

EURASIAN DEVELOPMENT BANK

**Financial Statements and
Independent Auditor's Report**
For the Year ended 31 December 2020

Eurasian Development Bank

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Eurasian Development Bank ("the Bank"), which comprise the statements of financial position as at 31 December 2020, 2019 and 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter***Internal credit rating model used in assessment of expected credit losses ("ECL") under IFRS 9 Financial instruments***

As disclosed in Note 15, as at 31 December 2020, 2019 and 2018, the Bank reported total gross loans to customers of 2,171,589 thousand US dollars, 2,022,762 thousand US dollars and 1,716,492 thousand US dollars, 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.

For loans to customers without an external credit rating, the Bank uses an internal credit rating model ("the model"), which is a key area of judgement. The model considers information about current conditions as well as forecasts of future events and economic conditions.

Significant judgment is required in evaluating the risk parameters, such as analysis of macroeconomic conditions, projected cash flows, borrower's creditworthiness and solvency.

Refer to Notes 3, 5 and 15 to the financial statements for the description of the Bank's policy and disclosures of gross carrying amounts and related ECL amounts.

How the matter was addressed in the audit

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. It included an assessment of relevant controls over the model, including mathematical accuracy;
- Assessment of the methodology with the requirements outlined in IFRS 9;
- 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 specialists against requirements of the accounting standards. We tested the underlying statistical data, represented by the market conditions, overdue days, and borrowers' financial and non-financial information on a sample basis. We tested the completeness and accuracy of data used in the model;
- Consideration of the adequacy and completeness of the Bank's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9, including the impact of COVID-19 on expected credit loss.

We found no material exceptions in these tests.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report for 2020 and the quarterly report of the issuer, for the first quarter of 2021, but does not include the financial statements and our auditor's report thereon. The annual report for 2020 and the quarterly report of the issuer for the first quarter of 2021 is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the reading of the annual report for 2020 and the quarterly report of the issuer for the first quarter of 2021, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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 financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 financial statements or, if such disclosures are inadequate, to 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 continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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.



Zhangir Zhilysbayev
General Director
Deloitte LLP
State license on auditing in the
Republic of Kazakhstan
No. MF-0000015, type MFU-2, given by the
Ministry of Finance of Kazakhstan
dated 13 September 2006



Mark Smith
Engagement partner
Chartered Accountant
Institute of Chartered Accountants
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Glasgow, Scotland

12 February 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of US Dollars)

	Note	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Interest income	4	268,569	265,028	211,038
Interest expense	4	(198,195)	(168,697)	(114,879)
Net interest income before provision for expected credit losses on interest bearing assets	4	70,374	96,331	96,159
Provision for expected credit losses on interest bearing assets	5	(15,909)	(6,194)	(6,824)
NET INTEREST INCOME		54,465	90,137	89,335
Losses from investments in associates		(2,908)	-	-
Recovery of/ (provision for) expected credit losses on contingent liabilities and other assets		156	(602)	(79)
Net gain/ (loss) from modification and recognition of new financial instruments		193	(3,436)	(479)
Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss	6	1,948	(35,814)	28,099
Net realised gain/ (loss) on financial assets at fair value through other comprehensive income	7	4,619	546	(1,916)
Net gain/(loss) on transactions in foreign currencies	8	8,301	53,074	(20,622)
Fee and commission income	9	11,359	8,725	4,350
Fee and commission expense		(1,043)	(455)	(584)
Net (loss)/ gain on trading with debt securities issued		(295)	24	(8)
Net other income		129	46	531
Net non-interest income		22,459	22,108	9,292
Net result from financial operations		76,924	112,245	98,627
Operating expenses	10	(44,335)	(43,023)	(32,026)
Technical Assistance Fund expenses, net		(7)	(245)	(156)
NET PROFIT		32,582	68,977	66,445
Earnings per share	24	0.0215	0.0455	0.0438

EURASIAN DEVELOPMENT BANK

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

(in thousands of US Dollars)


	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
OTHER COMPREHENSIVE INCOME:			
Items that are or may be reclassified subsequently to profit or loss:			
Net unrealised gain/(loss) on revaluation of financial assets at fair value through other comprehensive income	16	10,021	42,858
Net realised (gain)/loss on financial assets at fair value through other comprehensive income transferred to profit or loss	16	(4,619)	(546)
Net unrealized (loss)/gain on revaluation of hedge instruments		(292)	727
Total items that are or may be reclassified subsequently to profit or loss	5,110	43,039	(22,764)
OTHER COMPREHENSIVE INCOME/(LOSS)	5,110	43,039	(22,764)
TOTAL COMPREHENSIVE INCOME	37,692	112,016	43,681

Approved on behalf of the management of the Bank:


N.R. Podguzov
Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan




B.K. Mukhambetzhano" data-bbox="610 430 760 460"/>
Deputy Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (in thousands of US Dollars)


	Note	31 December 2020	31 December 2019	31 December 2018
ASSETS				
Cash and cash equivalents	11	663,840	765,144	641,170
Financial assets at fair value through profit or loss	12	51,561	10,017	17,169
Loans and advances to financial institutions	14	185,475	266,298	245,510
Loans to customers	15	2,098,698	1,960,004	1,650,290
Financial assets at fair value through other comprehensive income	16	2,261,050	2,106,299	1,139,341
Debt securities at amortised cost	17	294,497	-	-
Investments in associates	18	17,260	20,131	-
Hedging instruments	13	-	-	86
Property and equipment		10,492	11,046	11,156
Intangible assets		762	1,011	1,148
Other assets	19	16,040	20,814	4,596
TOTAL ASSETS		5,599,675	5,160,764	3,710,466
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	20	1,560,112	740,475	242,931
Financial liabilities at fair value through profit or loss	12	5,001	26,955	3,329
Deposits from customers	21	391,598	297,344	177,145
Hedging instruments	13	-	1,616	521
Debt securities issued	22	1,719,552	2,209,328	1,525,786
Other liabilities	23	41,274	35,050	22,774
Total liabilities		3,717,537	3,310,768	1,972,486
EQUITY:				
Share capital:				
Authorised share capital	24	7,000,000	7,000,000	7,000,000
Less: callable share capital	24	(5,484,300)	(5,484,300)	(5,484,300)
Paid-in share capital	24	1,515,700	1,515,700	1,515,700
Reserve fund	24	146,220	111,732	111,732
Technical assistance fund reserve	25	23,685	19,133	-
Digital initiative fund reserve	25	10,000	-	-
Revaluation reserve/(deficit) for financial assets at fair value through other comprehensive income		30,650	25,248	(17,064)
Revaluation reserve/(deficit) of hedging instruments		-	292	(435)
Retained earnings		155,883	177,891	128,047
Total equity		1,882,138	1,849,996	1,737,980
TOTAL LIABILITIES AND EQUITY		5,599,675	5,160,764	3,710,466

Approved on behalf of the management of the Bank:


N.R. Podguzov
Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan




B.K. Mukhambetzhonov
Deputy Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of US Dollars)

	Share capital			Reserve fund	Technical assistance fund reserve	Digital initiative fund reserve	Revaluation reserve for financial assets available-for-sale	Revaluation reserve/ (deficit) for financial assets at fair value through other comprehensive income	Revaluation reserve/ (deficit) for hedging instruments	Retained earnings	Total
	Authorised	Callable	Paid-in								
31 December 2017	7,000,000	(5,484,300)	1,515,700	90,872	-	-	5,265	-	-	97,764	1,709,601
Reclassification of opening balance	-	-	-	-	-	-	(5,265)	5,265	-	-	-
Changes at initial application of IFRS 9 (Note 3)	-	-	-	-	-	-	-	-	-	(15,302)	(15,302)
Recalculated balance as of 1 January 2018	7,000,000	(5,484,300)	1,515,700	90,872	-	-	-	5,265	-	82,462	1,694,299
Net profit	-	-	-	-	-	-	-	-	-	66,445	66,445
Other comprehensive loss	-	-	-	-	-	-	-	(22,329)	(435)	-	(22,764)
Total comprehensive income/(loss)	-	-	-	-	-	-	-	(22,329)	(435)	66,445	43,681
Transfer to Reserve fund from retained earnings	-	-	-	20,860	-	-	-	-	-	(20,860)	-
31 December 2018	7,000,000	(5,484,300)	1,515,700	111,732	-	-	-	(17,064)	(435)	128,047	1,737,980
Net profit	-	-	-	-	-	-	-	-	-	68,977	68,977
Other comprehensive income	-	-	-	-	-	-	-	42,312	727	-	43,039
Total comprehensive income	-	-	-	-	-	-	-	42,312	727	68,977	112,016
Transfer to Technical assistance fund reserve	-	-	-	-	19,133	-	-	-	-	(19,133)	-
31 December 2019	7,000,000	(5,484,300)	1,515,700	111,732	19,133	-	-	25,248	292	177,891	1,849,996
Net profit	-	-	-	-	-	-	-	-	-	32,582	32,582
Other comprehensive income	-	-	-	-	-	-	-	5,402	(292)	-	5,110
Total comprehensive income	-	-	-	-	-	-	-	5,402	(292)	32,582	37,692
Transfer to Reserve funds	-	-	-	34,488	-	-	-	-	-	(34,488)	-
Transfer to Digital initiative fund reserve	-	-	-	-	-	10,000	-	-	-	(10,000)	-
Transfer to Technical assistance fund reserve	-	-	-	-	10,102	-	-	-	-	(10,102)	-
Allocation of Technical assistance fund reserve	-	-	-	-	(5,550)	-	-	-	-	-	(5,550)
31 December 2020	7,000,000	(5,484,300)	1,515,700	146,220	23,685	10,000	-	30,650	-	155,883	1,882,138

Approved on behalf of the management of the Bank:

N.R.Podguzov
Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan



B.K. Mukhambetzhonov
Deputy Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of US Dollars)

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to customers	134,003	148,162	136,824
Interest received on loans and advances to financial institutions and cash and cash equivalents	26,365	34,589	28,999
Interest income received on financial assets at fair value through other comprehensive income	81,201	43,369	45,506
Interest income received on debt securities at amortised cost	6,180	-	-
Interest paid on loans and deposits from banks	(24,834)	(9,296)	(27,020)
Interest paid on deposits from customers	(15,454)	(14,889)	(1,276)
Interest paid on debt securities issued	(147,111)	(116,647)	(83,071)
(Loss paid for)/ gain received from operations with financial assets at fair value through profit or loss	(51,254)	(5,939)	23,676
Fees and commissions received	16,445	1,279	4,199
Fees and commissions paid	(1,031)	(436)	(581)
Other income received	129	46	458
Operating expenses paid	(35,988)	(35,129)	(32,737)
Cash inflow from operating activities before changes in operating assets and liabilities	(11,349)	45,109	94,977
Changes in operating assets			
Increase in loans to customers	(190,654)	(263,607)	(453,428)
Decrease/(increase) in loans and advances to financial institutions	71,787	(13,013)	(76,986)
Increase in financial assets at fair value through profit or loss	(25,389)	-	-
(Increase)/decrease in other assets	(2,260)	(1,475)	366
Changes in operating liabilities			
(Decrease)/increase in deposits from banks	(110,049)	154,504	(89,703)
Increase in deposits from customers	115,727	119,864	178,736
(Decrease)/increase in other liabilities	(1,275)	86	111
Cash flows (used in)/from operating activities	(153,462)	41,468	(345,927)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment in associate	-	(20,131)	-
Purchase of financial assets at fair value through other comprehensive income	(4,493,690)	(7,212,029)	(3,157,307)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income	4,291,720	6,336,649	3,548,207
Purchase of debt securities at amortised cost	(300,396)	-	-
Proceeds from redemption of debt securities at amortised cost	2,155	-	-
Purchase of property, equipment and intangible assets	(1,132)	(875)	(1,674)
Cash flows (used in)/from investing activities	(501,343)	(896,386)	389,226

EURASIAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED) (in thousands of US Dollars)

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities (Note 22)	403,040	775,557	587,991
Repayments of debt securities (Note 22)	(713,990)	(164,129)	(147,888)
Proceeds from loans from banks and loans under repurchase agreements (Note 20)	1,041,900	359,879	25,125
Repayments of loans from banks (Note 20)	(177,839)	(20,920)	(21,021)
Repayment of lease liabilities	(1,850)	(2,215)	-
Cash flows from financing activities	551,261	948,172	444,207
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS			
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(103,544)	93,254	487,506
CASH AND CASH EQUIVALENTS at the beginning of the year	765,144	641,170	167,370
Effect of changes in foreign exchange rate on cash and cash equivalents	2,240	30,720	(13,706)
CASH AND CASH EQUIVALENTS at the end of the year (Note 11)	663,840	765,144	641,170


Approved on behalf of the management of the Bank:



N.R. Podguzov
Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan





B.K. Mukhambetzhonov
Deputy Chairman of the Management Board

10 February 2021
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. The Republic of Armenia, the Republic of Tajikistan and the Republic of Belarus 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 3 April 2009, on 22 June 2009 and 21 June 2010, respectively.

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 2020, the following states were members of the Bank: the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Tajikistan, the Republic of Belarus and the Kyrgyz Republic.

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 a branch office in St. Petersburg and representative offices in Bishkek, Dushanbe, Minsk, Moscow, Nur-Sultan and Yerevan.

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 2020, 2019 and 2018, shares of the Bank were owned as follows:

	%
The Russian Federation	65.97
The Republic of Kazakhstan	32.99
The Republic of Belarus	0.99
The Republic of Tajikistan	0.03
The Republic of Armenia	0.01
The Kyrgyz Republic	0.01
Total	100.00

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

These financial statements were authorised for issue on 10 February 2021 by the management of the Bank.

(b) Business environment

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

1. BACKGROUND, CONTINUED

(b) Business environment, continued

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant impact on global financial markets. The Member states are experiencing a decline in economic activity and mutual trade, a downturn in real income, and growth in underemployment and unemployment. At the end of 2020, the financial and commodity markets reacted positively to reports of progress in development of an effective vaccine. However, the development of the COVID-19 pandemic remains uncertain. If the rapid increase in infections is not curbed promptly and the mass distribution of vaccines is delayed, the loss of economic growth will be much more severe, and growing global uncertainty and investors opting for defensive assets may pressurize the currencies of the Bank's operating region.

In order to analyse and project the economic situation in Member states, the Bank uses an integrated model system comprising the models of the five states and an external factors. The tool allows the Bank to consistently forecast key macroeconomic factors (GDP, inflation rate, foreign currency exchange rate, interest rate, budget deficit, money transfers) with projections being made on a quarterly basis.

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

2. BASIS OF PREPARATION

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

(a) Statement of compliance

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

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below.

2. BASIS OF PREPARATION, CONTINUED

(c) Functional and presentation currency

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

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

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

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

(d) Use of estimates and judgments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that 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 retranslated to the functional currency at the exchange rate at the date that the fair value is determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated 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 retranslation 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.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(a) Foreign currency, continued

Rates of exchange

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

	31 December 2020	31 December 2019	31 December 2018
US dollar/1 Kazakhstan tenge (“KZT”)	0.00237445	0.00261342	0.00262550
US dollar/1 Russian rouble (“RUB”)	0.01347900	0.01611700	0.01441400
US dollar/1 British pound sterling (“GBP”)	1.36510000	1.32630000	1.27460000
US dollar/1 Euro (“EUR”)	1.22250000	1.12290000	1.14520000

(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 or consideration of financial data of the investees, 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.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(b) Financial instruments, continued****(i) Financial instruments – key measurement terms, continued**

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.

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

(ii) Financial instruments – initial recognition

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(b) Financial instruments, continued***(iv) Financial assets – classification and subsequent measurement – business model, continued*

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

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

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

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

(vi) Financial assets – reclassification

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

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

The Bank assesses, on a forward-looking basis, the expected credit loss for debt instruments measured at amortised cost and fair value through other comprehensive income and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures expected credit loss and recognises credit loss allowance at each reporting date. The measurement of expected credit loss reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at amortised cost are presented in the statement of financial position net of the allowance for expected credit loss. For loan commitments and financial guarantees, 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, changes in amortised cost, net of allowance for expected credit loss, are recognised in profit or loss and other changes in carrying value are recognised in other comprehensive income as gains less losses on debt instruments at fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(b) Financial instruments, continued*****(vii) Financial assets impairment – credit loss allowance for expected credit loss, continued***

The Bank applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Bank identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its expected credit loss is measured based on expected credit loss on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its expected credit loss is measured as a lifetime expected credit loss. For financial assets that are purchased or originated credit-impaired, the expected credit loss is always measured as a lifetime expected credit loss.

