>   |      | 140,132             | 78,846              | 46,743              |
|  |      | 16,339              | 702                 | 4,818               |
| Loans and amounts due from financial institutions:   |      |                     |                     |                     |
| <i>in Treasury portfolio</i>   | 14   | 862,270             | 594,008             | 185,475             |
| <i>in Investment portfolio</i>   |      | 427,145             | -                   | -                   |
|  |      | 435,125             | 594,008             | 185,475             |
| Loans to customers   | 15   | 2,160,885           | 1,636,108           | 2,098,698           |
| Financial assets at fair value through other comprehensive income:   |      |                     |                     |                     |
| <i>in Treasury portfolio</i>   | 16   | 3,539,896           | 2,585,877           | 2,261,050           |
| <i>in Investment portfolio</i>   |      | 2,844,390           | 1,889,906           | 1,629,142           |
|  |      | 695,506             | 695,971             | 631,908             |
| Debt securities at amortised cost  | 17   | 384,919             | 408,680             | 294,497             |
| Investments in associates  | 18   | 24                  | 15,221              | 17,260              |
| Property and equipment   |      | 10,583              | 10,667              | 10,492              |
| Intangible assets  |      | 2,222               | 1,109               | 762                 |
| Other assets   | 19   | 32,040              | 46,697              | 16,040              |
| <b>TOTAL ASSETS</b>  |      | <b>8,428,591</b>    | <b>5,808,195</b>    | <b>5,599,675</b>    |
| <b>LIABILITIES AND EQUITY</b>  |      |                     |                     |                     |
| <b>LIABILITIES:</b>  |      |                     |                     |                     |
| Loans and deposits from banks  | 20   | 3,165,338           | 1,616,708           | 1,560,112           |
| Financial liabilities at fair value through profit or loss   | 13   | 2,956               | 6,904               | 5,001               |
| Deposits from customers  | 21   | 307,507             | 284,578             | 391,598             |
| Debt securities issued   | 22   | 3,030,076           | 1,969,518           | 1,719,552           |
| Other liabilities  | 23   | 86,363              | 69,256              | 41,274              |
| <b>Total liabilities</b>   |      | <b>6,592,240</b>    | <b>3,946,964</b>    | <b>3,717,537</b>    |
| <b>EQUITY:</b>   |      |                     |                     |                     |
| <b>Share capital:</b>  |      |                     |                     |                     |
| 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             | 146,220             |
| Technical assistance fund reserve  | 25   | 21,137              | 15,569              | 23,685              |
| Digital initiative fund reserve  | 25   | 5,568               | 4,887               | 10,000              |
| Revaluation (deficit)/ reserve for financial assets at fair value through other comprehensive income in Treasury portfolio   |      | (61,959)            | (15,985)            | 12,779              |
| Revaluation (deficit)/ reserve for financial assets at fair value through other comprehensive income in Investment portfolio |      | (3,520)             | 5,864               | 17,871              |
| Retained earnings  |      | 213,205             | 188,976             | 155,883             |
| <b>Total equity</b>  |      | <b>1,836,351</b>    | <b>1,861,231</b>    | <b>1,882,138</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |      | <b>8,428,591</b>    | <b>5,808,195</b>    | <b>5,599,675</b>    |

Approved on behalf of the Management of the Bank

  
N.R. Podguzov  
Chairman of the Management Board

4 August 2023  
Almaty, Kazakhstan



  
B.K. Mukhambetzhonov  
Deputy Chairman  
of the Management Board

4 August 2023  
Almaty, Kazakhstan

# EURASIAN DEVELOPMENT BANK

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of US Dollars)

|   | Share capital    |                    |                  | Reserve fund   | Technical assistance fund reserve | Digital initiative fund reserve | Treasury portfolio revaluation reserve/(deficit) for financial assets at fair value through other comprehensive income | Treasury portfolio revaluation reserve for hedging instruments | Investment portfolio revaluation reserve/(deficit) for financial assets at fair value through other comprehensive income | Retained earnings | Total            |
|---|------------------|--------------------|------------------|----------------|-----------------------------------|---------------------------------|--|--|--|-------------------|------------------|
|   | Authorised       | Callable           | Paid-in          |                |                                   |                                 |  |  |  |                   |                  |
| <b>31 December 2019</b>                         | <b>7,000,000</b> | <b>(5,484,300)</b> | <b>1,515,700</b> | <b>111,732</b> | <b>19,133</b>                     | -                               | <b>14,547</b>  | <b>292</b>   | <b>10,701</b>  | <b>177,891</b>    | <b>1,849,996</b> |
| Net profit                                      | -                | -                  | -                | -              | -                                 | -                               | -  | -  | -  | 32,582            | 32,582           |
| Other comprehensive (loss)/income               | -                | -                  | -                | -              | -                                 | -                               | (1,768)  | (292)  | 7,170  | -                 | 5,110            |
| <b>Total comprehensive (loss)/income</b>        | -                | -                  | -                | -              | -                                 | -                               | <b>(1,768)</b>   | <b>(292)</b>   | <b>7,170</b>   | <b>32,582</b>     | <b>37,692</b>    |
| 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)          |
| <b>31 December 2020</b>                         | <b>7,000,000</b> | <b>(5,484,300)</b> | <b>1,515,700</b> | <b>146,220</b> | <b>23,685</b>                     | <b>10,000</b>                   | <b>12,779</b>  | -  | <b>17,871</b>  | <b>155,883</b>    | <b>1,882,138</b> |
| Net profit                                      | -                | -                  | -                | -              | -                                 | -                               | -  | -  | -  | 37,120            | 37,120           |
| Other comprehensive loss                        | -                | -                  | -                | -              | -                                 | -                               | (28,764)   | -  | (12,007)   | -                 | (40,771)         |
| <b>Total comprehensive (loss)/income</b>        | -                | -                  | -                | -              | -                                 | -                               | <b>(28,764)</b>  | -  | <b>(12,007)</b>  | <b>37,120</b>     | <b>(3,651)</b>   |
| 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)          |
| <b>31 December 2021</b>                         | <b>7,000,000</b> | <b>(5,484,300)</b> | <b>1,515,700</b> | <b>146,220</b> | <b>15,569</b>                     | <b>4,887</b>                    | <b>(15,985)</b>  | -  | <b>5,864</b>   | <b>188,976</b>    | <b>1,861,231</b> |
| Net profit                                      | -                | -                  | -                | -              | -                                 | -                               | -  | -  | -  | 30,656            | 30,656           |
| Other comprehensive loss                        | -                | -                  | -                | -              | -                                 | -                               | (45,974)   | -  | (9,384)  | -                 | (55,358)         |
| <b>Total comprehensive (loss)/income</b>        | -                | -                  | -                | -              | -                                 | -                               | <b>(45,974)</b>  | -  | <b>(9,384)</b>   | <b>30,656</b>     | <b>(24,702)</b>  |
| Transfer to Technical assistance fund reserve   | -                | -                  | -                | -              | 5,568                             | -                               | -  | -  | -  | (5,568)           | -                |
| Transfer to Digital initiative fund reserve     | -                | -                  | -                | -              | -                                 | 5,568                           | -  | -  | -  | (5,568)           | -                |
| Allocation of Digital initiative fund reserve   | -                | -                  | -                | -              | -                                 | (4,887)                         | -  | -  | -  | -                 | (4,887)          |
| Recognition of Digital initiative fund assets   | -                | -                  | -                | -              | -                                 | -                               | -  | -  | -  | 4,709             | 4,709            |
| <b>31 December 2022</b>                         | <b>7,000,000</b> | <b>(5,484,300)</b> | <b>1,515,700</b> | <b>146,220</b> | <b>21,137</b>                     | <b>5,568</b>                    | <b>(61,959)</b>  | -  | <b>(3,520)</b>   | <b>213,205</b>    | <b>1,836,351</b> |

Approved on behalf of the Management of the Bank

**N.R. Podguzov**  
Chairman of the Management Board

4 August 2023  
Almaty, Kazakhstan



**B.K. Mukhambetzhano**  
Deputy Chairman  
of the Management Board

4 August 2023  
Almaty, Kazakhstan

# EURASIAN DEVELOPMENT BANK

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of US Dollars)

|  | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                   |                                   |                                   |
| Interest received on loans to customers  | 134,532                           | 116,146                           | 134,003                           |
| Interest received on loans and amounts due from financial institutions and cash and cash equivalents                         | 53,502                            | 18,614                            | 26,365                            |
| Interest and income received from financial assets at fair value through profit or loss                                      | 20,848                            | 43,306                            | 7,879                             |
| Interest income received on financial assets at fair value through other comprehensive income                                | 60,007                            | 93,449                            | 81,201                            |
| Interest income received on debt securities at amortised cost  | 18,668                            | 18,857                            | 6,180                             |
| Interest paid on loans and deposits from banks   | (79,802)                          | (45,589)                          | (24,834)                          |
| Interest paid on financial liabilities at fair value through profit or loss  | (25,569)                          | (13,492)                          | (21,353)                          |
| Interest paid on deposits from customers   | (12,729)                          | (21,379)                          | (15,454)                          |
| Interest paid on debt securities issued  | (111,928)                         | (105,961)                         | (147,111)                         |
| Fees and commissions received  | 20,408                            | 8,155                             | 16,445                            |
| Fees and commissions paid  | (2,343)                           | (976)                             | (1,031)                           |
| Other income received/(expenses paid)  | 7                                 | (18)                              | 129                               |
| Operating expenses paid  | (49,992)                          | (47,513)                          | (35,988)                          |
| <b>Cash inflow from operating activities before changes in operating assets and liabilities</b>                              | <b>25,609</b>                     | <b>63,599</b>                     | <b>26,431</b>                     |
| <b>Changes in operating assets</b>   |                                   |                                   |                                   |
| (Increase)/decrease in loans to customers  | (599,842)                         | 386,375                           | (190,654)                         |
| Decrease/(increase) in loans and amounts due from financial institutions   | 32,007                            | (418,012)                         | 71,787                            |
| Increase in financial assets at fair value through profit or loss  | (257,730)                         | (12,435)                          | (63,169)                          |
| Decrease/(increase) in other assets  | 23,196                            | (19,967)                          | (2,260)                           |
| <b>Changes in operating liabilities</b>  |                                   |                                   |                                   |
| Increase/(decrease) in deposits from banks   | 2,509,391                         | 144,119                           | (110,049)                         |
| Increase/(decrease) in deposits from customers   | 34,971                            | (98,549)                          | 115,727                           |
| Increase/(decrease) in other liabilities   | 5,771                             | 5,382                             | (1,275)                           |
| <b>Cash flows from/(used in) operating activities</b>  | <b>1,773,373</b>                  | <b>50,512</b>                     | <b>(153,462)</b>                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                   |                                   |                                   |
| Purchase of financial assets at fair value through other comprehensive income, Treasury portfolio                            | (18,827,954)                      | (3,852,142)                       | (4,411,611)                       |
| Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, Treasury portfolio   | 17,536,487                        | 3,560,960                         | 4,274,921                         |
| Purchase of financial assets at fair value through other comprehensive income, Investment portfolio                          | (118,009)                         | (113,104)                         | (82,079)                          |
| Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, Investment portfolio | 21,693                            | 8,270                             | 16,799                            |
| Purchase of debt securities at amortised cost  | (159,301)                         | (141,812)                         | (300,396)                         |
| Proceeds from redemption of debt securities at amortised cost  | 91,416                            | 10,500                            | 2,155                             |
| Purchase of investment classified as assets held-for-sale  | (61,556)                          | -                                 | -                                 |
| Disposal of assets held-for-sale   | 53,479                            | -                                 | -                                 |
| Purchase of property, equipment and intangible assets  | (4,836)                           | (1,819)                           | (1,132)                           |
| Dividends from investment in associates  | -                                 | 70                                | -                                 |
| <b>Cash flows used in investing activities</b>   | <b>(1,468,581)</b>                | <b>(529,077)</b>                  | <b>(501,343)</b>                  |

# EURASIAN DEVELOPMENT BANK

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of US Dollars)


|  | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                                   |                                   |                                   |
| Proceeds from issuance of debt securities (Note 22)                            | 2,272,015                         | 701,658                           | 403,040                           |
| Repayments of debt securities (Note 22)  | (1,082,233)                       | (397,755)                         | (713,990)                         |
| Proceeds from loans from banks and loans under repurchase agreements (Note 20) | 123,106                           | 92,579                            | 1,041,900                         |
| Repayments of loans from banks and loans under repurchase agreements (Note 20) | (830,845)                         | (123,110)                         | (177,839)                         |
| Repayment of lease liabilities   | (3,261)                           | (2,500)                           | (1,850)                           |
|  | <b>478,782</b>                    | <b>270,872</b>                    | <b>551,261</b>                    |
| <b>Cash flows from financing activities</b>                                    |                                   |                                   |                                   |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                    | <b>783,574</b>                    | <b>(207,693)</b>                  | <b>(103,544)</b>                  |
| Cash and cash equivalents at the beginning of the year                         | 430,280                           | 663,840                           | 765,144                           |
| Effect of changes in foreign exchange rate on cash and cash equivalents        | 65,427                            | (25,867)                          | 2,240                             |
|  | <b>1,279,281</b>                  | <b>430,280</b>                    | <b>663,840</b>                    |
| <b>Cash and cash equivalents at the end of the year (Note 12)</b>              | <b>1,279,281</b>                  | <b>430,280</b>                    | <b>663,840</b>                    |

Approved on behalf of the Management of the Bank:

  
N.R. Podguzov  
Chairman of the Management Board

4 August 2023  
Almaty, Kazakhstan



  
B.K. Mukhambetzhonov  
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 2022, 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.

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(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 2022, 2021 and 2020, shares of the Bank were owned as follows:

|                            | <u>%</u>                    |
|----------------------------|-----------------------------|
| 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        | <u>0.01</u>                 |
| <b>Total</b>               | <b><u><u>100.00</u></u></b> |

On 30 December 2022, the Council of the Bank unanimously approved a redistribution of the Bank's charter capital among its Member states. In accordance with the Bank's Charter, Council members have obtained necessary authorisations and/or governmental resolutions to vote on this matter. 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 and, as a result, the Russian Federation's stake in the Bank has decreased from 65.9761% to 44.7878%. After redistribution, the other Member states will have the following shares in its capital: the Republic of Kazakhstan 37.2864%, the Republic of Armenia 4.2291%, the Kyrgyz Republic 4.2291%, the Republic of Belarus 5.2121%, and the Republic of Tajikistan 4.2555%.

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 investment risks, in case if: risk on the counterparty/the group of related counterparties is above 100 million US dollars; aggregate amount of large investment risks is above 300 percent of the Bank's equity; the Bank invests in the non-member states economies; and payback period of investments exceeds 15 years. According to the Charter at least 75% of the shareholders must be present at the Council's meeting. Thus for the decision making on key matters it is required to have  $\frac{3}{4}$  of votes, 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.

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue on 4 August 2023 by the management of the Bank.

**1. BACKGROUND, CONTINUED****(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 geopolitical and economic situation, the introduction of severe economic and financial restrictions against the Russian Federation by the United States, the European Union, the United Kingdom and some other states, and responsive restrictive measures by the Russian Federation against them create risks for the operations conducted by the Bank. Due to the aforementioned restrictions international credit rating agencies discontinued issuing credit ratings for the Russian Federation and entities with prime business in the Russian Federation. The European Union, the United Kingdom and the United States have also imposed sanctions on the Republic of Belarus, affecting major sectors of the economy and restricting the access of the Republic of Belarus to capital markets and imported goods. Sanction pressure has a negative impact on the economies of the Russian Federation and the Republic of Belarus and on the investment attractiveness of these countries. The consolidated financial statements reflect the Bank's management 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 the Bank's management assessment.

Global economic situation in 2022 was influenced by three inter-related trends. The first trend is an inflation on consumer and raw material markets that reached historical heights. It is possible that peak of this inflation in countries with developed economies was passed in the end of 2022. The second trend is a rapid growth of interest rates in countries with developed or developing economies. The signs of "loosening" of financial costs pressure predict that the cycle of "stiffening" of monetary policies by financial regulators of the largest world economies is coming to its conclusion in the beginning of 2023. The third trend is the decrease of global business activity due to accumulated effects of tougher financial requirements and growth of inflation.

These negative trends had limited impact on economies of Member states in 2022. The major effect was the growth of inflation in the Bank's operation region from 8.5% in December 2021 to 12.5% in December 2022. The peak of price growth in the Bank's operation region was left behind, and inflation in 2023 is expected to slow down.

Economies of the Member states of the Bank have demonstrated sufficient sustainability and adaptability against external pressure in 2022. Despite significant sanctions the decrease of the Russian Federation's GDP is expected to be lower than earlier projections and likely will not exceed 2.5%, while decrease of the Republic of Belarus' GDP is 4.7%. The economies of Central Asia countries and Armenia have grown in 2022 due to increased internal demand and high prices on their export. The economic activity of the Republic of Armenia has increased by 14.2%, the GDP of the Republic of Kazakhstan increased by 3.1%, of the Kyrgyz Republic - by 7.0%, of the Republic of Tajikistan - by 8.0%.

The impact of geopolitical events in 2022 has led to increased volatility in the Russian financial market, including the exchange rate of the Russian rouble. The Bank believes that the Russian rouble peaked in the mid of 2022, driven by strong import cuts, capital flow restrictions and a shift away from fiscal rules. In the second half of 2022 the exchange rate of the Russian rouble was weakening due to restoration of import levels and reduction of oil prices.

**1. BACKGROUND, CONTINUED****(b) Business environment, continued**

Uncertainty in future developments remains very high. The major risks for economies of Member states are: possible increase of sanctions against the Russian Federation and the Republic of Belarus, uncertainties related to adjustments in production and logistical chains, possibility of long-term significant recession in the largest world economies.

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 factors of the Member states on the financial results of the Bank.

**2. BASIS OF PREPARATION**

The Bank has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern. The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue its business for the foreseeable future. Furthermore, management of the Bank is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern.

**(a) Statement of compliance**

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The principal accounting policies applied in the preparation of these consolidated 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 consolidated 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.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

**2. BASIS OF PREPARATION, CONTINUED**

**(d) Use of estimates and judgments**

The preparation of the Bank's consolidated 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 and the accompanying disclosures, as well as the disclosure of contingent liabilities. 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 the Note 3 (p).

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Bank using 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 using the exchange rates 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:

|  | <b>31<br/>December<br/>2022</b> | <b>31<br/>December<br/>2021</b> | <b>31<br/>December<br/>2020</b> |
|--|---------------------------------|---------------------------------|---------------------------------|
| US dollar/1 Kazakhstani tenge ("KZT")      | 0.00216099                      | 0.00230181                      | 0.00237445                      |
| US dollar/1 Russian rouble ("RUB")         | 0.01403757                      | 0.01340500                      | 0.01347900                      |
| US dollar/1 British pound sterling ("GBP") | 1.20980000                      | 1.34860000                      | 1.36510000                      |
| US dollar/1 Euro ("EUR")                   | 1.07110000                      | 1.13150000                      | 1.22250000                      |

**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 recognised 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, loans and amounts due from financial institutions and other debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income and for the exposures arising from loan commitments and financial guarantee and letters of credit. The Bank measures expected credit loss and recognises 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 and letters of credit 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 recognised in the statement of financial position as the carrying amount is measured 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 the 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 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 recognised as modification gain or loss and is carried perspectively. Please see details on critical judgements over modification in the 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.

**(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.

**3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****(b) Financial instruments, continued*****(xiii) Financial instruments – statement of financial position lines, continued***

*Loans and amounts due from financial institutions* are recorded when the Bank advances money to counterparty financial institutions. Loans and amounts due from 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 sale, 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 and amounts due from 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 is reported in the consolidated 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**

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 expected useful lives, they are accounted for as separate items of property and equipment.

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 | 16.66-50.00% |
| 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 6.67%-50.00%.

**(f) Provisions and contingencies**

Provisions are recognised in the consolidated 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 consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is probable.

**3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****(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.

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 (including expected credit losses) to the fair value on initial recognition. As a result, the effective interest is credit-adjusted.

**3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****(j) Income and expense recognition, continued**

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.

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

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.

The Bank recognises right-of-use assets and lease liabilities for lease agreements on office premises. Right-of-use assets are measured at cost at the recognition date. Subsequently the Bank applies a cost model for these assets, thus assets are measured at cost less accumulated depreciation and accumulated impairment loss (if any), and adjusted for any remeasurement of the lease liabilities. At the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, otherwise its incremental borrowing rate. Subsequently the Bank adjusts the lease liability for interest accrued, lease payments according to payment schedule and for any reassessments or lease modifications.

Other 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 consolidated financial statements as they are not assets of the Bank. Commissions received from such business are shown within operational income in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****(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 use for Technical assistance fund ("TAF") aims: 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 financing 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.

**(m) Digital Initiatives Fund**

The Digital Initiatives Fund's ("DIF") resources are formed from the Bank's own and Donors' resources 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 financing 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:

| <b>Change in credit quality since initial recognition</b> |   |  |
|---|---|--|
| <b>Stage 1</b>  | <b>Stage 2</b>  | <b>Stage 3</b>                         |
| Initial recognition                                       | Significant increase in credit risk since initial recognition | Credit-impaired assets                 |
| <u>12-month expected credit losses</u>                    | <u>Lifetime expected credit losses</u>                        | <u>Lifetime expected credit losses</u> |

- (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 based 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 recognises a significant increase in credit risk of financial assets in the Investment portfolio (except for loans and amounts due from 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 assigned by international credit rating agencies by three or more grades;
- downgrade of credit rating of the borrower/issuer assigned by international credit rating agencies to or below «CCC+»;
- downgrade of credit rating of the borrower/issuer assigned by international credit rating agencies by one or more grades from «CCC+» or below;
- downgrade of credit rating of the borrower/issuer estimated in accordance with Internal models by three or more grades;
- downgrade of credit rating of the borrower/issuer estimated in accordance with Internal models to or below «CCC+»;
- downgrade of credit rating of the borrower/issuer estimated in accordance with Internal models by one or more grades from «CCC+»;
- 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 recognises a significant increase in credit risk of loans and amounts due from financial institutions and financial assets in the Treasury portfolio if data on one/ or more of the following events is observed since the initial recognition:

- payments overdue less than calendar 30 days;
- downgrade of credit rating of the borrower/issuer assigned by international credit rating agencies by three or more grades and below «BBB-»;
- downgrade of credit rating of the borrower/issuer assigned by international credit rating agencies to or below «CCC+»;
- downgrade of credit rating of the borrower/issuer assigned by international credit rating agencies by one or more grades from «CCC+» or below;
- downgrade of credit rating of the borrower/issuer estimated in accordance with Internal models by three or more grades and below «BBB-»;
- downgrade of credit rating of the borrower/issuer estimated in accordance with Internal models to or below «CCC+»;
- downgrade of credit rating of the borrower/issuer estimated in accordance with Internal models by one or more grades from «CCC+»;
- 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 recognises credit impairment of financial assets in the Investment portfolio (except for loans and amounts due from financial institutions) if data on one/ or more of the following events is observed since the initial recognition:

- payments overdue 90 calendar days and more;
- downgrade of credit rating of the borrower/issuer assigned by international credit rating agencies to or below «CC»;
- downgrade of credit rating of the borrower/issuer estimated in accordance with Internal models to or below «CC»;
- the Bank is forced to restructure financial assets with some economic and/or legal concessions due to financial difficulties of the borrower. Otherwise the Bank wouldn't make such concessions;
- other facts of credit impairment.

The Bank recognises credit impairment of loans and amounts due from financial institutions and financial assets in the Treasury portfolio if data on one/ or more of the following events is observed since the initial recognition:

- payments overdue calendar 30 days and more;
- cross-default;
- downgrade of credit rating of the borrower/issuer assigned by international credit rating agencies to or below «D» (or «RD» or «SD»);
- downgrade of credit rating of the borrower/issuer estimated in accordance with Internal models to or below «D» (or «RD» or «SD»);
- 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 stabilisation period. The stabilisation 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 the 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 "Events of credit impairment".

**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 exposure at default.

Point-in-time probability of default is estimated on a basis of through-the-cycle probability of default, which is adjusted on the basis of forecasted 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 and calculated loss given default according to Internal models for individual financial assets.

Exposure 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 transaction costs) discounted for the time period in accordance with pessimistic scenario. Non-operational collateral are non-specialised assets that have sufficient market demand for sale and/or rent.

