

EURASIAN DEVELOPMENT BANK

**Interim Condensed Financial
Information (Unaudited)**

For the six-month period ended 30 June 2021

EURASIAN DEVELOPMENT BANK

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Members of the Council and the Management Board of Eurasian Development Bank

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Eurasian Development Bank (“the Bank”) as at 30 June 2021 and the related interim condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Deloitte LLP

9 August 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

(in thousands of US dollars)


	Note	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Interest income, calculated using the effective interest method	4	118,810	136,210
Other interest income	4	3,412	5,314
Interest expense	4	(95,032)	(102,210)
Net interest income before expected credit losses on interest bearing assets	4	27,190	39,314
Recovery of/(provision for) expected credit losses on interest bearing assets	5	4,364	(12,832)
NET INTEREST INCOME		31,554	26,482
Provision for impairment losses on guarantees issued		(32)	(181)
Net (loss)/gain from modification and recognition of new financial instruments		(675)	745
Net gain on financial assets and liabilities at fair value through profit and loss	6	30,003	22,870
Net realised gain on financial assets at fair value through other comprehensive income		8,891	893
Net loss on transactions in foreign currencies	7	(23,976)	(13,794)
Fee and commission income	8	7,281	6,636
Fee and commission expense		(516)	(404)
Net loss on trading with debt securities issued		-	(295)
Net other income		6	50
Net non-interest income		20,982	16,520
Net result from financial operations		52,536	43,002
Operating expenses	9	(23,182)	(21,863)
NET PROFIT		29,354	21,139
OTHER COMPREHENSIVE (LOSS)/INCOME:			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net unrealised (loss)/gain on revaluation of financial assets at fair value through other comprehensive income		(7,513)	7,980
Net realised gain on financial assets at fair value through other comprehensive income transferred to the profit and loss		(8,891)	(893)
Net unrealized loss on revaluation of hedge instruments		-	(292)
OTHER COMPREHENSIVE (LOSS)/INCOME		(16,404)	6,795
TOTAL COMPREHENSIVE INCOME		12,950	27,934

Approved on behalf of the management of the Bank:


N.R. Podguzov
Chairman of the Management Board

5 August 2021
Almaty, Kazakhstan




A.R. Kuske
Managing Director,
Budget and Reporting

5 August 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021
(in thousands of US dollars)

	Note	30 June 2021 Unaudited	31 December 2020
ASSETS			
Cash and cash equivalents	10	645,307	663,840
Financial assets at fair value through profit or loss	11	71,876	51,561
Loans and advances to financial institutions	12	216,385	185,475
Loans to customers	13	2,050,724	2,098,698
Financial assets at fair value through other comprehensive income	14	2,409,535	2,261,050
Debt securities at amortised cost	15	420,030	294,497
Investments in associates		17,260	17,260
Property and equipment		10,227	10,492
Intangible assets		772	762
Other assets	16	21,723	16,040
TOTAL ASSETS		5,863,839	5,599,675
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and deposits from banks	17	1,727,321	1,560,112
Financial liabilities at fair value through profit or loss	11	2,451	5,001
Deposits from customers	18	357,417	391,598
Debt securities issued	19	1,842,776	1,719,552
Other liabilities	20	56,902	41,274
Total liabilities		3,986,867	3,717,537
EQUITY:			
Share capital:			
Authorised share capital		7,000,000	7,000,000
Less: callable share capital		(5,484,300)	(5,484,300)
Paid-in share capital		1,515,700	1,515,700
Reserve fund		146,220	146,220
Technical assistance fund reserve	21	15,569	23,685
Digital initiative fund reserve	21	-	10,000
Revaluation reserve for financial assets at fair value through other comprehensive income		14,246	30,650
Retained earnings		185,237	155,883
Total equity		1,876,972	1,882,138
TOTAL LIABILITIES AND EQUITY		5,863,839	5,599,675

Approved on behalf of the management of the Bank:

N.R. Podguzov
Chairman of the Management Board

5 August 2021
Almaty, Kazakhstan



A.R. Kuske
Managing Director,
Budget and Reporting

5 August 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

(in thousands of US dollars)

	Share capital			Reserve fund	Technical Assistance Fund reserve	Digital Initiative Fund reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for hedging instruments	Retained earnings	Total
	Authorized	Callable	Paid-in							
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 (unaudited)	-	-	-	-	-	-	-	-	21,139	21,139
Other comprehensive income/(loss) (unaudited)	-	-	-	-	-	-	7,087	(292)	-	6,795
Total comprehensive income/(loss) (unaudited)	-	-	-	-	-	-	7,087	(292)	21,139	27,934
30 June 2020 (unaudited)	7,000,000	(5,484,300)	1,515,700	111,732	19,133	-	32,335	-	199,030	1,877,930
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
Net profit (unaudited)	-	-	-	-	-	-	-	-	29,354	29,354
Other comprehensive loss (unaudited)	-	-	-	-	-	-	(16,404)	-	-	(16,404)
Total comprehensive (loss)/ income (unaudited)	-	-	-	-	-	-	(16,404)	-	29,354	12,950
Allocation of Technical Assistance Fund reserve (unaudited)	-	-	-	-	(8,116)	-	-	-	-	(8,116)
Allocation of Digital Initiative Fund reserve (unaudited)	-	-	-	-	-	(10,000)	-	-	-	(10,000)
30 June 2021 (unaudited)	7,000,000	(5,484,300)	1,515,700	146,220	15,569	-	14,246	-	185,237	1,876,972

Approved on behalf of the management of the Bank:

N.R. Podguzov
Chairman of the Management Board

5 August 2021
Almaty, Kazakhstan



A.R. Kuske
Managing Director,
Budget and Reporting

5 August 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

**INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**
(in thousands of US dollars)

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans to customers	60,648	70,606
Interest received on cash and cash equivalents and loans and advances to financial institutions	8,330	14,343
Interest received from financial assets at fair value through profit or loss	850	5,892
Interest and income received on financial assets at fair value through other comprehensive income	29,087	23,313
Interest received on debt securities at amortised cost	4,754	-
Interest paid on loans and deposits from banks	(14,308)	(7,650)
Interest paid on financial liabilities at fair value through profit or loss	(4,040)	(13,371)
Interest paid on deposits from customers	(10,227)	(7,726)
Interest paid on debt securities issued	(52,781)	(77,365)
Fees and commissions received	2,134	6,845
Fees and commissions paid	(391)	(389)
Other income received	6	55
Operating expenses paid	(22,696)	(20,846)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	1,366	(6,293)
Changes in operating assets:		
Decrease/(increase) in financial assets at fair value through profit or loss	7,902	(7,141)
Decrease/(increase) in loans to customers	22,150	(95,375)
(Increase)/ decrease in loans and advances to financial institutions	(31,482)	97
Increase in other assets	(1,984)	(157)
Changes in operating liabilities:		
Increase/(decrease) in deposits from banks	133,531	(28,967)
Decrease in deposits from customers	(31,065)	(7,439)
Decrease in other liabilities	(946)	(22)
Cash flows from/(used in) operating activities	99,472	(145,297)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(2,322,318)	(2,442,099)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income	2,170,079	2,258,682
Purchase of debt securities at amortised cost	(140,571)	-
Proceeds from redemption of debt securities at amortised cost	12,500	-
Purchase of property, equipment and intangible assets	(271)	(557)
Cash flows used in investing activities	(280,581)	(183,974)