(viii) Financial assets – write-off

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

(ix) Financial assets – derecognition

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

(x) Financial assets – modification

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(b) Financial instruments, continued****(x) Financial assets – modification, continued**

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

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

(xi) Financial liabilities – measurement categories

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

(xii) Financial liabilities – derecognition

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

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

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

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

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

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

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

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Debt securities are carried at amortised cost if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at fair value through profit or loss in order to significantly reduce an accounting mismatch.

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

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.

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

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. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. 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 advances to financial institutions, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Loans and deposits from banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(b) Financial instruments, continued***(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.

(xv) Financial instruments – Offsetting

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Assets held for sale

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

(d) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

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

(e) Intangible assets

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

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

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

(f) Provisions and contingencies

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

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

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 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.

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

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

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

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

(k) Fiduciary assets

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

(l) Technical Assistance Fund

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

As the Technical Assistance Fund ("TAF") is not an entity/organization and is managed by the Bank employees its operational expenses are accrued in profit or loss of the Bank over the term of the respective services received. After the Council of the Bank approves funding of specific projects and programs, allocated sums are transferred from reserves into liabilities. 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' recourses and income received from the replacement 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".

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(m) Digital Initiatives Fund, continued**

As the DIF is not an entity/organization and is managed by the Bank employees its expenses are accrued in profit or loss of the Bank over the term of the respective services received. After the Council of the Bank approves funding of specific projects and programs, allocated sums are transferred from reserves into liabilities. 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 by the chief operating decision maker 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.

(p) Application of IFRS 16 and IFRS 9**Impact of initial application of IFRS 16 Leases**

In 2019 the Bank has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Bank's financial statements is described below.

The date of initial application of IFRS 16 for the Bank is 1 January 2019.

The Bank has applied IFRS 16 using the cumulative catch-up approach.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(p) Application of IFRS 16 and IFRS 9, continued****(i) Impact of the new definition of a lease**

The Bank has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Bank applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Bank

has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Bank.

(ii) Impact on Lessee Accounting**• Former operating leases**

IFRS 16 changes how the Bank accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Bank:

- a. recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b. recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- c. separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Bank has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'operating expenses' in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(p) Application of IFRS 16 and IFRS 9, continued

- *Former finance leases*

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Bank recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Bank’s financial statements. The Bank recognised a right-of-use asset of 7,719 thousand US dollars against a corresponding lease liability on 1 January 2019:

	31 December 2018 / 1 January 2019
Total future minimum lease payments for non-cancellable operating leases	8,427
Effect of discounting to present value	(708)
Total lease liabilities and right-of-use asset	7,719

In 2020, the Bank has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following amended standards became effective for the Bank from 1 January 2020, but did not have any material impact on the Bank:

- Amendments to IFRS 9 and IFRS 7 *Basic interest rate reform*;
- Amendments to IFRS 3 *Definition of a business*;
- Amendments to IFRS 1 and IFRS 8 *Definition of materiality*;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Amendments to references to the Conceptual Framework in IFRS standards.

IFRS 9 Financial Instruments

In 2016 the Bank has started its transition process to accommodate IFRS 9 requirements. By the end of 2017, the Bank has adopted a number of internal regulative documents and implemented new procedures that resulted in adoption of IFRS 9 effective 1 January 2018.

The Bank has adopted IFRS 9 issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt IFRS 9 in previous periods.

Under transitional provisions of IFRS 9, all adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves as at 1 January 2018.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 “Financial Instruments: Disclosures”.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Valuation of expected credit losses

The expected credit losses for financial assets are measured in a manner that reflects:

- an unbiased and weighted, taking into account the probability, the amount determined by assessing the range of possible outcomes;
- the time value of money;
- justified and verifiable information about past events, current conditions and projected future economic conditions, available on the valuation date without undue cost or effort.

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 or improvement in the credit quality of financial assets, taking into account information about past events, current conditions, and reasonable forecasts of future events and economic conditions.

Within the general approach, the provision for impairment is formed on the basis of:

- a) 12 months expected credit losses - for financial assets without evidence of a significant increase in credit risk since the initial recognition;
- b) lifetime expected credit losses - for financial assets with an evidence of a significant increase in credit risk since the initial recognition or credit-impaired financial assets.

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

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

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

Financial assets are classified into different stages basing on the results of individual credit risk assessment on a quarterly basis. Credit risk assessment is done via monitoring factors and/or events that may indicate significant increase in credit risk 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. The confirmation of the Stage 3 of credit impairment of loans to customers and other financial assets in Investment portfolio of the Bank is, in particular, based on observed data on one or more of the following events:

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

- payments overdue more than 90 days;
- the Bank had to make concessions to the borrower/issuer;
- actual or expected downgrade of external credit rating of the borrower/issuer to credit rating equal to Moody’s «Caa3» since the initial recognition;
- actual or expected downgrade of internal credit rating of the borrower/issuer to default credit rating since the initial recognition;
- other facts of credit impairment that indicate high probability of assessing internal credit rating of the borrower/issuer as “default”.

The confirmation of the Stage 3 of credit impairment of loans to financial institutions and other financial assets in Treasury portfolio of the Bank is, in particular, based on observed data on one or more of the following events:

- credit rating of the borrower/issuer equal to Moody’s D and/or RD/SD;
- negative information about the borrower/issuer, including: liquidation, arrest of accounts, cancellation/suspension of license, restructure due to inability to serve its obligations, bankruptcy procedures, external management;
- payments overdue more than 31 days;
- default/cross-default;
- other facts of credit impairment including further deterioration of business indicators of the borrower/issuer.

The Bank qualifies financial assets within Stage 3 of credit impairment until the end of the stabilization period. The Stabilization period is defined as four consecutive principal repayments made in accordance with the repayment schedule. These repayments must be done after the event of credit impairment and in no less than a six-month period. If the aforementioned conditions are met, the financial asset is reclassified into Stage 2 of credit impairment. A financial asset may be reclassified into Stage 1 of credit impairment only if the internal credit rating at the initial recognition is regained.

Significant increase in credit risk

The Bank classifies loans to customers and other financial assets in the Investment portfolio of the Bank into Stage 2 of credit impairment if data on one/ or more of the following events is observed:

- payments overdue more than 31 days, but less than 90 days;
- actual or expected downgrade of external credit rating of the borrower/issuer by three grades since the initial recognition;
- actual or expected downgrade of internal credit rating of the borrower/issuer by two grades or to pre-default credit rating since the initial recognition;
- actual or expected significant breach of financial covenants;
- actual or expected identification of other facts of credit impairment that indicate significant increase of credit risk since the initial recognition.

The Bank classifies loans to financial institutions and other financial assets in Treasury portfolio of the Bank into Stage 2 of credit impairment if data on one or more of the following events is observed:

- downgrade of external credit rating of the borrower/issuer by three grades or to credit rating equal to Moody’s «Caa1» since the initial recognition;
- payments overdue less than 30 days;

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(q) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued**

- deterioration of financial condition of the borrower/issuer;
- downgrade of internal credit rating of the borrower/issuer by two grades;
- negative data from external sources;
- decrease of fair value of the financial asset by more than 20%;
- regular breaches of prudential norms;
- deterioration of operational environment;
- other facts that indicate significant increase of credit risk.

The Bank applies the "low credit risk" exception for loans to financial institutions and other financial assets in Treasury portfolio of the Bank with credit rating equal or above BBB-/Baa3/BBB- that allows using the assumption that no significant increase in credit risk has occurred, provided that the financial instrument still demonstrates a low credit risk.

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

Definition of default

Defaulted financial assets are those that have the highest credit risk. Default is actual or expected unfulfillment of terms of financial agreement, with zero probability of full repayment within initially agreed terms. A full/partial impairment loss is expected; modification of an asset is forcibly required 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 after an individual review by the Credit Committee and Management Board of the Bank. Usually this decision is based on the occurrence or 100% expectation of some of the events described above under "Significant increase in credit risk".

Calculation of expected credit losses for loans to customers, loans to financial institutions, financial assets in Investment and Treasury portfolios

For loans to customers, loans to financial institutions, financial assets in Investment and Treasury portfolios the Bank uses an external credit rating of the borrower/issuer as the primary source of assessment. To estimate expected credit loss the Bank multiplies its exposure by probability of default and loss given default (an opposite of recovery rate). Values of probability of default and recovery rate are according to data of Moody's Investors Service.

Calculation of expected credit losses for loans to customers, debt instruments in Investment portfolio with credit rating below BB-/Ba3 or not rated and other financial assets, continued

For loans to customers without an external credit rating, probability of default and loss given default are estimated according to historical data of the Bank and using borrower's internal ratings classification transition matrices. To compose transition matrices, quarterly data since 2012 is used. Matrices are based on results of monitoring internal ratings of each loan within each segment at the beginning and end of each quarter. Based on annual matrices an average and average-weighted matrices of loan movement between quality stages are concluded which defines the default probability within the next 12 months. Probability of default and loss-given-default are estimated using the Markov chain process to the average-weighted matrix of loan movement between quality stages. Exposure at default can be reduced by the sum of collateral if the value of collateral is not expected to change in case of default of the borrower/issuer and can be sold independently.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

For loans to financial institutions without an external credit rating, a credit rating of parent institution, of similar institution or guarantors credit rating might be used.

Modification of financial assets

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

- if the borrower/issuer has financial difficulties, whether the modification reduces the contractual cash flows to the amounts that the borrower/issuer is expected to pay;
- are there any significant new conditions, such as a return in the form of a share of profits/in the form of shares, which significantly affect the degree of risk on the financial asset;
- substantial extension of the term of financial asset, when the borrower/issuer has no financial difficulties;
- significant change in the interest rate;
- change in the currency in which the financial asset is expressed;
- adding guarantees, other collateral or means to reduce credit risk, which significantly affects the credit risk associated with the financial asset.

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

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

Derecognition of financial assets, except for cases of modification

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

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

- has no obligation to pay, except when it receives equivalent amounts from financial assets;
- the Bank is prohibited from selling or pledging financial assets; and

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(q) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued**

- has an obligation to transfer any cash that it receives from financial assets without significant delay.

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

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

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

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2023 (previously – on or after 1 January 2021).

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The management of the Bank does not expect that the application of this standard will have an impact on the consolidated financial statements of the Bank in the future, since the Bank does not have instruments within the scope of this Standard.

Amendments to IAS 1 Classification of Liabilities as Short-Term or Long-Term (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles).

The amendments are intended to facilitate the understanding that a liability is classified as long-term if the organization expects and has the authority to refinance the liability or postpone its maturity by at least 12 months after the reporting period under the existing credit line with the previous lender, on equal or similar terms.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The amendments only amend the presentation of liabilities in the statement of financial position, i.e. not regarding the amount, the moment of recognition or disclosure of information.

The amendments clarify that the classification should be based on the existence at the end of the reporting period of the right to defer repayment of a liability for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist “at the end of the reporting period” should affect the classification of the liability. Moreover, the classification does not depend on expectations as to whether the organization will use the right to defer repayment of the liability, which means transferring funds, equity instruments, or other assets or services to a counterparty.

The amendments apply retrospectively to the periods beginning on or after 1 January 2023. Early application is acceptable.

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

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

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the impact of the interest rate benchmark reform on the modification of financial assets, financial liabilities and lease liabilities, hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The IASB introduces a practical expedient for changes in contractual cash flows as a direct consequence of the interest rate benchmark reform provided that the new cash flow basis is economically equivalent to the original basis. According to the practical exception these modifications are accounted prospectively for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16. The amendments require that an entity discloses additional information in order to allow users to understand the nature and extent of risks arising from the IBOR and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted.

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(r) New and revised IFRS in issue, but not yet effective, continued*****Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date has yet to be set; however, earlier application of the amendments is permitted.

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

Annual Improvements to IFRS 2018-2020 Cycles

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

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

All amendments are effective on 1 January 2022, early application is permitted.

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

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of US dollars)

4. NET INTEREST INCOME

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Interest income comprises:			
Interest income on financial assets measured at amortised cost comprises:			
loans to customers	141,465	147,753	139,824
loans and advances to financial institutions	13,935	18,106	18,824
cash and cash equivalents	10,785	17,095	10,717
debt securities at amortised cost	1,850	-	-
Total interest income on financial assets recorded at amortised cost	168,035	182,954	169,365
Interest income on financial assets measured at fair value comprises:			
financial assets at fair value through other comprehensive income	93,459	77,964	41,673
financial assets at fair value through profit or loss	7,075	4,110	-
Total interest income on financial assets recorded at fair value	100,534	82,074	41,673
Total interest income	268,569	265,028	211,038
Interest expense comprises:			
Interest expense on financial liabilities measured at amortised cost comprises:			
debt securities issued	(133,018)	(132,433)	(92,070)
loans and deposits from banks	(29,540)	(14,214)	(21,483)
deposits from customers	(15,377)	(14,932)	(1,326)
Total interest expense on financial liabilities recorded at amortised cost	(177,935)	(161,579)	(114,879)
Interest expense on financial liabilities measured at fair value comprises:			
financial liabilities at fair value through profit or loss	(20,260)	(7,118)	-
Total interest expense on financial liabilities recorded at fair value	(20,260)	(7,118)	-
Total interest expense	(198,195)	(168,697)	(114,879)
Net interest income before provision for expected credit losses on interest bearing assets	70,374	96,331	96,159

5. PROVISION FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Beginning of the year	(67)	(68)	-
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	-	(32)
Net recovery/(charge)	31	1	(36)
Effect of foreign currency movements	(9)	-	-
End of the year	(45)	(67)	(68)

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of US dollars)

5. PROVISION FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS, CONTINUED

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Beginning of the year	(2,126)	(2,670)	(111)
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	-	(1,631)
Net (charge)/ recovery	(240)	597	(1,080)
Effect of foreign currency movements	(25)	(53)	152
End of the year	(2,391)	(2,126)	(2,670)

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Beginning of the year	(62,758)	(66,202)	(55,180)
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	-	(11,154)
Net charge	(11,065)	(5,102)	(6,068)
Write-offs	973	9,178	3,636
Effect of foreign currency movements	(41)	(632)	2,564
End of the year	(72,891)	(62,758)	(66,202)

Table with details on stages is presented in Note 15.

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Beginning of the year	(3,946)	(2,163)	(162)
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	-	(2,484)
Net (charge)/recovery	(4,292)	(1,690)	360
Effect of foreign currency movements	420	(93)	123
End of the year	(7,818)	(3,946)	(2,163)

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

	Year ended 31 December 2020
Beginning of the year	-
Net charge	(343)
End of the year	(343)

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of US dollars)

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Net gain/(loss) on derivative financial instruments in foreign currency	6,453	(35,617)	31,402
Net loss on equity instruments	(4,505)	(197)	(3,303)
Total net gain/ (loss) on financial assets and liabilities at fair value through profit or loss	1,948	(35,814)	28,099

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 8).

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

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Net gain/(loss) on transactions with debt securities	4,619	546	(1,916)
Total net realised gain/(loss) on financial assets at fair value through other comprehensive income	4,619	546	(1,916)

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

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Translation differences, net	8,314	52,929	(20,652)
Dealing, net	(13)	145	30
Total net gain/(loss) on transactions in foreign currencies	8,301	53,074	(20,622)

9. FEE AND COMMISSION INCOME

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Eurasian Fund for Stabilisation and Development management fee	8,057	7,312	3,993
Credit related fees	3,184	1,101	229
Other fees and commissions	118	312	128
Total fee and commission income	11,359	8,725	4,350

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of US dollars)*

9. FEE AND COMMISSION INCOME, CONTINUED

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 (“Unit”) was established within the Bank. In close cooperation with other departments of the Bank, member states and other international development institutes, the Unit is responsible for the preparation and implementation of all Fund projects.

10. OPERATING EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Staff costs and other payments to employees	35,495	31,396	22,051
Premises expenses	2,403	2,508	2,361
Depreciation and amortization	1,481	1,278	1,193
Professional services	1,057	929	1,334
Communication expenses	746	755	743
Maintenance of acquired systems and programs	684	692	751
Business trip expenses	595	2,163	1,131
Business development expenses	499	1,210	898
Security	482	511	552
Transportation expenses	198	253	211
Office, postal and printing expenses	137	176	177
Training	69	211	112
Other	489	941	512
Total operating expenses	44,335	43,023	32,026

Staff costs and other payments to employees include a retirement savings plan expense (see Note 23). For the year ended 31 December 2020, retirement savings plan expenses were equal to 4,333 thousand US dollars (year ended 31 December 2019: 3,565 thousand US dollars; year ended 31 December 2018: 2,519 thousand US dollars).