The Bank estimates expected credit losses based on credit rating of the borrower/issuer assigned by international credit rating agencies. For borrowers/issuers that doesn't have an external credit rating the Bank uses own methodology/models and S&P Global Market Intelligence methodology/models (the "Internal models"), which help to define equivalent rating according to S&P Global Ratings scale. To assign a rating on the basis of Internal models the Bank analyses wide range of quantitative and qualitative data, including counterparties performance indicators and macroeconomic factors. Probability of borrower's/issuer's default corresponds to assigned rating.

For financial institutions that doesn't have an external credit rating the Bank may use credit rating of parent organisation, 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 analyses 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 equity or a share in profits of the borrower/issuer, 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 denominated;
- change in guarantees, other collateral or means to reduce credit risk, which significantly affects the credit risk associated with the financial asset.

If the conditions materially differ (change of the currency of the financial asset, or change of net present value of the financial asset by more than 10%), the Bank derecognises the initial financial asset and recognises new financial asset at fair value, and recalculates 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 recognised 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 recognised 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 derecognition and the Bank recalculates the gross book value based on the revised cash flows on the financial asset and recognises profit or loss from the modification. 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 derecognised 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 has 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 derecognition of financial assets 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 indices, refinancing rates, consumption indices, manufacturer' prices indices, prices on different raw materials and other indices.

**3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**(q) New and revised IFRS, amendments and interpretations effective from 1 January 2022**

The Bank has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these consolidated financial statements.

Amendments and interpretations effective from 2022 do not have an impact on the Bank's consolidated financial statements.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of authorisation of these consolidated financial statements are disclosed below.

- IFRS 17 – Insurance contracts;
- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)  
(in thousands of US dollars)

4. NET INTEREST INCOME

|  | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Interest income, calculated using the effective interest method, Investment portfolio:</b>      |                                   |                                   |                                   |
| <i>Interest income on financial assets recorded at amortised cost</i>                              |                                   |                                   |                                   |
| loans to customers   | 140,597                           | 137,607                           | 141,465                           |
| loans and amounts due from financial institutions  | 32,114                            | 11,138                            | 11,404                            |
|  | <b>172,711</b>                    | <b>148,745</b>                    | <b>152,869</b>                    |
| <i>Interest income on financial assets recorded at fair value</i>                                  |                                   |                                   |                                   |
| financial assets at fair value through other comprehensive income                                  | 66,586                            | 55,054                            | 51,419                            |
|  | <b>66,586</b>                     | <b>55,054</b>                     | <b>51,419</b>                     |
| <b>Total Interest income, calculated using the effective interest method, Investment portfolio</b> | <b>239,297</b>                    | <b>203,799</b>                    | <b>204,288</b>                    |
| <b>Interest income, calculated using the effective interest method, Treasury portfolio:</b>        |                                   |                                   |                                   |
| <i>Interest income on financial assets recorded at amortised cost</i>                              |                                   |                                   |                                   |
| debt securities at amortised cost  | 14,494                            | 8,801                             | 1,850                             |
| cash and cash equivalents  | 22,496                            | 8,562                             | 10,785                            |
| loans and amounts due from financial institutions  | -                                 | -                                 | 2,531                             |
|  | <b>36,990</b>                     | <b>17,363</b>                     | <b>15,166</b>                     |
| <i>Interest income on financial assets recorded at fair value</i>                                  |                                   |                                   |                                   |
| financial assets at fair value through other comprehensive income                                  | 58,316                            | 35,454                            | 42,040                            |
|  | <b>58,316</b>                     | <b>35,454</b>                     | <b>42,040</b>                     |
| <b>Total Interest income, calculated using the effective interest method, Treasury portfolio</b>   | <b>95,306</b>                     | <b>52,817</b>                     | <b>57,206</b>                     |
| <b>Other interest income on Treasury portfolio:</b>  |                                   |                                   |                                   |
| Financial assets at fair value through profit or loss  | 24,408                            | 10,755                            | 7,075                             |
| <b>Total other interest income on Treasury portfolio</b>   | <b>24,408</b>                     | <b>10,755</b>                     | <b>7,075</b>                      |
| <b>Total Interest income</b>   | <b>359,011</b>                    | <b>267,371</b>                    | <b>268,569</b>                    |
| <b>Interest expense comprises:</b>   |                                   |                                   |                                   |
| <i>Interest expense on financial liabilities measured at amortised cost</i>                        |                                   |                                   |                                   |
| debt securities issued   | (145,906)                         | (109,918)                         | (133,018)                         |
| loans and deposits from banks  | (76,120)                          | (49,561)                          | (29,540)                          |
| deposits from customers  | (12,583)                          | (21,367)                          | (15,377)                          |
| <b>Total interest expense on financial liabilities recorded at amortised cost</b>                  | <b>(234,609)</b>                  | <b>(180,846)</b>                  | <b>(177,935)</b>                  |
| <i>Interest expense on financial liabilities measured at fair value</i>                            |                                   |                                   |                                   |
| financial liabilities at fair value through profit or loss   | (24,834)                          | (16,485)                          | (20,260)                          |
| <b>Total interest expense on financial liabilities recorded at fair value</b>                      | <b>(24,834)</b>                   | <b>(16,485)</b>                   | <b>(20,260)</b>                   |
| <b>Total interest expense</b>  | <b>(259,443)</b>                  | <b>(197,331)</b>                  | <b>(198,195)</b>                  |
| <b>Net interest income</b>   | <b>99,568</b>                     | <b>70,040</b>                     | <b>70,374</b>                     |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

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

|  | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Treasury portfolio:</b>   |                                   |                                   |                                   |
| Net gain/ (loss) on debt instruments   | 40,528                            | (1,365)                           | -                                 |
| Net loss on equity instruments   | (8,315)                           | (4,026)                           | (2,791)                           |
| Net (loss)/ gain on derivative financial instruments   | (222,866)                         | 51,962                            | 6,453                             |
|  | <b>(190,653)</b>                  | <b>46,571</b>                     | <b>3,662</b>                      |
| <b>Investment portfolio:</b>   |                                   |                                   |                                   |
| Net loss on equity instruments   | -                                 | (80)                              | (1,714)                           |
|  | <b>-</b>                          | <b>(80)</b>                       | <b>(1,714)</b>                    |
| <b>Total net (loss)/ gain on financial assets and liabilities at fair value through profit or loss</b> | <b>(190,653)</b>                  | <b>46,491</b>                     | <b>1,948</b>                      |

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 6).

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

|  | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Translation differences, net                                       | 244,613                           | (44,519)                          | 8,314                             |
| Dealing, net   | 16,704                            | 676                               | (13)                              |
| <b>Total net gain/(loss) on transactions in foreign currencies</b> | <b>261,317</b>                    | <b>(43,843)</b>                   | <b>8,301</b>                      |

### 7. NET REALISED (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

|   | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Net (loss)/ gain on transactions with debt securities in Treasury portfolio                                 | (2,665)                           | 9,860                             | 4,547                             |
| Net gain on transactions with debt securities in Investment portfolio                                       | 1                                 | 2                                 | 72                                |
| <b>Total net realised (loss)/ gain on financial assets at fair value through other comprehensive income</b> | <b>(2,664)</b>                    | <b>9,862</b>                      | <b>4,619</b>                      |

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

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

|   | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Refund for management of Eurasian Fund for Stabilisation and Development              | 11,133                            | 10,485                            | 8,057                             |
| <b>Total refund for management of Eurasian Fund for Stabilisation and Development</b> | <b>11,133</b>                     | <b>10,485</b>                     | <b>8,057</b>                      |

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<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Trust management fees                  | 9,246                             | -                                 | -                                 |
| Credit related fees                    | 4,348                             | 3,493                             | 3,184                             |
| Other fees and commissions             | 632                               | 1,031                             | 118                               |
| <b>Total fee and commission income</b> | <b>14,226</b>                     | <b>4,524</b>                      | <b>3,302</b>                      |

**EURASIAN DEVELOPMENT BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(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 2022, 2021 and 2020:

|  | <b>Year ended<br/>31 December<br/>2022</b> | <b>Year ended<br/>31 December<br/>2021</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|--|--|--|--|
| <b>(Provision for)/recovery of expected credit losses on interest bearing assets:</b>                      |  |  |  |
| Cash and cash equivalents  | (149)                                      | 42   | 31   |
| Loans and amounts due from financial institutions:   |  |  |  |
| in Treasury portfolio  | (51,407)                                   | -  | -  |
| in Investment portfolio  | (4,784)                                    | (6,330)                                    | (240)                                      |
| Loans to customers   | (108,323)                                  | (4,320)                                    | (11,065)                                   |
| Financial assets at fair value through other comprehensive income  |  |  |  |
| in Treasury portfolio  | (3,301)                                    | (113)                                      | 10   |
| in Investment portfolio  | (11,045)                                   | 3,007                                      | (4,302)                                    |
| Debt securities at amortised cost  | (5,936)                                    | (111)                                      | (343)                                      |
| <b>Total provision for expected credit losses on interest bearing assets</b>                               | <b>(184,945)</b>                           | <b>(7,825)</b>                             | <b>(15,909)</b>                            |
| (Provision for)/recovery of expected credit losses on guarantees and letters of credit issued              | (8,125)                                    | (5,235)                                    | 156  |
| <b>Total (provision for)/recovery of expected credit losses on guarantees and letters of credit issued</b> | <b>(8,125)</b>                             | <b>(5,235)</b>                             | <b>156</b>                                 |
| <b>Total provision for expected credit losses</b>  | <b>(193,070)</b>                           | <b>(13,060)</b>                            | <b>(15,753)</b>                            |

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

|                                      | <b>Year ended<br/>31 December<br/>2022</b> | <b>Year ended<br/>31 December<br/>2021</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|--------------------------------------|--|--|--|
| Beginning of the year                | (3)  | (45)                                       | (67)                                       |
| Net (charge)/recovery                | (149)                                      | 42   | 31   |
| Effect of foreign currency movements | 10   | -  | (9)  |
| <b>End of the year (Note 12)</b>     | <b>(142)</b>                               | <b>(3)</b>                                 | <b>(45)</b>                                |

The movements in allowance on loans and amounts due from financial institutions in the Treasury portfolio were as follows:

|                                  | <b>Year ended<br/>31 December<br/>2022</b> | <b>Year ended<br/>31 December<br/>2021</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|----------------------------------|--|--|--|
| Beginning of the year            | -  | -  | -  |
| Net charge                       | (51,407)                                   | -  | -  |
| <b>End of the year (Note 14)</b> | <b>(51,407)</b>                            | <b>-</b>                                   | <b>-</b>                                   |

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

*(in thousands of US dollars)*

#### 10. PROVISION FOR EXPECTED CREDIT LOSSES, CONTINUED

The movements in allowance for expected credit losses on loans and amounts due from financial institutions in the Investment portfolio were as follows:

|                                      | <b>Year ended<br/>31 December<br/>2022</b> | <b>Year ended<br/>31 December<br/>2021</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|--------------------------------------|--|--|--|
| Beginning of the year                | (8,692)                                    | (2,391)                                    | (2,126)                                    |
| Net charge                           | (4,784)                                    | (6,330)                                    | (240)                                      |
| Write-offs                           | 10,976                                     | -  | -  |
| Effect of foreign currency movements | 744  | 29   | (25)                                       |
| <b>End of the year (Note 14)</b>     | <b><u>(1,756)</u></b>                      | <b><u>(8,692)</u></b>                      | <b><u>(2,391)</u></b>                      |

Table with details on stages is presented in the Note 14.

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

|                                      | <b>Year ended<br/>31 December<br/>2022</b> | <b>Year ended<br/>31 December<br/>2021</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|--------------------------------------|--|--|--|
| Beginning of the year                | (73,896)                                   | (72,891)                                   | (62,758)                                   |
| Net charge                           | (108,323)                                  | (4,320)                                    | (11,065)                                   |
| Write-offs                           | 10,662                                     | -  | 973  |
| Effect of foreign currency movements | 8,162                                      | 3,315                                      | (41)                                       |
| <b>End of the year (Note 15)</b>     | <b><u>(163,395)</u></b>                    | <b><u>(73,896)</u></b>                     | <b><u>(72,891)</u></b>                     |

Table with details on stages is presented in the Note 15.

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

|                                      | <b>Year ended<br/>31 December<br/>2022</b> | <b>Year ended<br/>31 December<br/>2021</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|--------------------------------------|--|--|--|
| Beginning of the year                | (632)                                      | (536)                                      | (561)                                      |
| Net (charge)/recovery                | (3,301)                                    | (113)                                      | 10   |
| Effect of foreign currency movements | 347  | 17   | 15   |
| <b>End of the year</b>               | <b><u>(3,586)</u></b>                      | <b><u>(632)</u></b>                        | <b><u>(536)</u></b>                        |

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

|                                      | <b>Year ended<br/>31 December<br/>2022</b> | <b>Year ended<br/>31 December<br/>2021</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|--------------------------------------|--|--|--|
| Beginning of the year                | (4,282)                                    | (7,282)                                    | (3,385)                                    |
| Net recovery/(charge)                | (11,045)                                   | 3,007                                      | (4,302)                                    |
| Effect of foreign currency movements | 4,388                                      | (7)  | 405  |
| <b>End of the year</b>               | <b><u>(10,939)</u></b>                     | <b><u>(4,282)</u></b>                      | <b><u>(7,282)</u></b>                      |

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

#### 10. PROVISION FOR EXPECTED CREDIT LOSSES, CONTINUED

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

|                                      | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Beginning of the year                | (451)                             | (343)                             | -                                 |
| Net charge                           | (5,936)                           | (111)                             | (343)                             |
| Effect of foreign currency movements | (10)                              | 3                                 | -                                 |
| <b>End of the year (Note 17)</b>     | <b>(6,397)</b>                    | <b>(451)</b>                      | <b>(343)</b>                      |

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

|                                      | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Beginning of the year                | (5,719)                           | (488)                             | (720)                             |
| Net (charge)/recovery                | (8,125)                           | (5,235)                           | 156                               |
| Effect of foreign currency movements | 289                               | 4                                 | 76                                |
| <b>End of the year (Note 27)</b>     | <b>(13,555)</b>                   | <b>(5,719)</b>                    | <b>(488)</b>                      |

#### 11. OPERATING EXPENSES

|  | Year ended<br>31 December<br>2022 | Year ended<br>31 December<br>2021 | Year ended<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| Staff costs and other payments to employees  | 40,753                            | 37,552                            | 35,495                            |
| Premises expenses                            | 3,237                             | 2,734                             | 2,403                             |
| Business development expenses                | 2,858                             | 3,190                             | 499                               |
| Business trip expenses                       | 2,255                             | 2,158                             | 595                               |
| Depreciation and amortisation                | 1,775                             | 1,547                             | 1,481                             |
| Professional services                        | 1,513                             | 1,398                             | 1,057                             |
| Communication expenses                       | 1,068                             | 902                               | 746                               |
| Maintenance of acquired systems and programs | 1,052                             | 769                               | 684                               |
| Security                                     | 789                               | 617                               | 482                               |
| Transportation expenses                      | 339                               | 276                               | 198                               |
| Office, postal and printing expenses         | 207                               | 250                               | 137                               |
| Training                                     | 83                                | 128                               | 69                                |
| Other  | 726                               | 1,266                             | 489                               |
| <b>Total operating expenses</b>              | <b>56,655</b>                     | <b>52,787</b>                     | <b>44,335</b>                     |

Staff costs and other payments to employees include a retirement savings plan expense (see Note 23). For the year ended 31 December 2022, retirement savings plan expenses were equal to 2,810 thousand US dollars (31 December 2021: 2,847 thousand US dollars; 31 December 2020: 4,333 thousand US dollars).

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

#### 12. CASH AND CASH EQUIVALENTS

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

|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Cash and balances with national (central) banks of Member states of the Bank   | 671,977                     | 1,296                       | 1,146                       |
| Correspondent accounts with other banks  | 371,856                     | 93,035                      | 135,213                     |
| Term and demand deposits in other banks  | 232,151                     | 100,452                     | 377,487                     |
| Loans under reverse repurchase agreements with maturity less than three months | 3,439                       | 235,500                     | 150,039                     |
|  | <b>1,279,423</b>            | <b>430,283</b>              | <b>663,885</b>              |
| Less expected credit loss provisions (Note 10)                                 | (142)                       | (3)                         | (45)                        |
| <b>Total cash and cash equivalents</b>   | <b>1,279,281</b>            | <b>430,280</b>              | <b>663,840</b>              |

The information on credit ratings according to the international rating scale, of counterparties with which the Bank had balances as at 31 December 2022, 2021 and 2020, is presented in the Note 31 (b).

As at 31 December 2022, 2021 and 2020, 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 2022, 2021 and 2020.

As at 31 December 2022 there were three banks with the outstanding balances over 10% of equity of the Bank (31 December 2021 and 2020: none).

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

The fair value of assets pledged and carrying amount of loans under reverse repurchase agreements as at 31 December 2022, 2021 and 2020 are as follows:

|   | <b>31 December 2022</b>                 |                                     | <b>31 December 2021</b>                 |                                     | <b>31 December 2020</b>                 |                                     |
|---|---|-------------------------------------|---|-------------------------------------|---|-------------------------------------|
|   | <b>Carrying<br/>amount of<br/>loans</b> | <b>Fair value<br/>of collateral</b> | <b>Carrying<br/>amount of<br/>loans</b> | <b>Fair value<br/>of collateral</b> | <b>Carrying<br/>amount of<br/>loans</b> | <b>Fair value<br/>of collateral</b> |
| 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-  | 3,439                                   | 3,288                               | 135,478                                 | 130,394                             | 119,035                                 | 135,319                             |
| With pledge credit ratings BB+, BB, BB-   | -                                       | -                                   | -                                       | -                                   | 5,294                                   | 5,991                               |
|   | <b>3,439</b>                            | <b>3,288</b>                        | <b>235,500</b>                          | <b>229,732</b>                      | <b>150,039</b>                          | <b>167,031</b>                      |
| Less expected credit loss provisions  | -                                       | -                                   | (1)                                     | -                                   | (15)                                    | -                                   |
| <b>Total loans under reverse repurchase agreements with maturity less than three months</b> | <b>3,439</b>                            | <b>3,288</b>                        | <b>235,499</b>                          | <b>229,732</b>                      | <b>150,024</b>                          | <b>167,031</b>                      |

**EURASIAN DEVELOPMENT BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of US dollars)*

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

|   | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Treasury portfolio:   |                             |                             |                             |
| Debt instrument   | 110,076                     | 16,221                      | -                           |
| Derivative financial instruments – assets                         | 22,654                      | 44,017                      | 24,109                      |
| Equity instrument   | 7,402                       | 18,608                      | 22,634                      |
| <b>Total in Treasury portfolio</b>                                | <b>140,132</b>              | <b>78,846</b>               | <b>46,743</b>               |
| Investment portfolio:   |                             |                             |                             |
| Hybrid instrument   | 15,637                      | -                           | -                           |
| Equity instrument   | 702                         | 702                         | 4,818                       |
| <b>Total in Investment portfolio</b>                              | <b>16,339</b>               | <b>702</b>                  | <b>4,818</b>                |
| <b>Financial assets at fair value through profit or loss</b>      | <b>156,471</b>              | <b>79,548</b>               | <b>51,561</b>               |
| Derivative financial instruments – liabilities                    | (2,956)                     | (6,904)                     | (5,001)                     |
| <b>Financial liabilities at fair value through profit or loss</b> | <b>(2,956)</b>              | <b>(6,904)</b>              | <b>(5,001)</b>              |

As at 31 December 2022, debt instruments at fair value through profit or loss in the Treasury portfolio include financial assets used as collateral for Repo operations with a fair value of 5,335 thousand US dollars (31 December 2021 and 2020: none) (Note 20).

In 2020 the Bank purchased less than 1% of shares of the Russian state-owned company in Treasury portfolio. No dividend income was received on these shares during 2022 (2021: 1,667 thousand US dollars; 2020: nil).

As at 31 December 2022 the Bank's hybrid instrument in the Investment portfolio represents 18.68% share in equity of Russia-based entity (Note 18).

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.

|  | <b>31 December 2022</b> |                       |                  | <b>31 December 2021</b> |                       |                  | <b>31 December 2020</b> |                       |                  |
|--|-------------------------|-----------------------|------------------|-------------------------|-----------------------|------------------|-------------------------|-----------------------|------------------|
|  | <b>Notional amount</b>  | <b>Net fair value</b> |                  | <b>Notional amount</b>  | <b>Net fair value</b> |                  | <b>Notional amount</b>  | <b>Net fair value</b> |                  |
|  |                         | <b>Asset</b>          | <b>Liability</b> |                         | <b>Asset</b>          | <b>Liability</b> |                         | <b>Asset</b>          | <b>Liability</b> |
| <b>Derivative financial instruments:</b> |                         |                       |                  |                         |                       |                  |                         |                       |                  |
| Foreign currency swap                    | 441,991                 | 16,561                | (2,178)          | 243,427                 | 3,496                 | (610)            | 653,456                 | 380                   | (4,495)          |
| Foreign currency interest rate swap      | 78,763                  | 6,034                 | (89)             | 556,226                 | 38,146                | (2,639)          | 220,000                 | 23,716                | (506)            |
| Interest rate swap                       | 28,075                  | 59                    | (689)            | 68,747                  | 2,363                 | (3,109)          | -                       | -                     | -                |
| Foreign currency forward                 | -                       | -                     | -                | 47,000                  | 12                    | (546)            | 2,107                   | 13                    | -                |
|  |                         | <b>22,654</b>         | <b>(2,956)</b>   |                         | <b>44,017</b>         | <b>(6,904)</b>   |                         | <b>24,109</b>         | <b>(5,001)</b>   |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

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

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.

### 14. LOANS AND AMOUNTS DUE FROM FINANCIAL INSTITUTIONS

|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Treasury portfolio:  |                             |                             |                             |
| Amounts due from financial institutions                        | 478,552                     | -                           | -                           |
| Less provisions (Note 10)                                      | (51,407)                    | -                           | -                           |
| <b>Total in Treasury portfolio</b>                             | <b>427,145</b>              | <b>-</b>                    | <b>-</b>                    |
| Investment portfolio:  |                             |                             |                             |
| Loans to financial institutions                                | 436,881                     | 602,700                     | 187,866                     |
| Less expected credit loss provisions (Note 10)                 | (1,756)                     | (8,692)                     | (2,391)                     |
| <b>Total in Investment portfolio</b>                           | <b>435,125</b>              | <b>594,008</b>              | <b>185,475</b>              |
| <b>Total loans and amounts due from financial institutions</b> | <b>862,270</b>              | <b>594,008</b>              | <b>185,475</b>              |

As at 31 December 2022 amounts due from financial institutions in the Treasury portfolio are comprised of funds temporarily blocked in 2022 in accordance with terms of the European Union sanctions. On 7 January 2023 the Bank has submitted asset release application to the authorities of Belgium and Luxembourg according to the European Commission's clarifications for non-sanctioned organisations. The Bank has recognised provision of 51,407 thousand US dollars as a result of temporary absence of access to blocked funds. This provision was calculated as a weighted average of possible time and cost of funding values till the unblocking.

As at 31 December 2022 the Bank has full access and opportunity to manage other short-terms amounts due from financial institutions that are presented as part of cash equivalents in the Note 12.