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021
(in thousands of US dollars)

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt securities (Note 19)	373,575	207,435
Repayments of debt securities issued (Note 19)	(251,409)	(235,511)
Proceeds from loans from banks and loans under repurchase agreements (Note 17)	515,800	673,617
Repayments of loans from banks and loans under repurchase agreements (Note 17)	(476,159)	(188,569)
Cash flows from financing activities	161,807	456,972
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period (Note 10)	663,840	765,144
Effect of changes in foreign exchange rate on cash and cash equivalents	769	(5,544)
CASH AND CASH EQUIVALENTS, at end of the period (Note 10)	645,307	887,301


Approved on behalf of the management of the Bank:



N.R. Podguzov
Chairman of the Management Board

5 August 2021
 Almaty, Kazakhstan





A.R. Kuske
Managing Director,
Budget and Reporting

5 August 2021
 Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

(in thousands of US dollars)

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 30 June 2021 and 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, Yerevan, Minsk, Moscow, Nur-Sultan.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

1 BACKGROUND, CONTINUED

(a) Principal activities, continued

In accordance with the 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, except in cases which do not result from or relate to the 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 the Charter of the Bank in the territory of Member states shall be exempt from all taxes, duties, levies or fees, except charges for particular services.

As at 30 June 2021 and 31 December 2020, 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. 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.

(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. During the year, certain countries have introduced sanctions against the Republic of Belarus in different sectors of economy, particularly limiting its access to financial markets. The aforementioned sanctions may have a negative impact on the economy and investment appeal of the Republic of Belarus. 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. Between the end of 2020 and the beginning of 2021, the financial and commodity markets reacted positively to reports of progress in development of effective vaccines.

Economic activity in the Bank's member states was actively recovering in the first half of 2021. This became possible largely due to government support measures and a noticeable easing of fiscal and monetary policies last year. In the first half of the year, the economies of the Bank's member states were substantially supported by the increased economic activity in the world and the rise in prices for key export goods. The sustainability of economic growth is highly dependent on the development of the pandemic, which remains a key source of risk for the economies of the Bank's region of operations.

The sustainability of economic growth is highly dependent on the development of the pandemic, which remains a key source of risk for the economies of the Bank's member states. The vaccination campaign should mitigate the risks for the world economy but its adoption rate is different throughout the world with developing countries being behind. It's still unclear how much impact the secondary effects of the pandemic (i.e. high level of state and corporate accumulated debt) would have. On the positive side is the fact that economies, including those of the Bank's member states, have adapted to operating in a difficult environment, and therefore, should the epidemiological situation worsen, the loss of economic growth will be limited.

Inflationary pressures in the region's economies intensified in the first half of 2021. An increase in manufacturers' costs is due to higher commodity prices and the weakening of national currencies during the previous year along with lengthening delivery times and a limited choice of suppliers and components. The active recovery of domestic demand in the member states of the Bank makes it possible to transfer the increased costs to consumer prices. Many inflationary factors are temporary, but they take time to neutralize. Amid heightened inflationary pressures, central/ national banks in the Republic of Armenia, the Republic of Belarus, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan raised key interest rates.

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 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

This interim condensed financial information has 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

This interim condensed financial information is prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial information have been omitted or condensed. This interim condensed financial information should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2020, as this interim condensed financial information provides an update of previously reported financial statements.

The Bank operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, since the results of the Bank's operations closely relate to and depend on changing market conditions, the results of the Bank's operations for the interim period are not necessarily indicative of the results for the year ending 31 December 2021.

This interim condensed financial information was authorised for issue on 5 August 2021 by the management of the Bank.

(b) Basis of measurement

This interim condensed financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") 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").

(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 the Bank.

The US dollar is also the presentation currency for the purposes of this interim condensed financial information.

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

In preparing this interim condensed financial information, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Bank's annual financial statements for 2020 prepared in accordance with IFRS.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

3 SIGNIFICANT ACCOUNTING POLICIES

In preparing this interim condensed financial information the Bank applied the same accounting policies as those applied in the financial statements of the Bank for the year ended 31 December 2020.

4 INTEREST INCOME

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Interest income, calculated using the effective interest method:		
Interest income on financial assets measured at amortised cost:		
loans to customers	62,454	72,342
loans and advances to financial institutions	5,174	8,070
debt securities at amortised cost	3,772	-
cash and cash equivalents	3,710	7,357
	75,110	87,769
Interest income on financial assets measured at fair value:		
financial assets at fair value through other comprehensive income	43,700	48,441
	43,700	48,441
Total interest income, calculated using the effective interest method	118,810	136,210
Other interest income:		
Interest income on financial assets measured at fair value:		
financial assets at fair value through profit or loss	3,412	5,314
Total other interest income	3,412	5,314
Total interest income	122,222	141,524
Interest expense comprises:		
Interest expense on financial liabilities measured at amortised cost:		
debt securities issued	(55,301)	(69,266)
loans and deposits from banks	(23,919)	(12,593)
deposits from customers	(10,276)	(7,657)
Total interest expense on financial liabilities measured at amortised cost	(89,496)	(89,516)
Interest expense on financial liabilities measured at fair value:		
financial liabilities at fair value through profit or loss	(5,536)	(12,694)
Total interest expense on financial liabilities at fair value	(5,536)	(12,694)
Total interest expense	(95,032)	(102,210)
Net interest income before expected credit losses on interest bearing assets	27,190	39,314

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

5 RECOVERY OF/(PROVISION FOR) EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS

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

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Beginning of the period	(45)	(67)
Net recovery/(charge)	45	(1)
Effect of foreign currency movements	(5)	3
End of the period (Note 10)	(5)	(65)

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

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Beginning of the period	(2,391)	(2,126)
Net recovery	584	394
Effect of foreign currency movements	(6)	96
End of the period (Note 12)	(1,813)	(1,636)

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

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Beginning of the period	(72,891)	(62,758)
Net recovery/(charge)	474	(9,237)
Write-offs	-	973
Effect of foreign currency movements	889	568
End of the period (Note 13)	(71,528)	(70,454)

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

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Beginning of the period	(7,818)	(3,946)
Net recovery/(charge)	3,403	(3,988)
Effect of foreign currency movements	(59)	160
End of the period	(4,474)	(7,774)

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

5 RECOVERY OF/(PROVISION FOR) EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS, CONTINUED

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

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Beginning of the period	(343)	-
Net charge	(142)	-
Effect of foreign currency movements	2	-
End of the period (Note 15)	(483)	-

6 NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Net gain on derivative financial instruments in foreign currency	29,112	24,208
Net gain/(loss) on equity instruments	891	(1,338)
Total net gain on operations with financial assets and liabilities at fair value through profit or loss	30,003	22,870

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

7 NET LOSS ON TRANSACTIONS IN FOREIGN CURRENCIES

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Translation differences net of financial instruments at fair value through profit or loss, net	(23,821)	(13,706)
Translation differences on financial instruments at fair value through profit or loss, net	(302)	(47)
Dealing, net	147	(41)
Total net loss on transactions in foreign currencies	(23,976)	(13,794)

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)**

(in thousands of US dollars)

8 FEE AND COMMISSION INCOME

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Eurasian Fund for Stabilisation and Development management fee	4,984	4,710
Credit related fees	1,607	1,883
Other fees and commissions	690	43
Total fee and commission income	7,281	6,636

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.