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of US dollars)*

11. CASH AND CASH EQUIVALENTS

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

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Cash and balances with national (central) banks of Member states of the Bank	1,146	499	540
Correspondent accounts with other banks			
with credit ratings A- and above	85,124	17,879	24,290
with credit ratings from BBB+ to BBB-	49,172	7,250	4,268
with credit ratings from BB+ to BB-	135	-	123
with credit ratings below BB- and not rated	782	4,424	8,098
Term deposits in other banks			
with credit ratings A- and above	269,777	342,602	110,454
with credit ratings from BBB+ to BBB-	101,149	67,409	42,910
with credit ratings from BB+ to BB-	5,000	53,676	13,003
with credit ratings below BB- and not rated	1,561	15,075	566
Loans under reverse repurchase agreements			
with pledge credit ratings A- and above	25,710	-	-
with pledge credit ratings from BBB+ to BBB-	119,035	256,397	114,921
with pledge credit ratings from BB+ to BB-	5,294	-	322,065
	<u>663,885</u>	<u>765,211</u>	<u>641,238</u>
Less expected credit loss provisions (Note 5)	(45)	(67)	(68)
Total cash and cash equivalents	<u>663,840</u>	<u>765,144</u>	<u>641,170</u>

Cash and cash equivalents together with financial assets at fair value through other comprehensive income are major parts of the Treasury portfolio of the Bank.

As at 31 December 2020, 2019 and 2018, 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 2020, 2019 and 2018.

As at 31 December 2020 and 2019, no banks have balances that exceed 10% of equity of the Bank. As at 31 December 2018, an outstanding balance of loans under reverse repurchase agreements with “Moscow credit bank” was equal to 316,132 thousand US dollars, which exceeds 10% of equity of the Bank.

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

The fair value of assets pledged and carrying amount of loans under reverse repurchase agreements as at 31 December 2020, 2019 and 2018 are as follows:

	<u>31 December 2020</u>		<u>31 December 2019</u>		<u>31 December 2018</u>	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
With pledge credit ratings A- and above	25,710	25,721	-	-	-	-
With pledge credit ratings from BBB+ to BBB-	119,020	135,319	256,383	285,450	114,864	124,541
With pledge credit ratings from BB+ to BB-	5,294	5,991	-	-	322,065	352,258
	<u>150,024</u>	<u>167,031</u>	<u>256,383</u>	<u>285,450</u>	<u>436,929</u>	<u>476,799</u>

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of US dollars)*

11. CASH AND CASH EQUIVALENTS, CONTINUED

As at 31 December 2018, all loans under reverse repurchase agreements with pledge credit ratings from BB+ to BB- were collateralized by Eurobonds of the Russian Federation. In case of absence of collateral, the effect on ECL would be insignificant.

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

	31 December 2020	31 December 2019	31 December 2018
Equity instrument in Treasury portfolio	22,634	-	-
Equity instrument in Investment portfolio	4,818	6,567	16,878
Derivative financial instruments – assets	24,109	3,450	291
Financial assets at fair value through profit or loss	51,561	10,017	17,169
Derivative financial instruments – liabilities	(5,001)	(26,955)	(3,329)
Financial liabilities at fair value through profit or loss	(5,001)	(26,955)	(3,329)

The Bank's equity instrument in Investment portfolio is an investment in private equity fund "Macquarie Russia and CIS Infrastructure Fund" (hereinafter "the Fund"). The Bank's ownership interest is 15.87%. On initial adoption of IFRS 9 the Bank has decided to carry this investment at fair value through profit or loss. The table below shows the reconciliation of changes in this investment during 2020, 2019 and 2018:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Equity instrument in Investment portfolio, carried at fair value through profit or loss, as at beginning of the year	6,567	16,878	19,814
(Redemption)/purchase of new instrument, net	(190)	(10,076)	539
Income received	-	(38)	(172)
Losses less gains from equity securities at fair value through profit or loss	(1,559)	(197)	(3,303)
Equity instrument in Investment portfolio, carried at fair value through profit or loss, as at end of the year	4,818	6,567	16,878

As at 31 December 2020, 2019 and 2018, the fair value of the Bank's investments in the Fund was estimated using a valuation technique based on discounted cash flows, where the discount rate for future cash flows comprised of the risk-free interest rate applicable in the country where the asset is located and risk premium reflecting the uncertainty associated with the cash flows.

	31 December 2020			31 December 2019			31 December 2018		
	Notional amount	Net fair value Asset Liability		Notional amount	Net fair value Asset Liability		Notional amount	Net fair value Asset Liability	
Derivative financial instruments:									
Foreign currency contracts									
Swaps	653,456	380	(4,495)	364,482	3,450	(26,953)	403,375	291	(3,319)
Forwards	2,107	13	-	1,279	-	(2)	4,994	-	(10)
Interest rate swaps	220,000	23,716	(506)	-	-	-	-	-	-
		24,109	(5,001)		3,450	(26,955)		291	(3,329)

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

The table above 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.

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.

13. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

The Bank may enter into swap agreements for hedging purposes.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Bank's exposure to long- or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the Bank's swap positions would increase or decrease depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of Bank's investments.

The Bank's ability to realise profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Bank. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Bank will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of a counterparty's insolvency.

On 19 December 2019, the Bank has entered into six EUR/USD swap deals with a nominal amount of 183,396 thousand EUR maturing on 22 June 2020. The purpose of these deals was to hedge a fair value risk arising from significant difference between investment and funding currencies.

These swap agreements were designated as fair value hedge principally to minimize the exchange rate risk associated with the future cash inflows from loan to customer with the principal amount of EUR 183,396 thousand, with the next payment date on 22 June 2020. The length of the swap agreements was chosen to match the date of the expected payments from the borrower.

The designated hedged risk is the forward exchange rate risk and, therefore, the changes in fair value of the swap are recorded initially in the hedging reserve to the extent the hedge is effective.

In June 2020, the Bank decided not to enter into new swap agreements.

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14. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019	31 December 2018
Loans to financial institutions	187,866	233,739	225,180
Loans under reverse repurchase agreements: with pledge credit ratings A- and above	-	34,685	23,000
	187,866	268,424	248,180
Less expected credit loss provisions (Note 5)	(2,391)	(2,126)	(2,670)
Total loans and advances to financial institutions	185,475	266,298	245,510

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

	Stage 1	Stage 2	Stage 3	Total
Outstanding amount				
As at 1 January 2020	233,443	296	-	233,739
Net issue/(redemption)	7,048	(45,204)	-	(38,156)
Transfer from Stage 1 to Stage 2	(118,523)	118,523	-	-
Net change in discounts	(13)	52	-	39
Effect of foreign currency movements	4,396	(12,152)	-	(7,756)
As at 31 December 2020	126,351	61,515	-	187,866
Allowance for expected credit losses				
As at 1 January 2020	(2,126)	-	-	(2,126)
Net recovery /(charge)	270	(510)	-	(240)
Transfer from Stage 1 to Stage 2	1,181	(1,181)	-	-
Effect of foreign currency movements	(13)	(12)	-	(25)
As at 31 December 2020	(688)	(1,703)	-	(2,391)
Total loans to financial institutions	125,663	59,812	-	185,475

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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14. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS, CONTINUED

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

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

As at 31 December 2018, all loans to financial institutions were classified within stage 1 of credit quality assessment. There were no movements between different stages of credit quality assessment during the year ended 31 December 2018.

The fair value of assets pledged and carrying amount of loans under reverse repurchase agreements as at 31 December 2020, 2019 and 2018:

	<u>31 December 2020</u>		<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>	<u>Carrying amount of loans</u>	<u>Fair value of collateral</u>
Loans under reverse repurchase agreements:						
with pledge credit ratings A- and above	-	-	34,685	34,682	23,000	24,610
	-	-	34,685	34,682	23,000	24,610

As at 31 December 2020, loans and advances to financial institutions include accrued interest income amounting to 1,768 thousand US dollars (31 December 2019: 3,328 thousand US dollars; 31 December 2018: 3,295 thousand US dollars).

As at 31 December 2020, 2019 and 2018, no loans and advances to financial institutions were past due.

EURASIAN DEVELOPMENT BANK

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15. LOANS TO CUSTOMERS

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Stage 1 loans	1,961,400	1,668,863	1,282,963
Stage 2 loans	91,292	115,885	81,631
Stage 3 loans:			
not overdue or overdue less than 90 days	94,033	208,921	328,729
overdue more than 90 days	<u>24,864</u>	<u>29,093</u>	<u>23,169</u>
	2,171,589	2,022,762	1,716,492
Less expected credit loss provisions (Note 5)	<u>(72,891)</u>	<u>(62,758)</u>	<u>(66,202)</u>
Total loans to customers	<u>2,098,698</u>	<u>1,960,004</u>	<u>1,650,290</u>

As at 31 December 2020, 2019 and 2018 there were no Stage 3 loans overdue less than 90 days and no Stage 2 loans overdue.

As at 31 December 2020, the Bank has two customers (31 December 2019: three customers; 31 December 2018: five customers) with loans overdue more than 90 days with outstanding balance of 24,864 thousand US dollars (31 December 2019: 29,093 thousand US dollars; 31 December 2018: 23,169 thousand US dollars). As at 31 December 2020, these loans were fully provisioned (31 December 2019: with a related allowance for expected credit losses of 28,399 thousand US dollars; 31 December 2018: fully provisioned).

These projects have impaired due to various reasons, primarily due to the deterioration of market conditions.

During the year ended 31 December 2020, a loan to one customer in the amount of 973 thousand US dollars was written-off. This loan was overdue more than 90 days as at 31 December 2019. During the year ended 31 December 2019, loans to four customers in the amount of 9,178 thousand US dollars were written-off. These loans were overdue more than 90 days as at 31 December 2018. During the year ended 31 December 2018, a loan to one customer, which was not overdue as at 31 December 2017, in the amount of 3,636 thousand US dollars was written-off.

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15. LOANS TO CUSTOMERS, CONTINUED

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

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

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

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

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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15. LOANS TO CUSTOMERS, CONTINUED

The table below summarizes the movement of loans to customers between the stages of credit quality assessment during the year ended 31 December 2018:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Outstanding amount				
As at 1 January 2018	865,296	110,418	423,731	1,399,445
Net issue/(redemption)	537,221	(27,034)	(55,457)	454,730
Net change in discounts/(premiums)	2,862	190	(152)	2,900
Write-offs	-	-	(3,636)	(3,636)
Effect of foreign currency movements	(122,416)	(1,943)	(12,588)	(136,947)
As at 31 December 2018	1,282,963	81,631	351,898	1,716,492
Allowance for expected credit losses				
Impairment losses as at				
31 December 2017	(9)	(12)	(55,159)	(55,180)
Expected credit loss adjustment per IFRS				
9 as at 1 January 2018	(10,151)	12	(1,015)	(11,154)
Net recovery/(charge)	935	(1,949)	(5,054)	(6,068)
Write-offs	-	-	3,636	3,636
Effect of foreign currency movements	(104)	19	2,649	2,564
As at 31 December 2018	(9,329)	(1,930)	(54,943)	(66,202)
Total loans to customers	1,273,634	79,701	296,955	1,650,290

During the year ended 31 December 2018 there were no movements of loans between stages of credit quality assessment.

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

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

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Loans collateralised by real estate, equipment and inventories	822,295	955,107	891,565
Loans collateralised by guarantees:			
state entities	116,460	319,083	381,888
governments of the Member-states of the Bank	100,465	94,554	153,165
financial and commercial organisations	579,588	455,324	176,028
Loans collateralised by future cash inflows from clients' contracts	552,781	198,694	113,846
	2,171,589	2,022,762	1,716,492
Less expected credit loss provisions	(72,891)	(62,758)	(66,202)
Total loans to customers	2,098,698	1,960,004	1,650,290

The recoverability of the above loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, but the Bank considers the current value of the collateral as one of the factors that reduces the amount of expected credit losses. For the purpose of estimation of expected credit loss provisions the Bank does not include into the calculation the value of operational collateral which is substantially bound into the borrower's operational activity and would significantly devalue in case of default.

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of US dollars)*

15. LOANS TO CUSTOMERS, CONTINUED

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

As at 31 December 2020, as per the Bank's estimation the fair value of collateral of Stage 3 loans is equal to 30,722 thousand US dollars (31 December 2019: 172,764 thousand US dollars; 31 December 2018: 163,841 thousand US dollars).

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

	31 December 2020	31 December 2019	31 December 2018
Transport	732,151	657,389	596,419
Chemical industry	464,436	112,431	14,722
Energy	440,698	490,302	349,254
Mining	213,719	282,153	224,757
Infrastructure	109,031	212,876	219,245
Machinery	98,699	73,650	68,299
Metallurgy	50,168	114,899	145,083
Agriculture	24,865	29,093	57,520
Other	37,822	49,969	41,193
	2,171,589	2,022,762	1,716,492
Less expected credit loss provisions	(72,891)	(62,758)	(66,202)
Total loans to customers	2,098,698	1,960,004	1,650,290

As at 31 December 2020, the maximum credit risk exposure on loans to customers amounts to 2,098,698 thousand US dollars (31 December 2019: 1,960,004 thousand US dollars; 31 December 2018: 1,650,290 thousand US dollars).

As at 31 December 2020, the maximum credit risk exposure on loan commitments extended by the Bank to its borrowers amounts to 1,186,735 thousand US dollars (31 December 2019: 1,275,796 thousand US dollars; 31 December 2018: 1,244,532 thousand US dollars) (Note 27).

As at 31 December 2020, loans to customers included accrued interest income amounting to 20,435 thousand US dollars (31 December 2019: 17,852 thousand US dollars; 31 December 2018: 22,283 thousand US dollars). For the year ended 31 December 2020, net unwinding effect resulted in gain of 2,071 thousand US dollars (31 December 2019: loss of 1,288 thousand US dollars; 31 December 2018: loss of 1,198 thousand US dollars).

Concentration of loans to customers

As at 31 December 2020, the Bank has two customers, whose balance exceed 10% of total equity of the Bank. The first customer has a balance of 411,869 thousand US dollars. The second customer has a balance of 338,736 thousand US dollars. As at 31 December 2019, the Bank has one customer, which had a balance of 356,651 thousand US dollars. As at 31 December 2018, the Bank has two customers with balances of 357,076 thousand US dollars and 183,457 thousand US dollars respectively.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of US dollars)*

15. LOANS TO CUSTOMERS, CONTINUED

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 2020 an increase of 123,691 thousand US dollars (31 December 2019: 36,936 thousand US dollars; 31 December 2018: 40,841 thousand US dollars) in the amount of expected credit loss provisions would be required.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020, 2019 and 2018, financial instruments at fair value through other comprehensive income consist of:

	31 December 2020	31 December 2019	31 December 2018
Debt instruments in Treasury portfolio	1,606,548	1,513,960	912,498
Equity instruments, initially recognized at fair value through other comprehensive income, in Treasury portfolio	22,594	-	-
Debt instruments in Investment portfolio	631,908	592,339	226,843
Total financial assets at fair value through other comprehensive income	2,261,050	2,106,299	1,139,341

In 2020 the Bank purchased less than 1% of shares of the Russian state-owned company.

The tables below summarise the distribution of debt financial instruments at fair value through other comprehensive income between the stages of credit quality assessment as at 31 December 2020, 2019 and 2018:

	Stage 1	Stage 2	Stage 3	31 December 2020 Total
Debt instruments in Treasury portfolio	1,606,548	-	-	1,606,548
Debt instruments in Investment portfolio	536,680	95,223	5	631,908
Total debt instruments at fair value through other comprehensive income	2,143,228	95,223	5	2,238,456

	Stage 1	Stage 2	Stage 3	31 December 2019 Total
Debt instruments in Treasury portfolio	1,513,960	-	-	1,513,960
Debt instruments in Investment portfolio	576,767	15,567	5	592,339
Total debt instruments at fair value through other comprehensive income	2,090,727	15,567	5	2,106,299

	Stage 1	Stage 2	Stage 3	31 December 2018 Total
Debt instruments in Treasury portfolio	912,498	-	-	912,498
Debt instruments in Investment portfolio	226,840	-	3	226,843
Total debt instruments at fair value through other comprehensive income	1,139,338	-	3	1,139,341

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

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

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

During the year ended 31 December 2018, there were no movements between different stages of credit quality assessment.