**EURASIAN DEVELOPMENT BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of US dollars)*

**14. LOANS AND AMOUNTS DUE FROM FINANCIAL INSTITUTIONS, CONTINUED**

The table below summarises the movement of loans and amounts due from financial institutions in the Investment portfolio between the stages of credit quality assessment during the year ended 31 December 2022:

|  | <u>Stage 1</u> | <u>Stage 2</u> | <u>Total</u>   |
|--|----------------|----------------|----------------|
| <b>Outstanding amount</b>                                      |                |                |                |
| As at 1 January 2022   | 589,811        | 12,889         | 602,700        |
| Net redemption   | (55,677)       | (5,329)        | (61,006)       |
| Transfer from Stage 1 to Stage 2                               | (604)          | 604            | -              |
| Net change in discounts/(premiums)                             | 322            | (63)           | 259            |
| Write-offs   | (10,976)       | -              | (10,976)       |
| Effect of foreign currency movements                           | (95,072)       | 976            | (94,096)       |
| <b>As at 31 December 2022</b>                                  | <b>427,804</b> | <b>9,077</b>   | <b>436,881</b> |
| <b>Allowance for expected credit losses</b>                    |                |                |                |
| As at 1 January 2022   | (8,033)        | (659)          | (8,692)        |
| Net charge   | (4,344)        | (440)          | (4,784)        |
| Transfer from Stage 1 to Stage 2                               | 12             | (12)           | -              |
| Write-offs   | 10,976         | -              | 10,976         |
| Effect of foreign currency movements                           | 621            | 123            | 744            |
| <b>As at 31 December 2022</b>                                  | <b>(768)</b>   | <b>(988)</b>   | <b>(1,756)</b> |
| <b>Total loans and amounts due from financial institutions</b> | <b>427,036</b> | <b>8,089</b>   | <b>435,125</b> |

The table below summarises the movement of loans and amounts due from financial institutions in the Investment portfolio between the stages of credit quality assessment during the year ended 31 December 2021:

|  | <u>Stage 1</u> | <u>Stage 2</u> | <u>Total</u>   |
|--|----------------|----------------|----------------|
| <b>Outstanding amount</b>                                      |                |                |                |
| 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 (premiums)/discounts                             | (320)          | 42             | (278)          |
| Effect of foreign currency movements                           | (4,021)        | (256)          | (4,277)        |
| <b>As at 31 December 2021</b>                                  | <b>589,811</b> | <b>12,889</b>  | <b>602,700</b> |
| <b>Allowance for expected credit losses</b>                    |                |                |                |
| 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             |
| <b>As at 31 December 2021</b>                                  | <b>(8,033)</b> | <b>(659)</b>   | <b>(8,692)</b> |
| <b>Total loans and amounts due from financial institutions</b> | <b>581,778</b> | <b>12,230</b>  | <b>594,008</b> |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 14. LOANS AND AMOUNTS DUE FROM FINANCIAL INSTITUTIONS, CONTINUED

The table below summarises the movement of loans and amounts due from financial institutions in the Investment portfolio between the stages of credit quality assessment during the year ended 31 December 2020:

|  | <u>Stage 1</u>        | <u>Stage 2</u>        | <u>Total</u>          |
|--|-----------------------|-----------------------|-----------------------|
| <b>Outstanding amount</b>                                      |                       |                       |                       |
| 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 (premiums)/discounts                             | (13)                  | 52                    | 39                    |
| Effect of foreign currency movements                           | 4,396                 | (12,152)              | (7,756)               |
| <b>As at 31 December 2020</b>                                  | <b><u>126,351</u></b> | <b><u>61,515</u></b>  | <b><u>187,866</u></b> |
| <b>Allowance for expected credit losses</b>                    |                       |                       |                       |
| As at 1 January 2020   | (2,126)               | -                     | (2,126)               |
| Net recovery/(charge)  | 270                   | (510)                 | (240)                 |
| Transfer from Stage 1 to Stage 2                               | 1,181                 | (1,181)               | -                     |
| Effect of foreign currency movements                           | (13)                  | (12)                  | (25)                  |
| <b>As at 31 December 2020</b>                                  | <b><u>(688)</u></b>   | <b><u>(1,703)</u></b> | <b><u>(2,391)</u></b> |
| <b>Total loans and amounts due from financial institutions</b> | <b><u>125,663</u></b> | <b><u>59,812</u></b>  | <b><u>185,475</u></b> |

As at 31 December 2022, 2021 and 2020, no loans and amounts due from financial institutions were past due.

As at 31 December 2022, the Bank has loans in the Investment portfolio to one financial institution, whose balance exceeds 10% of total equity of the Bank and totals to 281,904 thousand US dollars, this financial institution is a government-owned entity located in the Republic of Kazakhstan and is assigned «BBB» credit rating.

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. As at 31 December 2020 there were no loans and amounts due from financial institutions, whose balance exceeds 10% of total equity of the Bank.

The information on credit ratings on loans and amounts due from financial institutions is presented in the Note 31 (b).

As at 31 December 2022, loans and amounts due from financial institutions include accrued interest income amounting to 2,803 thousand US dollars (31 December 2021: 2,521 thousand US dollars; 31 December 2020: 1,768 thousand US dollars).

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

#### 15. LOANS TO CUSTOMERS

|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Stage 1 loans                                  | 1,890,287                   | 1,565,649                   | 1,961,400                   |
| Stage 2 loans                                  | 327,874                     | 48,163                      | 91,292                      |
| Stage 3 loans:                                 |                             |                             |                             |
| not overdue                                    | 95,255                      | 25,103                      | 94,033                      |
| overdue less than 90 days                      | -                           | 49,790                      | -                           |
| overdue more than 90 days                      | 10,864                      | 21,299                      | 24,864                      |
|  | <b>2,324,280</b>            | <b>1,710,004</b>            | <b>2,171,589</b>            |
| Less expected credit loss provisions (Note 10) | (163,395)                   | (73,896)                    | (72,891)                    |
| <b>Total loans to customers</b>                | <b>2,160,885</b>            | <b>1,636,108</b>            | <b>2,098,698</b>            |

As at 31 December 2022, 2021 and 2020 there were no overdue loans to customers in Stage 1 and Stage 2.

As at 31 December 2022, the Bank has one customer with loans overdue more than 90 days (31 December 2021 and 2020: two customers) with outstanding balance of 10,864 thousand US dollars (31 December 2021: 21,299 thousand US dollars; 31 December 2020: 24,864 thousand US dollars). As at 31 December 2022, 2021 and 2020, these loans were fully provisioned. These projects have impaired due to various reasons, primarily due to the deterioration of market conditions.

As at 31 December 2022, the Bank has no customers with loans overdue less than 90 days (31 December 2021: one customer with outstanding balance of 49,790 thousand US dollars and provision for expected credit losses of 23,747 thousand US dollars; 31 December 2020: no customers).

During the year ended 31 December 2022, a loan to one customer in the amount of 10,662 thousand US dollars was written-off. 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.

**EURASIAN DEVELOPMENT BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of US dollars)*

**15. LOANS TO CUSTOMERS, CONTINUED**

The table below summarises the movement of loans to customers between the stages of credit quality assessment during the year ended 31 December 2022:

|   | <u>Stage 1</u>          | <u>Stage 2</u>         | <u>Stage 3</u>         | <u>Total</u>            |
|---|-------------------------|------------------------|------------------------|-------------------------|
| <b>Outstanding amount</b>                   |                         |                        |                        |                         |
| As at 1 January 2022                        | 1,565,649               | 48,163                 | 96,192                 | 1,710,004               |
| Net issue/ (redemption)                     | 624,970                 | (22,284)               | (7,159)                | 595,527                 |
| Transfer from Stage 1 to Stage 2            | (323,443)               | 323,443                | -                      | -                       |
| Transfer from Stage 2 to Stage 1            | 3,763                   | (3,763)                | -                      | -                       |
| Transfer from Stage 2 to Stage 3            | -                       | (14,745)               | 14,745                 | -                       |
| Net change in (premiums)/discounts          | (3,501)                 | 122                    | 11,901                 | 8,522                   |
| Write-offs                                  | -                       | -                      | (10,662)               | (10,662)                |
| Effect of foreign currency movements        | 22,849                  | (3,062)                | 1,102                  | 20,889                  |
| <b>As at 31 December 2022</b>               | <b><u>1,890,287</u></b> | <b><u>327,874</u></b>  | <b><u>106,119</u></b>  | <b><u>2,324,280</u></b> |
| <b>Allowance for expected credit losses</b> |                         |                        |                        |                         |
| As at 1 January 2022                        | (16,235)                | (2,084)                | (55,577)               | (73,896)                |
| Net (charge)/ recovery                      | (91,217)                | 508                    | (17,614)               | (108,323)               |
| Transfer from Stage 1 to Stage 2            | 46,917                  | (46,917)               | -                      | -                       |
| Transfer from Stage 2 to Stage 1            | (128)                   | 128                    | -                      | -                       |
| Transfer from Stage 2 to Stage 3            | -                       | 498                    | (498)                  | -                       |
| Write-offs                                  | -                       | -                      | 10,662                 | 10,662                  |
| Effect of foreign currency movements        | 4,960                   | 107                    | 3,095                  | 8,162                   |
| <b>As at 31 December 2022</b>               | <b><u>(55,703)</u></b>  | <b><u>(47,760)</u></b> | <b><u>(59,932)</u></b> | <b><u>(163,395)</u></b> |
| <b>Total loans to customers</b>             | <b><u>1,834,584</u></b> | <b><u>280,114</u></b>  | <b><u>46,187</u></b>   | <b><u>2,160,885</u></b> |

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

|   | <u>Stage 1</u>          | <u>Stage 2</u>        | <u>Stage 3</u>         | <u>Total</u>            |
|---|-------------------------|-----------------------|------------------------|-------------------------|
| <b>Outstanding amount</b>                   |                         |                       |                        |                         |
| 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)                |
| <b>As at 31 December 2021</b>               | <b><u>1,565,649</u></b> | <b><u>48,163</u></b>  | <b><u>96,192</u></b>   | <b><u>1,710,004</u></b> |
| <b>Allowance for expected credit losses</b> |                         |                       |                        |                         |
| 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                   |
| <b>As at 31 December 2021</b>               | <b><u>(16,235)</u></b>  | <b><u>(2,084)</u></b> | <b><u>(55,577)</u></b> | <b><u>(73,896)</u></b>  |
| <b>Total loans to customers</b>             | <b><u>1,549,414</u></b> | <b><u>46,079</u></b>  | <b><u>40,615</u></b>   | <b><u>1,636,108</u></b> |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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*(in thousands of US dollars)*

**15. LOANS TO CUSTOMERS, CONTINUED**

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

|   | <u>Stage 1</u>          | <u>Stage 2</u>         | <u>Stage 3</u>         | <u>Total</u>            |
|---|-------------------------|------------------------|------------------------|-------------------------|
| <b>Outstanding amount</b>                   |                         |                        |                        |                         |
| 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)                |
| <b>As at 31 December 2020</b>               | <b><u>1,961,400</u></b> | <b><u>91,292</u></b>   | <b><u>118,897</u></b>  | <b><u>2,171,589</u></b> |
| <b>Allowance for expected credit losses</b> |                         |                        |                        |                         |
| 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)                    |
| <b>As at 31 December 2020</b>               | <b><u>(21,159)</u></b>  | <b><u>(10,740)</u></b> | <b><u>(40,992)</u></b> | <b><u>(72,891)</u></b>  |
| <b>Total loans to customers</b>             | <b><u>1,940,241</u></b> | <b><u>80,552</u></b>   | <b><u>77,905</u></b>   | <b><u>2,098,698</u></b> |

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

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

|   | <u>31 December<br/>2022</u> | <u>31 December<br/>2021</u> | <u>31 December<br/>2020</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Loans collateralised by real estate, equipment and inventories      | 661,277                     | 610,231                     | 822,295                     |
| Loans collateralised by guarantees:                                 |                             |                             |                             |
| state entities  | 84,580                      | 139,896                     | 116,460                     |
| governments of the Member states of the Bank                        | 64,156                      | 84,016                      | 100,465                     |
| financial and commercial organisations                              | 389,518                     | 261,157                     | 579,588                     |
| Loans collateralised by future cash inflows from clients' contracts | 1,124,749                   | 614,704                     | 552,781                     |
|   | <b><u>2,324,280</u></b>     | <b><u>1,710,004</u></b>     | <b><u>2,171,589</u></b>     |
| Less expected credit loss provisions                                | (163,395)                   | (73,896)                    | (72,891)                    |
| <b>Total loans to customers</b>                                     | <b><u>2,160,885</u></b>     | <b><u>1,636,108</u></b>     | <b><u>2,098,698</u></b>     |

Recoverability of the above loans is primarily dependent on creditworthiness of the borrowers rather than fair value of collateral, but the Bank considers current value of collateral as one of the factors that reduces the amount of provisions for expected credit losses. In the process of provisions calculation, the Bank doesn't take into consideration operational collateral, which is directly connected with operational activities of the borrower, as its value significantly deteriorates in case of the borrower's default.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

*(in thousands of US dollars)*

#### 15. LOANS TO CUSTOMERS, CONTINUED

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

As at 31 December 2022, as per the Bank's estimation the fair value of collateral of Stage 3 loans is equal to 67,085 thousand US dollars (31 December 2021: 64,107 thousand US dollars; 31 December 2020: 30,722 thousand US dollars).

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

|                                      | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Mining                               | 755,438                     | 148,985                     | 213,719                     |
| Transport                            | 666,202                     | 670,497                     | 732,151                     |
| Energy                               | 596,745                     | 545,023                     | 440,698                     |
| Agriculture                          | 117,980                     | 66,198                      | 24,865                      |
| Chemical industry                    | 117,589                     | 68,007                      | 464,436                     |
| Infrastructure                       | 40,839                      | 53,222                      | 109,031                     |
| Metallurgy                           | 4,431                       | 25,553                      | 50,168                      |
| Machinery                            | -                           | 95,650                      | 98,699                      |
| Other                                | 25,056                      | 36,869                      | 37,822                      |
|                                      | <b>2,324,280</b>            | <b>1,710,004</b>            | <b>2,171,589</b>            |
| Less expected credit loss provisions | (163,395)                   | (73,896)                    | (72,891)                    |
| <b>Total loans to customers</b>      | <b>2,160,885</b>            | <b>1,636,108</b>            | <b>2,098,698</b>            |

As at 31 December 2022, loans to customers included accrued interest income amounting to 39,145 thousand US dollars (31 December 2021: 32,232 thousand US dollars; 31 December 2020: 20,435 thousand US dollars). For the year ended 31 December 2022, net unwinding effect (interest income on loans arose from discounting) resulted in gain of 979 thousand US dollars (31 December 2021: gain of 223 thousand US dollars; 31 December 2020: gain of 2,071 thousand US dollars).

During the year ended 31 December 2022, the Bank has recognised net loss from modification of loans to customers in the amount of 514 thousand US dollars (31 December 2021: net gain of 5,078 thousand US dollars; 31 December 2020: net gain of 193 thousand US dollars).

The information on credit ratings on loans to customers assigned according to the Internal models is presented in the Note 31 (b).

#### Concentration of loans to customers

As at 31 December 2022, the Bank has loans to two customers, whose balances exceed 10% of total equity of the Bank, and amount to 394,612 thousand US dollars and 257,001 thousand US dollars, respectively. The first customer is located in the Republic of Uzbekistan and has credit rating «BB-» according to Internal models, the second customer is located in the Russian Federation and has credit rating «B-» according to Internal models.

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 Internal models.

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

*(in thousands of US dollars)*

#### 15. LOANS TO CUSTOMERS, CONTINUED

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 Internal models, the second customer located in the Russian Federation and has credit rating «BBB-» according to Internal models.

#### 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 2022 an increase of 166,146 thousand US dollars (31 December 2021: 147,557 thousand US dollars; 31 December 2020: 123,691 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 2022, 2021 and 2020, financial instruments at fair value through other comprehensive income consist of:

|  | <u>31 December<br/>2022</u> | <u>31 December<br/>2021</u> | <u>31 December<br/>2020</u> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Treasury portfolio:  |                             |                             |                             |
| Debt instruments   | 2,834,577                   | 1,871,331                   | 1,606,548                   |
| Equity instruments   | 9,813                       | 18,575                      | 22,594                      |
| <b>Total in Treasury portfolio</b>   | <b><u>2,844,390</u></b>     | <b><u>1,889,906</u></b>     | <b><u>1,629,142</u></b>     |
| Investment portfolio:  |                             |                             |                             |
| Debt instruments   | 695,506                     | 695,971                     | 631,908                     |
| <b>Total in Investment portfolio</b>   | <b><u>695,506</u></b>       | <b><u>695,971</u></b>       | <b><u>631,908</u></b>       |
| <b>Total financial assets at fair value through other comprehensive income</b> | <b><u>3,539,896</u></b>     | <b><u>2,585,877</u></b>     | <b><u>2,261,050</u></b>     |

In 2020 the Bank purchased less than 1% of shares of the Russian state-owned company in the Treasury portfolio. No dividend income was received on these shares during 2022 (2021: 1,665 thousand US dollars; 2020: nil).

As at 31 December 2022, debt instruments at fair value through other comprehensive income in the Treasury portfolio include financial assets used as collateral for Repo operations with a fair value of 96,086 thousand US dollars (31 December 2021: 767,885 thousand US dollars; 31 December 2020: 672,332 thousand US dollars) (Note 20).

**EURASIAN DEVELOPMENT BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(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 the Treasury portfolio:

|  | <b>31 December 2022</b>      |                         | <b>31 December 2021</b>      |                         | <b>31 December 2020</b>      |                         |
|--|------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|
|  | <b>Nominal interest rate</b> | <b>Fair value</b>       | <b>Nominal interest rate</b> | <b>Fair value</b>       | <b>Nominal interest rate</b> | <b>Fair value</b>       |
| Bonds issued by financial institutions                   | 0.00-7.00%                   | 1,584,532               | 0.00-5.95%                   | 481,072                 | 0.00-7.25%                   | 139,029                 |
| Bonds issued by foreign state governments                | 0.00-00.38%                  | 950,358                 | 0.00-1.75%                   | 679,926                 | 0.00-2.50%                   | 877,557                 |
| Bonds issued by governments of Member states of the Bank | 1.13-10.50%                  | 183,902                 | 1.13-10.50%                  | 414,625                 | 0.00-7.60%                   | 361,565                 |
| Bonds issued by non-financial organisations              | 1.45-7.45%                   | 115,785                 | 0.00-8.75%                   | 295,708                 | 3.37-6.66%                   | 228,397                 |
|  |                              | <b><u>2,834,577</u></b> |                              | <b><u>1,871,331</u></b> |                              | <b><u>1,606,548</u></b> |

The table below summarises the distribution of debt financial instruments in the Treasury portfolio between the stages of credit quality assessment as at 31 December 2022, 2021 and 2020:

|         | <b>31 December 2022</b> | <b>31 December 2021</b> | <b>31 December 2020</b> |
|---------|-------------------------|-------------------------|-------------------------|
| Stage 1 | 2,673,570               | 1,871,331               | 1,606,548               |
| Stage 2 | 161,007                 | -                       | -                       |
| Stage 3 | -                       | -                       | -                       |
|         | <b><u>2,834,577</u></b> | <b><u>1,871,331</u></b> | <b><u>1,606,548</u></b> |

During the year ended 31 December 2022 financial instruments in the Treasury portfolio with balance value of 161,007 thousand US dollars were moved from Stage 1 to Stage 2 (31 December 2021 and 2020: no movements between the stages).

The information on credit ratings of debt instruments' issuers in the 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 the Investment portfolio:

|  | <b>31 December 2022</b>      |                       | <b>31 December 2021</b>      |                       | <b>31 December 2020</b>      |                       |
|--|------------------------------|-----------------------|------------------------------|-----------------------|------------------------------|-----------------------|
|  | <b>Nominal interest rate</b> | <b>Fair value</b>     | <b>Nominal interest Rate</b> | <b>Fair value</b>     | <b>Nominal interest rate</b> | <b>Fair value</b>     |
| Bonds issued by non-financial organisations              | 4.38-17.95%                  | 543,880               | 4.38-11.5%                   | 546,781               | 4.38-11.50%                  | 551,590               |
| Bonds issued by governments of Member states of the Bank | 5.40-8.50%                   | 90,782                | 5.40-8.65%                   | 92,229                | 5.40-8.65%                   | 72,888                |
| Bonds issued by financial institutions                   | 8.00-9.05%                   | 60,844                | 8.00-9.05%                   | 56,961                | 15.00%                       | 7,430                 |
|  |                              | <b><u>695,506</u></b> |                              | <b><u>695,971</u></b> |                              | <b><u>631,908</u></b> |

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

*(in thousands of US dollars)*

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

The table below summarises the distribution of debt financial instruments in the Investment portfolio between the stages of credit quality assessment as at 31 December 2022, 2021 and 2020:

|         | <u>31 December<br/>2022</u> | <u>31 December<br/>2021</u> | <u>31 December<br/>2020</u> |
|---------|-----------------------------|-----------------------------|-----------------------------|
| Stage 1 | 611,168                     | 695,967                     | 536,680                     |
| Stage 2 | 84,338                      | -                           | 95,223                      |
| Stage 3 | -                           | 4                           | 5                           |
|         | <u><b>695,506</b></u>       | <u><b>695,971</b></u>       | <u><b>631,908</b></u>       |

During the year ended 31 December 2022, financial instruments in the Investment portfolio with balance value of 84,338 thousand US dollars were moved from Stage 1 to Stage 2.

During the year ended 31 December 2021, financial instruments in the Investment portfolio with balance value of 93,585 thousand US dollars were moved from Stage 2 to Stage 1.

During the year ended 31 December 2020, financial instruments in the Investment portfolio with balance value of 82,067 thousand US dollars were moved from Stage 1 to Stage 2.

The information on credit ratings of debt instruments' issuers in the Investment portfolio assigned according to Internal models is presented in the Note 31 (b).

As at 31 December 2022, debt instruments at fair value through other comprehensive income include accrued interest income amounting to 28,760 thousand US dollars (31 December 2021: 30,509 thousand US dollars; 31 December 2020: 27,699 thousand US dollars).

#### 17. DEBT SECURITIES AT AMORTISED COST

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

|  | <u>31 December 2022</u>              |                           | <u>31 December 2021</u>              |                           | <u>31 December 2020</u>              |                           |
|--|--------------------------------------|---------------------------|--------------------------------------|---------------------------|--------------------------------------|---------------------------|
|  | <u>Nominal<br/>interest<br/>rate</u> | <u>Carrying<br/>value</u> | <u>Nominal<br/>interest<br/>Rate</u> | <u>Carrying<br/>value</u> | <u>Nominal<br/>interest<br/>rate</u> | <u>Carrying<br/>value</u> |
| Bonds issued by governments of Member states of the Bank | 4.25-12.75%                          | 203,317                   | 4.25-12.75%                          | 253,455                   | 4.75-12.75%                          | 131,937                   |
| Bonds issued by non-financial organisations              | 2.25-4.85%                           | 135,810                   | 2.25-6.66%                           | 155,676                   | 2.25-6.66%                           | 152,041                   |
| Bonds issued by foreign state governments                | 1.50%                                | 52,189                    | -                                    | -                         | -                                    | -                         |
| Bonds issued by financial institutions                   | -                                    | -                         | -                                    | -                         | 7.25%                                | 10,862                    |
|  |                                      | <b>391,316</b>            |                                      | <b>409,131</b>            |                                      | <b>294,840</b>            |
| Less expected credit loss provisions (Note 10)           |                                      | <u>(6,397)</u>            |                                      | <u>(451)</u>              |                                      | <u>(343)</u>              |
| <b>Total debt securities at amortised cost</b>           |                                      | <u><b>384,919</b></u>     |                                      | <u><b>408,680</b></u>     |                                      | <u><b>294,497</b></u>     |

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

#### 17. DEBT SECURITIES AT AMORTISED COST, CONTINUED

The table below summarises the distribution of debt securities at amortised cost in the Treasury portfolio between the stages of credit quality assessment as at 31 December 2022, 2021 and 2020:

|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Stage 1  | 171,619                     | 409,131                     | 294,840                     |
| Stage 2  | 219,697                     | -                           | -                           |
| Stage 3  | -                           | -                           | -                           |
|  | <b>391,316</b>              | <b>409,131</b>              | <b>294,840</b>              |
| Less expected credit loss provisions           | (6,397)                     | (451)                       | (343)                       |
| <b>Total debt securities at amortised cost</b> | <b>384,919</b>              | <b>408,680</b>              | <b>294,497</b>              |

During the year ended 31 December 2022, financial instruments with outstanding balance of 219,697 thousand US dollars included expected credit loss provision of 5,824 thousand US dollars were moved from Stage 1 to Stage 2 (31 December 2021 and 2020: no movements between the stages).

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 2022, debt securities at amortised cost include accrued interest income amounting to 4,301 thousand US dollars (31 December 2021: 2,130 thousand US dollars; 31 December 2020: 1,817 thousand US dollars).

As at 31 December 2022, debt instruments at amortised cost were not used as collateral for Repo operations. As at 31 December 2021, debt instruments at amortised cost with fair value of 211,773 thousand US dollars were used as collateral for Repo operations (31 December 2020: 142,739 thousand US dollars) (Note 20).