9 OPERATING EXPENSES

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Staff costs and other payments to employees	17,983	17,942
Premises expenses	1,317	1,235
Depreciation and amortization	740	722
Professional services	697	318
Business trip expenses	604	248
Communication	463	373
Business development expenses	384	164
Maintenance of acquired systems and programs	369	324
Security	263	222
Transportation	113	83
Office, postal and printing expenses	78	50
Other	171	182
Total operating expenses	23,182	21,863

10 CASH AND CASH EQUIVALENTS

	30 June 2021 Unaudited	31 December 2020
Cash and balances with national (central) banks of Member states of the Bank	70,073	1,146
Correspondent accounts with other banks:		
with credit ratings A- and above	126,210	85,124
with credit ratings from BBB+ to BBB-	12,660	49,172
with credit ratings from BB+ to BB-	14,166	135
with credit ratings below BB- and not rated	1,762	782
Term deposits in other banks		
with credit ratings A- and above	228,958	269,777
with credit ratings from BBB+ to BBB-	86,019	101,149
with credit ratings from BB+ to BB-	-	5,000
with credit ratings below BB- and not rated	1,566	1,561
Loans under reverse repurchase agreements		
with credit ratings A- and above	4,998	25,710
with credit ratings from BBB+ to BBB-	94,604	119,035
with credit ratings from BB+ to BB-	4,296	5,294
	645,312	663,885
Less expected credit loss provisions (Note 5)	(5)	(45)
Total cash and cash equivalents	645,307	663,840

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

10 CASH AND CASH EQUIVALENTS, CONTINUED

As at 30 June 2021 and 31 December 2020, all cash and cash equivalents were classified within stage 1 of credit quality assessment. There were no movements between the stages of credit quality assessment during the six-month period ended 30 June 2021 and 30 June 2020.

The fair value of assets pledged and carrying value of loans under reverse repurchase agreements less expected credit losses as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021 Unaudited		31 December 2020	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
With pledge credit ratings A- and above	4,998	4,988	25,710	25,721
With pledge credit ratings from BBB+ to BBB-	94,603	98,332	119,020	135,319
With pledge credit ratings from BB+ to BB-	4,295	4,873	5,294	5,991
	103,896	108,193	150,024	167,031

11 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 Unaudited	31 December 2020
Investment portfolio:		
Equity instruments	782	4,818
	782	4,818
Treasury portfolio:		
Derivative financial assets	28,413	24,109
Equity instruments	23,519	22,634
Debt instruments	19,162	-
	71,094	46,743
Total financial assets, carried at fair value through profit or loss	71,876	51,561
Derivative financial liabilities	(2,451)	(5,001)
Total financial liabilities, carried at fair value through profit or loss	(2,451)	(5,001)

As at 30 June 2021 and 31 December 2020, equity instruments in Investment portfolio, carried at fair value through profit or loss, are as follows:

	30 June 2021 Unaudited		31 December 2020	
	Ownership interest	Fair value	Ownership interest	Fair value
Equity instruments in Investment portfolio				
Investments into private equity fund “Macquarie Russia and CIS Infrastructure Fund”	15.87%	782	15.87%	4,818

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%.

EURASIAN DEVELOPMENT BANK

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

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

As at 30 June 2021 and 31 December 2020, 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.

As at 30 June 2021 and 31 December 2020, derivative financial instruments are as follows:

	30 June 2021 Unaudited			31 December 2020		
	Notional amount	Net fair value		Notional amount	Net fair value	
		Asset	Liability		Asset	Liability
Derivative financial instruments:						
Foreign currency interest rate swap	464,153	22,853	(2,105)	220,000	23,716	(506)
Foreign currency swap	405,617	5,074	-	653,456	380	(4,495)
Interest rate swap	53,340	294	(139)	-	-	-
Foreign currency spot	64,480	192	(56)	-	-	-
Foreign currency forward	64,783	-	(151)	2,107	13	-
		<u>28,413</u>	<u>(2,451)</u>		<u>24,109</u>	<u>(5,001)</u>

12 LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

	30 June 2021 Unaudited	31 December 2020
Loans to financial institutions	218,198	187,866
Less expected credit loss provisions (Note 5)	(1,813)	(2,391)
Total loans and advances to financial institutions	<u>216,385</u>	<u>185,475</u>

As at 30 June 2021 and 31 December 2020, all loans and advances to financial institutions were classified within Stage 1 of credit quality assessment except for two loans classified into Stage 2 with an outstanding balance of 40,800 thousand US dollars (31 December 2020: four loans with an outstanding balance of 61,515 thousand US dollars) and with 1,015 thousand US dollars of expected credit loss provisions against it (31 December 2020: 1,703 thousand US dollars).

During the six-month period ended 30 June 2021 two loans with the outstanding amount of 7,938 thousand US dollars and with 104 thousand US dollars of expected credit loss provisions against it were transferred from Stage 2 to Stage 1.

During the six-month period ended 30 June 2020 one loan in the amount of 16,908 thousand US dollars and with 387 thousand US dollars of expected credit loss provisions against it was transferred from Stage 1 to Stage 2.

As at 30 June 2021, loans and advances to financial institutions include accrued interest income amounting to 2,229 thousand US dollars (31 December 2020: 1,768 thousand US dollars).

As at 30 June 2021 and 31 December 2020, no loans and advances to financial institutions were past due.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

13 LOANS TO CUSTOMERS

	30 June 2021	31 December
	Unaudited	2020
Stage 1 loans	1,943,735	1,961,400
Stage 2 loans	29,529	91,292
Stage 3 loans:		
not overdue	125,132	94,033
overdue more than 90 days	23,856	24,864
	2,122,252	2,171,589
Less expected credit loss provisions (Note 5)	(71,528)	(72,891)
Total loans to customers	2,050,724	2,098,698

As at 30 June 2021 and 31 December 2020 there were no Stage 3 loans overdue less than 90 days and no overdue loans in Stage 1 and Stage 2.

As at 30 June 2021 the Bank has two customers (31 December 2020: two customers) with loans overdue more than 90 days with outstanding balance of 23,856 thousand US dollars (31 December 2020: 24,864 thousand US dollars). As at 30 June 2021 and 31 December 2020, these loans were fully provisioned.