The tables below present the breakdown of the debt instruments by counterparty:

	<u>31 December 2020</u>		<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Nominal interest rate</u>	<u>Fair value</u>	<u>Nominal interest rate</u>	<u>Fair value</u>	<u>Nominal interest rate</u>	<u>Fair value</u>
Debt instruments in Treasury portfolio						
Bonds issued by governments of USA, Japan and Belgium	0.00 - 2.50%	877,557	0.00- 1.38%	470,137	0.00- 0.75%	194,584
Bonds issued by non-financial organizations	3.37 - 6.66%	228,397	3.45 - 6.00%	213,595	3.45 - 8.75%	288,290
Eurobonds of the Russian Federation	1.13 – 7.60%	195,283	4.75 – 7.60%	140,428	3.50 – 7.50%	197,423
Discount notes issued by National Bank of the Republic of Kazakhstan	-	143,166	-	139,961	-	-
Bonds issued by banks and financial institutions of non-member states	0.00 – 5.95%	127,924	1.80 - 2.92%	549,839	2.08 - 3.18%	228,088
Eurobonds of the Republic of Kazakhstan	0.00 - 5.50%	23,116	-	-	-	-
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	5.50 - 7.25%	11,105	-	-	-	-
Eurobonds of the Republic of Armenia	-	-	-	-	6.00%	4,113
		<u>1,606,548</u>		<u>1,513,960</u>		<u>912,498</u>
	<u>31 December 2020</u>		<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Nominal interest rate</u>	<u>Fair value</u>	<u>Nominal interest Rate</u>	<u>Fair value</u>	<u>Nominal interest rate</u>	<u>Fair value</u>
Debt instruments in Investment portfolio						
Bonds issued by non-financial organisations	4.38 - 11.50%	551,590	4.38 - 11.50%	556,965	8.00 - 11.50%	208,512
Eurobonds of the Republic of Kazakhstan	5.40 - 6.55%	40,930	-	-	-	-
Eurobonds of the Republic of Belarus	8.50 - 8.65%	31,958	8.65%	15,872	-	-
Bonds issued by financial organisations	15.00%	7,430	9.10 - 15.00%	19,502	9.49 - 15.00%	18,331
		<u>631,908</u>		<u>592,339</u>		<u>226,843</u>

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

The tables below presents the breakdown of the debt instruments by credit risk rating:

	31 December 2020	31 December 2019	31 December 2018
	Fair value	Fair value	Fair value
Debt instruments in Treasury portfolio			
with credit ratings AA- and above	810,696	590,841	204,746
with credit ratings from A+ to A-	194,785	429,135	217,926
with credit ratings from BBB+ to BBB-	589,962	493,984	176,742
with credit ratings from BB+ to BB-	11,105	-	308,971
with credit ratings below BB-	-	-	4,113
	1,606,548	1,513,960	912,498
	31 December 2020	31 December 2019	31 December 2018
	Fair value	Fair value	Fair value
Debt instruments in Investment portfolio			
with credit ratings from BBB+ to BBB-	40,930	-	-
with credit ratings from BB+ to BB-	431,115	415,602	216,684
with credit ratings below BB- and not rated	159,863	176,737	10,159
	631,908	592,339	226,843

As at 31 December 2020, debt instruments at fair value through other comprehensive income include accrued interest income amounting to 6,453 thousand US dollars (31 December 2019: 22,830 thousand US dollars; 31 December 2018: 9,178 thousand US dollars).

As at 31 December 2020, debt instruments at fair value through other comprehensive income include financial assets used as collateral for Repo operations with a fair value of 672,332 thousand US dollars (31 December 2019: 251,643 thousand US dollars; 31 December 2018: 73,684 thousand US dollars) (Note 20).

17. DEBT SECURITIES AT AMORTISED COST

As at 31 December 2020 financial instruments at amortised cost consist of:

	31 December 2020
Debt instruments in Treasury portfolio	
with credit ratings from BBB+ to BBB-	273,056
with credit ratings from BB+ to BB-	21,784
	294,840
Less expected credit loss provisions (Note 5)	(343)
Total debt securities at amortised cost	294,497

There were no financial instruments at amortised cost as at 31 December 2019 and 2018.

All financial instruments at amortised cost were classified as Stage 1 of credit quality assessment during the year ended 31 December 2020.

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17. DEBT SECURITIES AT AMORTISED COST, CONTINUED

The tables below present the breakdown of the debt instruments by counterparty:

	31 December 2020	
	Nominal interest rate	Total
Bonds issued by non-financial organizations	2.25 - 6.66%	152,041
Eurobonds of the Russian Federation	4.75 – 12.75%	131,937
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	7.25%	10,862
		294,840
Less expected credit loss provisions (Note 5)		(343)
Total debt securities at amortised cost		294,497

As at 31 December 2020, financial instruments at amortised cost include accrued interest income amounting to 1,817 thousand US dollars.

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

18. INVESTMENTS IN ASSOCIATES

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

	31 December 2020		31 December 2019	
	Ownership interest	Fair value	Ownership interest	Fair value
Investments in associates				
Common shares of JSCB “NRBank” (JSC)	18.68%	17,236	18.68%	20,121
Common shares of other companies	-	24	-	10
		17,260		20,131

In December 2019, the Bank has purchased an 18.68% share in Russia-based bank JSCB “NRBank” (JSC). The purchase price was based on the result of an external assessment of the fair value of the JSCB “NRBank” (JSC) conducted by a reputable independent appraiser in October 2019. During 2020, the Bank has assessed that the fair value of aforementioned shares has changed primarily due to the decrease of Russian ruble (base currency of JSCB “NRBank” (JSC) operations) to US dollar exchange rate. The Bank recognised this change in losses from investments in associates.

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19. OTHER ASSETS

	31 December 2020	31 December 2019	31 December 2018
Other financial assets:			
Accrued commission income and other receivables	9,098	10,868	2,842
	9,098	10,868	2,842
Other non-financial assets:			
Right-of-use asset	4,703	6,967	-
Prepaid expenses	1,238	1,911	1,279
Capital expenditure debtors	843	390	156
Value added tax reimbursable	103	243	108
Other debtors	205	611	302
	7,092	10,122	1,845
Less: allowance for impairment losses	(150)	(176)	(91)
	6,942	9,946	1,754
Total other assets	16,040	20,814	4,596

As at 31 December 2020, 2019 and 2018, other assets also include certain assets received as consideration for loans to customers, which the Bank has taken over as a new owner as a result of an agreement between the borrower and the Bank. The net carrying value of the aforementioned assets as per Bank's assessment is equal to nil.

20. LOANS AND DEPOSITS FROM BANKS

	31 December 2020	31 December 2019	31 December 2018
Loans from banks			
in Chinese yuans	228,068	-	-
in US dollars	166,484	88,283	30,554
in Kazakhstani tenge	135,929	138,557	-
in Euro	76,345	226,689	78,445
in Russian rouble	27,321	-	-
Correspondent accounts of other banks	13,151	3,611	-
Short-term deposits from banks	149,909	41,185	68,810
Loans under repurchase agreements:			
in Euro	649,656	147,458	-
in Russian rouble	110,708	-	17,970
in Kazakhstani tenge	2,541	94,692	43,238
in Armenian dram	-	-	3,914
	1,560,112	740,475	242,931

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 2020, 2019 and 2018, the Bank was in compliance with all covenants.

The Bank concludes repurchase agreement operations in order to: a) satisfy its need in Euro, and b) satisfy its need of Kazakhstani tenge and Russian rouble liquidity.

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20. LOANS AND DEPOSITS FROM BANKS, CONTINUED

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

	31 December 2020		31 December 2019		31 December 2018	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Eurobonds of the Russian Federation	205,553	261,313	112,325	116,240	17,970	25,496
Discount notes issued by National Bank of the Republic of Kazakhstan	2,541	2,541	94,692	97,621	-	-
US Treasuries	547,034	541,387	35,133	37,782	43,238	44,136
Bonds issued by non-financial organizations	7,777	9,830	-	-	-	-
Eurobonds of the Republic of Armenia	-	-	-	-	3,914	4,052
Total loans under repurchase agreements	762,905	815,071	242,150	251,643	65,122	73,684

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

	31 December 2020		31 December 2019		31 December 2018	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
With pledge credit ratings A- and above	547,034	541,387	35,133	37,782	43,238	44,136
With pledge credit ratings from BBB+ to BBB-	208,094	263,854	207,017	213,861	17,970	25,496
With pledge credit ratings from BB+ to BB-	7,777	9,830	-	-	-	-
With pledge credit ratings below BB-	-	-	-	-	3,914	4,052
Total loans under repurchase agreements	762,905	815,071	242,150	251,643	65,122	73,684

As at 31 December 2020, loans and deposits from banks included accrued interest payable amounting to 10,120 thousand US dollars (31 December 2019: 5,885 thousand US dollars; 31 December 2018: 1,112 thousand US dollars).

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

The reconciliation of loans from banks movement to cash flows arising from financing activities in 2020, 2019 and 2018 is as follows:

	31 December 2019	Cash inflow	Cash outflow	Foreign exchange and interest accrued movement	31 December 2020
Loans from banks and loans under repurchase agreements	453,529	1,041,900	(177,839)	79,462	1,397,052

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20. LOANS AND DEPOSITS FROM BANKS, CONTINUED

	<u>31 December 2018</u>	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange and interest accrued movement</u>	<u>31 December 2019</u>
Loans from banks and loans under repurchase agreements	108,999	359,879	(20,920)	5,571	453,529
	<u>31 December 2017</u>	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange and interest accrued movement</u>	<u>31 December 2018</u>
Loans from banks and loans under repurchase agreements	109,253	25,125	(21,021)	(4,358)	108,999

21. DEPOSITS FROM CUSTOMERS

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Current accounts:			
in Kazakhstani tenge	121,574	113,496	56,307
in US dollars	46,096	25,210	13,342
in Euro	412	516	-
in Russian rouble	319	1,925	8
Deposits from customers:			
in Kazakhstani tenge	90,343	20,515	24,819
in US dollars	65,685	104,099	82,669
in Russian rouble	42,916	31,582	-
in Euro	24,253	1	-
	<u>391,598</u>	<u>297,344</u>	<u>177,145</u>

During 2018, the Council of the Bank has adopted a strategy for the period from 2018 to 2022. In accordance with the strategy, the Bank has started to provide settlement and clearing services to its customers. As at 31 December 2020, 2019 and 2018, 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:

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Current accounts:			
state-owned companies	113,720	106,945	68,147
private companies	54,681	34,202	1,510
Deposits from customers:			
private companies	150,184	112,476	52,638
state-owned companies	73,013	43,721	54,850
	<u>391,598</u>	<u>297,344</u>	<u>177,145</u>

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22. DEBT SECURITIES ISSUED

				31 December 2020	31 December 2019	31 December 2018
Debt securities issued and denominated in USD						
Issue series	Next put option date	Due date	Interest rate, %			
Series 03	-	Sep 2022	4.767	511,960	515,383	302,513
w/o	-	Dec 2021	0.750	100,008	-	-
Series 05	-	Sep 2020	5.000	-	289,291	286,100
Total debt securities issued and denominated in USD				611,968	804,674	588,613
Debt securities issued and denominated in RUB						
Issue series	Next put option date	Due date	Interest rate, %			
Series 001P-07	-	May 2024	5.900	135,248	-	-
Series 001P-05	-	Jun 2023	6.800	108,066	129,339	-
Series 001P-04	-	Jan 2023	8.000	69,810	83,386	-
Series 11	Aug 2021	Jan 2025	7.750	69,509	83,060	74,253
Series 001P-03	-	Mar 2021	8.600	69,189	82,595	-
Series 001P-06	-	Apr 2023	7.600	68,370	-	-
Series 001P-02	-	May 2021	8.900	68,268	81,490	72,780
Series 10	-	Jan 2023	12.250	28,492	34,044	30,436
Series 001P-01	-	Jul 2028	5.950	7,733	166,248	148,627
Series 08	-	Oct 2020	8.200	-	82,061	73,345
Series 06	-	Sep 2020	7.300	-	54,002	48,272
Series 002P-02	-	Feb 2020	6.150	-	48,389	-
Series 07	-	Sep 2020	8.750	-	28,254	25,243
Series 05	-	Jul 2020	7.800	-	16,038	22,042
Series 01	-	Jan 2019	9.300	-	-	3,325
Series 02	-	Feb 2019	8.300	-	-	2
Total debt securities issued and denominated in RUB				624,685	888,906	498,325
Debt securities issued and denominated in KZT						
Issue series	Next put option date	Due date	Interest rate, %			
Series 01, programme 3	-	Aug 2022	11.000	98,484	-	-
Series 05, programme 1	-	Feb 2022	9.700	49,072	53,964	-
Series 06, programme 2	-	Oct 2023	9.500	48,385	53,243	53,464
Series 03, programme 2	-	Nov 2022	9.700	48,105	52,920	53,133
Series 05, programme 2	-	May 2024	9.500	47,858	52,663	-
Series 09, programme 2	-	May 2024	9.500	47,858	52,663	-
Series 01, programme 2	-	Jun 2021	9.100	47,683	52,432	52,628
Series 02, programme 2	-	Jun 2021	9.100	47,683	52,431	52,628
Series 11, programme 2	-	May 2024	9.500	23,929	26,331	-
Series 07, programme 2	-	Jun 2021	9.100	23,842	26,216	26,313
Series 10, programme 2	-	Oct 2020	9.400	-	53,314	53,516
Series 04, programme 2	-	May 2020	10.100	-	39,571	39,702
Series 03, programme 1	-	Aug 2019	7.200	-	-	53,890
Series 04, programme 1	-	Sep 2019	7.200	-	-	53,574
Total debt securities issued and denominated in KZT				482,899	515,748	438,848
Total debt securities issued				1,719,552	2,209,328	1,525,786

On 20 September 2012, the Bank issued international Eurobonds on the London Stock Exchange as part of its Euro Medium Term Note (“EMTN”) Programme for a total amount of 500,000 thousand US dollars with maturity date on 20 September 2022 (series 03). The Eurobonds bear an interest rate fixed at 4.767% per annum. During 2015 and 2016, the Bank partially repurchased bonds with a nominal amount of 201,031 thousand US dollars resulting in a net gain of 3,195 thousand US dollars. In April 2018, the Bank registered the updated Base prospectus for EMTN Programme on Euronext Dublin. On 12 December 2019, the Bank made a secondary placement of these repurchased bonds for the nominal amount of 201,031 thousand US dollars, price of placement – 104.65%.

22. DEBT SECURITIES ISSUED, CONTINUED

On 4 December 2020, the Bank issued US dollar denominated bonds with a listing on Astana International Exchange in the amount of 100,000 thousand US Dollars with a maturity date of 14 December 2021. In accordance with the terms of the issuance the interest rate was fixed at 0.75% per annum.

On 28 May 2020, the Bank issued Russian rouble bonds (series 001P-07) listed on the Moscow Exchange for a total amount of 10,000 million Russian roubles with a maturity date on 23 May 2024. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 5.90% per annum until maturity date on 23 May 2024.

On 13 December 2019, the Bank issued Russian rouble bonds (series 001P-05) listed on the Moscow Exchange for a total amount of 8,000 million Russian roubles with maturity date on 9 June 2023. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 6.80% per annum until maturity date on 9 June 2023.

On 16 July 2019, the Bank issued Russian rouble bonds (series 001P-04) listed on the Moscow Exchange for a total amount of 5,000 million Russian roubles with maturity date on 10 January 2023. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 8.00% per annum until maturity date on 10 January 2023.

On 2 February 2018, the Bank issued Russian rouble bonds (series 11) listed on the Moscow Exchange for a total amount of 5,000 million Russian roubles with maturity date on 24 January 2025. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 7.75% per annum until 30 July 2021. After 30 July 2021, the interest rate will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Russian rouble bonds on the put option date on 4 August 2021.

On 12 March 2019, the Bank issued Russian rouble bonds (series 001P-03) listed on the Moscow Exchange for a total amount of 5,000 million Russian roubles with maturity date on 9 March 2021. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 8.60% per annum until maturity date on 9 March 2021.

On 21 April 2020, the Bank issued Russian rouble bonds (series 001P-06) listed on the Moscow Exchange for a total amount of 5,000 million Russian roubles with a maturity date on 18 April 2023. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 7.60% per annum until maturity date on 18 April 2023.

On 9 November 2018, the Bank issued Russian rouble bonds (series 001P-02) listed on the Moscow Exchange for a total amount of 5,000 million Russian roubles with a maturity date on 07 May 2021. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 8.90% per annum until maturity date on 7 May 2021.

On 19 January 2016, the Bank issued Russian rouble bonds (series 10) listed on the Moscow Exchange for a total amount of 2,000 million Russian roubles with maturity date on 10 January 2023 and with interest rate fixed at 12.25% per annum.

On 24 July 2018, the Bank issued Russian rouble bonds (series 001P-01) listed on the Moscow Exchange for a total amount of 10,000 million Russian roubles with maturity date on 11 July 2028. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 7.60% per annum until 21 January 2020. After 21 January 2020 the Bank determined new interest rates of 5.95% per annum valid until 17 January 2023, and as a result of put option exercise, the nominal value of bonds in circulation amounts to 560 million Russian roubles. After 17 January 2023, the interest rate will be determined by the Bank unilaterally. The bondholders are entitled to demand the redemption of the Russian rouble bonds on the put option date on 20 January 2023.

