Eurasian Development Bank

# 2016

## ANNUAL REPORT

# MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear members of the EDB Council,

In 2016, Eurasian Development Bank managed to augment its investment portfolio by signing 21 projects worth US $794 million – the largest figure in the recent years and one of the highest achievements among international financial institutions operating in the region in 2016.

The Bank enhanced its search for projects with integration effects in mechanical engineering, the chemical sector, mining, oil and gas, and infrastructure.

This was largely due to synergistic work of the Bank's project and research divisions that had undergone significant changes in order to ensure that EDB has a deeper understanding of emerging investment opportunities, search for and select projects, and strengthen its industrial expertise and client-centeredness.

The Bank has managed to achieve growth in unfavourable economic conditions. Despite stabilisation in 2016, the economic situation in the EDB member states remained challenging. Due to weak domestic demand and conservative monetary and fiscal policies, economic growth rates shown by the member states turned to be below the expected targets. The persistently high level of uncertainty limited the need for investments and this affected lending.

Slow economic recovery in the Bank's region of operations constrained businesses' interest in loans for integration projects in Eurasia. Despite initiatives by the Eurasian Economic Commission and the current political agenda, the real demand for integration projects is insignificant.

In 2016, the Bank surveyed 305 businesses and only 22 companies (7%) expressed interest in considering its cooperation proposals. Many of these companies only need to replenish their working capital (for up to two years) or refinance loans to reduce their cost.

The sector of infrastructure offers a host of project ideas and needs finance, but has practically no projects that are ready for funding. This creates opportunities for development institutions, including EDB.

Restrictions on the Russian banking and corporate sectors' access to capital markets also limited the demand for EDB's finance since foreign partners pursue a formal approach to the Bank's structure of shareholding.

EDB's potential customers are not interested in investment finance denominated in foreign currencies (US dollars or euro) and prefer funding in national currencies from major commercial banks. If the Bank's resources had a competitive value in national currencies, this could become one of its significant advantages. However, its access to the liquidity instruments offered by national central banks and government subsidies (this concerns, in the first place, Russian programmes) remains limited. EDB lacks governmental support that national institutions enjoy.

Overall, the market niches of commercial and development banks get increasingly blended and competition with commercial banks in the traditional segments occupied by development banks, in particular as regards infrastructure projects, becomes tougher. Non-governmental pension funds and management companies also express interest in this sector.

New tendencies have emerged in recent years.

Large corporate clients tend to replace traditional borrowings with simpler, and often cheaper, bond issues to finance their projects that also help them to avoid pledges of assets.

Corporate clients have also changed their behaviour in a manner similar to that of individuals – they try to minimise personal contacts and simplify procedures (disintermediation of the financial market).

The pace of changes in the market, especially as regards technological advances in development institutions' target sectors such as transport, infrastructure, the power sector and oil gas, among others, is growing.

These changes require that we strengthen our industrial competences, and introduce new approaches to project selection, risk assessment and financial modelling.

During the year, EDB paid particular attention to cooperation with multilateral development institutions (MDIs). Of special mention is Nord Hydro's project to construct two small hydropower plants in Karelia (Russia) financed by EDB in cooperation with the International Investment Bank, with the New Development Bank acting as the funding bank.

Improvements in the investment portfolio had helped to reduce provisions by more than US $50 million by the end of 2016. EDB also continued to re-arrange its treasury transactions and cut operating expenditure. As a result, despite the continued macroeconomic instability in the region, in 2016 the Bank received the greatest profit (over US $160 million) since the beginning of its operation.

EDB plans to continue to expand its investment portfolio of integration projects and sophisticate its operating model in order to achieve the targets and objectives set by its current strategy for 2013-2017, as well as in a longer-term perspective.

Chairman of the Management Board
Dmitry Pankin

# EDB IN 2016

In 2016, EDB's current investment portfolio grew by 12% to US $2.5 billion. Projects with an integration effect accounted for more than 50% of the portfolio, as envisioned by the Bank's current strategy.

KEY PERFORMANCE INDICATORS

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| **Current investment portfolio, US $ million** | 3,882 | 3,157 | 2,200 | 2,470 |
| **Share of projects with an integration effect, %** | 44.9% | 49.4% | 53.4% | 50.8% |
| **Share of provisions in the balance-sheet portfolio, %** | 5.2% | 1.8% | 7.9% | 4.9% |
| **Net income (loss), US $ million.** | -72 | 18 | -144 | 164 |
| **ROE, %** | -4.3% | 1.1% | -9.1% | 10.4% |
| **Credit rating** | One rating above, and one the same as, Russia's rating | Two ratings above Russia's rating | Two ratings above Russia's rating | Two ratings above Russia's rating |

The Bank continued to search for and select new projects. It has formed a pool of potential projects that had been preliminarily approved with the expected finance totalling US $1.2 billion. More than 30 new project proposals were under consideration as at the end of 2016. This suggests that the Bank has serious opportunities to achieve the investment portfolio growth targets set for 2017.

EDB's high credit ratings combined with its conservative approach towards risk assessment, liquidity maintenance and the use of internal ratios has helped to maintain and reinforce its financial position.

In 2016, EDB received its biggest-ever profit of US $164 million. This was ensured by active work with non-performing projects, the restoration of provisions, improved treasury profitability resulting from the treasury's new strategy, reduced interest expenses due to the optimisation of assets and liabilities, and on-going decreases in the Bank's operating costs.

The main changes in the Bank's internal environment was its transition to a new operating model that it finalised in 2016 and the related rearrangement of project operations.

The regulations governing the project cycle – the Bank's key business process – were optimised. The Bank's strategic and research divisions were involved in the search for and selection of potential projects, especially as regards the promotion of integration and industrial cooperation projects with high integration effects. Project activities became increasingly focused on projects with real integration effects, the development of a pipeline of potential projects, and the creation of industrial competence centres at the Bank.