The table below summarizes the movement of loans to customers between the stages of credit quality assessment during the six-month period ended 30 June 2021:

Unaudited	Stage 1	Stage 2	Stage 3	Total
Outstanding amount				
As at 1 January 2021	1,961,400	91,292	118,897	2,171,589
Net issue/(redemption)	5,277	(13,285)	(16,979)	(24,987)
Transfer from Stage 1 to Stage 3	(346)	-	346	-
Transfer from Stage 2 to Stage 3	-	(48,097)	48,097	-
Net change in discounts/premiums	2,400	23	1,224	3,647
Effect of foreign currency movements	(24,996)	(404)	(2,597)	(27,997)
As at 30 June 2021	1,943,735	29,529	148,988	2,122,252
Allowance for expected credit losses				
As at 1 January 2021	(21,159)	(10,740)	(40,992)	(72,891)
Net recovery/(charge)	2,005	1,950	(3,481)	474
Transfer from Stage 2 to Stage 3	-	6,306	(6,306)	-
Effect of foreign currency movements	265	131	493	889
As at 30 June 2021	(18,889)	(2,353)	(50,286)	(71,528)
Total loans to customers	1,924,846	27,176	98,702	2,050,724

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

13 LOANS TO CUSTOMERS, CONTINUED

The table below summarizes the movement of loans to customers between the stages of credit quality assessment during the six-month period ended 30 June 2020:

Unaudited	Stage 1	Stage 2	Stage 3	Total
Outstanding amount				
As at 1 January 2020	1,668,863	115,885	238,014	2,022,762
Net issue/(redemption)	113,352	-	(12,905)	100,447
Transfer from Stage 1 to Stage 2	(88,652)	88,652	-	-
Transfer from Stage 2 to Stage 3	-	(76,625)	76,625	-
Transfer from Stage 2 to Stage 1	27,769	(27,769)	-	-
Net change in discounts/premiums	(91)	(222)	1,533	1,220
Write-offs	-	-	(973)	(973)
Effect of foreign currency movements	(77,919)	(7,387)	(3,211)	(88,517)
As at 30 June 2020	1,643,322	92,534	299,083	2,034,939
Allowance for expected credit losses				
As at 1 January 2020	(20,022)	(1,406)	(41,330)	(62,758)
Net charge	(1,837)	(5,650)	(1,750)	(9,237)
Transfer from Stage 1 to Stage 2	750	(750)	-	-
Transfer from Stage 2 to Stage 3	-	1,273	(1,273)	-
Transfer from Stage 2 to Stage 1	(29)	29	-	-
Write-offs	-	-	973	973
Effect of foreign currency movements	714	25	(171)	568
As at 30 June 2020	(20,424)	(6,479)	(43,551)	(70,454)
Total loans to customers	1,622,898	86,055	255,532	1,964,485

The Bank estimates expected credit losses 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:

	30 June 2021 Unaudited	31 December 2020
Loans collateralised by real estate, equipment and inventories	851,108	902,863
Loans collateralised by guarantees:		
financial and commercial organisations	584,839	579,588
state entities	115,824	116,460
governments of the Member-states of the Bank	94,899	100,465
Loans collateralised by future cash inflows from clients' contracts or unsecured loans	475,582	472,213
	2,122,252	2,171,589
Less: expected credit loss provisions	(71,528)	(72,891)
Total loans to customers	2,050,724	2,098,698

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

13 LOANS TO CUSTOMERS, CONTINUED

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

	30 June 2021	31 December
	Unaudited	2020
Transport	736,888	732,151
Energy	535,650	440,698
Chemical industry	478,188	464,436
Mining	114,046	213,719
Machinery	88,293	98,699
Infrastructure	74,390	109,031
Metallurgy	37,056	50,168
Agriculture	24,228	24,865
Other	33,513	37,822
	2,122,252	2,171,589
Less: expected credit loss provisions	(71,528)	(72,891)
Total loans to customers	2,050,724	2,098,698

As at 30 June 2021, loans to customers included accrued interest income amounting to 21,099 thousand US dollars (31 December 2020: 20,435 thousand US dollars). For the six-month period ended 30 June 2021, net unwinding effect resulted in loss of 525 thousand US dollars (30 June 2020: net gain of 2,295 thousand US dollars).

Concentration of loans to customers

As at 30 June 2021, the Bank has two customers (31 December 2020: two customer), whose balance exceeds 10% of total equity of the Bank. As at 30 June 2021 their outstanding balances were 425,115 thousand US dollars and 327,982 thousand US dollars, respectively (31 December 2020: 411,869 thousand US dollars and 338,736 thousand US dollars, respectively).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2021 and 31 December 2020, financial assets at fair value through other comprehensive income consist of:

	30 June 2021	31 December
	Unaudited	2020
Investment portfolio		
Debt instruments	665,663	631,908
	665,663	631,908
Treasury portfolio		
Debt instruments	1,720,394	1,606,548
Equity instruments	23,478	22,594
	1,743,872	1,629,142
Total financial assets at fair value through other comprehensive income	2,409,535	2,261,050

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, CONTINUED

The tables below summarise the distribution of financial instruments at fair value through other comprehensive income between the stages of credit quality assessment as at 30 June 2021 and 31 December 2020:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	30 June 2021 Unaudited
Debt instruments in Treasury portfolio	1,720,394	-	-	1,720,394
Debt instruments in Investment portfolio	<u>665,658</u>	<u>-</u>	<u>5</u>	<u>665,663</u>
Total debt instruments at fair value through other comprehensive income	<u>2,386,052</u>	<u>-</u>	<u>5</u>	<u>2,386,057</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	31 December 2020
Debt instruments in Treasury portfolio	1,606,548	-	-	1,606,548
Debt instruments in Investment portfolio	<u>536,680</u>	<u>95,223</u>	<u>5</u>	<u>631,908</u>
Total debt instruments at fair value through other comprehensive income	<u>2,143,228</u>	<u>95,223</u>	<u>5</u>	<u>2,238,456</u>

During the six-month period ended 30 June 2021 three financial instruments in Investment portfolio with the carrying amount of 100,192 thousand US dollars and expected credit losses in the amount of 4,969 thousand US dollars were moved from Stage 2 to Stage 1.

During the six-month period ended 30 June 2020 one financial instrument in Investment portfolio with the carrying amount of 90,230 thousand US dollars and expected credit losses in the amount of 4,512 thousand US dollars was moved from Stage 1 to Stage 2.

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

	30 June 2021 Unaudited		31 December 2020	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt instruments in Treasury portfolio				
Bonds issued by governments of USA, Japan and Belgium	0.00 - 1.75%	546,849	0.00 - 2.50%	877,557
Bonds issued by banks and financial institutions	0.00 - 5.95%	376,846	0.00 - 7.25%	139,029
Bonds issued by non-financial organizations	1.45 - 7.45%	290,601	3.37 - 6.66%	228,397
Bonds of the Russian Federation	1.13 - 7.40%	249,622	1.13 - 7.60%	195,283
Bonds of the Republic of Kazakhstan	0.00 - 9.50%	140,294	0.00 - 5.50%	23,116
Discount notes issued by National Bank of the Republic of Kazakhstan	-	116,182	-	143,166
		<u>1,720,394</u>		<u>1,606,548</u>

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME,
CONTINUED

	30 June 2021 Unaudited		31 December 2020	
	Nominal interest rate	Fair value	Nominal interest Rate	Fair value
Debt instruments in Investment portfolio				
Bonds issued by non-financial organisations	4.38 - 11.50%	559,241	4.38 - 11.50%	551,590
Bonds of the Republic of Kazakhstan	5.40 - 7.48%	67,366	5.40 - 6.55%	40,930
Bonds of the Republic of Belarus	8.50 - 8.65%	31,801	8.50 - 8.65%	31,958
Bonds issued by banks and financial institutions	15.00%	7,255	15.00%	7,430
		665,663		631,908

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

	30 June 2021 Unaudited	31 December 2020
	Fair value	Fair value
Debt instruments in Treasury portfolio		
with credit ratings AA- and above	850,878	810,696
with credit ratings from A+ to A-	72,818	194,785
with credit ratings from BBB+ to BBB-	796,698	589,962
with credit ratings from BB+ to BB-	-	11,105
	1,720,394	1,606,548
	30 June 2021 Unaudited	31 December 2020
	Fair value	Fair value
Debt instruments in Investment portfolio		
with credit ratings from BBB+ to BBB-	67,366	40,930
with credit ratings from BB+ to BB-	438,874	431,115
with credit ratings below BB- and not rated	159,423	159,863
	665,663	631,908

As at 30 June 2021, debt instruments at fair value through other comprehensive income include accrued interest income amounting to 38,466 thousand US dollars (31 December 2020: 6,453 thousand US dollars).