22. DEBT SECURITIES ISSUED, CONTINUED

On 28 August 2020, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 40,000 million tenge with maturity date on 28 August 2022 (programme 3 series 01). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 11.00% per annum.

On 22 February 2019, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 20,000 million tenge with maturity date on 22 February 2022 (programme 1 series 05). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.70% per annum.

On 11 October 2018, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 20,000 million tenge with maturity date on 11 October 2023 (programme 2 series 06). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.50% per annum.

On 6 November 2018, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 20,000 million tenge with maturity date on 6 November 2022 (programme 2 series 03). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.70% per annum.

On 27 May 2019, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 20,000 million tenge with maturity date on 27 May 2024 (programme 2 series 05). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.50% per annum.

On 27 May 2019, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 20,000 million tenge with maturity date on 27 May 2024 (programme 2 series 09). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.50% per annum.

On 12 June 2018, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 20,000 million tenge with maturity date on 12 June 2021 (programme 2 series 01). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.10% per annum.

On 12 June 2018, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 20,000 million tenge with maturity date on 12 June 2021 (programme 2 series 02). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.10% per annum.

On 27 May 2019, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 10,000 million tenge with maturity date on 27 May 2024 (programme 2 series 11). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.50% per annum.

On 12 June 2018, the Bank issued tenge bonds listed on the Kazakhstan Stock Exchange for a total amount of 10,000 million tenge with maturity date on 12 June 2021 (programme 2 series 07). In accordance with the terms of the issuance, the tenge bonds bear an interest rate fixed at 9.10% per annum.

As at 31 December 2020, debt securities issued included accrued interest payable amounting to 26,439 thousand US dollars (31 December 2019: 37,392 thousand US dollars; 31 December 2018: 27,522 thousand US dollars).

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22. DEBT SECURITIES ISSUED, CONTINUED

The reconciliation of debt securities issued movement to cash flows arising from financing activities in 2020, 2019 and 2018 is as follows:

	<u>31 December 2019</u>	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange movement</u>	<u>Interest accrued movement</u>	<u>31 December 2020</u>
Debt securities issued	2,209,328	403,040	(713,990)	(167,917)	(10,909)	1,719,552

	<u>31 December 2018</u>	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange movement</u>	<u>Interest accrued movement</u>	<u>31 December 2019</u>
Debt securities issued	1,525,786	775,557	(164,129)	60,505	11,609	2,209,328

	<u>31 December 2017</u>	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange movement</u>	<u>Interest accrued movement</u>	<u>31 December 2018</u>
Debt securities issued	1,198,341	587,991	(147,888)	(124,979)	12,321	1,525,786

23. OTHER LIABILITIES

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Other financial liabilities:			
Lease liabilities	4,071	6,967	-
Receivables for loans	3,303	2,730	2,720
Other receivables and accrued expenses	142	157	47
	7,516	9,854	2,767
Other non-financial liabilities:			
Defined contribution plans: Retirement savings plan	20,718	16,751	13,471
Short-term payments to employees	7,634	7,166	6,177
Technical Assistance Fund resources for distribution as per Council's decision	3,943	-	-
Accrued administrative expenses	746	558	351
Expected credit loss provisions on contingent liabilities	488	720	8
Other	229	1	-
	33,758	25,196	20,007
Total other liabilities	41,274	35,050	22,774

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 FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(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 2020	20,908	3.45 years	0.269%	20,718
31 December 2019	17,582	3.39 years	1.582%	16,751
31 December 2018	14,584	2.77 years	2.992%	13,471

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

24. SHARE CAPITAL

	31 December 2020, 2019 and 2018		
	Authorised share capital	Callable share capital	Paid-in share capital
The Russian Federation	4,617,900	(3,617,900)	1,000,000
The Republic of Kazakhstan	2,309,300	(1,809,300)	500,000
The Republic of Belarus	69,300	(54,300)	15,000
The Republic of Tajikistan	2,100	(1,600)	500
The Republic of Armenia	700	(600)	100
The Kyrgyz Republic	700	(600)	100
	7,000,000	(5,484,300)	1,515,700

As at 31 December 2020, 2019 and 2018, 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.

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 2020, 2019 and 2018 are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Net income attributable to the Member states	32,582	68,977	66,445
Weighted average number of paid-in shares	1,515,700	1,515,700	1,515,700
Earnings per one paid-in share	0.0215	0.0455	0.0438

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.

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of US dollars)

24. SHARE CAPITAL, CONTINUED

As at 31 December 2020, the Reserve fund of the Bank was equal to 146,220 thousand US dollars (31 December 2019 and 2018: 111,732 thousand US dollars). In 2020, a transfer of 34,488 thousand US dollars from retained earnings to reserve fund was done (2019: no transfers; 2018: 20,860 thousand US dollars).

25. TECHNICAL ASSISTANCE FUND AND DIGITAL INITIATIVE FUND RESERVES

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

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.

DIF was established by the Bank's Council on 30 June 2020. DIF objective 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 2025 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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26. CAPITAL RISK MANAGEMENT, CONTINUED

The objective of the Bank's share capital is to cover potential losses from its operations. In accordance with the Bank's internal policies, the equity should exceed 16% of the sum of credit, market and operational risks, estimated as per the Basel II Standardized approach. As at 31 December 2020, 2019 and 2018, 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.

Please see financial ratios set by the Bank Council in Note 31 (g).

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.

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

As at 31 December 2020, 2019 and 2018, the nominal or contractual amounts are:

	31 December 2020 Nominal amount	31 December 2019 Nominal amount	31 December 2018 Nominal amount
Guarantees and letters of credit issued	22,121	50,877	1,021
Contingent liabilities:			
on loans and credit lines	1,186,735	1,275,796	1,244,532
on guarantees and letters of credit	246,342	134,727	-
to join private equity funds	3,995	3,995	15,724
	<u>1,459,193</u>	<u>1,465,395</u>	<u>1,261,277</u>
Less expected credit loss provisions	<u>(488)</u>	<u>(720)</u>	<u>(8)</u>
Total contingent liabilities and credit commitments	<u>1,458,705</u>	<u>1,464,675</u>	<u>1,261,269</u>

27. COMMITMENTS AND CONTINGENCIES, CONTINUED

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

Capital commitments

As at 31 December 2020, 2019 and 2018, 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 2020, the amount of assets of the Fund was 3,919,340 thousand US dollars (31 December 2019: 3,830,251 thousand US dollars; 31 December 2018: 3,686,540 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.

28. TRANSACTIONS WITH RELATED PARTIES

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

EURASIAN DEVELOPMENT BANK

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

28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(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 10) was as follows:

	Year ended 31 December 2020		Year ended 31 December 2019		Year ended 31 December 2018	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Salary expenses and other compensation costs	4,564	29,197	6,360	26,478	4,255	18,522
Retirement savings plan expenses	519	4,333	605	3,565	407	2,519
Accommodation costs of employees	38	1,965	60	1,353	78	1,010
Staff costs and other payments to employees	5,121	35,495	7,025	31,396	4,740	22,051

The outstanding balances as at 31 December 2020, 2019 and 2018 for transactions with the key management personnel are as follows:

Statement of Financial Position	31 December 2020	31 December 2019	31 December 2018
Other non-financial liabilities	3,189	3,613	1,543
Retirement savings	1,883	1,541	851

(b) Transactions with other related parties

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

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

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

The outstanding balances as at 31 December 2020, 2019 and 2018 and related profit or loss amounts of transactions for the years ended 31 December 2020, 2019 and 2018 with other related parties are as follows:

	31 December 2020	31 December 2019	31 December 2018
Statement of financial position			
ASSETS			
Cash and cash equivalents:	146,095	279,364	24,834
in US dollars	71,778	2,218	1,155
in Russian rouble	48,450	220,878	13
in Kazakhstani tenge	25,661	16,714	284
in Euro	162	39,506	23,362
in other currencies	62	66	22
less expected credit losses	(18)	(18)	(2)
Financial assets at fair value through profit or loss:	22,646	2,759	291
in US dollars	22,646	2,308	291
in Russian rouble	-	451	-
Loans and advances to financial institutions:	36,363	65,381	49,298
in US dollars	532	1,151	705
in Kazakhstani tenge	24,892	25,839	26,246
in Euro	11,259	38,839	22,390
less expected credit losses	(320)	(448)	(43)
Loans to customers:	699,071	890,202	832,448
in US dollars	43,929	227,000	256,306
in Russian rouble	216,492	239,337	214,150
in Kazakhstani tenge	108,591	164,774	145,041
in Euro	334,400	266,573	223,012
less expected credit losses	(4,341)	(7,482)	(6,061)
Financial assets at fair value through other comprehensive income:	1,105,921	955,044	621,373
in US dollars	328,965	336,411	396,537
in Russian rouble	137,945	106,710	134,491
in Kazakhstani tenge	550,915	513,852	91,755
in Euro	93,601	-	-
less expected credit losses	(5,505)	(1,929)	(1,410)
Debt securities at amortised cost:	225,414	-	-
in US dollars	190,416	-	-
in Euro	35,272	-	-
less expected credit losses	(274)	-	-
Investments in associates	17,260	20,131	-
in Russian rouble	17,260	20,131	-
Other assets:	7,009	8,778	1,518
in US dollars	3,508	8,765	1,438
in Russian rouble	13	13	80
in Kazakhstani tenge	14	-	-
in Euro	3,474	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
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28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

	As at and for the year ended 31 December 2020	As at and for the year ended 31 December 2019	As at and for the year ended 31 December 2018
Statement of financial position			
LIABILITIES			
Loans and deposits from banks:	272,174	264,569	64,440
in US dollars	-	25,000	-
in Russian rouble	35,111	8	21,202
in Kazakhstani tenge	237,056	138,558	43,238
in Euro	7	101,003	-
Financial liabilities at fair value through profit or loss:	632	5,432	1,027
in US dollars	632	4,646	1,027
in Kazakhstani tenge	-	786	-
Deposits from customers:	173,639	150,666	8
in US dollars	58,096	57,887	8
in Russian rouble	84	-	-
in Kazakhstani tenge	115,459	92,779	-
Hedge instruments:	-	632	-
in US dollars	-	632	-
Debt securities issued:	556,634	744,219	487,644
in Russian rouble	243,546	442,819	227,394
in Kazakhstani tenge	313,088	301,400	260,250
Other liabilities:	1,159	1,778	200
in US dollars	186	793	168
in Russian rouble	669	678	22
in Kazakhstani tenge	201	91	10
in Euro	103	216	-
Guarantees received:	244,674	380,733	379,571
in US dollars	3,839	265,978	193,338
in Russian rouble	207,864	25,563	87,620
in Kazakhstani tenge	32,971	89,192	98,613
Commitments:	515,751	476,871	423,754
in US dollars	150,253	167,699	115,687
in Russian rouble	261,621	174,649	160,322
in Kazakhstani tenge	62,865	48,107	3,335
in Euro	41,012	86,416	144,410
Statement of profit or loss			
Interest income	144,430	134,351	94,586
Interest expense	(83,053)	(77,572)	(35,800)
Provision for expected credit losses on interest bearing assets	(1,201)	(1,708)	(6,000)
Losses from investments in associates	(2,791)	-	-
Recovery of/(provision for) expected credit losses on contingent liabilities and other assets	5	(5)	-
Net loss from modification and recognition of new financial instruments	-	(1,072)	(54)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(21,967)	(7,667)	5,888
Net realised gain/(loss) on financial assets at fair value through other comprehensive income	4,094	(265)	(1,950)
Net (loss)/gain on transactions in foreign currencies	(24,510)	4,721	(16,526)
Fee and commission income	8,478	7,563	4,056
Fee and commission expense	(470)	(153)	(22)
Other income	27	-	38

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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29. SEGMENT REPORTING

Segment performance

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

	Russia	Kazakhstan	Belarus	Other Member states	Non- member states	Total
Interest income	94,721	137,208	20,853	2,827	12,960	268,569
Interest expense	(53,542)	(90,295)	(25)	(9)	(54,324)	(198,195)
(Provision for)/recovery of expected credit losses on interest bearing assets	(7,989)	1,998	(11,308)	1,317	73	(15,909)
Net loss on investments in associates	(2,908)	-	-	-	-	(2,908)
Recovery of/(provision for) expected credit losses on contingent liabilities and other assets	213	-	(57)	-	-	156
Net (loss)/gain from modification and recognition of new financial instruments	(159)	352	-	-	-	193
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 realised gain on financial assets at fair value through other comprehensive income	4,429	3	62	8	117	4,619
Net (loss)/gain on transactions in foreign currencies	(11,734)	(826)	(27)	(8)	20,896	8,301
Fee and commission income	10,537	598	191	-	33	11,359
Fee and commission expense	(546)	(87)	(5)	(9)	(396)	(1,043)
Net (loss)/gain on trading with debt securities issued	(308)	-	-	-	13	(295)
Other income	85	44	-	-	-	129
Net result from financial operations	26,815	19,063	9,700	4,098	17,248	76,924
Cash and cash equivalents	206,714	84,297	145	378	372,306	663,840
Financial assets at fair value through profit or loss	27,465	-	-	-	24,096	51,561
Loans and advances to financial institutions	78,501	24,474	42,108	40,392	-	185,475
Loans to customers	889,196	651,734	557,768	-	-	2,098,698
Financial assets at fair value through other comprehensive income	528,341	682,113	31,958	13,157	1,005,481	2,261,050
Debt securities at amortised cost	258,838	35,659	-	-	-	294,497
Investments in associates	17,236	24	-	-	-	17,260
Property, equipment and intangible assets	498	10,698	9	49	-	11,254
Other assets	9,039	2,027	498	293	4,183	16,040
Total assets	2,015,828	1,491,026	632,486	54,269	1,406,066	5,599,675
Total liabilities	743,561	1,088,259	769	11,800	1,873,148	3,717,537
Contingent liabilities and credit commitments, gross	593,671	476,190	324,858	64,474	-	1,459,193
Capital expenditure	215	455	-	7	-	677
Depreciation and amortisation	223	1231	5	22	-	1,481

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.

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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29. SEGMENT REPORTING, CONTINUED

Segment performance, continued

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

	Russia	Kazakhstan	Belarus	Other Member states	Non- member states	Total
Interest income	115,370	106,086	13,405	2,942	27,225	265,028
Interest expense	(52,588)	(74,924)	(13)	(2)	(41,170)	(168,697)
(Provision for)/recovery of expected credit losses on interest bearing assets	(4,745)	2,070	(2,429)	(1,058)	(32)	(6,194)
(Provision for)/recovery of expected credit losses on contingent liabilities and other assets	(691)	89	-	-	-	(602)
Net loss from modification and recognition of new financial instruments	(688)	(2,748)	-	-	-	(3,436)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(87)	(8,961)	(381)	30	(26,415)	(35,814)
Net realised gain on financial assets at fair value through other comprehensive income	93	364	-	-	89	546
Net gain/(loss) on transactions in foreign currencies	30,873	27,600	(4)	(8)	(5,387)	53,074
Fee and commission income	8,155	465	40	15	50	8,725
Fee and commission expense	(233)	(83)	(5)	(6)	(128)	(455)
Net gain on trading with debt securities issued	24	-	-	-	-	24
Other income	2	44	-	-	-	46
Net result from financial operations	95,485	50,002	10,613	1,913	(45,768)	112,245
Cash and cash equivalents	345,908	19,825	13,580	146	385,685	765,144
Financial assets at fair value through profit or loss	6,567	2,759	-	30	661	10,017
Loans and advances to financial institutions	78,495	60,505	84,204	43,094	-	266,298
Loans to customers	1,044,024	704,256	192,589	19,135	-	1,960,004
Financial assets at fair value through other comprehensive income	463,513	591,370	15,359	15,567	1,020,490	2,106,299
Investments in associates	20,131	-	-	-	-	20,131
Property, equipment and intangible assets	462	11,518	13	64	-	12,057
Other assets	8,072	2,480	124	471	9,667	20,814
Total assets	1,967,172	1,392,713	305,869	78,507	1,416,503	5,160,764
Total liabilities	1,139,959	997,061	174	5,288	1,168,286	3,310,768
Contingent liabilities and credit commitments, gross	703,801	521,443	156,290	83,861	-	1,465,395
Capital expenditure	260	737	14	21	-	1,032
Depreciation and amortisation	182	1,072	3	21	-	1,278

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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29. SEGMENT REPORTING, CONTINUED

Segment performance, continued

Segment information for the geographical segments of the Bank as at and for the year ended 31 December 2018 is set out below:

	Russia	Kazakhstan	Belarus	Other Member states	Non- member states	Total
Interest income	90,288	92,191	16,681	2,574	9,304	211,038
Interest expense	(32,004)	(34,744)	-	(7)	(48,124)	(114,879)
(Provision for)/recovery of expected credit losses on interest bearing assets	(5,755)	(9,015)	9,000	(1,058)	4	(6,824)
Provision for expected credit losses on contingent liabilities and other assets	(79)	-	-	-	-	(79)
Net loss from modification and recognition of new financial instruments	-	(425)	-	(54)	-	(479)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6,182	1,357	-	(301)	20,861	28,099
Net realised (loss)/gain on financial assets at fair value through other comprehensive income	(1,821)	14	-	(11)	(98)	(1,916)
Net (loss)/gain on transactions in foreign currencies	(12,041)	5,342	(3)	(4)	(13,916)	(20,622)
Fee and commission income	4,120	140	10	-	80	4,350
Fee and commission expense	(390)	(47)	-	(3)	(144)	(584)
Net loss on trading with debt securities issued	(8)	-	-	-	-	(8)
Other income	4	398	125	4	-	531
Net result from financial operations	48,496	55,211	25,813	1,140	(32,033)	98,627
Cash and cash equivalents	420,943	41,601	128	196	178,302	641,170
Financial assets at fair value through profit or loss	17,169	-	-	-	-	17,169
Loans and advances to financial institutions	67,912	49,212	74,536	53,850	-	245,510
Loans to customers	834,539	675,607	138,826	1,318	-	1,650,290
Financial assets at fair value through other comprehensive income	525,153	187,405	-	4,111	422,672	1,139,341
Hedging instruments	-	-	-	-	86	86
Property, equipment and intangible assets	385	11,851	2	66	-	12,304
Other assets	2,687	1,667	25	28	189	4,596
Total assets	1,868,788	967,343	213,517	59,569	601,249	3,710,466
Total liabilities	530,192	718,674	11	4,009	719,600	1,972,486
Contingent liabilities and credit commitments, gross	632,176	368,307	99,987	160,807	-	1,261,277
Capital expenditure	337	1,166	-	63	-	1,566
Depreciation and amortisation	176	1,002	2	13	-	1,193

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29. SEGMENT REPORTING, CONTINUED

Segment performance, 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 Note 15.