#### 18. INVESTMENTS IN ASSOCIATES

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

|  | <b>31 December 2022</b>       |                           | <b>31 December 2021</b>       |                           | <b>31 December 2020</b>       |                           |
|--|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
|  | <b>Ownership<br/>interest</b> | <b>Carrying<br/>value</b> | <b>Ownership<br/>interest</b> | <b>Carrying<br/>value</b> | <b>Ownership<br/>interest</b> | <b>Carrying<br/>value</b> |
| <b>Investments in<br/>associates</b>       |                               |                           |                               |                           |                               |                           |
| Common shares of<br>JSCB "NRBank"<br>(JSC) | -                             | -                         | 18.68%                        | 15,197                    | 18.68%                        | 17,236                    |
| Common shares of<br>other companies        | -                             | 24                        | -                             | 24                        | -                             | 24                        |
|  |                               | <b>24</b>                 |                               | <b>15,221</b>             |                               | <b>17,260</b>             |

During 2022, the Bank has recognised loss on investments in JSCB "NRBank" (JSC) of 395 thousand US dollars based on the external assessment conducted by an independent appraiser (2021: 1,968 thousand US dollars; 2020: 2,908 thousand US dollars).

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

#### 18. INVESTMENTS IN ASSOCIATES, CONTINUED

In July 2022 the Bank has acquired share in the equity of JSCB "NRBank" (JSC) of 81.32% through purchase of 1,241,645 ordinary shares and 137,377 preferred shares. Acquisition price amounted to 3,390,005 thousand Russian roubles which is equivalent to 61,579 thousand US dollars. As a result of the transaction the Bank gained control over JSCB "NRBank" (JSC), the stake of the Bank in JSCB "NRBank" (JSC) has increased from 18.68% to 100.00%.

Management of the Bank had considered the above acquisition with a view to subsequent disposal of controlling interest within short period, thus assets and liabilities of JSCB "NRBank" (JSC) were initially classified as assets and liabilities held for sale.

In December 2022 the Bank realised 100.00% of its stake in equity of JSCB "NRBank" (JSC) to unrelated party. The Bank received cash consideration in the amount of 3,892,901 thousand Russian roubles and share in equity of Russia-based entity as non-cash consideration.

Net income on discontinued operations in the amount of 7,901 thousand US dollars is included in the consolidated statement of profit or loss of the Bank.

#### 19. OTHER ASSETS

|   | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>Other financial assets:</b>                    |                             |                             |                             |
| Receivables on Donation agreement                 | -                           | 23,823                      | -                           |
| Other receivables and accrued commission income   | 18,914                      | 14,164                      | 9,098                       |
|   | <b>18,914</b>               | <b>37,987</b>               | <b>9,098</b>                |
| <b>Other non-financial assets:</b>                |                             |                             |                             |
| Receivables and other assets under DIF's projects | 5,639                       | 2,179                       | -                           |
| Capital expenditure debtors                       | 2,331                       | 612                         | 843                         |
| Right-of-use asset                                | 2,099                       | 3,168                       | 4,703                       |
| Prepaid expenses                                  | 1,192                       | 1,310                       | 1,238                       |
| Value added tax reimbursable                      | 239                         | 164                         | 103                         |
| Other debtors                                     | 1,640                       | 1,338                       | 205                         |
|   | <b>13,140</b>               | <b>8,771</b>                | <b>7,092</b>                |
| Less: allowance for impairment losses             | (14)                        | (61)                        | (150)                       |
|   | <b>13,126</b>               | <b>8,710</b>                | <b>6,942</b>                |
| <b>Total other assets</b>                         | <b>32,040</b>               | <b>46,697</b>               | <b>16,040</b>               |

Receivables and other assets under Digital initiative fund's (the "DIF") projects represent prepaid expenses for development of digital projects and received rights on intellectual property on DIF's projects.

In December 2020 the Bank acting as a Manager of the Eurasian Fund for Stabilisation and Development (the "Fund") and the Ministry of Finance of the Russian Federation has signed a Donation agreement (the "Agreement"). According to the Agreement the 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 realisation of the project. In 2021 the Bank acting as a Manager of the Fund has started construction of aforementioned schools. As at 31 December 2022 there were no outstanding receivables on Donation agreement (31 December 2021: the outstanding balance of 23,823 thousand US dollars).

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

#### 20. LOANS AND DEPOSITS FROM BANKS

|                                       | <u>31 December<br/>2022</u> | <u>31 December<br/>2021</u> | <u>31 December<br/>2020</u> |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Correspondent accounts of other banks | 1,267,181                   | 22,031                      | 13,151                      |
| Short-term deposits from banks        | 1,263,843                   | 77,692                      | 149,909                     |
| Loans from banks                      | 522,556                     | 602,306                     | 634,147                     |
| Loans under repurchase agreements     | 111,758                     | 914,679                     | 762,905                     |
|                                       | <u><b>3,165,338</b></u>     | <u><b>1,616,708</b></u>     | <u><b>1,560,112</b></u>     |

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 2022, 2021 and 2020, the Bank was in compliance with all covenants.

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

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

|  | <u>31 December 2022</u>                 |                                     | <u>31 December 2021</u>                 |                                     | <u>31 December 2020</u>                 |                                     |
|--|---|-------------------------------------|---|-------------------------------------|---|-------------------------------------|
|  | <u>Carrying<br/>amount of<br/>loans</u> | <u>Fair value<br/>of collateral</u> | <u>Carrying<br/>amount of<br/>loans</u> | <u>Fair value<br/>of collateral</u> | <u>Carrying<br/>amount of<br/>loans</u> | <u>Fair value<br/>of collateral</u> |
| Bonds issued by governments of Member states of the Bank | 111,758                                 | 101,421                             | 371,115                                 | 401,414                             | 208,094                                 | 263,854                             |
| Bonds issued by foreign state governments                | -                                       | -                                   | 502,394                                 | 528,579                             | 547,034                                 | 541,387                             |
| Bonds issued by financial institutions                   | -                                       | -                                   | 40,889                                  | 49,332                              | -                                       | -                                   |
| Bonds issued by non-financial organisations              | -                                       | -                                   | 281                                     | 333                                 | 7,777                                   | 9,830                               |
| <b>Total loans under repurchase agreements</b>           | <u><b>111,758</b></u>                   | <u><b>101,421</b></u>               | <u><b>914,679</b></u>                   | <u><b>979,658</b></u>               | <u><b>762,905</b></u>                   | <u><b>815,071</b></u>               |

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

|  | <u>31 December 2022</u>                 |                                     | <u>31 December 2021</u>                 |                                     | <u>31 December 2020</u>                 |                                     |
|--|---|-------------------------------------|---|-------------------------------------|---|-------------------------------------|
|  | <u>Carrying<br/>amount of<br/>loans</u> | <u>Fair value<br/>of collateral</u> | <u>Carrying<br/>amount of<br/>loans</u> | <u>Fair value<br/>of collateral</u> | <u>Carrying<br/>amount of<br/>loans</u> | <u>Fair value<br/>of collateral</u> |
| With pledge credit ratings A+, A, A-           | -                                       | -                                   | 543,283                                 | 577,911                             | 547,034                                 | 541,387                             |
| With pledge credit ratings BBB+, BBB, BBB-     | 111,758                                 | 101,421                             | 371,115                                 | 401,414                             | 208,094                                 | 263,854                             |
| With pledge credit ratings BB+, BB, BB-        | -                                       | -                                   | 281                                     | 333                                 | 7,777                                   | 9,830                               |
| <b>Total loans under repurchase agreements</b> | <u><b>111,758</b></u>                   | <u><b>101,421</b></u>               | <u><b>914,679</b></u>                   | <u><b>979,658</b></u>               | <u><b>762,905</b></u>                   | <u><b>815,071</b></u>               |

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

*(in thousands of US dollars)*

#### 20. LOANS AND DEPOSITS FROM BANKS, CONTINUED

As at 31 December 2022, loans and deposits from banks included accrued interest payable amounting to 9,753 thousand US dollars (31 December 2021: 12,914 thousand US dollars; 31 December 2020: 10,120 thousand US dollars).

Maturities of amounts of loans and deposits from banks are included in the 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 2022, 2021 and 2020 is as follows:

|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| At the beginning of the year                   | 1,371,504                   | 1,397,052                   | 453,529                     |
| Cash inflow                                    | 123,106                     | 92,579                      | 1,041,900                   |
| Cash outflow                                   | (830,845)                   | (123,110)                   | (177,839)                   |
| Foreign exchange and interest accrued movement | (141,209)                   | 4,983                       | 79,462                      |
| <b>At the end of the year</b>                  | <b><u>522,556</u></b>       | <b><u>1,371,504</u></b>     | <b><u>1,397,052</u></b>     |

#### 21. DEPOSITS FROM CUSTOMERS

|                         | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|-------------------------|-----------------------------|-----------------------------|-----------------------------|
| Deposits from customers | 163,138                     | 150,096                     | 223,197                     |
| Current accounts        | 144,369                     | 134,482                     | 168,401                     |
|                         | <b><u>307,507</u></b>       | <b><u>284,578</u></b>       | <b><u>391,598</u></b>       |

As at 31 December 2022, 2021 and 2020, 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:

|                          | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| Current accounts:        |                             |                             |                             |
| private companies        | 118,104                     | 54,279                      | 54,681                      |
| state-owned companies    | 26,265                      | 80,202                      | 113,720                     |
| Deposits from customers: |                             |                             |                             |
| private companies        | 162,809                     | 17,033                      | 150,184                     |
| state-owned companies    | 329                         | 133,064                     | 73,013                      |
|                          | <b><u>307,507</u></b>       | <b><u>284,578</u></b>       | <b><u>391,598</u></b>       |

**EURASIAN DEVELOPMENT BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of US dollars)*

**22. DEBT SECURITIES ISSUED**

|  |                      |          |                     |         | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--|----------------------|----------|---------------------|---------|-----------------------------|-----------------------------|-----------------------------|
| <b>Debt securities issued and denominated in US dollars</b>              |                      |          |                     |         |                             |                             |                             |
| Issue series   | Next put option date | Due date | Interest rate,<br>% |         |                             |                             |                             |
| Series 003P-003  | -                    | Sep 2026 | 3.750               | 666,390 | -                           | -                           | -                           |
| w/o  | -                    | Dec 2023 | 1.500               | 80,032  | 100,035                     | -                           | -                           |
| Series 03  | -                    | Sep 2022 | 4.767               | -       | 508,893                     | 511,960                     | -                           |
| w/o  | -                    | Dec 2021 | 0.750               | -       | -                           | 100,008                     | -                           |
| <b>Total debt securities issued and denominated in US dollars</b>        |                      |          |                     |         | <b>746,422</b>              | <b>608,928</b>              | <b>611,968</b>              |
| <b>Debt securities issued and denominated in Russian rouble</b>          |                      |          |                     |         |                             |                             |                             |
| Issue series   | Next put option date | Due date | Interest rate,<br>% |         |                             |                             |                             |
| Series 003P-002  | -                    | Feb 2023 | 8.600               | 622,081 | -                           | -                           | -                           |
| Series 003P-001  | -                    | Jul 2025 | 9.350               | 145,472 | -                           | -                           | -                           |
| Series 001P-07   | -                    | May 2024 | 5.900               | 141,077 | 134,609                     | 135,248                     | -                           |
| Series 001P-05   | -                    | Jun 2023 | 6.800               | 109,915 | 107,557                     | 108,066                     | -                           |
| Series 001P-08   | -                    | Nov 2024 | 11.500              | 98,810  | -                           | -                           | -                           |
| Series 001P-06   | -                    | Apr 2023 | 7.600               | 71,264  | 68,023                      | 68,370                      | -                           |
| Series 001P-04   | -                    | Jan 2023 | 8.000               | 71,084  | 69,487                      | 69,810                      | -                           |
| Series 003P-005  | -                    | Dec 2025 | 9.700               | 70,592  | -                           | -                           | -                           |
| Series 11  | Aug 2023             | Jan 2025 | 7.350               | 29,700  | 28,349                      | 69,509                      | -                           |
| Series 10  | -                    | Jan 2023 | 12.250              | 29,696  | 28,347                      | 28,492                      | -                           |
| Series 001P-01   | Jan 2023             | Jul 2028 | 5.950               | 8,059   | 7,693                       | 7,733                       | -                           |
| Series 001P-03   | -                    | Mar 2021 | 8.600               | -       | -                           | 69,189                      | -                           |
| Series 001P-02   | -                    | May 2021 | 8.900               | -       | -                           | 68,268                      | -                           |
| <b>Total debt securities issued and denominated in Russian rouble</b>    |                      |          |                     |         | <b>1,397,750</b>            | <b>444,065</b>              | <b>624,685</b>              |
| <b>Debt securities issued and denominated in Kazakhstani tenge</b>       |                      |          |                     |         |                             |                             |                             |
| Issue series   | Next put option date | Due date | Interest rate,<br>% |         |                             |                             |                             |
| Series 04, programme 3   | -                    | Aug 2024 | 15.000              | 81,959  | -                           | -                           | -                           |
| w/o, EMTN Programme  | -                    | Jul 2024 | 10.000              | 47,340  | 51,298                      | -                           | -                           |
| Series 02, programme 3   | -                    | Sep 2024 | 10.500              | 44,424  | 47,269                      | -                           | -                           |
| Series 06, programme 2   | -                    | Oct 2023 | 9.500               | 44,095  | 46,935                      | 48,385                      | -                           |
| Series 03, programme 3   | -                    | Nov 2024 | 10.600              | 43,906  | 46,729                      | -                           | -                           |
| Series 05, programme 2   | -                    | May 2024 | 9.500               | 43,575  | 46,400                      | 47,858                      | -                           |
| Series 09, programme 2   | -                    | May 2024 | 9.500               | 43,575  | 46,400                      | 47,858                      | -                           |
| Series 11, programme 2   | -                    | May 2024 | 9.500               | 21,783  | 23,193                      | 23,929                      | -                           |
| Series 03, programme 2   | -                    | Nov 2022 | 9.700               | -       | 46,671                      | 48,105                      | -                           |
| Series 05, programme 1   | -                    | Feb 2022 | 9.700               | -       | 47,617                      | 49,072                      | -                           |
| Series 01, programme 3   | -                    | Aug 2022 | 11.000              | -       | 95,488                      | 98,484                      | -                           |
| 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                      | -                           |
| Series 02, programme 2   | -                    | Jun 2021 | 9.100               | -       | -                           | 47,683                      | -                           |
| Series 07, programme 2   | -                    | Jun 2021 | 9.100               | -       | -                           | 23,842                      | -                           |
| <b>Total debt securities issued and denominated in Kazakhstani tenge</b> |                      |          |                     |         | <b>370,657</b>              | <b>578,218</b>              | <b>482,899</b>              |
| <b>Debt securities issued and denominated in EURO</b>                    |                      |          |                     |         |                             |                             |                             |
| Issue series   | Next put option date | Due date | Interest rate,<br>% |         |                             |                             |                             |
| w/o, EMTN Programme  | -                    | Mar 2026 | 1.000               | 239,618 | 338,307                     | -                           | -                           |
| <b>Total debt securities issued and denominated in EURO</b>              |                      |          |                     |         | <b>239,618</b>              | <b>338,307</b>              | <b>-</b>                    |
| <b>Debt securities issued and denominated in Chinese Yuan</b>            |                      |          |                     |         |                             |                             |                             |
| Issue series   | Next put option date | Due date | Interest rate,<br>% |         |                             |                             |                             |
| Series 003P-004  | -                    | Nov 2025 | 3.500               | 275,629 | -                           | -                           | -                           |
| <b>Total debt securities issued and denominated in Chinese Yuan</b>      |                      |          |                     |         | <b>275,629</b>              | <b>-</b>                    | <b>-</b>                    |
| <b>Total debt securities issued</b>                                      |                      |          |                     |         | <b>3,030,076</b>            | <b>1,969,518</b>            | <b>1,719,552</b>            |

**22. DEBT SECURITIES ISSUED, CONTINUED**

During March-September 2022 the Bank has repurchased own debt securities denominated in US dollars with maturity in September 2022 at a nominal value of 311,552 thousand US dollars, debt securities denominated in US dollars with maturity in December 2023 at a nominal value of 20,000 thousand US dollars, debt securities denominated in Euro maturing in March 2026 at a nominal value of 80,930 thousand US dollars and debt securities denominated in Kazakhstani tenge maturing in July 2024 at a nominal value of 1,059 thousand US dollars. As a result of these operations during the year ended 31 December 2022 the Bank recognised gain on trading with debt securities issued of 54,440 thousand US dollars.

On 1 June 2022, the Bank placed on the Moscow Exchange an issue of Russian rouble-denominated bonds (series 001P-08) in the amount of 7 billion Russian roubles, the equivalent of 114,167 thousand US dollars, with a maturity date on 27 November, 2024. The coupon rate was 11.5% per annum.

On 2 August 2022, the Bank placed on the Moscow Exchange an issue of Russian rouble-denominated bonds (series 003P-001) in the amount of 10 Russian billion roubles, the equivalent of 160,183 thousand US dollars, with a maturity date on 29 July 2025. The coupon rate was 9.35% per annum.

In August-October 2022, the Bank placed on the Kazakhstan Stock Exchange an issue of Kazakhstani tenge-denominated bonds in the amount of 36 billion Kazakhstani tenge, the equivalent of 76,232 thousand US dollars, with a maturity date on 19 August 2024. The coupon rate was fixed at 15% per annum.

On 23 August 2022, the Bank issued Russian rouble-denominated bonds (series 003P-002) listed on the Moscow Exchange for a total amount of 43 billion Russian roubles, the equivalent of 717,919 thousand US dollars, with a maturity date on 21 February 2023. In accordance with the terms of the issuance bonds bear an interest rate fixed at 8.60% per annum.

On 28 August 2022, the Bank redeemed own two-year Kazakhstani tenge-denominated bonds in the amount of 40 billion Kazakhstani tenge, the equivalent of 84,381 thousand US dollars.

On 19 September 2022, the Bank placed on the Moscow Exchange the debut issue of bonds (series 003P-003) denominated in US dollars in the amount of 700 million US dollars with a maturity date on 14 September 2026. The coupon rate was fixed at 3.75% per annum. The Bank has recognised income of 42,000 thousand US dollars from the initial recognition of this issue at the market rate of 5.51%.

On 20 September 2022, the Bank redeemed own ten-year 500 million US dollars Eurobond, repaying the accrued coupon and principal amount due to the holders of the bonds.

On 7 November 2022 the Bank redeemed its Kazakhstani tenge-denominated bonds in the amount of 20 billion Kazakhstani tenge, the equivalent of 43,471 thousand US dollars.

On 11 November 2022 the Bank placed on the Moscow Exchange an issue of bonds (series 003P-004) denominated in Chinese yuan in the amount of 1.9 billion Chinese yuan, the equivalent of 269,496 thousand US dollars, with a maturity date on 7 November 2025. The coupon rate was set at 3.5% per annum.

On 7 December 2022 the Bank placed on the Moscow Exchange Russian rouble-denominated bonds (series 003P-005) in the amount of 5 billion Russian roubles, the equivalent of 79,466 thousand US dollars, with a maturity date on 3 December 2025. The coupon rate was set at 9.7% per annum.

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

#### 22. DEBT SECURITIES ISSUED, CONTINUED

As at 31 December 2022, debt securities issued included accrued interest payable amounting to 53,880 thousand US dollars (31 December 2021: 28,334 thousand US dollars; 31 December 2020: 26,439 thousand US dollars).

The reconciliation of debt securities issued movement to cash flows arising from financing activities in 2022, 2021 and 2020 is as follows:

|                               | <u>31 December<br/>2022</u> | <u>31 December<br/>2021</u> | <u>31 December<br/>2020</u> |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| At the beginning of the year  | 1,969,518                   | 1,719,552                   | 2,209,328                   |
| Cash inflow                   | 2,272,015                   | 701,658                     | 403,040                     |
| Cash outflow                  | (1,082,233)                 | (397,755)                   | (713,990)                   |
| Interest accrued movement     | 25,546                      | (17,103)                    | (10,909)                    |
| Foreign exchange movement     | (154,770)                   | (36,834)                    | (167,917)                   |
| <b>At the end of the year</b> | <b><u>3,030,076</u></b>     | <b><u>1,969,518</u></b>     | <b><u>1,719,552</u></b>     |

#### 23. OTHER LIABILITIES

|  | <u>31 December<br/>2022</u> | <u>31 December<br/>2021</u> | <u>31 December<br/>2020</u> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>Other financial liabilities:</b>  |                             |                             |                             |
| Prepaid refund on management of Eurasian Fund for<br>Stabilisation and Development | 11,785                      | 3,966                       | -                           |
| Accrued commission payables  | 1,874                       | 168                         | 142                         |
| Lease liabilities  | 1,381                       | 2,569                       | 4,071                       |
| Prepaid commissions for loans  | 1,128                       | 2,471                       | 3,303                       |
|  | <b>16,168</b>               | <b>9,174</b>                | <b>7,516</b>                |
| <b>Other non-financial liabilities:</b>  |                             |                             |                             |
| Defined contribution plans: Retirement savings plan                                | 20,788                      | 20,970                      | 20,718                      |
| Short-term payments to employees   | 13,640                      | 10,421                      | 7,634                       |
| Expected credit loss provisions on contingent liabilities                          | 13,555                      | 5,719                       | 488                         |
| TAF resources for distribution as per Council's decision                           | 9,996                       | 11,687                      | 3,943                       |
| DIF resources for distribution as per Council's decision                           | 8,704                       | 9,140                       | -                           |
| Accrued administrative expenses  | 3,417                       | 2,130                       | 746                         |
| Other  | 95                          | 15                          | 229                         |
|  | <b>70,195</b>               | <b>60,082</b>               | <b>33,758</b>               |
| <b>Total other liabilities</b>   | <b><u>86,363</u></b>        | <b><u>69,256</u></b>        | <b><u>41,274</u></b>        |

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.

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

*(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 2022 | 23,176         | 2.30 years            | 4.629%                     | 20,788          |
| 31 December 2021 | 22,047         | 4.20 years            | 1.204%                     | 20,970          |
| 31 December 2020 | 20,908         | 3.45 years            | 0.269%                     | 20,718          |

\* 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 July 2022, the Council of the Bank has approved the allocation of DIF resources (see Note 25) up to 14,800 thousand US dollars on digital projects of 2022 (2021-2020: up to 10,000 thousand US dollars) and DIF programs. During 2022, 4,709 thousand US dollars were disbursed for DIF projects (2021: 860 thousand US dollars; 2020: nil), and as at 31 December 2022 DIF resources for distribution were equal to 8,704 thousand US dollars (31 December 2021: 9,140 thousand US dollars; 31 December 2020: nil).

In August 2022, the Council of the Bank has approved the allocation of TAF resources (see Note 25) up to 9,500 thousand US dollars on technical assistance projects of 2022 (2021: up to 12,060 thousand US dollars; 2020: up to 5,550 thousand US dollars) and TAF programs. In 2022, 1,691 thousand US dollars were disbursed for TAF projects (2021: 372 thousand US dollars; 2020: 1,607 thousand US dollars), and as at 31 December 2022 TAF resources for distribution including unused resources of previous years were equal to 9,996 thousand US dollars (31 December 2021: 11,687 thousand US dollars; 31 December 2020: 3,943 thousand US dollars).

#### 24. SHARE CAPITAL

|                            | <b>31 December 2022, 2021 and 2020</b> |                               |                              |
|----------------------------|--|-------------------------------|------------------------------|
|                            | <b>Authorised share capital</b>        | <b>Callable share capital</b> | <b>Paid-in share capital</b> |
| 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                          |
|                            | <b><u>7,000,000</u></b>                | <b><u>(5,484,300)</u></b>     | <b><u>1,515,700</u></b>      |

As at 31 December 2022, 2021 and 2020, 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.