As at 30 June 2021, debt instruments at fair value through other comprehensive income include financial assets used as collateral for Repo operations with a fair value of 780,290 thousand US dollars (31 December 2020: 672,332 thousand US dollars) (Note 17).

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

15 DEBT SECURITIES AT AMORTISED COST

As at 30 June 2021 and 31 December 2020 debt securities at amortised cost consist of:

	30 June 2021 Unaudited	31 December 2020
Debt instruments in Treasury portfolio		
with credit ratings from BBB+ to BBB-	409,132	273,056
with credit ratings from BB+ to BB-	11,381	21,784
	420,513	294,840
Less expected credit loss provisions (Note 5)	(483)	(343)
Total debt securities at amortised cost	420,030	294,497

All debt securities at amortised cost were classified as Stage 1 of credit quality assessment as at 30 June 2021 and 31 December 2020.

The tables below present the breakdown of the debt securities at amortised cost by counterparty:

	30 June 2021 Unaudited		31 December 2020	
	Nominal interest rate	Balance value	Nominal interest rate	Balance value
Debt instruments in Treasury portfolio				
Bonds of the Russian Federation	4.25 - 12.75%	235,107	4.75 - 12.75%	131,937
Bonds issued by non-financial organizations	2.25 - 6.66%	159,161	2.25 - 6.66%	152,041
Bonds of the Republic of Kazakhstan	7.69 - 7.92%	26,245	-	-
Bonds issued by banks and financial institutions	-	-	7.25%	10,862
		420,513		294,840
Less expected credit loss provisions (Note 5)		(483)		(343)
Total debt securities at amortised cost		420,030		294,497

As at 30 June 2021, debt securities at amortised cost include accrued interest income amounting to 5,945 thousand US dollars (31 December 2020: 1,817 thousand US dollars).

As at 30 June 2021, debt instruments at amortized cost include financial assets used as collateral for Repo operations with a fair value of 203,538 thousand US dollars (31 December 2020: 142,739 thousand US dollars) (Note 17).

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)**

(in thousands of US dollars)

16 OTHER ASSETS

	30 June 2021 Unaudited	31 December 2020
Other financial assets:		
Accrued commission income and other receivables	13,525	9,098
	13,525	9,098
Other non-financial assets:		
Right-of-use asset	3,982	4,703
Prepaid expenses	2,047	1,238
Capital expenditure debtors	629	843
Value added tax reimbursable	96	103
Other debtors	1,456	205
	8,210	7,092
Less: allowance for impairment losses	(12)	(150)
	8,198	6,942
Total other assets	21,723	16,040

As at 30 June 2021 and 31 December 2020, other assets 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.

17 LOANS AND DEPOSITS FROM BANKS

	30 June 2021 Unaudited	31 December 2020
Loans from banks		
in Chinese yuans	232,916	228,068
in Kazakhstani tenge	139,298	135,929
in US dollars	116,318	166,484
in Euro	49,911	76,345
in Russian rouble	44,297	27,321
Short-term deposits from banks	177,715	149,909
Correspondent accounts of other banks	34,561	13,151
Loans under repurchase agreements:		
in Euro	592,730	649,656
in Russian rouble	207,407	110,708
in Kazakhstani tenge	97,169	2,541
in US dollars	34,999	-
	1,727,321	1,560,112

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 30 June 2021 and 31 December 2020, the Bank was in compliance with all covenants.

The Bank concludes repurchase agreement operations in order to satisfy its need in Euro, Russian rouble and other currencies liquidity.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

17 LOANS AND DEPOSITS FROM BANKS, CONTINUED

The fair value of assets pledged and carrying amount of loans under repurchase agreements are as follows:

	30 June 2021 Unaudited		31 December 2020	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
US Treasuries	493,433	500,464	547,034	541,387
Bonds of the Russian Federation	286,800	360,050	205,553	261,313
Discount notes issued by the National Bank of the Republic of Kazakhstan	62,715	62,715	2,541	2,541
Payment certificates	35,000	35,000	-	-
Bonds of the Republic of Kazakhstan	34,454	35,941	-	-
Bonds issued by non-resident banks and financial organizations	19,903	24,659	-	-
Bonds issued by non-financial organizations	-	-	7,777	9,830
Total loans under repurchase agreements	932,305	1,018,829	762,905	815,071

As at 30 June 2021, loans and deposits from banks included accrued interest payable amounting to 19,102 thousand US dollars (31 December 2020: 10,120 thousand US dollars).

Reconciliation of loans from banks movement to cash flows arising from financing activities during the six-month period ended 30 June 2021 is as follows:

	31 December 2020	Cash inflow	Cash outflow	Foreign exchange and interest accrued movement	30 June 2021 Unaudited
Loans from banks and loans under repurchase agreements	1,348,400	515,800	(476,159)	(5,164)	1,382,877

Reconciliation of loans from banks movement to cash flows arising from financing activities during the six-month period ended 30 June 2020 is as follows:

	31 December 2019	Cash inflow	Cash outflow	Foreign exchange and interest accrued movement	30 June 2020 Unaudited
Loans from banks and loans under repurchase agreements	695,679	673,617	(188,569)	(1,105)	1,179,622

18 DEPOSITS FROM CUSTOMERS

	30 June 2021 Unaudited	31 December 2020
Current accounts:		
in Kazakhstani tenge	148,152	121,574
in US dollars	3,048	46,096
in Russian rouble	641	319
in Euro	8	412
Deposits from customers:		
in Kazakhstani tenge	90,081	90,343
in Russian rouble	71,859	42,916
in US dollars	24,972	65,685
in Euro	18,656	24,253
	357,417	391,598

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

18 DEPOSITS FROM CUSTOMERS, CONTINUED

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 30 June 2021 and 31 December 2020, all deposits were from corporate customers based in Member states of the Bank.