The table below provides a reconciliation between the amounts of net result from financial operations disclosed in segment performance tables and net profit of the Bank:

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Net result from financial operations	76,924	112,245	98,627
Operating expenses	(44,335)	(43,023)	(32,026)
Technical Assistance Fund expenses, net	(7)	(245)	(156)
Net profit	32,582	68,977	66,445

For the years ended 31 December 2020, 2019 and 2018, there were no loans to customers with interest income exceeding 10% of total interest income.

The Bank also allocates assets and liabilities in investment and treasury portfolios, which is another segment reporting form. Refer to Note 30 (b) (iii).

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determining fair values

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

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED**(b) Valuation of financial instruments**

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

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

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

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

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

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

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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 2020, 2019 and 2018, 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 31 December 2020 Total</u>
Financial assets at fair value through profit or loss:				
Derivatives	-	24,109	-	24,109
Equity instruments	-	22,634	4,818	27,452
Financial assets at fair value through other comprehensive income:				
Equity instruments, initially recognized at fair value through other comprehensive income, in Treasury portfolio	-	22,594	-	22,594
Debt instruments in Treasury portfolio	1,418,628	187,920	-	1,606,548
Debt instruments in Investment portfolio	-	631,903	5	631,908
Financial liabilities at fair value through profit or loss:				
Derivatives	-	(5,001)	-	(5,001)
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>As at 31 December 2019 Total</u>
Financial assets at fair value through profit or loss:				
Derivatives	-	3,450	-	3,450
Equity instruments	-	-	6,567	6,567
Financial assets at fair value through other comprehensive income:				
Debt instruments in Treasury portfolio	964,121	549,839	-	1,513,960
Debt instruments in Investment portfolio	-	592,334	5	592,339
Financial liabilities at fair value through profit or loss:				
Derivatives	-	(26,955)	-	(26,955)
Hedging instruments	-	(1,616)	-	(1,616)

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

	Level 1	Level 2	Level 3	As at 31 December 2018 Total
Financial assets at fair value through profit or loss:				
Derivatives	-	291	-	291
Equity instruments	-	-	16,878	16,878
Financial assets at fair value through other comprehensive income:				
Debt instruments in Treasury portfolio	620,096	292,402	-	912,498
Debt instruments in Investment portfolio	-	226,840	3	226,843
Hedging instruments	-	86	-	86
Financial liabilities at fair value through profit or loss:				
Derivatives	-	(3,329)	-	(3,329)
Hedging instruments	-	(521)	-	(521)

(b) Valuation of financial instruments, continued

The following table shows reconciliation for the years ended 31 December 2020, 2019 and 2018 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3		
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Financial assets at fair value through profit or loss			
Balance at beginning of the year	6,567	16,878	-
Transfer from financial assets at fair value through other comprehensive income on adoption of IFRS 9 (refer to Note 12)	-	-	19,814
(Redemption)/purchase of new instruments, net	(190)	(10,076)	539
Interest income received	-	(38)	(172)
Losses less gains from equity securities at fair value through profit or loss	(1,559)	(197)	(3,303)
Balance at end of the year	4,818	6,567	16,878
Financial assets at fair value through other comprehensive income			
Balance at the beginning of the year	5	3	20,229
Transfer to financial assets at fair value through profit or loss category on adoption of IFRS 9 (refer to Note 12)	-	-	(19,814)
Effect of IFRS 9 adoption	-	-	(253)
Interest income accrued	-	2	-
Impairment loss	-	-	(71)
Revaluation	-	-	(88)
Balance at end of the year	5	5	3

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

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

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

The table below analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2020, 2019 and 2018.

	Level 1	Level 2	Level 3	As at 31 December 2020	
				Total fair value	Total carrying amount
Financial assets					
<i>Cash and cash equivalents</i>					
Cash and balances with national (central) banks of Member states of the Bank	-	-	1,146	1,146	1,146
Correspondent accounts with other banks	-	-	135,213	135,213	135,213
Term deposits in other banks	-	377,457	-	377,457	377,457
Loans under reverse repurchase agreements	-	150,024	-	150,024	150,024
Total cash and cash equivalents	-	527,481	136,359	663,840	663,840
<i>Loans and advances to financial institutions</i>	-	-	187,710	187,710	185,475
<i>Loans to customers</i>	-	-	2,169,905	2,169,905	2,098,698
<i>Debt securities at amortised cost</i>	-	295,727	-	295,727	294,497
<i>Other financial assets</i>	-	-	9,098	9,098	9,098
Financial liabilities					
<i>Loans and deposits from banks</i>					
Correspondent accounts of other banks	-	-	13,151	13,151	13,151
Deposits from banks	-	-	149,909	149,909	149,909
Loans from banks	-	-	613,067	613,067	634,147
Loans under repurchase agreements:					
in Euro	-	-	649,656	649,656	649,656
in Russian rouble	-	-	110,708	110,708	110,708
in Kazakhstani tenge	-	-	2,541	2,541	2,541
Total loans and deposits from banks	-	-	1,539,032	1,539,032	1,560,112
<i>Deposits from customers</i>					
Current accounts:					
in Kazakhstani tenge	-	-	121,574	121,574	121,574
in US dollars	-	-	46,096	46,096	46,096
in Euro	-	-	412	412	412
in Russian rouble	-	-	319	319	319
Deposits from customers:					
in Kazakhstani tenge	-	-	88,586	88,586	90,343
in US dollars	-	-	65,731	65,731	65,685
in Russian rouble	-	-	43,023	43,023	42,916
in Euro	-	-	24,253	24,253	24,253
Deposits from customers	-	-	389,994	389,994	391,598
<i>Debt securities issued</i>					
in US dollars	-	625,651	-	625,651	611,968
in Russian rouble	-	625,588	-	625,588	624,685
in Kazakhstani tenge	-	470,866	-	470,866	482,899
Total debt securities issued	-	1,722,105	-	1,722,105	1,719,552
<i>Other financial liabilities</i>	-	-	7,516	7,516	7,516

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

	Level 1	Level 2	Level 3	As at 31 December 2019	
				Total fair value	Total carrying amount
Financial assets					
<i>Cash and cash equivalents</i>					
Cash and balances with national (central) banks of Member states of the Bank	-	-	499	499	499
Correspondent accounts with other banks	-	-	29,553	29,553	29,553
Term deposits in other banks	-	-	478,709	478,709	478,709
Loans under reverse repurchase agreements	-	256,383	-	256,383	256,383
Total cash and cash equivalents	-	256,383	508,761	765,144	765,144
<i>Loans and advances to financial institutions</i>					
Loans to financial institutions	-	-	231,613	231,613	231,613
Loans under reverse repurchase agreements	-	34,685	-	34,685	34,685
Total loans and advances to financial institutions	-	34,685	231,613	266,298	266,298
<i>Loans to customers</i>	-	-	1,960,004	1,960,004	1,960,004
<i>Other financial assets</i>	-	-	10,868	10,868	10,868
Financial liabilities					
<i>Loans and deposits from banks</i>					
Correspondent accounts of other banks	-	-	3,611	3,611	3,611
Deposits from banks	-	-	41,185	41,185	41,185
Loans from banks	-	-	453,529	453,529	453,529
Loans under repurchase agreements:					
in Euro	-	-	147,458	147,458	147,458
in Kazakhstani tenge	-	-	94,692	94,692	94,692
Total loans and deposits from banks	-	-	740,475	740,475	740,475
<i>Deposits from customers</i>					
Current accounts:					
in Kazakhstani tenge	-	-	113,496	113,496	113,496
in US dollars	-	-	25,210	25,210	25,210
in Russian rouble	-	-	1,925	1,925	1,925
in Euro	-	-	516	516	516
Deposits from customers:					
in US dollars	-	-	104,099	104,099	104,099
in Russian rouble	-	-	31,582	31,582	31,582
in Kazakhstani tenge	-	-	20,515	20,515	20,515
in Euro	-	-	1	1	1
Deposits from customers	-	-	297,344	297,344	297,344
<i>Debt securities issued</i>					
in US dollars	-	826,944	-	826,944	804,674
in Russian rouble	-	882,283	-	882,283	888,906
in Kazakhstani tenge	-	516,190	-	516,190	515,748
Total debt securities issued	-	2,225,417	-	2,225,417	2,209,328
<i>Other financial liabilities</i>	-	-	9,854	9,854	9,854

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instrument, continued

	Level 1	Level 2	Level 3	As at 31 December 2018	
				Total fair value	Total carrying amount
Financial assets					
<i>Cash and cash equivalents</i>					
Cash and balances with national (central) banks					
of Member states of the Bank	-	-	540	540	540
Correspondent accounts with other banks	-	-	36,779	36,779	36,779
Term deposits in other banks	-	-	166,922	166,922	166,922
Loans under reverse repurchase agreements	-	436,929	-	436,929	436,929
Total cash and cash equivalents	-	436,929	204,241	641,170	641,170
<i>Loans and advances to financial institutions</i>					
Loans to financial institutions	-	-	222,510	222,510	222,510
Loans under reverse repurchase agreements	-	23,000	-	23,000	23,000
Total loans and advances to financial institutions	-	23,000	222,510	245,510	245,510
Loans to customers	-	-	1,650,290	1,650,290	1,650,290
Other financial assets	-	-	2,842	2,842	2,842
Financial liabilities					
<i>Loans and deposits from banks</i>					
Deposits from banks	-	-	68,810	68,810	68,810
Loans from banks	-	-	108,999	108,999	108,999
Loans under repurchase agreements:					
in Russian rouble	-	-	17,970	17,970	17,970
in Kazakhstani tenge	-	-	43,238	43,238	43,238
in Armenian dram	-	-	3,914	3,914	3,914
Total loans and deposits from banks	-	-	242,931	242,931	242,931
<i>Deposits from customers</i>					
Current accounts:					
in US dollars	-	-	13,342	13,342	13,342
in Kazakhstani tenge	-	-	56,307	56,307	56,307
in Russian rouble	-	-	8	8	8
Deposits from customers:					
in US dollars	-	-	82,669	82,669	82,669
in Kazakhstani tenge	-	-	24,819	24,819	24,819
Deposits from customers	-	-	177,145	177,145	177,145
<i>Debt securities issued</i>					
in US dollars	-	596,412	-	596,412	588,613
in Russian rouble	-	494,710	-	494,710	498,325
in Kazakhstani tenge	-	438,335	-	438,335	438,848
Total debt securities issued	-	1,529,457	-	1,529,457	1,525,786
Other financial liabilities	-	-	2,767	2,767	2,767

31. RISK MANAGEMENT**(a) Risk management organisational structure**

The Bank's operations are subject to a variety of risks, many of which are beyond its control, including risks relating to changes in equity or commodity prices, interest rates, foreign exchange rates, declines in liquidity and deterioration in the credit quality of its loan and treasury portfolios. It arises due to insufficiency and asymmetry of data, non-linear and contradictory nature of economical and other processes, random elements, etc. The Bank monitors and manages the maturities of its loans, its interest rate and exchange rate exposures, its liquidity position and the credit quality of each financial asset in Investment portfolio in order to minimise the effects of changes in them on the Bank's financial position.

Risk management is conducted by (i) the Council, (ii) the Management Board, (iii) the Assets and Liabilities Management Committee ("ALMC"), (iv) the Credit Committee, (v) Investment activity Committee, (vi) the Credit and risk management department, (vii) Assets and liabilities management division, (viii) other departments of the Bank which together are responsible for devising and implementing the Bank's risk management policies, including credit, market, operational and liquidity risks. The basic credit policy of the Bank is set out in, and governed by, the Charter and also by the "Investment Regulations" which is fundamental and strategic document of the Bank, which allows it to manage its credit risks. Other internal guidelines to manage risks are contained in the internal guidelines regulation. For changes in risk management procedures related to implementation of IFRS 9, refer to Note 3 (o), (p).

(i) The Council

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

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

(ii) The Management Board

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

- development and realization of Bank's activity programme, including Investment activity, aimed at achieving strategic goals of the Bank;
- approving risk management rules and regulations of the Bank, including interaction guidelines for different departments of the Bank;
- approving the Bank's investment projects within its limits in accordance with the Investment regulations;
- approving the Bank's investment projects 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) Assets and Liabilities Management Committee***

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

(iv) Credit Committee

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

(v) Investment activity Committee

Investment activity Committee is a permanent collective body reporting to the Management Board which reviews and makes recommendations on general management of Investment portfolio.

(vi) Credit and risk management department

The credit and risk management department is responsible for:

proposing risk management policies for approval by the Management Board. In addition, the credit and risk management department monitors the implementation of the Bank's risk management techniques, policies and guidelines and is also responsible for:

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

(vii) Assets and liabilities management division

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

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk

Credit risk is a possibility of financial losses, emerging from non-fulfillment of contractual obligations by the borrowers/issuers. The sources of credit risk are Investment portfolio of the Bank, comprised of loans/credit lines to borrowers, and Treasury portfolio, comprised of securities, inter-bank loans, reverse REPO operations and other financial instruments.

Management of credit risk is performed by the Council, the Management Board, ALMC, Credit Committee and Investment activity Committee of the Bank. These groups manage credit risk primarily through the reconciliation and approval issuance of investment projects and other propositions only within set limits.

The Council of the Bank determines the credentials of the Management Board of the Bank. The Bank's Management Board has the right to approve projects on a group of associated borrowers with a maximum exposure of 100 million US dollars. In cases where the credit exposure exceeds the limit, the Council of the Bank is responsible for the approval of the project.

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

For the purpose of effective credit risk management, employees of relevant departments of the Bank are included in the Credit Committee and participate in the process of considering loan applications. Based on the presentation and preliminary decision of the Credit Committee, either the Management Board or the Council of the Bank within the limits of their powers, reviews and approves investment projects and makes decisions on any changes and addenda to the existing loan agreements.

The ALMC sets limits by determining the maximum credit exposure on individual counterparties/issuers within Treasury activity of the Bank.

(i) *Credit risk in the investment project financing*

The Bank sets investment project financing as its core activity. Hence, credit risk management is a major and integral part of activities of the Bank and the major risk that the Bank is exposed to.

The Bank estimates that the major components of credit risk in real sector investment project finance are:

- project risks;
- operational risks;
- market and industry risks;
- currency and interest rate risks;
- country risks;
- compliance risks;
- collateral risks;
- legal risks; and
- social and ecological risks.

The process of credit risk management in investment project finance consists of identification of potential risks, analysis of the risks, management and control of revealed risks.