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

*(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 2022, 2021 and 2020 are as follows:

|  | <b>Year ended<br/>31 December<br/>2022</b> | <b>Year ended<br/>31 December<br/>2021</b> | <b>Year ended<br/>31 December<br/>2020</b> |
|--|--|--|--|
| Net profit attributable to the Member states | 30,656                                     | 37,120                                     | 32,582                                     |
| Weighted average number of paid-in shares    | 1,515,700                                  | 1,515,700                                  | 1,515,700                                  |
| <b>Earnings per one paid-in share</b>        | <b>0.0202</b>                              | <b>0.0245</b>                              | <b>0.0215</b>                              |

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 2022, 2021 and 2020:

|                                 | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Beginning of the year           | 146,220                     | 146,220                     | 111,732                     |
| Transfer from Retained earnings | -                           | -                           | 34,488                      |
| <b>End of the year</b>          | <b>146,220</b>              | <b>146,220</b>              | <b>146,220</b>              |

#### 25. TECHNICAL ASSISTANCE FUND AND DIGITAL INITIATIVE FUND RESERVES

|  | <b>Technical<br/>Assistance<br/>Fund reserve</b> | <b>Digital Initiative<br/>Fund reserve</b> |
|--|--|--|
| <b>31 December 2019</b>  | 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)  | -  |
| <b>31 December 2020</b>  | <b>23,685</b>                                    | <b>10,000</b>                              |
| 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)                                   |
| <b>31 December 2021</b>  | <b>15,569</b>                                    | <b>4,887</b>                               |
| Transfer from Retained earnings to Technical assistance fund reserve | 5,568  | -  |
| Transfer from Retained earnings to Digital initiative fund reserve   | -  | 5,568                                      |
| Allocation of Digital initiative fund reserve                        | -  | (4,887)                                    |
| <b>31 December 2022</b>  | <b>21,137</b>                                    | <b>5,568</b>                               |

**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 Standardised approach. As at 31 December 2022, 2021 and 2020, 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(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 2022, the maximum credit risk exposure on unused credit lines amounts to 971,112 thousand US dollars (31 December 2021: 1,222,498 thousand US dollars; 31 December 2020: 1,186,735 thousand US dollars).

The Bank 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 2022, 2021 and 2020, the nominal or contractual amounts are:

|  | <b>31 December<br/>2022<br/>Nominal<br/>amount</b> | <b>31 December<br/>2021<br/>Nominal<br/>amount</b> | <b>31 December<br/>2020<br/>Nominal<br/>amount</b> |
|--|--|--|--|
| Guarantees and letters of credit issued                    | 375,205  | 127,111  | 157,348  |
| Contingent liabilities:                                    |  |  |  |
| on loans and credit lines                                  | 971,112  | 1,222,498  | 1,186,735  |
| on guarantees and letters of credit                        | 232,910  | 180,316  | 111,115  |
| to join private equity funds                               | -  | -  | 3,995  |
| <b>Total contingent liabilities and credit commitments</b> | <b><u>1,579,227</u></b>                            | <b><u>1,529,925</u></b>                            | <b><u>1,459,193</u></b>                            |

The table below summarises the distribution of issued guarantees and letters of credit between the stages of credit quality assessment as at 31 December 2022, 2021 and 2020:

|  | <b>31 December<br/>2022<br/>Stage 1</b> | <b>31 December<br/>2021<br/>Stage 1</b> | <b>31 December<br/>2020<br/>Stage 1</b> |
|--|---|---|---|
| Guarantees and letters of credit issued              | 375,205                                 | 127,111                                 | 157,348                                 |
| Less provision for expected credit losses (Note 10)  | <u>(13,555)</u>                         | <u>(5,719)</u>                          | <u>(488)</u>                            |
| <b>Total guarantees and letters of credit issued</b> | <b><u>361,650</u></b>                   | <b><u>121,392</u></b>                   | <b><u>156,860</u></b>                   |

No movements between stages of credit quality assessment were made during the years ended 31 December 2022, 2021 and 2020.

The Bank doesn't create an allowance for expected credit losses on commitments on loans and unused credit lines, commitments on guarantees and letters of credit, because there are no automatic issues on them. Whenever the Bank receives a request from a customer for a new loan tranche/guarantee or letter of credit, it is reviewed each time on an individual and independent basis. The procedure of issuing includes an updated review of current financial position of a customer by Credit and risk management department, Security and Compliance department, and Law department 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/guarantees or letters of credit, the Bank considers that the new issue is debatable, and makes an allowance for expected credit losses only after transfer of funds to the borrower within the loan commitments or issue of guarantees/letters of credit.

**27. COMMITMENTS AND CONTINGENCIES, CONTINUED****Capital commitments**

As at 31 December 2022, 2021 and 2020, 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 2022, the amount of assets of the Fund was 4,310,947 thousand US dollars (31 December 2021: 4,087,572 thousand US dollars; 31 December 2020: 3,919,340 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.

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(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 the 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 states have 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<br>31 December 2022         |   | Year ended<br>31 December 2021         |   | Year ended<br>31 December 2020         |   |
|--|--|---|--|---|--|---|
|  | Transactions<br>with key<br>management | Total<br>category as<br>per<br>financial<br>statements<br>caption | Transactions<br>with key<br>management | Total<br>category as<br>per<br>financial<br>statements<br>caption | Transactions<br>with key<br>management | Total<br>category as<br>per<br>financial<br>statements<br>caption |
| Salary expenses and other compensation costs       | 6,933                                  | 37,943  | 6,177                                  | 34,705  | 4,602                                  | 31,162  |
| Retirement savings plan expenses                   | 594                                    | 2,810   | 705                                    | 2,847   | 519                                    | 4,333   |
| <b>Staff costs and other payments to employees</b> | <b>7,527</b>                           | <b>40,753</b>   | <b>6,882</b>                           | <b>37,552</b>   | <b>5,121</b>                           | <b>35,495</b>   |

The outstanding balances as at 31 December 2022, 2021 and 2020 for transactions with the key management personnel are as follows:

| Statement of Financial Position  | 31 December<br>2022 | 31 December<br>2021 | 31 December<br>2020 |
|----------------------------------|---------------------|---------------------|---------------------|
| Short-term payments to employees | 1,436               | 3,398               | 3,189               |
| Retirement savings               | 2,171               | 1,715               | 1,883               |

#### (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. The Russian Federation and the Republic of Kazakhstan have significant influence over the Bank. At the same time, the Russian Federation and the 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.

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

*(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 2022, 2021 and 2020 and related profit or loss amounts of transactions for the years ended 31 December 2022, 2021 and 2020 with other related parties are as follows:

|  | 31 December<br>2022 | 31 December<br>2021 | 31 December<br>2020 |
|--|---------------------|---------------------|---------------------|
| <b>Statement of financial position</b>                             |                     |                     |                     |
| <b>ASSETS</b>  |                     |                     |                     |
| Cash and cash equivalents:   | <b>522,638</b>      | <b>267,640</b>      | <b>146,095</b>      |
| in US dollars  | 22,095              | 117,104             | 71,778              |
| in Russian rouble  | 362,714             | 13,872              | 48,450              |
| in Kazakhstani tenge   | 12,217              | 136,562             | 25,661              |
| in Euro  | -                   | 78                  | 162                 |
| in other currencies  | 125,635             | 25                  | 62                  |
| less expected credit losses  | (23)                | (1)                 | (18)                |
| Financial assets at fair value through profit or loss:             |                     |                     |                     |
| in Treasury portfolio:   | <b>117,538</b>      | <b>34,921</b>       | <b>22,646</b>       |
| in US dollars  | 100,643             | 18,635              | 22,646              |
| in Russian rouble  | 16,895              | 16,286              | -                   |
| Loans and amounts due from financial institutions:                 |                     |                     |                     |
| in Investment portfolio:   | <b>405,000</b>      | <b>72,469</b>       | <b>36,363</b>       |
| in US dollars  | -                   | 2,665               | 532                 |
| in Russian rouble  | 392,355             | 47,195              | -                   |
| in Kazakhstani tenge   | 13,062              | 18,549              | 24,892              |
| in Euro  | -                   | 4,271               | 11,259              |
| less expected credit losses  | (417)               | (211)               | (320)               |
| Loans to customers, investment portfolio:                          | <b>607,748</b>      | <b>686,617</b>      | <b>699,071</b>      |
| in US dollars  | 30,388              | 39,233              | 43,929              |
| in Russian rouble  | 279,942             | 329,120             | 216,492             |
| in Kazakhstani tenge   | 51,963              | 22,609              | 108,591             |
| in Euro  | 292,369             | 300,798             | 334,400             |
| less expected credit losses  | (46,914)            | (5,143)             | (4,341)             |
| Financial assets at fair value through other comprehensive income: |                     |                     |                     |
| in Treasury portfolio:   | <b>259,032</b>      | <b>623,125</b>      | <b>552,463</b>      |
| in US dollars  | 47,952              | 351,878             | 282,045             |
| in Russian rouble  | 100,682             | 46,046              | 10,629              |
| in Kazakhstani tenge   | 43,106              | 143,932             | 166,282             |
| in Euro  | 67,292              | 81,269              | 93,507              |
| Financial assets at fair value through other comprehensive income: |                     |                     |                     |
| in Investment portfolio:   | <b>642,811</b>      | <b>621,384</b>      | <b>553,458</b>      |
| in US dollars  | 36,643              | 44,079              | 46,635              |
| in Russian rouble  | 212,226             | 201,114             | 123,041             |
| in Kazakhstani tenge   | 393,942             | 376,191             | 383,782             |
| Debt securities at amortised cost:                                 | <b>228,538</b>      | <b>329,449</b>      | <b>225,414</b>      |
| in US dollars  | 175,787             | 271,741             | 190,416             |
| in Russian rouble  | 28,001              | 25,734              | -                   |
| in Euro  | 30,336              | 32,349              | 35,272              |
| less expected credit losses  | (5,586)             | (375)               | (274)               |
| Investments in associates:   | -                   | <b>15,197</b>       | <b>17,260</b>       |
| in US dollars  | -                   | 15,197              | 17,260              |
| Other assets:  | <b>15,092</b>       | <b>9,840</b>        | <b>7,009</b>        |
| in US dollars  | 15,089              | 9,821               | 3,508               |
| in Russian rouble  | -                   | 13                  | 13                  |
| in Kazakhstani tenge   | 9                   | 10                  | 14                  |
| in Euro  | 2                   | 4                   | 3,474               |
| less expected credit losses  | (8)                 | (8)                 | -                   |

**EURASIAN DEVELOPMENT BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**  
*(in thousands of US dollars)*

**28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

**(b) Transactions with other related parties, continued**

|   | <b>As at and for the<br/>year ended<br/>31 December<br/>2022</b> | <b>As at and for the<br/>year ended<br/>31 December<br/>2021</b> | <b>As at and for the<br/>year ended<br/>31 December<br/>2020</b> |
|---|--|--|--|
| <b>Statement of financial position</b>  |  |  |  |
| <b>LIABILITIES</b>  |  |  |  |
| Loans and deposits from banks:  | <b>1,220,426</b>   | <b>206,386</b>   | <b>272,174</b>   |
| in US dollars   | 738,904  | 4,508  | -  |
| in Russian rouble   | 158,738  | 58,495   | 35,111   |
| in Kazakhstani tenge  | 220,205  | 143,383  | 237,056  |
| in Euro   | 102,579  | -  | 7  |
| Financial liabilities at fair value through profit or loss:                                   | <b>2,812</b>   | <b>1,689</b>   | <b>632</b>   |
| in US dollars   | 2,745  | 1,608  | 632  |
| in Russian rouble   | 67   | 81   | -  |
| Deposits from customers:  | <b>60,979</b>  | <b>191,841</b>   | <b>173,639</b>   |
| in US dollars   | 41,033   | 3,880  | 58,096   |
| in Russian rouble   | 235  | 53   | 84   |
| in Kazakhstani tenge  | 19,711   | 187,908  | 115,459  |
| Debt securities issued:   | <b>1,057,334</b>   | <b>562,767</b>   | <b>556,634</b>   |
| in Russian rouble   | 897,419  | 188,250  | 243,546  |
| in Kazakhstani tenge  | 159,915  | 374,517  | 313,088  |
| Other liabilities:  | <b>12,447</b>  | <b>4,973</b>   | <b>1,159</b>   |
| in US dollars   | 11,785   | 4,195  | 186  |
| in Russian rouble   | 593  | 677  | 669  |
| in Kazakhstani tenge  | 21   | 6  | 201  |
| in Euro   | 48   | 95   | 103  |
| <b>Guarantees received:</b>   | <b>127,847</b>   | <b>529,105</b>   | <b>244,674</b>   |
| in US dollars   | -  | 44,296   | 3,839  |
| in Russian rouble   | 104,657  | 349,688  | 207,864  |
| in Kazakhstani tenge  | 23,190   | 29,525   | 32,971   |
| in Euro   | -  | 105,596  | -  |
| <b>Commitments:</b>   | <b>395,014</b>   | <b>665,134</b>   | <b>515,751</b>   |
| in US dollars   | 154,942  | 108,564  | 150,253  |
| in Russian rouble   | 130,059  | 327,915  | 261,621  |
| in Kazakhstani tenge  | 68,039   | -  | 62,865   |
| in Euro   | 41,974   | 228,655  | 41,012   |
| <b>Statement of profit or loss</b>  |  |  |  |
| Interest income, calculated using the effective interest method:                              |  |  |  |
| on Investment portfolio   | 127,594  | 85,896   | 101,339  |
| on Treasury portfolio   | 30,088   | 45,923   | 37,947   |
| Other interest income on Treasury portfolio   | 16,971   | 1,694  | 5,144  |
| Interest expense  | (119,461)  | (68,587)   | (83,053)   |
| Net gain/(loss) on financial assets and liabilities at fair value through profit or loss      | 31,085   | (3,221)  | (21,967)   |
| Net gain/(loss) on transactions in foreign currencies   | 141,048  | (43,877)   | (24,510)   |
| Net realised (loss)/gain on financial assets at fair value through other comprehensive income | (2,502)  | 8,884  | 4,094  |
| Net loss from modification and recognition of new financial instruments                       | (949)  | -  | -  |
| Losses from investments in associates   | (395)  | (1,968)  | (2,908)  |
| Refund for management of Eurasian Fund for Stabilisation and Development                      | 11,133   | 10,485   | 8,057  |
| Fee and commission income   | 226  | 705  | 421  |
| Fee and commission expense  | (662)  | (233)  | (470)  |
| Dividend income   | -  | 3,332  | -  |
| Net other income  | -  | -  | 27   |
| (Provision for)/recovery of expected credit losses on interest bearing assets                 | (62,207)   | 1,664  | (1,201)  |
| Recovery of expected credit losses on guarantees and letters of credit issued                 | -  | -  | 5  |
| <b>Net operating income</b>   | <b>171,969</b>   | <b>40,697</b>  | <b>22,925</b>  |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 29. SEGMENT REPORTING

Segment information for the geographical segments of the Bank as at and for the year ended 31 December 2022 is set out below:

|   | Russia           | Kazakhstan       | Belarus        | Other<br>Member<br>states | Non-<br>member<br>states | Total            |
|---|------------------|------------------|----------------|---------------------------|--------------------------|------------------|
| Interest income, calculated using the effective interest method:                              |                  |                  |                |                           |                          |                  |
| on Investment portfolio   | 99,697           | 121,026          | 11,844         | 4,237                     | 2,493                    | 239,297          |
| on Treasury portfolio   | 18,214           | 25,388           | 2,202          | 978                       | 48,524                   | 95,306           |
| Other interest income on Treasury portfolio   | 15,440           | 1,531            | -              | -                         | 7,437                    | 24,408           |
| Interest expense  | (112,235)        | (70,684)         | (3,889)        | (1,743)                   | (70,892)                 | (259,443)        |
| Net (loss)/gain on financial assets and liabilities at fair value through profit or loss      | (149,586)        | 12,024           | (583)          | (6,216)                   | (46,292)                 | (190,653)        |
| Net gain on transactions in foreign currencies  | 242,590          | 4,298            | 1,417          | 6,390                     | 6,622                    | 261,317          |
| Net realised (loss)/gain on financial assets at fair value through other comprehensive income | (1,790)          | (426)            | -              | 2                         | (450)                    | (2,664)          |
| Net gain/(loss) from modification and recognition of new financial instruments                | 40,477           | -                | -              | -                         | (225)                    | 40,252           |
| Losses on investments in associates   | (395)            | -                | -              | -                         | -                        | (395)            |
| Net loss on disposal of assets held for sale  | (12,173)         | -                | -              | -                         | -                        | (12,173)         |
| Net (loss)/gain on trading with debt securities issued  | (1)              | 343              | -              | -                         | 54,098                   | 54,440           |
| Refund on management of Eurasian Fund for Stabilisation and Development                       | 11,133           | -                | -              | -                         | -                        | 11,133           |
| Fee and commission income   | 9,999            | 1,017            | 2,689          | 77                        | 444                      | 14,226           |
| Fee and commission expense  | (1,294)          | (671)            | (4)            | (12)                      | (597)                    | (2,578)          |
| Net other income/(expense)  | 5                | 12               | -              | -                         | (10)                     | 7                |
| Provision for expected credit losses on interest bearing assets                               | (154,855)        | (6,799)          | (13,970)       | (5,934)                   | (3,387)                  | (184,945)        |
| (Provision for)/recovery of expected credit losses on guarantees and letters of credit issued | (7,310)          | (136)            | 979            | -                         | (1,658)                  | (8,125)          |
| <b>Net operating (loss)/income</b>  | <b>(2,084)</b>   | <b>86,923</b>    | <b>685</b>     | <b>(2,221)</b>            | <b>(3,893)</b>           | <b>79,410</b>    |
| Cash and cash equivalents   | 370,174          | 280,035          | 181,194        | 1,538                     | 446,340                  | 1,279,281        |
| Financial assets at fair value through profit or loss:  | 117,712          | 16,836           | 15,889         | -                         | 6,034                    | 156,471          |
| <i>in Treasury portfolio</i>  | <i>101,373</i>   | <i>16,836</i>    | <i>15,889</i>  | <i>-</i>                  | <i>6,034</i>             | <i>140,132</i>   |
| <i>in Investment portfolio</i>  | <i>16,339</i>    | <i>-</i>         | <i>-</i>       | <i>-</i>                  | <i>-</i>                 | <i>16,339</i>    |
| Loans and amounts due from financial institutions:  | 435,235          | 404,999          | -              | 22,036                    | -                        | 862,270          |
| <i>in Treasury portfolio</i>  | <i>427,145</i>   | <i>-</i>         | <i>-</i>       | <i>-</i>                  | <i>-</i>                 | <i>427,145</i>   |
| <i>in Investment portfolio</i>  | <i>8,090</i>     | <i>404,999</i>   | <i>-</i>       | <i>22,036</i>             | <i>-</i>                 | <i>435,125</i>   |
| Loans to customers  | 774,519          | 832,702          | 94,369         | 64,683                    | 394,612                  | 2,160,885        |
| Financial assets at fair value through other comprehensive income:                            | 315,759          | 665,752          | 23,494         | -                         | 2,534,891                | 3,539,896        |
| <i>in Treasury portfolio</i>  | <i>170,820</i>   | <i>138,679</i>   | <i>-</i>       | <i>-</i>                  | <i>2,534,891</i>         | <i>2,844,390</i> |
| <i>in Investment portfolio</i>  | <i>144,939</i>   | <i>527,073</i>   | <i>23,494</i>  | <i>-</i>                  | <i>-</i>                 | <i>695,506</i>   |
| Debt securities at amortised cost   | 213,874          | 54,683           | -              | 10,303                    | 106,059                  | 384,919          |
| Investments in associates   | 1                | 23               | -              | -                         | -                        | 24               |
| Property, equipment and intangible assets   | 1,091            | 11,503           | 20             | 191                       | -                        | 12,805           |
| Other assets  | 24,058           | 4,531            | 701            | 277                       | 2,473                    | 32,040           |
| <b>Total assets</b>   | <b>2,252,423</b> | <b>2,271,064</b> | <b>315,667</b> | <b>99,028</b>             | <b>3,490,409</b>         | <b>8,428,591</b> |
| <b>Total liabilities</b>  | <b>3,410,638</b> | <b>833,048</b>   | <b>888,073</b> | <b>112,143</b>            | <b>1,348,338</b>         | <b>6,592,240</b> |
| <b>Contingent liabilities and credit commitments, gross</b>                                   | <b>832,560</b>   | <b>330,230</b>   | <b>169,563</b> | <b>232,717</b>            | <b>14,157</b>            | <b>1,579,227</b> |
| <b>Capital expenditure</b>  | <b>529</b>       | <b>1,724</b>     | <b>20</b>      | <b>80</b>                 | <b>-</b>                 | <b>2,353</b>     |
| <b>Depreciation and amortisation</b>  | <b>373</b>       | <b>1,328</b>     | <b>6</b>       | <b>68</b>                 | <b>-</b>                 | <b>1,775</b>     |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 29. SEGMENT REPORTING, CONTINUED

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<br>Member<br>states | Non-<br>member<br>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            |
| Losses 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 and letters of credit issued | 425              | -                | (5,660)        | -                         | -                        | (5,235)          |
| <b>Net operating income/(loss)</b>  | <b>67,745</b>    | <b>47,672</b>    | <b>22,808</b>  | <b>2,665</b>              | <b>(50,983)</b>          | <b>89,907</b>    |
| 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           |
| <i>in Treasury portfolio</i>  | 18,700           | 16,226           | -              | -                         | 43,920                   | 78,846           |
| <i>in Investment portfolio</i>  | 702              | -                | -              | -                         | -                        | 702              |
| Loans and amounts due from financial institutions:  | 107,314          | 65,645           | 381,812        | 39,237                    | -                        | 594,008          |
| <i>in Investment portfolio</i>  | 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        |
| <i>in Treasury portfolio</i>  | 502,657          | 176,249          | -              | -                         | 1,211,000                | 1,889,906        |
| <i>in Investment portfolio</i>  | 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           |
| <b>Total assets</b>   | <b>2,128,531</b> | <b>1,679,847</b> | <b>491,110</b> | <b>68,623</b>             | <b>1,440,084</b>         | <b>5,808,195</b> |
| <b>Total liabilities</b>  | <b>685,114</b>   | <b>1,050,223</b> | <b>6,593</b>   | <b>20,416</b>             | <b>2,184,618</b>         | <b>3,946,964</b> |
| <b>Contingent liabilities and credit commitments, gross</b>                                   | <b>640,751</b>   | <b>378,324</b>   | <b>332,466</b> | <b>178,384</b>            | <b>-</b>                 | <b>1,529,925</b> |
| <b>Capital expenditure</b>  | <b>692</b>       | <b>1,210</b>     | <b>1</b>       | <b>172</b>                | <b>-</b>                 | <b>2,075</b>     |
| <b>Depreciation and amortisation</b>  | <b>295</b>       | <b>1,205</b>     | <b>4</b>       | <b>43</b>                 | <b>-</b>                 | <b>1,547</b>     |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 29. SEGMENT REPORTING, 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<br>Member<br>states | Non-<br>member<br>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              |
| Losses 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/(expense)  | 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 and letters of credit issued | 213              | -                | (57)           | -                         | -                        | 156              |
| <b>Net operating income</b>   | <b>26,815</b>    | <b>19,063</b>    | <b>9,700</b>   | <b>4,098</b>              | <b>17,248</b>            | <b>76,924</b>    |
| Cash and cash equivalents   | 206,714          | 84,297           | 145            | 378                       | 372,306                  | 663,840          |
| Financial assets at fair value through profit or loss:  |                  |                  |                |                           |                          |                  |
| <i>in Treasury portfolio</i>  | 27,465           | -                | -              | -                         | 24,096                   | 51,561           |
| <i>in Investment portfolio</i>  | 22,647           | -                | -              | -                         | 24,096                   | 46,743           |
| <i>in Investment portfolio</i>  | 4,818            | -                | -              | -                         | -                        | 4,818            |
| Loans and amounts due from financial institutions:  |                  |                  |                |                           |                          |                  |
| <i>in Investment portfolio</i>  | 78,501           | 24,474           | 42,108         | 40,392                    | -                        | 185,475          |
| <i>in Investment portfolio</i>  | 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:                            |                  |                  |                |                           |                          |                  |
| <i>in Treasury portfolio</i>  | 528,341          | 682,113          | 31,958         | 13,157                    | 1,005,481                | 2,261,050        |
| <i>in Treasury portfolio</i>  | 446,274          | 177,387          | -              | -                         | 1,005,481                | 1,629,142        |
| <i>in Investment portfolio</i>  | 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           |
| <b>Total assets</b>   | <b>2,015,828</b> | <b>1,491,026</b> | <b>632,486</b> | <b>54,269</b>             | <b>1,406,066</b>         | <b>5,599,675</b> |
| <b>Total liabilities</b>  | <b>743,561</b>   | <b>1,088,259</b> | <b>769</b>     | <b>11,800</b>             | <b>1,873,148</b>         | <b>3,717,537</b> |
| <b>Contingent liabilities and credit commitments, gross</b>                                   | <b>593,671</b>   | <b>476,190</b>   | <b>324,858</b> | <b>64,474</b>             | <b>-</b>                 | <b>1,459,193</b> |
| <b>Capital expenditure</b>  | <b>215</b>       | <b>455</b>       | <b>-</b>       | <b>7</b>                  | <b>-</b>                 | <b>677</b>       |
| <b>Depreciation and amortisation</b>  | <b>223</b>       | <b>1,231</b>     | <b>5</b>       | <b>22</b>                 | <b>-</b>                 | <b>1,481</b>     |

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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 29. SEGMENT REPORTING, CONTINUED

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:

|   | <u>Year ended<br/>31 December<br/>2022</u> | <u>Year ended<br/>31 December<br/>2021</u> | <u>Year ended<br/>31 December<br/>2020</u> |
|---|--|--|--|
| <b>Net operating income</b>             | <b>79,410</b>                              | <b>89,907</b>                              | <b>76,924</b>                              |
| Net income on discontinued operations   | 7,901                                      | -  | -  |
| Operating expenses                      | (56,655)                                   | (52,787)                                   | (44,335)                                   |
| Technical Assistance Fund expenses, net | -  | -  | (7)  |
| <b>Net profit</b>                       | <b><u>30,656</u></b>                       | <b><u>37,120</u></b>                       | <b><u>32,582</u></b>                       |

For the years ended 31 December 2022, 2021 and 2020, 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 the 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 in the Note 3. 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.