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

	30 June 2021 Unaudited	31 December 2020
Current accounts:		
state-owned companies	150,927	113,720
private companies	923	54,681
Deposits from customers:		
private companies	137,733	150,184
state-owned companies	67,834	73,013
	357,417	391,598

19 DEBT SECURITIES ISSUED

				31 June 2021 Unaudited	31 December 2020
Debt securities issued and denominated in USD					
Issue series	Next put option date	Due date	Interest rate, %		
Series 03	-	Sep 2022	4.767	510,438	511,960
w/o	-	Dec 2021	0.750	100,410	100,008
				610,848	611,968
Debt securities issued and denominated in RUB					
Issue series	Next put option date	Due date	Interest rate, %		
Series 001P-07	-	May 2024	5.900	137,254	135,248
Series 001P-05	-	Jun 2023	6.800	109,665	108,066
Series 001P-04	-	Jan 2023	8.000	70,843	69,810
Series 11	Aug 2021	Jan 2025	7.750	70,523	69,509
Series 001P-06	-	Apr 2023	7.600	69,368	68,370
Series 10	-	Jan 2023	12.250	28,902	28,492
Series 001P-01	Jan 2023	Jul 2028	5.950	7,846	7,733
Series 001P-03	-	Mar 2021	8.600	-	69,189
Series 001P-02	-	May 2021	8.900	-	68,268
				494,401	624,685
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	102,345	98,484
Series 05, programme 1	-	Feb 2022	9.700	48,448	49,072
Series 06, programme 2	-	Oct 2023	9.500	47,762	48,385
Series 03, programme 2	-	Nov 2022	9.700	47,489	48,105
Series 05, programme 2	-	May 2024	9.500	47,226	47,858
Series 09, programme 2	-	May 2024	9.500	47,226	47,858
Series 11, programme 2	-	May 2024	9.500	23,604	23,929
w/o	-	Jun 2022	9.550	21,422	-
Series 01, programme 2	-	Jun 2021	9.100	-	47,683
Series 02, programme 2	-	Jun 2021	9.100	-	47,683
Series 07, programme 2	-	Jun 2021	9.100	-	23,842
				385,522	482,899
Debt securities issued and denominated in EUR					
Issue series	Next put option date	Due date	Interest rate, %		
w/o	-	Mar 2026	1.000	352,005	-
				352,005	-
Total debt securities issued and denominated in EUR				352,005	-
Total debt securities issued				1,842,776	1,719,552

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

19 DEBT SECURITIES ISSUED, CONTINUED

As at 30 June 2021, debt securities issued included accrued interest payable amounting to 29,665 thousand US dollars (31 December 2020: 26,439 thousand US dollars).

Reconciliation of debt securities issued movement to cash flows arising from financing activities during the six-month period ended 30 June 2021 is as follows:

	<u>31 December 2020</u>	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange movement</u>	<u>Accrued interest movement</u>	<u>30 June 2021 Unaudited</u>
Debt securities issued	1,719,552	373,575	(251,409)	(1,462)	2,520	1,842,776

Reconciliation of debt securities issued movement to cash flows arising from financing activities during the six-month period ended 30 June 2020 is as follows:

	<u>31 December 2019</u>	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange movement</u>	<u>Accrued interest movement</u>	<u>30 June 2020 Unaudited</u>
Debt securities issued	2,209,328	207,435	(235,511)	(113,886)	(5,821)	2,061,545

20 OTHER LIABILITIES

	<u>30 June 2021 Unaudited</u>	<u>31 December 2020</u>
Other financial liabilities:		
Lease liabilities	3,458	4,071
Receivables for loans	2,982	3,303
Other receivables and accrued expenses	219	142
	6,659	7,516
Other non-financial liabilities:		
Defined contribution plans: Retirement savings plan	21,123	20,718
Technical Assistance Fund resources for distribution as per Council's decision	11,977	3,943
Digital Initiative Fund resources for distribution as per Council's decision	10,000	-
Short-term payments to employees	5,715	7,634
Other	1,428	1,463
	50,243	33,758
Total other liabilities	56,902	41,274

EURASIAN DEVELOPMENT BANK**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)***(in thousands of US dollars)***21 TECHNICAL ASSISTANCE FUND RESERVE AND DIGITAL INITIATIVE FUND RESERVES**

	Technical Assistance Fund reserve	Digital Initiative Fund reserve
31 December 2019	19,133	-
Change in Technical Assistance Fund reserve (unaudited)	-	-
Change in Digital Initiative Fund reserve (unaudited)	-	-
30 June 2020 (unaudited)	19,133	-
31 December 2020	23,685	10,000
Allocation of Technical assistance fund reserve (unaudited)	(8,116)	-
Allocation of Digital initiative fund reserve (unaudited)	-	(10,000)
30 June 2021 (unaudited)	15,569	-

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

The purpose of Digital Initiative Fund (the “DIF”) is to assist the Bank’s Member states in creating digital transformation tools and practices by integrating information resources and participating in the development and financing of projects, including those implemented under the EAEU 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 20).

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.

22 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.

EURASIAN DEVELOPMENT BANK

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

22 COMMITMENTS AND CONTINGENCIES, CONTINUED

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 30 June 2021 and 31 December 2020, the nominal or contractual amounts were:

	30 June 2021 Unaudited Nominal amount	31 December 2020 Nominal amount
Guarantees and letters of credit issued	143,599	157,348
Contingent liabilities:		
on loans and credit lines	1,145,904	1,186,735
on guarantees and letters of credit	83,760	111,115
to join private equity funds	-	3,995
	1,373,263	1,459,193
Less expected credit loss provisions	(529)	(488)
Total contingent liabilities and credit commitments	1,372,734	1,458,705

The tables below summarise the distribution of issued guarantees and letters of credit between the stages of credit quality assessment as at 30 June 2021 and 31 December 2020:

	Stage 1	Stage 2	Stage 3	30 June 2021 Unaudited
Guarantees and letters of credit issued	105,304	38,295	-	143,599
Total guarantees and letters of credit issued	105,304	38,295	-	143,599
	Stage 1	Stage 2	Stage 3	31 December 2020
Guarantees and letters of credit issued	157,348	-	-	157,348
Total guarantees and letters of credit issued	157,348	-	-	157,348

During the six-month period ended 30 June 2021 one financial instrument with 38,295 thousand US dollars of issued guarantees and letters of credit and 317 thousand US dollars of expected credit loss provision against it was transferred from Stage 1 to Stage 2. No movements between stages were made during the six-month period ended 30 June 2020.

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.

22 COMMITMENTS AND CONTINGENCIES, CONTINUED

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.

23 TRANSACTIONS WITH RELATED PARTIES

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

(a) Transactions with key management

The remuneration of directors and other members of key management included in staff costs and other payments to employees (including accommodation cost of employees) (Note 9) was as follows:

	Six-month period ended 30 June 2021 Unaudited		Six-month period ended 30 June 2020 Unaudited	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation, short-term employee benefits:				
Staff costs and other payments to employees	3,844	17,244	4,684	16,964
Accommodation and other costs of employees	25	739	27	978
Total	3,869	17,983	4,711	17,942

The outstanding balances as at 30 June 2021 and 31 December 2020 for transactions with the members of the Executive Board are as follows:

	30 June 2021 Unaudited	31 December 2020
Interim statement of financial position		
Other non-financial liabilities	3,331	3,189
Retirement savings	1,494	1,883

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)**

(in thousands of US dollars)

23 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties

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

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

The outstanding balances as at 30 June 2021 and 31 December 2020 with other related parties are as follows:

	30 June 2021	31 December
	Unaudited	2020
Statement of financial position		
ASSETS		
Cash and cash equivalents:	172,124	146,095
in US dollars	101,668	71,778
in Kazakhstani tenge	69,985	25,661
in Russian rouble	440	48,450
in Euro	-	162
in other currencies	32	62
less expected credit losses	(1)	(18)
Financial assets at fair value through profit or loss:	42,963	22,646
in US dollars	23,746	22,646
in Russian rouble	19,217	-
Loans and advances to financial institutions:	30,201	36,363
in Kazakhstani tenge	21,797	24,892
in Euro	7,938	11,259
in US dollars	643	532
less expected credit losses	(177)	(320)
Loans to customers:	633,635	699,071
in Euro	319,643	334,400
in Russian rouble	236,176	216,492
in Kazakhstani tenge	39,146	108,591
in US dollars	41,913	43,929
less expected credit losses	(3,243)	(4,341)
Financial assets at fair value through other comprehensive income:	1,329,944	1,105,921
in Kazakhstani tenge	617,592	550,915
in US dollars	411,385	328,965
in Russian rouble	202,399	137,945
in Euro	101,253	93,601
less expected credit losses	(2,685)	(5,505)
Debt securities at amortised cost:	339,754	225,414
in US dollars	279,692	190,416
in Euro	34,213	35,272
in Russian rouble	26,245	-
less expected credit losses	(396)	(274)
Investments in associates	17,260	17,260
in Russian rouble	17,260	17,260
Other assets:	8,513	7,009
in US dollars	8,492	3,508
in Russian rouble	18	13
in Kazakhstani tenge	11	14
in Euro	1	3,474
less expected credit losses	(9)	-

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

23 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

	30 June 2021 Unaudited	31 December 2020
Statement of financial position		
LIABILITIES		
Loans and deposits from banks:	296,482	272,174
in Kazakhstani tenge	234,749	237,056
in Russian rouble	61,530	35,111
in US dollars	5	-
in Euro	-	7
in other currencies	198	-
Financial liabilities at fair value through profit or loss:	57	632
in Russian rouble	51	-
in US dollars	6	632
Deposits from customers:	233,912	173,639
in Kazakhstani tenge	218,774	115,459
in US dollars	14,983	58,096
in Russian rouble	155	84
Debt securities issued:	495,499	556,634
in Kazakhstani tenge	279,969	313,088
in Russian rouble	215,530	243,546
Other liabilities:	1,097	1,159
in Russian rouble	642	669
in Kazakhstani tenge	197	201
in US dollars	159	186
in Euro	99	103
Guarantees received:	254,215	244,674
in Russian rouble	218,688	207,864
in Kazakhstani tenge	31,688	32,971
in US dollars	3,839	3,839
Commitments:	615,931	515,751
in Russian rouble	298,853	261,621
in Euro	156,344	41,012
in US dollars	110,144	150,253
in Kazakhstani tenge	50,590	62,865

The profit or loss amounts of transactions for the six-month periods ended 30 June 2021 and 30 June 2020 with other related parties are as follows:

	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Statement of profit or loss		
Interest income	59,571	75,056
Interest expense	(32,589)	(39,933)
Recovery of/(provision for) expected credit losses on interest bearing assets	3,705	(6,577)
Net loss from modification and recognition of new financial instruments	-	(10)
Net gain/(loss) on financial assets and liabilities at fair value through profit and loss	5,274	(13,027)
Net realised gain on financial assets at fair value through other comprehensive income	8,813	748
Net gain on transactions in foreign currencies	15	11,336
Fee and commission income	5,378	5,727
Fee and commission expense	(114)	(186)

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

24 SEGMENT REPORTING

Segment performance

The Bank operates in the Russian Federation, the Republic of Kazakhstan and other countries. In presenting geographical information the allocation of revenue is based on the geographical location of customers and assets.

Segment information for the main geographical segments of the Bank is set out below:

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total for the six- month period ended 30 June 2021 Unaudited
Interest income, calculated using effective interest method	42,698	62,101	11,801	1,056	1,154	118,810
Other interest income	243	8	-	-	3,161	3,412
Interest expense	(21,520)	(41,839)	(15)	(16)	(31,642)	(95,032)
(Provision for)/recovery of expected credit losses on interest bearing assets	(2,235)	4,399	1,589	603	8	4,364
Provision for impairment losses on contingent liabilities	(8)	-	(24)	-	-	(32)
Net loss from modification and recognition of new financial instruments	-	(675)	-	-	-	(675)
Net gain/(loss) on financial assets and liabilities at fair value through profit and loss	5,465	17	-	(1)	24,522	30,003
Net realised gain/(loss) on financial assets at fair value through other comprehensive income	9,070	(185)	4	3	(1)	8,891
Net gain/(loss) on transactions in foreign currencies	1,851	48	(3)	(1)	(25,871)	(23,976)
Fee and commission income	5,673	487	800	1	320	7,281
Fee and commission expense	(124)	(50)	(1)	-	(341)	(516)
Net other income/(expense)	-	5	-	(1)	2	6
Net result from financial operations	41,113	24,316	14,151	1,644	(28,688)	52,536
Capital expenditure	205	210	-	69	-	484
Depreciation and amortization	127	598	2	13	-	740

EURASIAN DEVELOPMENT BANK

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

24 SEGMENT REPORTING, CONTINUED

Segment performance, continued

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total 30 June 2021 Unaudited
Cash and cash equivalents	193,583	95,818	97	359	355,450	645,307
Financial assets at fair value through profit or loss	24,301	19,340	-	-	28,235	71,876
Loans and advances to financial institutions	99,873	21,730	59,359	35,423	-	216,385
Loans to customers	985,552	533,789	531,383	-	-	2,050,724
Financial assets at fair value through other comprehensive income	647,110	793,439	31,801	13,478	923,707	2,409,535
Debt securities at amortised cost	366,473	53,557	-	-	-	420,030
Investments in associates	17,236	23	-	1	-	17,260
Property, equipment and intangible assets	577	10,310	7	105	-	10,999
Other assets	13,844	2,908	731	415	3,825	21,723
Total assets	2,348,549	1,530,914	623,378	49,781	1,311,217	5,863,839
Total liabilities	712,159	1,026,733	745	24,597	2,222,633	3,986,867
Contingent liabilities and credit commitments	476,460	472,128	370,310	54,365	-	1,373,263

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

24 SEGMENT REPORTING, CONTINUED

Segment performance, continued

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total for the six- month period ended 30 June 2020 Unaudited
Interest income, calculated using effective interest method	51,188	65,518	8,844	1,624	9,036	136,210
Other interest income	-	3,702	-	-	1,612	5,314
Interest expense	(27,051)	(45,925)	(12)	(5)	(29,217)	(102,210)
(Provision for)/recovery of expected credit losses on interest bearing assets	(2,454)	(4,182)	(7,519)	1,267	56	(12,832)
Provision for impairment losses on contingent liabilities	(181)	-	-	-	-	(181)
Net gain from modification and recognition of new financial instruments	-	745	-	-	-	745
Net gain/(loss) on financial assets and liabilities at fair value through profit and loss	5,591	(26,889)	8	(30)	44,190	22,870
Net realised gain on financial assets at fair value through other comprehensive income	860	3	22	6	2	893
Net (loss)/gain on transactions in foreign currencies	(17,452)	1,460	(18)	(4)	2,220	(13,794)
Fee and commission income	6,196	403	21	-	16	6,636
Fee and commission expense	(256)	(41)	(4)	(6)	(97)	(404)
Net (loss)/gain on trading with debt securities issued	(308)	-	-	-	13	(295)
Net other income/(expense)	53	(3)	-	-	-	50
Net result from financial operations	16,186	(5,209)	1,342	2,852	27,831	43,002
Capital expenditure	134	320	-	3	-	457
Depreciation and amortization	96	612	3	11	-	722

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

24 SEGMENT REPORTING, CONTINUED

Segment performance, continued

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total 31 December 2020
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	593,671	476,190	324,858	64,474	-	1,459,193

The net result from financial operations, 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.