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

(i) Credit risk in the investment project financing, continued

During the identification phase, the Bank reveals all components of credit risk associated with a particular project.

A further analysis of identified risks via quantity and/or quality methods is performed to determine the probability of risk events occurrence (risk level) and possible consequences (financial losses). At this stage for each project the Bank prepares a sensitivity analysis to macro economical and other parameters, analysis of borrowers' industries to identify if there could be any risks due to current or possible negative market trends. Taking into account identified risks the Bank evaluates financial condition of borrowers and their debt servicing abilities.

Risk identification and control is aimed at minimising the credit risks of the Bank while providing necessary rate of return. The Bank developed and implemented the following action plan to protect its financial assets from impairment:

- risk sharing due to co-participation with other financial institutions and project founders;
- proposals of economical hedging strategies;
- optimisation of financing structure;
- optimisation of collateral structure; and
- monitoring of industry trends and the project realisation to anticipate potential future problems.

(ii) Credit risk in the treasury portfolio

In order to form the treasury portfolio, the Bank has restrictions to invest its available funds, including borrowed funds and its equity capital, in securities of issuers having a long-term credit rating not less than BB-\Ba3\BB- or the equivalent assigned by Fitch Ratings \ Moody's Investors Service \ S&P Global Ratings, respectively, or under unconditional guarantees of the respective issuers. By decision of the Management Board, the Bank may invest available funds in sovereign securities issued by the Member States with long-term credit rating of not less than B-\B3\B- assigned by Fitch Ratings \ Moody's Investors Service \ S&P Global Ratings, respectively.

If available funds are placed in a financial institution, such financial institution must have a long-term credit rating not less than B\B2\B or the equivalent assigned by Fitch Ratings \ Moody's Investors Service \ S&P Global Ratings, respectively. If funds are being placed with a financial institution subsidiary, it is not necessary for the financial institution subsidiary to have a credit rating provided that the parent financial institution has a credit rating not less than A\A2\A or the equivalent assigned by Fitch Ratings \ Moody's Investors Service \ S&P Global Ratings, respectively.

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

(iii) Assets allocation in portfolios

The Bank separates its assets into two portfolios which are the investment portfolio and the treasury portfolio. The purpose of this separation is to provide management of the Bank with the information about the portfolios' assets structure as these portfolios pursue different aims of the Bank and are managed differently. For each of the portfolios the Management Board of the Bank reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the portfolios:

- Assets in the treasury portfolio are intended to protect the share capital of the Bank from the influence of risk factors, and also to maintain a sufficient level of liquidity. Assets in treasury portfolio are managed in accordance with the Investment declaration, the Market and treasury risks management rules and internal guidelines regulation, which set forth strategy, structure and principles for the treasury portfolio. These assets are managed by the Treasury department, overviewed and controlled by the Assets and Liabilities Management Committee. The credit and risk management department supervises compliance with investment limits.
- Assets in the investment portfolio pursue the strategic objectives of the Bank of development of the market economy and integration in its Member states. 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.

Performance is measured based on structure and quality of assets in respective portfolios as included in the internal management reports.

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31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

(iii) Assets allocation in portfolios, continued

Information regarding each portfolio is included below:

	Current investment portfolio	Treasury Portfolio	Unallocated*	31 December 2020 Total
Cash and cash equivalents	-	663,840	-	663,840
Financial assets at fair value through profit or loss	4,818	46,743	-	51,561
Loans and advances to financial institutions	186,329	-	(854)	185,475
Loans to customers	2,171,589	-	(72,891)	2,098,698
Financial assets at fair value through other comprehensive income	603,532	1,629,142	28,376	2,261,050
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
Total assets	2,983,528	2,634,222	(18,075)	5,599,675
Total liabilities	-	925,964	2,791,573	3,717,537
Contingent liabilities and credit commitments, gross	1,437,072	-	22,121	1,459,193
Total current investment portfolio	4,420,600			

*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.

	Current investment portfolio	Treasury Portfolio	Unallocated*	31 December 2019 Total
Cash and cash equivalents	-	765,144	-	765,144
Financial assets at fair value through profit or loss	6,567	3,450	-	10,017
Loans and advances to financial institutions	232,334	34,685	(721)	266,298
Loans to customers	2,031,401	-	(71,397)	1,960,004
Financial assets at fair value through other comprehensive income	566,283	1,513,960	26,056	2,106,299
Investments in associates	20,131	-	-	20,131
Property, equipment and intangible assets	-	-	12,057	12,057
Other assets	-	-	20,814	20,814
Total assets	2,856,716	2,317,239	(13,191)	5,160,764
Total liabilities	-	315,517	2,995,251	3,310,768
Contingent liabilities and credit commitments, gross	1,465,395	-	-	1,465,395
Total current investment portfolio	4,322,111			

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31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

(iii) Assets allocation in portfolios, continued

	Current investment portfolio	Treasury Portfolio	Unallocated*	31 December 2018 Total
Cash and cash equivalents	-	641,170	-	641,170
Financial assets at fair value through profit or loss	16,878	291	-	17,169
Loans and advances to financial institutions	223,479	23,000	(969)	245,510
Loans to customers	1,714,385	-	(64,095)	1,650,290
Financial assets at fair value through other comprehensive income	225,925	912,498	918	1,139,341
Hedge instrument	-	86	-	86
Property, equipment and intangible assets	-	-	12,304	12,304
Other assets	-	-	4,596	4,596
Total assets	2,180,667	1,577,045	(47,246)	3,710,466
Total liabilities	-	137,868	1,834,618	1,972,486
Contingent liabilities and credit commitments, gross	1,261,277	-	-	1,261,277
Total current investment portfolio	3,441,944			

(iv) 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'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 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

(iv) 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 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)	-
Total financial assets	174,133	174,133	(150,024)	24,109
Derivatives liabilities	(5,001)	(5,001)	-	(5,001)
Loans under repurchase agreements	(762,905)	(762,905)	762,905	-
Total financial liabilities	(767,906)	(767,906)	762,905	(5,001)

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

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	3,450	3,450	-	3,450
Loans under reverse repurchase agreements	256,383	256,383	(256,383)	-
Total financial assets	259,833	259,833	(256,383)	3,450
Derivatives liabilities	(26,955)	(26,955)	-	(26,955)
Hedging instruments	(1,616)	(1,616)	-	(1,616)
Loans under repurchase agreements	(242,150)	(242,150)	242,150	-
Total financial liabilities	(270,721)	(270,721)	242,150	(28,571)

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2018:

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31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

(iv) 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 2018:

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 Financial instruments/collateral received	Net amount
Derivative assets	291	291	-	291
Hedging instruments	86	86	-	86
Loans under reverse repurchase agreements	436,929	436,929	(436,929)	-
Total financial assets	437,306	437,306	(436,929)	377
Derivatives liabilities	(3,329)	(3,329)	-	(3,329)
Hedging instruments	(521)	(521)	-	(521)
Loans under repurchase agreements	(65,122)	(65,122)	65,122	-
Total financial liabilities	(68,972)	(68,972)	65,122	(3,850)

(v) Maximum exposure

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

The maximum exposure to credit risk at the reporting date is as follows.

	31 December 2020	31 December 2019	31 December 2018
Cash and cash equivalents	663,840	765,144	641,170
Derivative assets	24,109	3,450	291
Loans and advances to financial institutions	185,475	266,298	245,510
Loans to customers	2,098,698	1,960,004	1,650,290
Financial assets at fair value through other comprehensive income	2,261,050	2,106,299	1,139,341
Debt securities at amortised cost	294,497	-	-
Hedging instruments	-	-	86
Other financial assets	9,098	10,868	2,842

The maximum exposure to credit risk from unrecognized contractual commitments at the reporting date is presented in Note 27.

Financial assets are graded according to the current credit rating issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB-. Financial assets which have ratings lower than BBB- are classed as speculative grade.

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31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

(v) Maximum exposure, continued

The following tables detail the credit ratings of financial assets held, except for loans to customers, by the Bank as at 31 December 2020, 2019 and 2018:

	AA	A	BBB	<BBB-	Not rated	31 December 2020 Total
Cash and cash equivalents	27,919	352,747	270,336	11,869	969	663,840
Financial assets at fair value through profit or loss	-	24,096	13	22,634	4,818	51,561
Loans and advances to financial institutions	-	-	346	176,047	9,082	185,475
Financial assets at fair value through other comprehensive income	810,696	194,785	630,892	542,606	82,071	2,261,050
Debt securities at amortised cost	-	-	272,742	21,755	-	294,497
Other financial assets	-	-	-	-	9,098	9,098

	AA	A	BBB	<BBB-	Not rated	31 December 2019 Total
Cash and cash equivalents	140,145	220,353	331,457	68,406	4,783	765,144
Financial assets at fair value through profit or loss	-	661	2,759	30	6,567	10,017
Loans and advances to financial institutions	34,685	-	-	231,319	294	266,298
Financial assets at fair value through other comprehensive income	590,841	429,135	493,984	482,843	109,496	2,106,299
Other financial assets	-	-	-	-	10,868	10,868

	AA	A	BBB	<BBB-	Not rated	31 December 2018 Total
Cash and cash equivalents	376	134,555	158,768	338,960	8,511	641,170
Financial assets at fair value through profit or loss	-	-	-	291	16,878	17,169
Loans and advances to financial institutions	23,000	-	-	212,130	10,380	245,510
Financial assets at fair value through other comprehensive income	204,746	217,926	176,742	529,768	10,159	1,139,341
Hedging instruments	-	86	-	-	-	86
Other financial assets	-	-	-	-	2,842	2,842

Loans to customers and financial institutions are made with intention to develop the economies of the Member states. Most of the borrowers are not rated by international rating agencies, however, the Bank is able to perform specific monitoring of each individual loan. Loans are regularly reviewed by the Bank's Credit Committee.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Bank is concentrated within the Russian Federation and the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk

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

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

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

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

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

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

EURASIAN DEVELOPMENT BANK

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31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

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

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1.11%	512,475	15,006	-	-	-	527,481
Loans and advances to financial institutions	5.41%	3,539	12,316	94,191	75,429	-	185,475
Loans to customers	6.13%	105,659	240,180	200,544	1,191,855	360,460	2,098,698
Financial assets at fair value through other comprehensive income	3.86%	311,012	499,734	229,332	781,827	439,145	2,261,050
Debt securities at amortised cost	2.01%	10,881	472	1,102	160,209	121,833	294,497
Total interest bearing financial assets		943,566	767,708	525,169	2,209,320	921,438	5,367,201
Cash and cash equivalents		136,359	-	-	-	-	136,359
Financial assets at fair value through profit or loss		393	27,452	-	23,716	-	51,561
Other financial assets		-	-	9,098	-	-	9,098
Total financial assets		1,080,318	795,160	534,267	2,233,036	921,438	5,564,219
FINANCIAL LIABILITIES:							
Loans and deposits							
from banks	2.81%	173,378	99,897	10,728	1,069,076	207,033	1,560,112
Deposits from customers	5.02%	196,262	9,771	120,800	61,824	2,941	391,598
Debt securities issued*	6.81%	6,439	78,227	362,672	1,272,214	-	1,719,552
Other financial liabilities	2.09%	59	499	1,571	1,942	-	4,071
Total interest bearing financial liabilities		376,138	188,394	495,771	2,405,056	209,974	3,675,333
Financial liabilities at fair value through profit or loss		3,800	1,201	-	-	-	5,001
Other financial liabilities		61	-	3,384	-	-	3,445
Total financial liabilities		379,999	189,595	499,155	2,405,056	209,974	3,683,779
Liquidity gap		700,319	605,565	35,112	(172,020)	711,464	

* 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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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	3.60%	735,092	-	-	-	-	735,092
Loans and advances to financial institutions	6.78%	3,822	14,569	141,082	106,825	-	266,298
Loans to customers	7.63%	51,704	169,836	222,122	1,227,887	288,455	1,960,004
Financial assets at fair value through other comprehensive income	4.94%	476,890	376,475	326,658	333,574	592,702	2,106,299
Total interest bearing financial assets		1,267,508	560,880	689,862	1,668,286	881,157	5,067,693
Cash and cash equivalents		30,052	-	-	-	-	30,052
Financial assets at fair value through profit or loss		30	9,652	335	-	-	10,017
Other financial assets		-	-	10,868	-	-	10,868
Total financial assets		1,297,590	570,532	701,065	1,668,286	881,157	5,118,630
FINANCIAL LIABILITIES:							
Loans and deposits from banks	3.71%	245,482	12,771	18,709	334,608	128,905	740,475
Deposits from customers	5.00%	216,187	29,251	16,350	25,267	10,289	297,344
Debt securities issued*	7.21%	176,177	77,098	588,990	1,367,063	-	2,209,328
Other financial liabilities	3.68%	-	-	2,370	4,597	-	6,967
Total interest bearing financial liabilities		637,846	119,120	626,419	1,731,535	139,194	3,254,114
Financial liabilities at fair value through profit or loss		716	2,053	6,877	17,309	-	26,955
Hedging instruments		-	-	1,616	-	-	1,616
Other financial liabilities		157	-	2,730	-	-	2,887
Total financial liabilities		638,719	121,173	637,642	1,748,844	139,194	3,285,572
Liquidity gap		658,871	449,359	63,423	(80,558)	741,963	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2018 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	3.10%	602,393	-	-	-	-	602,393
Loans and advances to financial institutions	7.15%	3,178	13,341	101,510	127,481	-	245,510
Loans to customers	8.59%	37,596	44,107	340,984	967,556	260,047	1,650,290
Financial assets at fair value through other comprehensive income	4.62%	234,673	4,273	246,796	321,795	331,804	1,139,341
Total interest bearing financial assets		877,840	61,721	689,290	1,416,832	591,851	3,637,534
Cash and cash equivalents		38,777	-	-	-	-	38,777
Financial assets at fair value through profit or loss		-	-	291	16,878	-	17,169
Hedging instruments		-	-	86	-	-	86
Other financial assets		-	-	2,842	-	-	2,842
Total financial assets		916,617	61,721	692,509	1,433,710	591,851	3,696,408
FINANCIAL LIABILITIES:							
Loans and deposits from banks	3.64%	67,011	32,686	53,382	66,339	23,513	242,931
Deposits from customers	4.62%	106,704	7,877	62,564	-	-	177,145
Debt securities issued*	7.42%	10,652	13,735	132,331	1,369,068	-	1,525,786
Total interest bearing financial liabilities		184,367	54,298	248,277	1,435,407	23,513	1,945,862
Financial liabilities at fair value through profit or loss		999	543	1,787	-	-	3,329
Hedging instruments		-	-	521	-	-	521
Other financial liabilities		47	-	2,720	-	-	2,767
Total financial liabilities		185,413	54,841	253,305	1,435,407	23,513	1,952,479
Liquidity gap		731,204	6,880	439,204	(1,697)	568,338	

EURASIAN DEVELOPMENT BANK

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

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	649,201	15,014	-	-	-	664,215
Financial assets at fair value through profit or loss	393	27,452	-	23,716	-	51,561
Loans and advances to financial institutions	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	316,298	626,754	137,840	849,936	670,438	2,601,266
Debt securities at amortised cost	10,917	233	11,834	165,182	130,198	318,364
Other financial assets	-	-	9,098	-	-	9,098
Total financial assets	1,088,942	929,561	550,046	2,711,192	1,323,404	6,603,145
FINANCIAL LIABILITIES:						
Loans and deposits from banks	173,843	104,689	28,479	1,160,135	229,836	1,696,982
Financial liabilities at fair value through profit or loss	3,800	1,201	-	-	-	5,001
Deposits from customers	197,126	11,591	128,038	68,153	4,540	409,448
Debt securities issued	7,163	86,488	433,279	1,398,606	-	1,925,536
Other financial liabilities	120	499	4,956	2,032	-	7,607
Total financial liabilities	382,052	204,468	594,752	2,628,926	234,376	4,044,574
Net position	706,890	725,093	(44,706)	82,266	1,089,028	2,558,571
Contingent liabilities and credit commitments, gross	33,923	46,802	152,735	1,173,967	51,766	1,459,193

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
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31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	765,886	-	-	-	-	765,886
Financial assets at fair value through profit or loss	30	9,652	335	-	-	10,017
Loans and advances to financial institutions	4,181	16,812	153,551	116,519	-	291,063
Loans to customers	57,567	192,786	335,401	1,692,288	375,142	2,653,184
Financial assets at fair value through other comprehensive income	477,592	379,628	364,064	581,753	814,074	2,617,111
Other financial assets	-	-	10,868	-	-	10,868
Total financial assets	1,305,256	598,878	864,219	2,390,560	1,189,216	6,348,129
FINANCIAL LIABILITIES:						
Loans and deposits from banks	246,689	14,083	22,153	396,020	143,166	822,111
Financial liabilities at fair value through profit or loss	716	2,053	6,877	17,309	-	26,955
Deposits from customers	216,732	29,809	18,183	30,749	11,890	307,363
Debt securities issued	176,177	77,098	657,002	1,592,400	-	2,502,677
Hedge instruments	-	-	1,616	-	-	1,616
Other financial liabilities	157	-	5,100	4,863	-	10,120
Total financial liabilities	640,471	123,043	710,931	2,041,341	155,056	3,670,842
Net position	664,785	475,835	153,288	349,219	1,034,160	2,677,287
Contingent liabilities and credit commitments, gross	116,411	199,455	844,570	304,959	-	1,465,395
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2018 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	641,176	-	-	-	-	641,176
Financial assets at fair value through profit or loss	-	-	291	16,878	-	17,169
Loans and advances to financial institutions	3,470	15,351	111,793	139,102	-	269,716
Loans to customers	46,775	62,152	515,200	1,200,458	341,709	2,166,294
Hedge instruments	-	-	86	-	-	86
Financial assets at fair value through other comprehensive income	235,845	7,360	281,184	469,541	470,066	1,463,996
Other financial assets	-	-	2,842	-	-	2,842
Total financial assets	927,266	84,863	911,396	1,825,979	811,775	4,561,279
FINANCIAL LIABILITIES:						
Loans and deposits from banks	67,057	34,228	56,039	72,413	26,243	255,980
Financial liabilities at fair value through profit or loss	999	543	1,787	-	-	3,329
Deposits from customers	106,734	7,981	64,259	-	-	178,974
Debt securities issued	11,568	23,695	201,201	1,541,310	-	1,777,774
Hedge instruments	-	-	521	-	-	521
Other financial liabilities	47	-	2,720	-	-	2,767
Total financial liabilities	186,405	66,447	326,527	1,613,723	26,243	2,219,345
Net position	740,861	18,416	584,869	212,256	785,532	2,341,934
Contingent liabilities and credit commitments, gross	73,395	333,945	595,538	258,399	-	1,261,277

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

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

(d) Market risk

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

Interest rate sensitivity

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

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

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

The following table details the Bank's sensitivity to a 3% increase and decrease in the interest rates in 2020, 2019 and 2018. 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.