The 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.

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.

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*(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 2022, 2021 and 2020, 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:

|   | <u>Level 1</u>              | <u>Level 2</u>              | <u>Level 3</u>              | <u>As at<br/>31 December<br/>2022<br/>Total</u> |
|---|-----------------------------|-----------------------------|-----------------------------|---|
| <b>Financial assets at fair value through profit or loss:</b>             |                             |                             |                             |   |
| in Treasury portfolio:  |                             |                             |                             |   |
| Debt instruments  | -                           | 110,076                     | -                           | 110,076   |
| Derivative financial instruments - assets                                 | -                           | 22,654                      | -                           | 22,654  |
| Equity instruments  | -                           | 7,402                       | -                           | 7,402   |
| in Investment portfolio:  |                             |                             |                             |   |
| Hybrid instrument   | -                           | -                           | 15,637                      | 15,637  |
| Equity instruments  | -                           | -                           | 702                         | 702   |
| <b>Financial assets at fair value through other comprehensive income:</b> |                             |                             |                             |   |
| in Treasury portfolio:  |                             |                             |                             |   |
| Debt instruments  | 676,800                     | 2,157,777                   | -                           | 2,834,577                                       |
| Equity instruments  | -                           | 9,813                       | -                           | 9,813   |
| in Investment portfolio:  |                             |                             |                             |   |
| Debt instruments  | -                           | 695,506                     | -                           | 695,506   |
| <b>Financial liabilities at fair value through profit or loss:</b>        |                             |                             |                             |   |
| Derivative financial instruments - liabilities                            | -                           | (2,956)                     | -                           | (2,956)   |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u>                     |
|   |                             |                             |                             | <b>As at<br/>31 December<br/>2021<br/>Total</b> |
|   | <u>Level 1</u>              | <u>Level 2</u>              | <u>Level 3</u>              | <u>                    </u>                     |
| <b>Financial assets at fair value through profit or loss:</b>             |                             |                             |                             |   |
| 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   |
| <b>Financial assets at fair value through other comprehensive income:</b> |                             |                             |                             |   |
| 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   |
| <b>Financial liabilities at fair value through profit or loss:</b>        |                             |                             |                             |   |
| Derivative financial instruments - liabilities                            | -                           | (6,904)                     | -                           | (6,904)   |
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u>                     |

**EURASIAN DEVELOPMENT BANK**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED**

**(b) Valuation of financial instruments, continued**

|   | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>As at<br/>31 December<br/>2020<br/>Total</u> |
|---|----------------|----------------|----------------|---|
| <b>Financial assets at fair value through profit or loss:</b>             |                |                |                |   |
| 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   |
| <b>Financial assets at fair value through other comprehensive income:</b> |                |                |                |   |
| 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   |
| <b>Financial liabilities at fair value through profit or loss:</b>        |                |                |                |   |
| Derivative financial instruments - liabilities                            | -              | (5,001)        | -              | (5,001)   |

The following table shows reconciliation for the years ended 31 December 2022, 2021 and 2020 for fair value measurements in Level 3 of the fair value hierarchy, in the Investment portfolio:

|   | <u>Level 3</u>                             |  |  |
|---|--|--|--|
|   | <u>Year ended<br/>31 December<br/>2022</u> | <u>Year ended<br/>31 December<br/>2021</u> | <u>Year ended<br/>31 December<br/>2020</u> |
| <b>Financial assets at fair value through profit or loss</b>                  |  |  |  |
| Balance at beginning of the year  | 702  | 4,818                                      | 6,567                                      |
| Recognition of new instrument   | 15,637                                     | -  | -  |
| Redemption of instruments, net  | -  | (4,036)                                    | (190)                                      |
| Losses less gains from equity securities at fair value through profit or loss | -  | (80)                                       | (1,559)                                    |
| <b>Balance at end of the year</b>   | <b>16,339</b>                              | <b>702</b>                                 | <b>4,818</b>                               |
| <b>Financial assets at fair value through other comprehensive income</b>      |  |  |  |
| Balance at the beginning of the year  | 4  | 5  | 5  |
| Revaluation   | (4)  | (1)  | -  |
| <b>Balance at end of the year</b>   | <b>-</b>                                   | <b>4</b>                                   | <b>5</b>                                   |

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.

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*(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 2022, 2021 and 2020:

|  |                |                |                | <b>As at 31 December 2022</b> |                              |
|--|----------------|----------------|----------------|-------------------------------|------------------------------|
|  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total fair value</b>       | <b>Total carrying amount</b> |
| <b>Financial assets:</b>                           |                |                |                |                               |                              |
| Cash and cash equivalents                          | -              | 235,590        | 1,043,691      | 1,279,281                     | 1,279,281                    |
| Loans and amounts due from financial institutions: |                |                |                |                               |                              |
| <i>in Treasury portfolio</i>                       | -              | -              | 859,630        | 859,630                       | 862,270                      |
| <i>in Investment portfolio</i>                     | -              | -              | 427,145        | 427,145                       | 427,145                      |
| Loans to customers                                 | -              | -              | 2,203,447      | 2,203,447                     | 2,160,885                    |
| Debt securities at amortised cost                  | 49,169         | 307,156        | -              | 356,325                       | 384,919                      |
| Other financial assets                             | -              | -              | 18,914         | 18,914                        | 18,914                       |
| <b>Financial liabilities:</b>                      |                |                |                |                               |                              |
| Loans and deposits from banks                      | -              | -              | 3,100,332      | 3,100,332                     | 3,165,338                    |
| Deposits from customers                            | -              | -              | 298,752        | 298,752                       | 307,507                      |
| Debt securities issued                             | -              | 1,785,770      | 1,201,824      | 2,987,594                     | 3,030,076                    |
| Other financial liabilities                        | -              | -              | 16,168         | 16,168                        | 16,168                       |
| <b>As at 31 December 2021</b>                      |                |                |                |                               |                              |
|  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total fair value</b>       | <b>Total carrying amount</b> |
| <b>Financial assets:</b>                           |                |                |                |                               |                              |
| Cash and cash equivalents                          | -              | 335,950        | 94,330         | 430,280                       | 430,280                      |
| Loans and amounts due from financial institutions: |                |                |                |                               |                              |
| <i>in Investment portfolio</i>                     | -              | -              | 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                       |
| <b>Financial liabilities:</b>                      |                |                |                |                               |                              |
| 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                        |
| <b>As at 31 December 2020</b>                      |                |                |                |                               |                              |
|  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total fair value</b>       | <b>Total carrying amount</b> |
| <b>Financial assets:</b>                           |                |                |                |                               |                              |
| Cash and cash equivalents                          | -              | 527,481        | 136,359        | 663,840                       | 663,840                      |
| Loans and amounts due from financial institutions: |                |                |                |                               |                              |
| <i>in Investment portfolio</i>                     | -              | -              | 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                        |
| <b>Financial liabilities:</b>                      |                |                |                |                               |                              |
| 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                        |

**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 minimisation of probable losses of the Bank from different risk factors including safety 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) the Assets and liabilities management department, (vii) the 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. In order to manage risks the responsible departments of the Bank prepare required management reports to the Bank's Committees on a regular basis.

**(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 Investments regulations;
- 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 realisation 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 implementing the Bank's assets and liabilities management policy, liquidity, market risks, and profitability management 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 decisions are made by the Management Board.

***(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 makes recommendations to the Credit Committee for associated credit risks reduction;
- administrating and monitoring of each individual investment project including monitoring of changes in credit risk accepted by the Bank;
- assessment and monitoring of collateral;
- loans and other financial assets classification and provisions for expected credit losses calculation;
- analysis of counterparties and securities issuers risks within treasury operations; monitoring compliance with limits;
- stress-testing of the Bank's risk positions;
- preparation and presentation of analytical information on the risk management.

***(vi) Assets and liabilities management department***

The Assets and liabilities management department is responsible for 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***

The 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 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 the Investment portfolio of the Bank, comprised mainly of loans/credit lines to borrowers and securities, and the Treasury portfolio, comprised mainly of securities, interbank loans, reverse REPO operations and derivative financial instruments.

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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 equity of the Bank from the influence of risk factors, and to maintain sufficient level of liquidity. Assets in the Treasury portfolio are managed in accordance with the Investment declaration, the Market and liquidity risks management rules and other internal guidelines. 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, monitor realisation of projects and compliance with the limits, and take corrective actions where needed.

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

|  | <b>Current<br/>investment<br/>portfolio</b> | <b>Treasury<br/>Portfolio</b> | <b>Unallocated</b> | <b>31 December<br/>2022<br/>Total</b> |
|--|---|-------------------------------|--------------------|---------------------------------------|
| Cash and cash equivalents  | -   | 1,279,281                     | -                  | 1,279,281                             |
| Financial assets at fair value through profit or loss:             |   |                               |                    |                                       |
| <i>in Treasury portfolio</i>                                       | 16,339                                      | 140,132                       | -                  | 156,471                               |
| <i>in Investment portfolio</i>                                     | -   | 140,132                       | -                  | 140,132                               |
| <i>in Investment portfolio</i>                                     | 16,339                                      | -                             | -                  | 16,339                                |
| Loans and amounts due from financial institutions:                 |   |                               |                    |                                       |
| <i>in Treasury portfolio</i>                                       | 435,125                                     | 427,145                       | -                  | 862,270                               |
| <i>in Investment portfolio</i>                                     | -   | 427,145                       | -                  | 427,145                               |
| <i>in Investment portfolio</i>                                     | 435,125                                     | -                             | -                  | 435,125                               |
| Loans to customers   | 2,160,885                                   | -                             | -                  | 2,160,885                             |
| Financial assets at fair value through other comprehensive income: |   |                               |                    |                                       |
| <i>in Treasury portfolio</i>                                       | 695,506                                     | 2,844,390                     | -                  | 3,539,896                             |
| <i>in Treasury portfolio</i>                                       | -   | 2,844,390                     | -                  | 2,844,390                             |
| <i>in Investment portfolio</i>                                     | 695,506                                     | -                             | -                  | 695,506                               |
| Debt securities at amortised cost                                  | -   | 384,919                       | -                  | 384,919                               |
| Investments in associates  | 24  | -                             | -                  | 24                                    |
| Property, equipment and intangible assets                          | -   | -                             | 12,805             | 12,805                                |
| Other assets   | -   | -                             | 32,040             | 32,040                                |
|  | <b>3,307,879</b>                            | <b>5,075,867</b>              | <b>44,845</b>      | <b>8,428,591</b>                      |
| Adjustment to CIP*   | 128,326                                     | -                             | (128,326)          | -                                     |
| <b>Total assets</b>  | <b>3,436,205</b>                            | <b>5,075,867</b>              | <b>(83,481)</b>    | <b>8,428,591</b>                      |
| <b>Total liabilities</b>   | <b>-</b>                                    | <b>2,953,246</b>              | <b>3,638,994</b>   | <b>6,592,240</b>                      |
| Contingent liabilities and credit commitments, gross               | 1,576,488                                   | -                             | 2,739              | 1,579,227                             |
| <b>Total current investment portfolio</b>                          | <b>5,012,693</b>                            |                               |                    |                                       |

\*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.

**EURASIAN DEVELOPMENT BANK**

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**31. RISK MANAGEMENT, CONTINUED**

**(b) Credit risk, continued**

|  | <b>Current<br/>investment<br/>portfolio</b> | <b>Treasury<br/>Portfolio</b> | <b>Unallocated</b> | <b>31 December<br/>2021<br/>Total</b> |
|--|---|-------------------------------|--------------------|---------------------------------------|
| Cash and cash equivalents  | -   | 430,280                       | -                  | 430,280                               |
| Financial assets at fair value through profit or loss:             |   |                               |                    |                                       |
| <i>in Treasury portfolio</i>                                       | 702   | 78,846                        | -                  | 79,548                                |
| <i>in Investment portfolio</i>                                     | -   | 78,846                        | -                  | 78,846                                |
| <i>in Investment portfolio</i>                                     | 702   | -                             | -                  | 702                                   |
| Loans and amounts due from financial institutions:                 |   |                               |                    |                                       |
| <i>in Investment portfolio</i>                                     | 594,008                                     | -                             | -                  | 594,008                               |
| <i>in Investment portfolio</i>                                     | 594,008                                     | -                             | -                  | 594,008                               |
| Loans to customers   | 1,636,108                                   | -                             | -                  | 1,636,108                             |
| Financial assets at fair value through other comprehensive income: |   |                               |                    |                                       |
| <i>in Treasury portfolio</i>                                       | 695,971                                     | 1,889,906                     | -                  | 2,585,877                             |
| <i>in Treasury portfolio</i>                                       | -   | 1,889,906                     | -                  | 1,889,906                             |
| <i>in Investment portfolio</i>                                     | 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                                |
|  | <b>2,942,010</b>                            | <b>2,807,712</b>              | <b>58,473</b>      | <b>5,808,195</b>                      |
| Adjustment to CIP*   | 46,804                                      | -                             | (46,804)           | -                                     |
| <b>Total assets</b>  | <b>2,988,814</b>                            | <b>2,807,712</b>              | <b>11,669</b>      | <b>5,808,195</b>                      |
| <b>Total liabilities</b>   | <b>-</b>                                    | <b>1,021,306</b>              | <b>2,925,658</b>   | <b>3,946,964</b>                      |
| Contingent liabilities and credit commitments, gross               | 1,523,835                                   | -                             | 6,090              | 1,529,925                             |
| <b>Total current investment portfolio</b>                          | <b>4,512,649</b>                            |                               |                    |                                       |
|  | <b>Current<br/>investment<br/>portfolio</b> | <b>Treasury<br/>Portfolio</b> | <b>Unallocated</b> | <b>31 December<br/>2020<br/>Total</b> |
| Cash and cash equivalents  | -   | 663,840                       | -                  | 663,840                               |
| Financial assets at fair value through profit or loss:             |   |                               |                    |                                       |
| <i>in Treasury portfolio</i>                                       | 4,818                                       | 46,743                        | -                  | 51,561                                |
| <i>in Treasury portfolio</i>                                       | -   | 46,743                        | -                  | 46,743                                |
| <i>in Investment portfolio</i>                                     | 4,818                                       | -                             | -                  | 4,818                                 |
| Loans and amounts due from financial institutions:                 |   |                               |                    |                                       |
| <i>in Investment portfolio</i>                                     | 185,475                                     | -                             | -                  | 185,475                               |
| <i>in Investment portfolio</i>                                     | 185,475                                     | -                             | -                  | 185,475                               |
| Loans to customers   | 2,098,698                                   | -                             | -                  | 2,098,698                             |
| Financial assets at fair value through other comprehensive income: |   |                               |                    |                                       |
| <i>in Treasury portfolio</i>                                       | 631,908                                     | 1,629,142                     | -                  | 2,261,050                             |
| <i>in Treasury portfolio</i>                                       | -   | 1,629,142                     | -                  | 1,629,142                             |
| <i>in Investment portfolio</i>                                     | 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                                |
|  | <b>2,938,159</b>                            | <b>2,634,222</b>              | <b>27,294</b>      | <b>5,599,675</b>                      |
| Adjustment to CIP*   | 47,596                                      | -                             | (47,596)           | -                                     |
| <b>Total assets</b>  | <b>2,985,755</b>                            | <b>2,634,222</b>              | <b>(20,302)</b>    | <b>5,599,675</b>                      |
| <b>Total liabilities</b>   | <b>-</b>                                    | <b>925,964</b>                | <b>2,791,573</b>   | <b>3,717,537</b>                      |
| Contingent liabilities and credit commitments, gross               | 1,437,071                                   | -                             | 22,122             | 1,459,193                             |
| <b>Total current investment portfolio</b>                          | <b>4,422,826</b>                            |                               |                    |                                       |

**31. RISK MANAGEMENT, CONTINUED****(b) Credit risk, continued*****Credit risk in the investment project financing***

Risk management process during financing of investment projects consists of the following stages: risk identification, risk assessment, control and monitoring of risks.

At risk identification stage the Bank prepares a list of risks and their description. For these purposes the Bank defines following general list of risks that might affect the overall credit risk of an investment project:

- infrastructural risks;
- engineering and project risks;
- constructional and completion risks;
- resources 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 conducted to determine the probability of risk events occurrence (risk level) and possible consequences (financial losses). Valuation of identified risks is based on Internal models, which include analysis of wide range of quantitative 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 related 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 agreements.

At the stage of control and monitoring of risks the Bank keeps watch over parameters (covenants) which represent early risk change detection framework and on a regular basis revises risk level of investment projects. For this purpose, Internal models are used. In case of significant increase of risk level of investment projects, the Bank prepares risk reduction measures.

For classification of financial assets by credit ratings the Bank primarily uses external credit rating of the borrower/issuer assigned by international credit rating agencies (international scale). In case of absence or withdrawal of external credit rating, the Bank uses credit rating of the borrower/issuer estimated in accordance with Internal models.

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31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

*Credit risk in the investment project financing, continued*

The following tables show financial assets in the Investment portfolio (except for investments in associates and financial assets at fair value through profit or loss) by credit ratings estimated in accordance with Internal models broken down by international scale, as at 31 December 2022:

|  | Stage 1          | Stage 2        | Stage 3        | Total            |
|--|------------------|----------------|----------------|------------------|
| <b>Loans and amounts due from financial institutions:</b>                      |                  |                |                |                  |
| with credit ratings BBB+, BBB, BBB-  | 392,355          | -              | -              | 392,355          |
| with credit ratings BB+, BB, BB-   | 13,062           | 605            | -              | 13,667           |
| with credit ratings B+, B, B-  | 21,387           | -              | -              | 21,387           |
| with credit ratings CCC+, CCC, CCC-  | 1,000            | 8,472          | -              | 9,472            |
|  | <b>427,804</b>   | <b>9,077</b>   | -              | <b>436,881</b>   |
| Less expected credit loss provisions (Note 10)                                 | (768)            | (988)          | -              | (1,756)          |
| <b>Total loans and amounts due from financial institutions</b>                 | <b>427,036</b>   | <b>8,089</b>   | -              | <b>435,125</b>   |
|  |                  |                |                |                  |
|  | Stage 1          | Stage 2        | Stage 3        | Total            |
| <b>Loans to customers:</b>   |                  |                |                |                  |
| with credit ratings BBB+, BBB, BBB-  | 47,059           | -              | -              | 47,059           |
| with credit ratings BB+, BB, BB-   | 829,964          | -              | -              | 829,964          |
| with credit ratings B+, B, B-  | 917,548          | 224,655        | -              | 1,142,203        |
| with credit ratings CCC+, CCC, CCC-  | 95,716           | 103,219        | -              | 198,935          |
| with credit ratings CC, C, D   | -                | -              | 106,119        | 106,119          |
|  | <b>1,890,287</b> | <b>327,874</b> | <b>106,119</b> | <b>2,324,280</b> |
| Less expected credit loss provisions (Note 10)                                 | (55,703)         | (47,760)       | (59,932)       | (163,395)        |
| <b>Total loans to customers</b>  | <b>1,834,584</b> | <b>280,114</b> | <b>46,187</b>  | <b>2,160,885</b> |
|  |                  |                |                |                  |
|  | Stage 1          | Stage 2        | Stage 3        | Total            |
| <b>Financial assets at fair value through other comprehensive income:</b>      |                  |                |                |                  |
| with credit ratings BBB+, BBB, BBB-  | 172,356          | -              | -              | 172,356          |
| with credit ratings BB+, BB, BB-   | 325,517          | 60,845         | -              | 386,362          |
| with credit ratings B+, B, B-  | 113,295          | -              | -              | 113,295          |
| with credit ratings CCC+, CCC, CCC-  | -                | 23,493         | -              | 23,493           |
| <b>Total financial assets at fair value through other comprehensive income</b> | <b>611,168</b>   | <b>84,338</b>  | -              | <b>695,506</b>   |

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31. RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

*Credit risk in the investment project financing, continued*

The following tables show financial assets in the Investment portfolio (except for investments in associates and financial assets at fair value through profit or loss) by credit ratings estimated in accordance with Internal models broken down by international scale, as at 31 December 2021:

|  | <u>Stage 1</u>   | <u>Stage 2</u> | <u>Stage 3</u> | <u>Total</u>     |
|--|------------------|----------------|----------------|------------------|
| <b>Loans and amounts due from financial institutions:</b>                      |                  |                |                |                  |
| 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          |
|  | <b>589,811</b>   | <b>12,889</b>  | <b>-</b>       | <b>602,700</b>   |
| Less expected credit loss provisions (Note 10)                                 | (8,033)          | (659)          | -              | (8,692)          |
| <b>Total loans and amounts due from financial institutions</b>                 | <b>581,778</b>   | <b>12,230</b>  | <b>-</b>       | <b>594,008</b>   |
|  |                  |                |                |                  |
|  | <u>Stage 1</u>   | <u>Stage 2</u> | <u>Stage 3</u> | <u>Total</u>     |
| <b>Loans to customers:</b>   |                  |                |                |                  |
| 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           |
|  | <b>1,565,649</b> | <b>48,163</b>  | <b>96,192</b>  | <b>1,710,004</b> |
| Less expected credit loss provisions (Note 10)                                 | (16,235)         | (2,084)        | (55,577)       | (73,896)         |
| <b>Total loans to customers</b>  | <b>1,549,414</b> | <b>46,079</b>  | <b>40,615</b>  | <b>1,636,108</b> |
|  |                  |                |                |                  |
|  | <u>Stage 1</u>   | <u>Stage 2</u> | <u>Stage 3</u> | <u>Total</u>     |
| <b>Financial assets at fair value through other comprehensive income:</b>      |                  |                |                |                  |
| 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                |
| <b>Total financial assets at fair value through other comprehensive income</b> | <b>695,967</b>   | <b>-</b>       | <b>4</b>       | <b>695,971</b>   |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)  
(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 the Investment portfolio (except for investments in associates and financial assets at fair value through profit or loss) by credit ratings estimated in accordance with Internal models broken down by international scale, as at 31 December 2020:

|   | Stage 1          | Stage 2        | Stage 3        | Total            |
|---|------------------|----------------|----------------|------------------|
| <b>Loans and amounts due from financial institutions:</b>                       |                  |                |                |                  |
| 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          |
|   | <b>126,351</b>   | <b>61,515</b>  | -              | <b>187,866</b>   |
| Less expected credit loss provisions (Note 10)                                  | (688)            | (1,703)        | -              | (2,391)          |
| <b>Total loans and amounts due from financial institutions</b>                  | <b>125,663</b>   | <b>59,812</b>  | -              | <b>185,475</b>   |
|   |                  |                |                |                  |
|   | <b>Stage 1</b>   | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>     |
| <b>Loans to customers:</b>  |                  |                |                |                  |
| 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          |
|   | <b>1,961,400</b> | <b>91,292</b>  | <b>118,897</b> | <b>2,171,589</b> |
| Less expected credit loss provisions (Note 10)                                  | (21,159)         | (10,740)       | (40,992)       | (72,891)         |
| <b>Total loans to customers</b>   | <b>1,940,241</b> | <b>80,552</b>  | <b>77,905</b>  | <b>2,098,698</b> |
|   |                  |                |                |                  |
|   | <b>Stage 1</b>   | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>     |
| <b>Financial assets at fair value through other comprehensive income:</b>       |                  |                |                |                  |
| 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                |
| <b>Total financial assets at fair value through other comprehensive income:</b> | <b>536,680</b>   | <b>95,223</b>  | <b>5</b>       | <b>631,908</b>   |

As at 31 December 2022 average-weighted credit rating of financial assets in the Investment portfolio was «B+» (31 December 2021: «BB-»). If this methodology would have been introduced in 2020, then an average-weighted credit rating of financial assets in the Investment portfolio as at 31 December 2020 would have been at «BB-» level.