For the six-month periods ended 30 June 2021 and 2020, there were no loans to customers with interest income individually exceeding 10% of total interest income of the Bank.

25 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. 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.

(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 quoted 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.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)**

(in thousands of US dollars)

25 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

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.

The table below analyses financial instruments measured at fair value as at 30 June 2021 and 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	Level 1	Level 2	Level 3	30 June 2021 Total Unaudited
Financial assets at fair value through profit or loss:				
Derivatives	-	28,413	-	28,413
Equity instruments in Treasury portfolio	-	23,519	-	23,519
Debt instruments in Treasury portfolio	-	19,162	-	19,162
Equity instruments in Investment portfolio	-	-	782	782
Financial assets at fair value through other comprehensive income:				
Equity instruments in Treasury portfolio	-	23,478	-	23,478
Debt instruments in Treasury portfolio	1,463,918	256,476	-	1,720,394
Debt instruments in Investment portfolio	-	665,663	-	665,663
Financial liabilities at fair value through profit or loss, derivatives	-	2,451	-	2,451

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

25 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

	Level 1	Level 2	Level 3	As at 31 December 2020 Total
Financial assets at fair value through profit or loss:				
Derivatives	-	24,109	-	24,109
Equity instruments in Treasury portfolio	-	22,634	-	22,634
Equity instruments in Investment portfolio	-	-	4,818	4,818
Financial assets at fair value through other comprehensive income:				
Equity instruments 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

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

25 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED
(c) Valuation of financial instruments, continued

The following table shows reconciliation for the six month-period ended 30 June 2021 and 30 June 2020 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3	
	Six-month period ended 30 June 2021 Unaudited	Six-month period ended 30 June 2020 Unaudited
Financial assets at fair value through profit or loss		
Balance at beginning of the period	4,818	6,567
Redemption of instruments, net	(4,036)	-
Losses from equity securities at fair value through profit or loss	-	(1,338)
Balance at end of the period	782	5,229
Financial assets at fair value through other comprehensive income		
Balance at the beginning of the period	5	5
Interest income accrued	-	-
Balance at end of the period	5	5

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

The Bank believes that the carrying amount of loans to customers and 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 and thus are less sensitive to market fluctuations. 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.

	Level 1	Level 2	Level 3	30 June 2021 Unaudited	
				Total fair value	Total carrying value
Financial assets					
Cash and cash equivalents	-	420,437	224,870	645,307	645,307
Loans and advances to financial institutions	-	-	218,519	218,519	216,385
Loans to customers	-	-	2,173,015	2,173,015	2,050,724
Debt securities at amortised cost	-	417,355	-	417,355	420,030
Other financial assets	-	-	13,525	13,525	13,525
Financial liabilities					
Loans and deposits from banks	-	-	1,719,480	1,719,480	1,727,321
Deposits from customers	-	-	355,818	355,818	357,417
Debt securities issued	-	1,834,055	-	1,834,055	1,842,776
Other financial liabilities	-	-	6,659	6,659	6,659

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(in thousands of US dollars)

25 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(d) Valuation of financial instruments, continued

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

26 RISK MANAGEMENT POLICIES

(a) Credit risk

As at 30 June 2021, the credit ratings and credit risk of the counterparties have not significantly changed compared to 31 December 2020.

(i) 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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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)

(in thousands of US dollars)

26 RISK MANAGEMENT POLICIES, CONTINUED

(a) Credit risk, continued

(i) Assets allocation in portfolios, continued

Information regarding each portfolio is included below:

	Current investment portfolio	Treasury Portfolio	Unallocated*	30 June 2021 Total Unaudited
Cash and cash equivalents	-	645,307	-	645,307
Financial assets at fair value through profit or loss	782	71,094	-	71,876
Loans and advances to financial institutions	216,185	-	200	216,385
Loans to customers	2,126,921	-	(76,197)	2,050,724
Financial assets at fair value through other comprehensive income	627,165	1,743,872	38,498	2,409,535
Debt securities at amortised cost	-	420,030	-	420,030
Investments in associates	17,236	-	24	17,260
Property, equipment and intangible assets	-	-	10,999	10,999
Other assets	-	-	21,723	21,723
Total assets	2,988,289	2,880,303	(4,753)	5,863,839
Total liabilities	-	1,144,582	2,842,285	3,986,867
Contingent liabilities and credit commitments	1,357,634	-	15,629	1,373,263
Total current investment portfolio	4,345,923			

*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/discounts and secured letters of credit.

	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	1,437,072	-	22,121	1,459,193
Total current investment portfolio	4,420,600			

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(in thousands of US dollars)

26 RISK MANAGEMENT POLICIES, CONTINUED

(b) Liquidity risk

During the six-month period ended 30 June 2021, there were no significant changes in liquidity risk comparing to 31 December 2020.

(c) 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. During the six-month period ended 30 June 2021, there were no significant changes in market risk comparing to 31 December 2020.

(d) Currency risk

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

	US dollars Unaudited	Kazakhstan tenge Unaudited	Russian rouble Unaudited	Euro Unaudited	Other currencies Unaudited	30 June 2021 Total Unaudited
Total financial assets	2,465,939	1,027,714	963,137	1,320,721	49,871	5,827,382
Total financial liabilities	826,717	1,004,639	844,172	1,025,443	235,653	3,936,624
Open balance sheet position	1,639,222	23,075	118,965	295,278	(185,782)	1,890,758
Net spot and derivative financial instruments position	335,468	(39,201)	(183,342)	(285,556)	198,274	25,643
TOTAL OPEN POSITION	1,974,690	(16,126)	(64,377)	9,722	12,492	
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2020 Total
Total financial assets	2,269,059	973,877	887,891	1,171,811	278,841	5,581,479
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
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)	

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (CONTINUED)**

(in thousands of US dollars)

26 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk, continued

Impact on net profit and equity based on asset values as at 30 June 2021 and 31 December 2020:

	As at 30 June 2021					
	Unaudited					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	(9,657)	9,657	(2,419)	2,419	972	(972)
Impact on equity	(9,657)	9,657	(2,419)	2,419	972	(972)
	As at 31 December 2020					
	Unaudited					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	(5,023)	5,023	793	(793)	(236)	236
Impact on equity	(5,023)	5,023	793	(793)	(236)	236

(e) Financial ratios

The Council of the Bank has set the following financial ratios:

	30 June 2021 Unaudited	31 December 2020
Minimum amount of liquid assets in Treasury portfolio required amount in thousands US dollars*	563,167	729,024
<i>actual amount</i>	1,349,893	1,292,552
Financial leverage ratio should be less or equal to 300% of the Bank's equity	300.00%	300.00%
<i>actual ratio</i>	127.31%	123.25%

* The minimum level of liquid assets in treasury portfolio must be 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.

27 EVENTS AFTER THE REPORTING PERIOD

On 8 July 2021, the Bank issued international Eurobonds on the Irish Stock Exchange as part of its Euro Medium Term Note Programme ("EMTN") for a total amount of 21,500,000 thousand KZT with maturity date on 8 July 2024 (series 07). The Eurobonds bear an interest rate fixed at 10.000% per annum.

On 23 July 2021, the Bank issued discount bonds on the Kazakhstan Stock Exchange (KASE) for a total amount of 10,000,000 thousand KZT with maturity date on 22 July 2022. The bonds' yield to maturity was fixed at 9.650% per annum.