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31. RISK MANAGEMENT, CONTINUED

(e) Market risk, continued

Interest rate sensitivity, continued

An analysis of sensitivity of net profit and equity to changes in interest rates (repricing risk) based on a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves and positions of variable interest rate assets and liabilities existing as at 31 December 2020, 2019 and 2018 is as follows:

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Financial assets:						
Loans and advances to financial institutions	3,926	(3,926)	875	(875)	468	(468)
Loans to customers	42,980	(42,980)	33,245	(33,245)	21,700	(21,700)
Financial liabilities:						
Loans from banks	(7,269)	7,269	(9,458)	9,458	(3,262)	3,262
Net impact on net profit and equity	39,637	(39,637)	24,662	(24,662)	18,906	(18,906)

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 2020, 2019 and 2018, and a simplified scenario of a 300 bp symmetrical fall or rise in all yield curves is as follows:

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Financial assets at fair value through other comprehensive income	(55,057)	65,777	(152,084)	182,007	(111,315)	122,126
Net impact on equity	(55,057)	65,777	(152,084)	182,007	(111,315)	122,126

(f) Currency risk

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

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

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of US dollars)*

31. RISK MANAGEMENT, CONTINUED

(f) Currency risk, continued

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

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

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

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2020 Total
Financial assets:						
Cash and cash equivalents	470,865	31,411	51,722	21,796	88,046	663,840
Financial assets at fair value through profit or loss	51,561	-	-	-	-	51,561
Loans and advances to financial institutions	63,577	24,820	48,367	48,711	-	185,475
Loans to customers	174,484	333,040	622,087	969,087	-	2,098,698
Financial assets at fair value through other comprehensive income	1,227,788	583,443	165,584	93,507	190,728	2,261,050
Debt securities at amortised cost	259,264	-	-	35,233	-	294,497
Investments in associates	17,260	-	-	-	-	17,260
Other financial assets	4,260	1,163	131	3,477	67	9,098
Total financial assets	2,269,059	973,877	887,891	1,171,811	278,841	5,581,479
Financial liabilities:						
Loans and deposits from banks	177,222	273,073	153,148	728,306	228,363	1,560,112
Financial liabilities at fair value through profit or loss	4,495	-	506	-	-	5,001
Deposits from customers	111,781	211,917	43,235	24,665	-	391,598
Debt securities issued	611,968	482,899	624,685	-	-	1,719,552
Other financial liabilities	1,351	609	4,975	443	138	7,516
Total financial liabilities	906,817	968,498	826,549	753,414	228,501	3,683,779
OPEN BALANCE SHEET POSITION	1,362,242	5,379	61,342	418,397	50,340	1,897,700
Contingent liabilities and credit commitments, gross	431,561	79,772	546,297	382,147	19,416	1,459,193

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT, CONTINUED

(f) Currency risk, continued

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2019 Total
Financial assets:						
Cash and cash equivalents	383,055	17,032	302,515	62,052	490	765,144
Financial assets at fair value through profit or loss	9,566	-	451	-	-	10,017
Loans and advances to financial institutions	15,664	60,505	78,495	111,634	-	266,298
Loans to customers	518,002	227,739	734,405	479,858	-	1,960,004
Financial assets at fair value through other comprehensive income	1,424,212	548,893	133,194	-	-	2,106,299
Investments in associates	20,131	-	-	-	-	20,131
Other financial assets	9,417	1,277	155	19	-	10,868
Total financial assets	2,380,047	855,446	1,249,215	653,563	490	5,138,761
Financial liabilities:						
Loans and deposits from banks	116,118	233,378	16,148	374,723	108	740,475
Financial liabilities at fair value through profit or loss	25,339	786	830	-	-	26,955
Deposits from customers	129,308	134,011	33,507	518	-	297,344
Hedge instruments	1,616	-	-	-	-	1,616
Debt securities issued	804,674	515,748	888,906	-	-	2,209,328
Other financial liabilities	273	687	8,307	519	68	9,854
Total financial liabilities	1,077,328	884,610	947,698	375,760	176	3,285,572
OPEN BALANCE SHEET POSITION	1,302,719	(29,164)	301,517	277,803	314	1,853,189
Contingent liabilities and credit commitments, gross	373,929	163,796	681,308	246,362	-	1,465,395

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
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31. RISK MANAGEMENT, CONTINUED

(f) Currency risk, continued

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2018 Total
Financial assets:						
Cash and cash equivalents	570,028	26,733	2,529	41,148	732	641,170
Financial assets at fair value through profit or loss	17,169	-	-	-	-	17,169
Loans and advances to financial institutions	38,863	49,212	67,912	89,523	-	245,510
Loans to customers	580,902	261,807	478,112	329,469	-	1,650,290
Financial assets at fair value through other comprehensive income	904,673	91,196	143,472	-	-	1,139,341
Hedge instruments	86	-	-	-	-	86
Other financial assets	1,489	1,279	73	1	-	2,842
Total financial assets	2,113,210	430,227	692,098	460,141	732	3,696,408
Financial liabilities:						
Loans and deposits from banks	32,352	43,238	39,172	124,255	3,914	242,931
Financial liabilities at fair value through profit or loss	3,329	-	-	-	-	3,329
Deposits from customers	96,011	81,126	8	-	-	177,145
Hedge instruments	521	-	-	-	-	521
Debt securities issued	588,613	438,848	498,325	-	-	1,525,786
Other financial liabilities	599	48	2,116	4	-	2,767
Total financial liabilities	721,425	563,260	539,621	124,259	3,914	1,952,479
OPEN BALANCE SHEET POSITION	1,391,785	(133,033)	152,477	335,882	(3,182)	1,743,929
Contingent liabilities and credit commitments, gross	450,381	34,608	612,295	163,993	-	1,261,277

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT, CONTINUED

(f) Currency risk, continued

(i) Derivative financial instruments and spot contracts

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

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

The fair value of derivative financial instruments, spot contracts and hedge instruments are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts:

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2020 Total
Accounts payable on spot and derivative contracts	(2,000)	(95)	(196,339)	(420,755)	(236,816)	(856,005)
Accounts receivable on spot and derivative contracts	587,905	-	101,509	-	186,149	875,563
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	585,905	(95)	(94,830)	(420,755)	(50,667)	19,558
TOTAL OPEN POSITION	1,948,147	5,284	(33,488)	(2,358)	(327)	

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2019 Total
Accounts payable on spot and derivative contracts	(109,598)	(102,079)	(427,921)	(74,502)	(442)	(714,542)
Accounts payable on hedge instruments	-	-	-	(208,175)	-	(208,175)
Accounts receivable on spot and derivative contracts	430,756	135,254	121,400	2,248	-	689,658
Accounts receivable on hedge instruments	206,559	-	-	-	-	206,559
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	527,717	33,175	(306,521)	(280,429)	(442)	(26,500)
TOTAL OPEN POSITION	1,830,436	4,011	(5,004)	(2,626)	(128)	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of US dollars)*

31. RISK MANAGEMENT, CONTINUED

(f) Currency risk, continued

(i) Derivative financial instruments and spot contracts, continued

	US dollars	Kazakhstani tenge	Russian rouble	Euro	Other currencies	31 December 2018 Total
Accounts payable on spot and derivative contracts	(134,000)	-	(156,548)	(120,860)	-	(411,408)
Accounts payable on hedge instruments	-	-	-	(219,453)	-	(219,453)
Accounts receivable on spot and derivative contracts	272,008	130,506	2,000	-	3,856	408,370
Accounts receivable on hedge instruments	219,018	-	-	-	-	219,018
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	357,026	130,506	(154,548)	(340,313)	3,856	(3,473)
TOTAL OPEN POSITION	1,748,811	(2,527)	(2,071)	(4,431)	674	

(ii) Currency risk sensitivity

The following table details the Bank's sensitivity to a 15% increase and decrease in the US Dollar/Russian rouble and US Dollar/Kazakhstani tenge exchange rates as at 31 December 2020, 2019 and 2018, 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 2020, 2019 and 2018.

Impact on net profit and equity based on asset values as at 31 December 2020, 2019 and 2018:

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
	USD/RUB +15%	USD/RUB -15%	USD/RUB +15%	USD/RUB -15%	USD/RUB +15%	USD/RUB -15%
Impact on net profit	(5,023)	5,023	751	(751)	311	(311)
Impact on equity	(5,023)	5,023	751	(751)	311	(311)

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
	USD/KZT +15%	USD/KZT -15%	USD/KZT +15%	USD/KZT -15%	USD/KZT +15%	USD/KZT -15%
Impact on net profit	793	(793)	(602)	602	379	(379)
Impact on equity	793	(793)	(602)	602	379	(379)

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	(236)	236	263	(263)	443	(443)
Impact on equity	(236)	236	263	(263)	443	(443)

31. RISK MANAGEMENT, CONTINUED

Limitations of sensitivity analysis

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT, CONTINUED

(g) Presentation of Financial Instruments by Measurement Category

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

	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	31 December 2020 Total
<i>Cash and cash equivalents</i>				
Cash and balances with national (central) banks of Member states of the Bank	-	-	1,146	1,146
Correspondent accounts with other banks	-	-	135,213	135,213
Term deposits in other banks	-	-	377,457	377,457
Loans under reverse repurchase agreements	-	-	150,024	150,024
<i>Total cash and cash equivalents</i>	-	-	663,840	663,840
<i>Financial assets at fair value through profit or loss</i>				
Derivative financial instruments	13	-	-	13
Foreign currency swaps	24,096	-	-	24,096
Equity instruments in Treasury portfolio	22,634	-	-	22,634
Equity instruments in Investment portfolio	4,818	-	-	4,818
<i>Total financial assets at fair value through profit or loss</i>	51,561	-	-	51,561
<i>Loans and advances to financial institutions</i>				
Loans to financial institutions	-	-	185,475	185,475
<i>Total loans and advances to financial institutions</i>	-	-	185,475	185,475
<i>Loans to customers</i>				
	-	-	2,098,698	2,098,698
<i>Financial assets at fair value through other comprehensive income</i>				
Debt instruments in Treasury portfolio	-	1,606,548	-	1,606,548
Equity instruments, initially recognized at fair value through other comprehensive income, in Treasury portfolio	-	22,594	-	22,594
Debt instruments in Investment portfolio	-	631,908	-	631,908
<i>Total financial assets at fair value through other comprehensive income</i>	-	2,261,050	-	2,261,050
<i>Debt securities at amortised cost</i>				
	-	-	294,497	294,497
<i>Other financial assets</i>				
	-	-	9,098	9,098

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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31. RISK MANAGEMENT, CONTINUED

(g) Presentation of Financial Instruments by Measurement Category, continued

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

	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	31 December 2019 Total
<i>Cash and cash equivalents</i>				
Cash and balances with national (central) banks of Member states of the Bank	-	-	499	499
Correspondent accounts with other banks	-	-	29,553	29,553
Term deposits in other banks	-	-	478,709	478,709
Loans under reverse repurchase agreements	-	-	256,383	256,383
<i>Total cash and cash equivalents</i>	-	-	765,144	765,144
<i>Financial assets at fair value through profit or loss</i>				
Derivative financial instruments				
Foreign currency swaps	3,450	-	-	3,450
Equity instruments in Investment portfolio, carried at fair value through profit or loss	6,567	-	-	6,567
<i>Total financial assets at fair value through profit or loss</i>	10,017	-	-	10,017
<i>Loans and advances to financial institutions</i>				
Loans to financial institutions	-	-	231,613	231,613
Loans under reverse repurchase agreements	-	-	34,685	34,685
<i>Total loans and advances to financial institutions</i>	-	-	266,298	266,298
<i>Loans to customers</i>			1,960,004	1,960,004
<i>Financial assets at fair value through other comprehensive income</i>				
Debt instruments in Treasury portfolio	-	1,513,960	-	1,513,960
Debt instruments in Investment portfolio	-	592,339	-	592,339
<i>Total financial assets at fair value through other comprehensive income</i>	-	2,106,299	-	2,106,299
<i>Other financial assets</i>	-	-	10,868	10,868

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31. RISK MANAGEMENT, CONTINUED

(g) 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 2018:

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	<u>Amortised cost</u>	<u>31 December 2018 Total</u>
<i>Cash and cash equivalents</i>				
Cash and balances with national (central) banks of Member states of the Bank	-	-	540	540
Correspondent accounts with other banks	-	-	36,779	36,779
Term deposits in other banks	-	-	166,922	166,922
Loans under reverse repurchase agreements	-	-	436,929	436,929
<i>Total cash and cash equivalents</i>	-	-	641,170	641,170
<i>Financial assets at fair value through profit or loss</i>				
Derivative financial instruments				
Foreign currency swaps	291	-	-	291
Equity instruments in Investment portfolio, carried at fair value through profit or loss	16,878	-	-	16,878
<i>Total financial assets at fair value through profit or loss</i>	17,169	-	-	17,169
<i>Loans and advances to financial institutions</i>				
Loans to financial institutions	-	-	222,510	222,510
Loans under reverse repurchase agreements	-	-	23,000	23,000
<i>Total loans and advances to financial institutions</i>	-	-	245,510	245,510
<i>Loans to customers</i>			1,650,290	1,650,290
<i>Financial assets at fair value through other comprehensive income</i>				
Debt instruments in Treasury portfolio	-	912,498	-	912,498
Debt instruments in Investment portfolio	-	226,843	-	226,843
<i>Total financial assets at fair value through other comprehensive income</i>	-	1,139,341	-	1,139,341
<i>Hedging instruments</i>	86	-	-	86
<i>Other financial assets</i>	-	-	2,842	2,842

As at 31 December 2020, 2019 and 2018, 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.

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of US dollars)

31. RISK MANAGEMENT, CONTINUED

(h) Financial ratios

In December 2011, the Council of the Bank has set financial ratios:

	<u>31 December 2020</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Minimum amount of liquid assets in Treasury portfolio required amount in thousands US dollars*	729,024	893,910	852,321
<i>actual amount</i>	<u>1,292,552</u>	<u>1,729,498</u>	<u>1,265,592</u>
Financial leverage ratio should be less or equal to 300% of the Bank's equity	300.00%	300.00%	300.00%
<i>actual ratio</i>	<u>123.25%</u>	<u>141.40%</u>	<u>92.98%</u>

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

The ALMC regularly monitors compliance of the Bank with the financial ratios set by the Council of the Bank.

32. EVENTS AFTER THE REPORTING PERIOD

On 8 February 2021, the Bank made an early redemption of a bilateral loan in the amount of 60,230 thousand US dollars.