**31. RISK MANAGEMENT, CONTINUED**

**(b) Credit risk, continued**

***Credit risk in the Treasury portfolio***

For credit risk management of financial assets in the Treasury portfolio the Bank uses a system of limits for the structure of portfolio, 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 of potential counterparties/issuers.

If available funds are placed in securities, the issuers of these securities must have credit rating assigned by international credit rating agencies not less than «BB-». If available funds are placed in interbank loans within a financial institution, such a financial institution must have credit rating assigned by international credit rating agencies not less than «B».

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 the Treasury portfolio of the Bank (except for equity instruments) by credit ratings assigned by the international credit rating agencies (international scale) as at 31 December 2022, 2021 and 2020:

|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>Cash and cash equivalents:</b>                                  |                             |                             |                             |
| with credit ratings AA+, AA, AA-                                   | 412                         | 50,174                      | 27,855                      |
| with credit ratings A+, A, A-                                      | 445,929                     | 208,515                     | 352,756                     |
| with credit ratings BBB+, BBB, BBB-                                | 150,884                     | 153,222                     | 270,321                     |
| with credit ratings BB+, BB, BB-                                   | 73                          | 15,154                      | 10,429                      |
| with credit ratings B+, B, B-                                      | 908                         | 455                         | 1,441                       |
| with credit ratings CC, C, D                                       | 181,237                     | -                           | -                           |
| not rated  | 499,980                     | 2,763                       | 1,083                       |
|  | <b>1,279,423</b>            | <b>430,283</b>              | <b>663,885</b>              |
| Less expected credit loss provisions (Note 10)                     | (142)                       | (3)                         | (45)                        |
| <b>Total cash and cash equivalents</b>                             | <b>1,279,281</b>            | <b>430,280</b>              | <b>663,840</b>              |
|  |                             |                             |                             |
|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
| <b>Financial assets at fair value through profit or loss:</b>      |                             |                             |                             |
| with credit ratings A+, A, A-                                      | 6,034                       | 43,920                      | 24,096                      |
| with credit ratings BBB+, BBB, BBB-                                | 16,836                      | 16,313                      | 13                          |
| with credit ratings BB+, BB, BB-                                   | -                           | 5                           | -                           |
| with credit ratings CC, C, D                                       | 15,889                      | -                           | -                           |
| not rated  | 93,971                      | -                           | -                           |
| <b>Total financial assets at fair value through profit or loss</b> | <b>132,730</b>              | <b>60,238</b>               | <b>24,109</b>               |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 31. RISK MANAGEMENT, CONTINUED

#### (b) Credit risk, continued

##### *Credit risk in the treasury portfolio, continued*

|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
|--|-----------------------------|-----------------------------|-----------------------------|
| <b>Loans and amounts due from financial institutions:</b>                      |                             |                             |                             |
| with credit ratings AA+, AA, AA-   | 4,302                       | -                           | -                           |
| with credit ratings A+, A, A-  | 5,119                       | -                           | -                           |
| not rated  | 469,131                     | -                           | -                           |
|  | <b>478,552</b>              | -                           | -                           |
| Less provisions (Note 10)  | (51,407)                    | -                           | -                           |
| <b>Total loans and amounts due from financial institutions</b>                 | <b>427,145</b>              | -                           | -                           |
|  |                             |                             |                             |
|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
| <b>Debt instruments at fair value through other comprehensive income:</b>      |                             |                             |                             |
| with credit ratings AAA  | 848,559                     | 25,044                      | 49,997                      |
| with credit ratings AA+, AA, AA-   | 1,500,120                   | 982,525                     | 760,699                     |
| with credit ratings A+, A, A-  | 186,211                     | 203,418                     | 194,785                     |
| with credit ratings BBB+, BBB, BBB-  | 138,680                     | 658,337                     | 589,962                     |
| with credit ratings BB+, BB, BB-   | -                           | 2,007                       | 11,105                      |
| not rated  | 161,007                     | -                           | -                           |
| <b>Total debt instruments at fair value through other comprehensive income</b> | <b>2,834,577</b>            | <b>1,871,331</b>            | <b>1,606,548</b>            |
|  |                             |                             |                             |
|  | <b>31 December<br/>2022</b> | <b>31 December<br/>2021</b> | <b>31 December<br/>2020</b> |
| <b>Debt securities at amortised cost:</b>                                      |                             |                             |                             |
| with credit ratings AA+, AA, AA-   | 52,189                      | -                           | -                           |
| with credit ratings BBB+, BBB, BBB-  | 28,001                      | 397,872                     | 273,056                     |
| with credit ratings BB+, BB, BB-   | 26,769                      | 11,259                      | 21,784                      |
| with credit ratings B+, B, B-  | 64,660                      | -                           | -                           |
| not rated  | 219,697                     | -                           | -                           |
|  | <b>391,316</b>              | <b>409,131</b>              | <b>294,840</b>              |
| Less expected credit loss provisions (Note 10)                                 | (6,397)                     | (451)                       | (343)                       |
| <b>Total debt securities at amortised cost</b>                                 | <b>384,919</b>              | <b>408,680</b>              | <b>294,497</b>              |

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

**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 the 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 minimise 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.

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**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 2022:

| <b>Types of financial assets/liabilities</b> | <b>Gross amounts of recognised financial asset/liability</b> | <b>Net and gross amount of financial assets/liabilities presented in the statement of financial position</b> | <b>Related amounts not offset in the statement of financial position<br/>Financial instruments/collateral received</b> | <b>Net amount</b> |
|--|--|--|--|-------------------|
| Derivative assets                            | 22,654   | 22,654   | -  | 22,654            |
| Loans under reverse repurchase agreements    | 3,439  | 3,439  | (3,439)  | -                 |
| <b>Total financial assets</b>                | <b>26,093</b>  | <b>26,093</b>  | <b>(3,439)</b>   | <b>22,654</b>     |
| Derivatives liabilities                      | (2,956)  | (2,956)  | -  | (2,956)           |
| Loans under repurchase agreements            | (111,758)  | (111,758)  | 111,758  | -                 |
| <b>Total financial liabilities</b>           | <b>(114,714)</b>   | <b>(114,714)</b>   | <b>111,758</b>   | <b>(2,956)</b>    |

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

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

**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 2020:

| 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 | Related amounts not offset in the statement of financial position | Net amount     |
|---|---|---|---|----------------|
|   |   |   | Financial instruments/collateral received                         |                |
| Derivative assets                         | 24,109  | 24,109  | -   | 24,109         |
| Loans under reverse repurchase agreements | 150,024   | 150,024   | (150,024)   | -              |
| <b>Total financial assets</b>             | <b>174,133</b>  | <b>174,133</b>  | <b>(150,024)</b>  | <b>24,109</b>  |
| Derivatives liabilities                   | (5,001)   | (5,001)   | -   | (5,001)        |
| Loans under repurchase agreements         | (762,905)   | (762,905)   | 762,905   | -              |
| <b>Total financial liabilities</b>        | <b>(767,906)</b>                                      | <b>(767,906)</b>  | <b>762,905</b>  | <b>(5,001)</b> |

**(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 the Treasury portfolio being not less than 1-year projected net loan disbursements (loans disbursed less repayments and tied financing), if greater than zero, plus the volume of annual financial debt service. This limit is reviewed on a quarterly basis.

An amount of liquid assets in the Treasury portfolio is the sum of assets in the 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. Compliance with liquidity ratio is one of the key management objectives of the Bank.

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### 31. RISK MANAGEMENT, CONTINUED

#### (c) Liquidity risk, continued

The monitoring of liquidity risk is done by the Bank on a continuous basis. The ALMC manages this risk through analysis of assets and liabilities maturity. The Assets and liabilities management department of the Bank monitors liquidity indicators and conducts gap analysis 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<br>average<br>effective<br>interest<br>rate | Up to<br>1 month | 1 month to<br>3 months | 3 months<br>to 1 year | 1 year to<br>5 years | Over<br>5 years | 31 December<br>2022<br>Total |
|--|--|------------------|------------------------|-----------------------|----------------------|-----------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>   |  |                  |                        |                       |                      |                 |                              |
| Cash and cash equivalents  | 1.28%  | 235,590          | -                      | -                     | -                    | -               | 235,590                      |
| Financial assets at fair value through profit or loss:             |  |                  |                        |                       |                      |                 |                              |
| <i>in Treasury portfolio</i>                                       | 13.98%   | -                | 1,313                  | 825                   | 3,950                | 103,988         | 110,076                      |
| Loans and amounts due from financial institutions:                 |  |                  |                        |                       |                      |                 |                              |
| <i>in Investment portfolio</i>                                     | 9.12%  | 282,525          | 7,586                  | 32,463                | 112,551              | -               | 435,125                      |
| Loans to customers   | 8.65%  | 75,850           | 25,595                 | 293,165               | 1,344,579            | 421,696         | 2,160,885                    |
| Financial assets at fair value through other comprehensive income: |  |                  |                        |                       |                      |                 |                              |
| <i>in Treasury portfolio</i>                                       | 3.67%  | 2,196,146        | 82,199                 | 221,614               | 738,856              | 291,268         | 3,530,083                    |
| <i>in Investment portfolio</i>                                     | 9.92%  | 2,192,551        | 78,922                 | 123,237               | 377,549              | 62,318          | 2,834,577                    |
| Debt securities at amortised cost                                  | 3.97%  | 3,595            | 3,277                  | 98,377                | 361,307              | 228,950         | 695,506                      |
|  |  | 59               | 837                    | 16,820                | 277,856              | 89,347          | 384,919                      |
| <b>Total interest bearing financial assets</b>                     |  | <b>2,790,170</b> | <b>117,530</b>         | <b>564,887</b>        | <b>2,477,792</b>     | <b>906,299</b>  | <b>6,856,678</b>             |
| Cash and cash equivalents  |  | 1,043,691        | -                      | -                     | -                    | -               | 1,043,691                    |
| Financial assets at fair value through profit or loss:             |  |                  |                        |                       |                      |                 |                              |
| <i>in Treasury portfolio</i>                                       |  | 671              | 16,592                 | 7,402                 | 21,730               | -               | 46,395                       |
| <i>in Investment portfolio</i>                                     |  | 671              | 15,890                 | 7,402                 | 6,093                | -               | 30,056                       |
| <i>in Investment portfolio</i>                                     |  | -                | 702                    | -                     | 15,637               | -               | 16,339                       |
| Loans and amounts due from financial institutions:                 |  |                  |                        |                       |                      |                 |                              |
| <i>in Treasury portfolio</i>                                       |  | -                | -                      | 427,145               | -                    | -               | 427,145                      |
| Financial assets at fair value through other comprehensive income: |  |                  |                        |                       |                      |                 |                              |
| <i>in Treasury portfolio</i>                                       |  | -                | -                      | 9,813                 | -                    | -               | 9,813                        |
| <i>in Treasury portfolio</i>                                       |  | -                | -                      | 9,813                 | -                    | -               | 9,813                        |
| Other financial assets   |  | -                | -                      | 18,914                | -                    | -               | 18,914                       |
| <b>Total financial assets</b>                                      |  | <b>3,834,532</b> | <b>134,122</b>         | <b>1,028,161</b>      | <b>2,499,522</b>     | <b>906,299</b>  | <b>8,402,636</b>             |
| <b>FINANCIAL LIABILITIES:</b>                                      |  |                  |                        |                       |                      |                 |                              |
| Loans and deposits from banks                                      | 2.09%  | 2,623,724        | 55,709                 | 53,144                | 294,880              | 137,881         | 3,165,338                    |
| Deposits from customers  | 3.21%  | 244,398          | 1,053                  | 30,663                | 20,095               | 11,298          | 307,507                      |
| Debt securities issued*  | 7.02%  | 117,341          | 633,186                | 343,009               | 1,936,540            | -               | 3,030,076                    |
| Other financial liabilities  |  | 81               | 267                    | 610                   | 423                  | -               | 1,381                        |
| <b>Total interest bearing financial liabilities</b>                |  | <b>2,985,544</b> | <b>690,215</b>         | <b>427,426</b>        | <b>2,251,938</b>     | <b>149,179</b>  | <b>6,504,302</b>             |
| Financial liabilities at fair value through profit or loss         |  | 2,177            | -                      | -                     | 779                  | -               | 2,956                        |
| Other financial liabilities  |  | -                | -                      | 14,787                | -                    | -               | 14,787                       |
| <b>Total financial liabilities</b>                                 |  | <b>2,987,721</b> | <b>690,215</b>         | <b>442,213</b>        | <b>2,252,717</b>     | <b>149,179</b>  | <b>6,522,045</b>             |
| <b>Liquidity gap</b>   |  | <b>846,811</b>   | <b>(556,093)</b>       | <b>585,948</b>        | <b>246,805</b>       | <b>757,120</b>  |                              |

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

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### 31. RISK MANAGEMENT, CONTINUED

#### (c) Liquidity risk, continued

|   | Weighted<br>average<br>effective<br>interest<br>rate | Up to<br>1 month | 1 month to<br>3 months | 3 months<br>to 1 year | 1 year to<br>5 years | Over<br>5 years  | 31 December<br>2021<br>Total |
|---|--|------------------|------------------------|-----------------------|----------------------|------------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>  |  |                  |                        |                       |                      |                  |                              |
| Cash and cash equivalents   | 1.72%  | 335,950          | -                      | -                     | -                    | -                | 335,950                      |
| Financial assets at fair value through<br>other comprehensive income: |  |                  |                        |                       |                      |                  |                              |
| <i>in Treasury portfolio</i>  | 7.88%  | -                | -                      | 15                    | -                    | 16,206           | 16,221                       |
| <i>in Treasury portfolio</i>  |  | -                | -                      | 15                    | -                    | 16,206           | 16,221                       |
| Loans and amounts due from financial<br>institutions:                 |  |                  |                        |                       |                      |                  |                              |
| <i>in Investment portfolio</i>  | 3.34%  | 216              | 40,688                 | 71,751                | 481,353              | -                | 594,008                      |
| <i>in Investment portfolio</i>  |  | 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<br>other comprehensive income: |  |                  |                        |                       |                      |                  |                              |
| <i>in Treasury portfolio</i>  | 1.61%  | 134,785          | 210,532                | 781,041               | 820,047              | 620,897          | 2,567,302                    |
| <i>in Treasury portfolio</i>  |  | 134,785          | 206,908                | 745,969               | 611,708              | 171,961          | 1,871,331                    |
| <i>in Investment portfolio</i>  | 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                      |
| <b>Total interest bearing financial assets</b>                        |  | <b>531,950</b>   | <b>286,429</b>         | <b>1,106,603</b>      | <b>2,361,899</b>     | <b>1,271,388</b> | <b>5,558,269</b>             |
| Cash and cash equivalents   |  | 94,330           | -                      | -                     | -                    | -                | 94,330                       |
| Financial assets at fair value through<br>profit or loss:             |  |                  |                        |                       |                      |                  |                              |
| <i>in Treasury portfolio</i>  |  | 1,996            | 702                    | 44,217                | 14,357               | 2,055            | 63,327                       |
| <i>in Investment portfolio</i>  |  | 1,996            | -                      | 44,217                | 14,357               | 2,055            | 62,625                       |
| <i>in Investment portfolio</i>  |  | -                | 702                    | -                     | -                    | -                | 702                          |
| Financial assets at fair value through<br>other comprehensive income: |  |                  |                        |                       |                      |                  |                              |
| <i>in Treasury portfolio</i>  |  | -                | -                      | 18,575                | -                    | -                | 18,575                       |
| <i>in Treasury portfolio</i>  |  | -                | -                      | 18,575                | -                    | -                | 18,575                       |
| Other financial assets  |  | -                | -                      | 37,987                | -                    | -                | 37,987                       |
| <b>Total financial assets</b>   |  | <b>628,276</b>   | <b>287,131</b>         | <b>1,207,382</b>      | <b>2,376,256</b>     | <b>1,273,443</b> | <b>5,772,488</b>             |
| <b>FINANCIAL LIABILITIES:</b>   |  |                  |                        |                       |                      |                  |                              |
| 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                        |
| <b>Total interest bearing financial<br/>liabilities</b>               |  | <b>274,077</b>   | <b>234,721</b>         | <b>1,090,569</b>      | <b>2,081,616</b>     | <b>192,390</b>   | <b>3,873,373</b>             |
| Financial liabilities at fair value through<br>profit or loss         |  | 31               | 610                    | 1,651                 | 4,144                | 468              | 6,904                        |
| Other financial liabilities   |  | -                | -                      | 6,605                 | -                    | -                | 6,605                        |
| <b>Total financial liabilities</b>                                    |  | <b>274,108</b>   | <b>235,331</b>         | <b>1,098,825</b>      | <b>2,085,760</b>     | <b>192,858</b>   | <b>3,886,882</b>             |
| <b>Liquidity gap</b>  |  | <b>354,168</b>   | <b>51,800</b>          | <b>108,557</b>        | <b>290,496</b>       | <b>1,080,585</b> |                              |

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**31. RISK MANAGEMENT, CONTINUED**

**(c) Liquidity risk, continued**

|   | Weighted<br>average<br>effective<br>interest<br>rate | Up to<br>1 month | 1 month to<br>3 months | 3 months<br>to 1 year | 1 year to<br>5 years | Over<br>5 years | 31 December<br>2020<br>Total |
|---|--|------------------|------------------------|-----------------------|----------------------|-----------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>  |  |                  |                        |                       |                      |                 |                              |
| Cash and cash equivalents   | 1.11%  | 512,475          | 15,006                 | -                     | -                    | -               | 527,481                      |
| Loans and amounts due from<br>financial institutions:                 |  | 3,539            | 12,316                 | 94,191                | 75,429               | -               | 185,475                      |
| <i>in Investment portfolio</i>  | 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<br>other comprehensive income: |  | 288,418          | 499,734                | 229,332               | 781,827              | 439,145         | 2,238,456                    |
| <i>in Treasury portfolio</i>  | 1.82%  | 288,418          | 499,446                | 182,052               | 519,492              | 117,140         | 1,606,548                    |
| <i>in Investment portfolio</i>  | 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                      |
| <b>Total interest bearing financial<br/>assets</b>                    |  | <b>920,972</b>   | <b>767,708</b>         | <b>525,169</b>        | <b>2,209,320</b>     | <b>921,438</b>  | <b>5,344,607</b>             |
| Cash and cash equivalents   |  | 136,359          | -                      | -                     | -                    | -               | 136,359                      |
| Financial assets at fair value through<br>profit or loss:             |  | 393              | 27,452                 | -                     | 23,716               | -               | 51,561                       |
| <i>in Treasury portfolio</i>  |  | 393              | 22,634                 | -                     | 23,716               | -               | 46,743                       |
| <i>in Investment portfolio</i>  |  | -                | 4,818                  | -                     | -                    | -               | 4,818                        |
| Financial assets at fair value through<br>other comprehensive income: |  | 22,594           | -                      | -                     | -                    | -               | 22,594                       |
| <i>in Treasury portfolio</i>  |  | 22,594           | -                      | -                     | -                    | -               | 22,594                       |
| Other financial assets  |  | -                | -                      | 9,098                 | -                    | -               | 9,098                        |
| <b>Total financial assets</b>   |  | <b>1,080,318</b> | <b>795,160</b>         | <b>534,267</b>        | <b>2,233,036</b>     | <b>921,438</b>  | <b>5,564,219</b>             |
| <b>FINANCIAL LIABILITIES:</b>   |  |                  |                        |                       |                      |                 |                              |
| 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<br>liabilities  | 2.09%  | 59               | 499                    | 1,571                 | 1,942                | -               | 4,071                        |
| <b>Total interest bearing financial<br/>liabilities</b>               |  | <b>376,138</b>   | <b>188,394</b>         | <b>495,771</b>        | <b>2,405,056</b>     | <b>209,974</b>  | <b>3,675,333</b>             |
| Financial liabilities at fair value<br>through profit or loss         |  | 3,800            | 1,201                  | -                     | -                    | -               | 5,001                        |
| Other financial liabilities   |  | 61               | -                      | 3,384                 | -                    | -               | 3,445                        |
| <b>Total financial liabilities</b>                                    |  | <b>379,999</b>   | <b>189,595</b>         | <b>499,155</b>        | <b>2,405,056</b>     | <b>209,974</b>  | <b>3,683,779</b>             |
| <b>Liquidity gap</b>  |  | <b>700,319</b>   | <b>605,565</b>         | <b>35,112</b>         | <b>(172,020)</b>     | <b>711,464</b>  |                              |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 31. RISK MANAGEMENT, CONTINUED

#### (c) Liquidity risk, continued

A further analysis of the liquidity risk 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<br>1 month | 1 month to<br>3 months | 3 months<br>to 1 year | 1 year to<br>5 years | Over<br>5 years  | 31 December<br>2022<br>Total |
|--|------------------|------------------------|-----------------------|----------------------|------------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>   |                  |                        |                       |                      |                  |                              |
| Cash and cash equivalents  | 1,279,295        | -                      | -                     | -                    | -                | 1,279,295                    |
| Financial assets at fair value through profit or loss:             | 671              | 19,120                 | 11,540                | 52,308               | 157,040          | 240,679                      |
| <i>in Treasury portfolio</i>                                       | 671              | 18,418                 | 11,540                | 36,671               | 157,040          | 224,340                      |
| <i>in Investment portfolio</i>                                     | -                | 702                    | -                     | 15,637               | -                | 16,339                       |
| Loans and amounts due from financial institutions:                 | 281,378          | 8,589                  | 469,592               | 131,453              | -                | 891,012                      |
| <i>in Treasury portfolio</i>                                       | -                | -                      | 427,145               | -                    | -                | 427,145                      |
| <i>in Investment portfolio</i>                                     | 281,378          | 8,589                  | 42,447                | 131,453              | -                | 463,867                      |
| Loans to customers   | 79,258           | 48,851                 | 430,749               | 1,807,375            | 689,897          | 3,056,130                    |
| Financial assets at fair value through other comprehensive income: | 2,197,345        | 88,884                 | 286,455               | 972,957              | 447,576          | 3,993,217                    |
| <i>in Treasury portfolio</i>                                       | 2,196,575        | 81,588                 | 144,853               | 445,001              | 85,130           | 2,953,147                    |
| <i>in Investment portfolio</i>                                     | 770              | 7,296                  | 141,602               | 527,956              | 362,446          | 1,040,070                    |
| Debt securities at amortised cost                                  | 63               | 1,244                  | 31,244                | 344,497              | 74,484           | 451,532                      |
| Other financial assets   | -                | -                      | 18,914                | -                    | -                | 18,914                       |
| <b>Total financial assets</b>                                      | <b>3,838,010</b> | <b>166,688</b>         | <b>1,248,494</b>      | <b>3,308,590</b>     | <b>1,368,997</b> | <b>9,930,779</b>             |
| <b>FINANCIAL LIABILITIES:</b>                                      |                  |                        |                       |                      |                  |                              |
| Loans and deposits from banks                                      | 2,624,664        | 56,989                 | 63,460                | 340,532              | 148,879          | 3,234,524                    |
| Financial liabilities at fair value through profit or loss         | 2,177            | -                      | -                     | 779                  | -                | 2,956                        |
| Deposits from customers  | 244,774          | 1,567                  | 32,808                | 26,772               | 13,713           | 319,634                      |
| Debt securities issued   | 118,993          | 656,029                | 434,633               | 2,209,778            | -                | 3,419,433                    |
| Other financial liabilities  | 82               | 292                    | 15,454                | 419                  | -                | 16,247                       |
| <b>Total financial liabilities</b>                                 | <b>2,990,690</b> | <b>714,877</b>         | <b>546,355</b>        | <b>2,578,280</b>     | <b>162,592</b>   | <b>6,992,794</b>             |
| <b>Net position</b>  | <b>847,320</b>   | <b>(548,189)</b>       | <b>702,139</b>        | <b>730,310</b>       | <b>1,206,405</b> | <b>2,937,985</b>             |
| Contingent liabilities and credit commitments, gross               | 43,436           | 201,013                | 445,295               | 776,643              | 112,840          | 1,579,227                    |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)  
(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

|  | Up to<br>1 month | 1 month to<br>3 months | 3 months<br>to 1 year | 1 year to<br>5 years | Over<br>5 years  | 31 December<br>2021<br>Total |
|--|------------------|------------------------|-----------------------|----------------------|------------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>   |                  |                        |                       |                      |                  |                              |
| Cash and cash equivalents  | 430,517          | -                      | -                     | -                    | -                | 430,517                      |
| Financial assets at fair value through profit or loss:             |                  |                        |                       |                      |                  |                              |
| <i>in Treasury portfolio</i>                                       | 1,996            | 702                    | 46,312                | 19,132               | 22,851           | 90,993                       |
| <i>in Investment portfolio</i>                                     | 1,996            | -                      | 46,312                | 19,132               | 22,851           | 90,291                       |
| <i>in Investment portfolio</i>                                     | -                | 702                    | -                     | -                    | -                | 702                          |
| Loans and amounts due from financial institutions:                 |                  |                        |                       |                      |                  |                              |
| <i>in Investment portfolio</i>                                     | 218              | 42,384                 | 87,055                | 514,964              | -                | 644,621                      |
| <i>in Investment portfolio</i>                                     | 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: |                  |                        |                       |                      |                  |                              |
| <i>in Treasury portfolio</i>                                       | 134,975          | 216,878                | 877,878               | 1,167,235            | 624,026          | 3,020,992                    |
| <i>in Treasury portfolio</i>                                       | 134,975          | 209,503                | 782,956               | 663,500              | 185,799          | 1,976,733                    |
| <i>in Investment portfolio</i>                                     | -                | 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                       |
| <b>Total financial assets</b>                                      | <b>630,835</b>   | <b>304,536</b>         | <b>1,405,842</b>      | <b>3,119,560</b>     | <b>1,426,732</b> | <b>6,887,505</b>             |
| <b>FINANCIAL LIABILITIES:</b>                                      |                  |                        |                       |                      |                  |                              |
| 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                        |
| <b>Total financial liabilities</b>                                 | <b>274,795</b>   | <b>249,640</b>         | <b>1,190,068</b>      | <b>2,298,819</b>     | <b>204,451</b>   | <b>4,217,773</b>             |
| <b>Net position</b>  | <b>356,040</b>   | <b>54,896</b>          | <b>215,774</b>        | <b>820,741</b>       | <b>1,222,281</b> | <b>2,669,732</b>             |
| Contingent liabilities and credit commitments, gross               | 1,045            | 175,331                | 386,535               | 927,591              | 39,423           | 1,529,925                    |

|  | Up to<br>1 month | 1 month to<br>3 months | 3 months<br>to 1 year | 1 year to<br>5 years | Over<br>5 years  | 31 December<br>2020<br>Total |
|--|------------------|------------------------|-----------------------|----------------------|------------------|------------------------------|
| <b>FINANCIAL ASSETS:</b>   |                  |                        |                       |                      |                  |                              |
| Cash and cash equivalents  | 649,201          | 15,014                 | -                     | -                    | -                | 664,215                      |
| Financial assets at fair value through profit or loss:             |                  |                        |                       |                      |                  |                              |
| <i>in Treasury portfolio</i>                                       | 393              | 27,452                 | -                     | 23,716               | -                | 51,561                       |
| <i>in Treasury portfolio</i>                                       | 393              | 22,634                 | -                     | 23,716               | -                | 46,743                       |
| <i>in Investment portfolio</i>                                     | -                | 4,818                  | -                     | -                    | -                | 4,818                        |
| Loans and amounts due from financial institutions:                 |                  |                        |                       |                      |                  |                              |
| <i>in Investment portfolio</i>                                     | 4,553            | 15,076                 | 100,524               | 83,607               | -                | 203,760                      |
| <i>in Investment portfolio</i>                                     | 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: |                  |                        |                       |                      |                  |                              |
| <i>in Treasury portfolio</i>                                       | 311,174          | 505,092                | 256,774               | 885,669              | 742,617          | 2,701,326                    |
| <i>in Treasury portfolio</i>                                       | 311,174          | 499,304                | 199,965               | 525,038              | 113,235          | 1,648,716                    |
| <i>in Investment portfolio</i>                                     | -                | 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                        |
| <b>Total financial assets</b>                                      | <b>1,083,818</b> | <b>807,899</b>         | <b>668,980</b>        | <b>2,746,925</b>     | <b>1,395,583</b> | <b>6,703,205</b>             |
| <b>FINANCIAL LIABILITIES:</b>                                      |                  |                        |                       |                      |                  |                              |
| 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                        |
| <b>Total financial liabilities</b>                                 | <b>382,052</b>   | <b>204,468</b>         | <b>594,752</b>        | <b>2,628,926</b>     | <b>234,376</b>   | <b>4,044,574</b>             |
| <b>Net position</b>  | <b>701,766</b>   | <b>603,431</b>         | <b>74,228</b>         | <b>117,999</b>       | <b>1,161,207</b> | <b>2,658,631</b>             |
| Contingent liabilities and credit commitments, gross               | 33,923           | 46,802                 | 152,735               | 1,173,967            | 51,766           | 1,459,193                    |

**31. RISK MANAGEMENT, CONTINUED****(c) Liquidity risk, continued**

The Bank plans to manage its maturity position through the issuance of debt securities and attraction of other borrowed funds. Also financial assets at fair value through profit or loss and 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 price 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.

Derivative financial instruments 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.

***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 liabilities management department together with the Treasury department monitors interest rate risk, estimates sensitivity of the Bank's financial position 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 Value of Equity (EVE) method, which assess 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 for negative financial result in case of interest rates change. The analysis is carried out by the Assets and liabilities management department, general management and setting of limits – by ALMC.

The following table details the Bank's sensitivity to a 3% increase and decrease in the interest rates in 2022, 2021 and 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)  
(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 points (bps) symmetrical fall or rise in all yield curves and positions of variable interest rate assets and liabilities existing as at 31 December 2022, 2021 and 2020 is as follows:

|  | As at 31 December 2022 |                      | As at 31 December 2021 |                      | As at 31 December 2020 |                      |
|--|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
|  | Interest rate<br>+3%   | Interest rate<br>-3% | Interest rate<br>+3%   | Interest rate<br>-3% | Interest rate<br>+3%   | Interest rate<br>-3% |
| <b>Financial assets:</b>                           |                        |                      |                        |                      |                        |                      |
| Loans and amounts due from financial institutions: |                        |                      |                        |                      |                        |                      |
| <i>in Investment portfolio</i>                     | 2,674                  | (2,674)              | 15,214                 | (12,615)             | 3,926                  | (3,487)              |
| Loans to customers                                 | 43,890                 | (43,890)             | 29,834                 | (25,538)             | 42,980                 | (37,105)             |
| <b>Financial liabilities:</b>                      |                        |                      |                        |                      |                        |                      |
| Loans from banks                                   | (10,050)               | 10,050               | (5,580)                | 2,422                | (7,269)                | 3,741                |
| <b>Net impact on net profit and equity</b>         | <b>36,514</b>          | <b>(36,514)</b>      | <b>39,468</b>          | <b>(35,731)</b>      | <b>39,637</b>          | <b>(36,851)</b>      |

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 2022, 2021 and 2020, and a simplified scenario of a 300 bp symmetrical fall or rise in all yield curves is as follows:

|  | As at 31 December 2022 |                      | As at 31 December 2021 |                      | As at 31 December 2020 |                      |
|--|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
|  | Interest rate<br>+3%   | Interest rate<br>-3% | Interest rate<br>+3%   | Interest rate<br>-3% | Interest rate<br>+3%   | Interest rate<br>-3% |
| Financial assets at fair value through other comprehensive income: |                        |                      |                        |                      |                        |                      |
| <i>in Treasury portfolio</i>                                       | (53,498)               | 39,818               | (95,522)               | 105,376              | (55,057)               | 65,777               |
| <i>in Investment portfolio</i>                                     | (91,879)               | 89,166               | (116,778)              | 103,607              | (118,991)              | 87,490               |
| <b>Net impact on equity</b>  | <b>(145,377)</b>       | <b>128,984</b>       | <b>(212,300)</b>       | <b>208,983</b>       | <b>(174,048)</b>       | <b>153,267</b>       |

**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.

Currency risk analysis is conducted by reviewing of open currency positions in different currencies. Potential changes in the balance sheet structure are also taken into account. The Bank sets limits on the open currency position in each single currency and in aggregate for all currencies. 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 Treasury department manages currency risk through the management of the 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 and ALMC on a daily basis.

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 31. RISK MANAGEMENT, CONTINUED

#### (d) Market risk, continued

##### *Currency risk, continued*

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

|  | US dollars       | Kazakhstani<br>tenge | Russian<br>rouble | Euro             | Other<br>currencies | 31<br>December<br>2022<br>Total |
|--|------------------|----------------------|-------------------|------------------|---------------------|---------------------------------|
| <b>Financial assets:</b>   |                  |                      |                   |                  |                     |                                 |
| Cash and cash equivalents  | 438,854          | 12,235               | 367,487           | 33,488           | 427,217             | 1,279,281                       |
| Financial assets at fair value through profit or loss:             |                  |                      |                   |                  |                     |                                 |
| <i>in Treasury portfolio</i>                                       | 123,324          | -                    | 32,532            | -                | 615                 | 156,471                         |
| <i>in Investment portfolio</i>                                     | 122,622          | -                    | 16,895            | -                | 615                 | 140,132                         |
| <i>in Investment portfolio</i>                                     | 702              | -                    | 15,637            | -                | -                   | 16,339                          |
| Loans and amounts due from financial institutions:                 |                  |                      |                   |                  |                     |                                 |
| <i>in Treasury portfolio</i>                                       | 445,197          | 13,587               | 402,095           | 1,391            | -                   | 862,270                         |
| <i>in Investment portfolio</i>                                     | 423,573          | -                    | 2,181             | 1,391            | -                   | 427,145                         |
| <i>in Investment portfolio</i>                                     | 21,624           | 13,587               | 399,914           | -                | -                   | 435,125                         |
| Loans to customers   | 765,926          | 217,486              | 642,786           | 498,659          | 36,028              | 2,160,885                       |
| Financial assets at fair value through other comprehensive income: |                  |                      |                   |                  |                     |                                 |
| <i>in Treasury portfolio</i>                                       | 2,577,056        | 466,249              | 336,402           | 95,085           | 65,104              | 3,539,896                       |
| <i>in Treasury portfolio</i>                                       | 2,540,413        | 43,106               | 100,682           | 95,085           | 65,104              | 2,844,390                       |
| <i>in Investment portfolio</i>                                     | 36,643           | 423,143              | 235,720           | -                | -                   | 695,506                         |
| Debt securities at amortised cost                                  | 326,856          | -                    | 27,972            | 30,091           | -                   | 384,919                         |
| Investments in associates  | 24               | -                    | -                 | -                | -                   | 24                              |
| Other financial assets   | 15,895           | 1,038                | 68                | 1,648            | 265                 | 18,914                          |
| <b>Total financial assets</b>                                      | <b>4,693,132</b> | <b>710,595</b>       | <b>1,809,342</b>  | <b>660,362</b>   | <b>529,229</b>      | <b>8,402,660</b>                |
| <b>Financial liabilities:</b>                                      |                  |                      |                   |                  |                     |                                 |
| Loans and deposits from banks                                      | 1,752,889        | 300,838              | 335,606           | 609,268          | 166,737             | 3,165,338                       |
| Financial liabilities at fair value through profit or loss         | 2,800            | -                    | 67                | 89               | -                   | 2,956                           |
| Deposits from customers  | 153,253          | 56,980               | 62,302            | 34,971           | 1                   | 307,507                         |
| Debt securities issued   | 746,422          | 370,656              | 1,397,751         | 239,618          | 275,629             | 3,030,076                       |
| Other financial liabilities  | 12,200           | 383                  | 3,336             | 150              | 99                  | 16,168                          |
| <b>Total financial liabilities</b>                                 | <b>2,667,564</b> | <b>728,857</b>       | <b>1,799,062</b>  | <b>884,096</b>   | <b>442,466</b>      | <b>6,522,045</b>                |
| <b>OPEN BALANCE SHEET POSITION</b>                                 | <b>2,025,568</b> | <b>(18,262)</b>      | <b>10,280</b>     | <b>(223,734)</b> | <b>86,763</b>       | <b>1,880,615</b>                |
| Accounts payable on spot and derivative contracts                  | (93,300)         | (14,069)             | (83,400)          | (62,823)         | (274,188)           | (527,780)                       |
| Accounts receivable on spot and derivative contracts               | 10,663           | 13,960               | 48,579            | 290,078          | 184,120             | 547,400                         |
| <b>Net spot and derivative financial instruments position</b>      | <b>(82,637)</b>  | <b>(109)</b>         | <b>(34,821)</b>   | <b>227,255</b>   | <b>(90,068)</b>     | <b>19,620</b>                   |
| <b>TOTAL OPEN POSITION</b>   | <b>1,942,931</b> | <b>(18,371)</b>      | <b>(24,541)</b>   | <b>3,521</b>     | <b>(3,305)</b>      | <b>1,900,235</b>                |
| Contingent liabilities and credit commitments, gross               | 662,260          | 90,538               | 715,539           | 55,425           | 55,465              | 1,579,227                       |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 31. RISK MANAGEMENT, CONTINUED

#### (d) Market risk, continued

##### *Currency risk, continued*

|  | US dollars       | Kazakhstani<br>tenge | Russian<br>rouble | Euro             | Other<br>currencies | 31<br>December<br>2021<br>Total |
|--|------------------|----------------------|-------------------|------------------|---------------------|---------------------------------|
| <b>Financial assets:</b>   |                  |                      |                   |                  |                     |                                 |
| 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:             |                  |                      |                   |                  |                     |                                 |
| <i>in Treasury portfolio</i>                                       | 60,170           | -                    | 16,873            | -                | 2,505               | 79,548                          |
| <i>in Investment portfolio</i>                                     | 59,468           | -                    | 16,873            | -                | 2,505               | 78,846                          |
| <i>in Investment portfolio</i>                                     | 702              | -                    | -                 | -                | -                   | 702                             |
| Loans and amounts due from financial institutions:                 |                  |                      |                   |                  |                     |                                 |
| <i>in Investment portfolio</i>                                     | 120,027          | 19,235               | 59,376            | 395,370          | -                   | 594,008                         |
| <i>in Investment portfolio</i>                                     | 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: |                  |                      |                   |                  |                     |                                 |
| <i>in Treasury portfolio</i>                                       | 1,555,353        | 551,703              | 280,718           | 111,267          | 86,836              | 2,585,877                       |
| <i>in Treasury portfolio</i>                                       | 1,497,794        | 143,932              | 50,077            | 111,267          | 86,836              | 1,889,906                       |
| <i>in Investment portfolio</i>                                     | 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                          |
| <b>Total financial assets</b>                                      | <b>2,480,715</b> | <b>964,934</b>       | <b>1,099,472</b>  | <b>1,151,403</b> | <b>91,185</b>       | <b>5,787,709</b>                |
| <b>Financial liabilities:</b>                                      |                  |                      |                   |                  |                     |                                 |
| 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                           |
| <b>Total financial liabilities</b>                                 | <b>843,393</b>   | <b>949,812</b>       | <b>864,872</b>    | <b>990,513</b>   | <b>238,292</b>      | <b>3,886,882</b>                |
| <b>OPEN BALANCE SHEET POSITION</b>                                 | <b>1,637,322</b> | <b>15,122</b>        | <b>234,600</b>    | <b>160,890</b>   | <b>(147,107)</b>    | <b>1,900,827</b>                |
| 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                         |
| <b>Net spot and derivative financial instruments position</b>      | <b>334,027</b>   | <b>(5,676)</b>       | <b>(279,829)</b>  | <b>(158,775)</b> | <b>149,202</b>      | <b>38,949</b>                   |
| <b>TOTAL OPEN POSITION</b>   | <b>1,971,349</b> | <b>9,446</b>         | <b>(45,229)</b>   | <b>2,115</b>     | <b>2,095</b>        | <b>1,939,776</b>                |
| Contingent liabilities and credit commitments, gross               | 584,899          | 36,717               | 569,017           | 295,075          | 44,217              | 1,529,925                       |

# EURASIAN DEVELOPMENT BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

### 31. RISK MANAGEMENT, CONTINUED

#### (d) Market risk, continued

##### *Currency risk, continued*

|  | US dollars       | Kazakhstani<br>tenge | Russian<br>rouble | Euro             | Other<br>currencies | 31<br>December<br>2020<br>Total |
|--|------------------|----------------------|-------------------|------------------|---------------------|---------------------------------|
| <b>Financial assets:</b>   |                  |                      |                   |                  |                     |                                 |
| 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:             |                  |                      |                   |                  |                     |                                 |
| <i>in Treasury portfolio</i>                                       | 51,561           | -                    | -                 | -                | -                   | 51,561                          |
| <i>in Investment portfolio</i>                                     | 46,743           | -                    | -                 | -                | -                   | 46,743                          |
| <i>in Investment portfolio</i>                                     | 4,818            | -                    | -                 | -                | -                   | 4,818                           |
| Loans and amounts due from financial institutions:                 |                  |                      |                   |                  |                     |                                 |
| <i>in Investment portfolio</i>                                     | 63,577           | 24,820               | 48,367            | 48,711           | -                   | 185,475                         |
| <i>in Investment portfolio</i>                                     | 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: |                  |                      |                   |                  |                     |                                 |
| <i>in Treasury portfolio</i>                                       | 1,227,788        | 583,443              | 165,584           | 93,507           | 190,728             | 2,261,050                       |
| <i>in Treasury portfolio</i>                                       | 1,167,996        | 166,282              | 10,629            | 93,507           | 190,728             | 1,629,142                       |
| <i>in Investment portfolio</i>                                     | 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                           |
| <b>Total financial assets</b>                                      | <b>2,269,059</b> | <b>973,877</b>       | <b>887,891</b>    | <b>1,171,811</b> | <b>278,841</b>      | <b>5,581,479</b>                |
| <b>Financial liabilities:</b>                                      |                  |                      |                   |                  |                     |                                 |
| 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                           |
| <b>Total financial liabilities</b>                                 | <b>906,817</b>   | <b>968,498</b>       | <b>826,549</b>    | <b>753,414</b>   | <b>228,501</b>      | <b>3,683,779</b>                |
| <b>OPEN BALANCE SHEET POSITION</b>                                 | <b>1,362,242</b> | <b>5,379</b>         | <b>61,342</b>     | <b>418,397</b>   | <b>50,340</b>       | <b>1,897,700</b>                |
| 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                         |
| <b>Net spot and derivative financial instruments position</b>      | <b>585,905</b>   | <b>(95)</b>          | <b>(94,830)</b>   | <b>(420,755)</b> | <b>(50,667)</b>     | <b>19,558</b>                   |
| <b>TOTAL OPEN POSITION</b>   | <b>1,948,147</b> | <b>5,284</b>         | <b>(33,488)</b>   | <b>(2,358)</b>   | <b>(327)</b>        | <b>1,917,258</b>                |
| Contingent liabilities and credit commitments, gross               | 431,561          | 79,772               | 546,297           | 382,147          | 19,416              | 1,459,193                       |

**31. RISK MANAGEMENT, CONTINUED**

**(d) Market risk, continued**

***Currency risk sensitivity***

The following table details the Bank's sensitivity to a 15% increase and decrease in US Dollar/Russian rouble and US Dollar/Kazakhstani tenge exchange rates as at 31 December 2022, 2021 and 2020, 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 2022, 2021 and 2020.

Impact on net profit and equity based on asset values as at 31 December 2022, 2021 and 2020:

|                      | As at 31 December<br>2022 |                 | As at 31 December<br>2021 |                 | As at 31 December<br>2020 |                 |
|----------------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
|                      | USD/RUB<br>+15%           | USD/RUB<br>-15% | USD/RUB<br>+15%           | USD/RUB<br>-15% | USD/RUB<br>+15%           | USD/RUB<br>-15% |
| Impact on net profit | (3,681)                   | 3,681           | (6,784)                   | 6,784           | (5,023)                   | 5,023           |
| Impact on equity     | (3,681)                   | 3,681           | (6,784)                   | 6,784           | (5,023)                   | 5,023           |

|                      | As at 31 December<br>2022 |                 | As at 31 December<br>2021 |                 | As at 31 December<br>2020 |                 |
|----------------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
|                      | USD/KZT<br>+15%           | USD/KZT<br>-15% | USD/KZT<br>+15%           | USD/KZT<br>-15% | USD/KZT<br>+15%           | USD/KZT<br>-15% |
| Impact on net profit | (2,756)                   | 2,756           | 1,417                     | (1,417)         | 793                       | (793)           |
| Impact on equity     | (2,756)                   | 2,756           | 1,417                     | (1,417)         | 793                       | (793)           |

|                      | As at 31 December<br>2022 |                 | As at 31 December<br>2021 |                 | As at 31 December<br>2020 |                 |
|----------------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
|                      | USD/EUR<br>+10%           | USD/EUR<br>-10% | USD/EUR<br>+10%           | USD/EUR<br>-10% | USD/EUR<br>+10%           | USD/EUR<br>-10% |
| Impact on net profit | 352                       | (352)           | 212                       | (212)           | (236)                     | 236             |
| Impact on equity     | 352                       | (352)           | 212                       | (212)           | (236)                     | 236             |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(d) Market risk, continued

**Currency risk sensitivity, 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.

(e) Presentation of financial instruments by measurement category

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2022:

|  | Fair value<br>through profit<br>or loss | Fair value through<br>other<br>comprehensive<br>income | Amortised<br>cost | 31 December<br>2022<br>Total |
|--|---|--|-------------------|------------------------------|
| Cash and cash equivalents  | -                                       | -  | 1,279,281         | 1,279,281                    |
| Financial assets at fair value through profit or loss:             |   |  |                   |                              |
| 156,471  | 156,471                                 | -  | -                 | 156,471                      |
| <i>in Treasury portfolio</i>                                       | 140,132                                 | -  | -                 | 140,132                      |
| <i>in Investment portfolio</i>                                     | 16,339                                  | -  | -                 | 16,339                       |
| Loans and amounts due from financial institutions:                 |   |  |                   |                              |
| 862,270  | -                                       | -  | 862,270           | 862,270                      |
| <i>in Treasury portfolio</i>                                       | -                                       | -  | 427,145           | 427,145                      |
| <i>in Investment portfolio</i>                                     | -                                       | -  | 435,125           | 435,125                      |
| Loans to customers   | -                                       | -  | 2,160,885         | 2,160,885                    |
| Financial assets at fair value through other comprehensive income: |   |  |                   |                              |
| 3,539,896  | -                                       | 3,539,896  | -                 | 3,539,896                    |
| <i>in Treasury portfolio</i>                                       | -                                       | 2,844,390  | -                 | 2,844,390                    |
| <i>in Investment portfolio</i>                                     | -                                       | 695,506  | -                 | 695,506                      |
| Debt securities at amortised cost                                  | -                                       | -  | 384,919           | 384,919                      |
| Other financial assets   | -                                       | -  | 18,914            | 18,914                       |

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

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

## EURASIAN DEVELOPMENT BANK

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) *(in thousands of US dollars)*

#### 31. RISK MANAGEMENT, CONTINUED

##### (e) 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 2020:

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

As at 31 December 2022, 2021 and 2020, 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

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,<br>% |
|----------------------------|---------------------|
| 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                |
| <b>Total</b>               | <b>100.00</b>       |

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.