A customer relationship management (CRM) system was introduced and integrated in the project cycle in order to store and manage all information about the Bank's potential customers and projects.

A market research to identify EDB's target customers was undertaken and a number of industrial reports and overviews of strategic industries in the member states were prepared. This has helped to identify over 1,000 potential customers who were contacted in order to expand the pool of the Bank's potential projects.

EDB is not in a position to offer competitive prices to customers as compared to the largest state-owned banks or national and international development institutions. The cost of its resources is based on the cost of its funds in respective currencies[1] and this limits the Bank's opportunities for working with Russia and Kazakhstan's largest issuers.

In these conditions, EDB concentrated on strengthening its competitive advantages that are unrelated to prices.

This is, in the first place, the short time for project preparation and consideration: the flexible and client-centred project cycle devised as a result of improvements in the operating model helps to cut time for project consideration and decision making considerably.

Another advantage is that the Bank offers different terms of funding, including the preference for projects that conform to its strategy and mission. This approach is in line with the practice of other IFIs. In particular, the Bank provides grace periods for the payment of principal during the investment phase. This is what makes EDB different from commercial banks.

An important factor of EDB's competitiveness is the key product it offers – project finance where projects are the main collateral and source for repayments and borrowers do not need to provide additional pledges or encumber other assets. In global practice, project finance remains the main lending tool for major investment projects. However, it is complicated in terms of structuring and requires deep technological expertise that narrows the range of banks that are ready to work with the tool. Central banks require high provisions for such loans. This provides EDB with a competitive advantage, which is being developed by strengthening respective expertise, optimising and accelerating decision-making, and promoting the Bank as a lending institution specialised in project finance.

EDB is ready to work with a wide range of currencies and different external advisers and admit a wide range of collaterals.

Finally, EDB has individual approach to customers and supports their projects in difficult situations, however without prejudice to its own interests.

Customised and individual approach to customers throughout the project preparation and implementation phases, with the active involvement of the Bank's top management, are EDB's important competitive advantages that are valued by many our customers.

[1] For additional information please refer to *Activity in Financial and Capital Markets*

The Bank has accumulated significant expertise in Eurasia and become an acknowledged centre of competence in the area of integration and it is deeply involved in the work of governmental and inter-country authorities in the region. It is also becoming an important player in the development of the Eurasian Economic Union.

In 2016, EDB continued to cooperate with the Eurasian Economic Commission (EEC), in particular in the area of research. A joint working group was set up to consider cooperation projects with integration potential that could be financed by the Bank. Quarterly EAEU macroeconomic forecasting sessions were arranged with the participation of national banks and finance ministries from the EDB member states.

The Bank continued to develop cooperation with international organisations, international financial institutions and the United Nations specialist agencies, with the aim of solving pressing economic development issues in its member states.

# 2,500,000,000

In 2016, EDB's current investment portfolio grew by 12% to US $2.5 billion

*Financing the purchase of equipment and machinery for Bogatyr Komir*

# ECONOMIC SITUATION IN EDB MEMBER STATES IN 2016

In 2016, macroeconomic indicators in the EDB countries normalised after the extremely unstable 2015. The beginning of the year was challenging for the member countries. The sharp fall in oil prices resulted in high volatility in financial markets and exchange rates. Nevertheless, the countries had managed to stabilise – and in some instances even improve significantly – their exchange rates by the end of the year. Capital outflows had also slowed considerably. As of the end of 2016, inflation in the EDB countries reached a new historical minimum of 5.8%, compared to 12.8% as at the end of 2015.

The main achievement in 2016 was significant inflation slowdown: four of the six countries have managed to slow inflation below central banks' targets. Inflation is expected to continue to stabilise in 2017. This will be associated with the emerging opportunities for decreasing interest rates, recovering consumption as one of the main drivers of mid-term economic growth, and expanding investments and, consequently, the demand for banking services.

The key challenge for the EDB countries is to speed up economic growth while developments in external markets remain highly uncertain. In 2016, economic growth rates in the region changed for the better compared to 2015, but varied between the member states. As at the end of the year, economic recession in the EDB[2] countries had slowed from 3.1% in 2015 to 0.2% in 2016. The Kyrgyz Republic and Tajikistan demonstrated growth of more than 3%, while the other countries had either negative rates (Russia and Belarus) or 1% or less (Armenia and Kazakhstan).

The weak recovery of world raw material prices in 2016 resulted in lower fiscal revenues and greater fiscal imbalances in the EDB countries. The situation was aggravated by low growth rates: limited fiscal revenues required less spending in order to reduce deficit. In most EDB countries fiscal balances deteriorated compared to 2015.

Positive economic developments in the EDB countries included a slowdown in capital outflows due to, to a significant extent, stabilised raw material prices and exchange rates. On the other hand, this resulted in that mutual trade decline in most member states.

[2] The approximate indicators were calculated as the weighted average, based on weights corresponding to the share of real PPP GDP in the EDB member countries' aggregate GDP.

## Republic of Armenia

The enhancement of exports to the EDB countries was one of the most important drivers of Armenia's economic growth in 2016. However, because of weak domestic demand and low investment activity, Armenia's GDP growth rate fell to 0.6% in 2016 from 3% in the preceding year.

The low world prices of energy resources and food, as well as the weak recovery of consumer activity and low prices of agricultural produce continued to exert deflation pressure on the Armenian economy. As a result, deflation amounted to 1.1%, after 0.1% in 2015. To maintain economic activity and reduce the deflation pressure, Armenia's Central Bank reduced its key rate six times from May 2016, from 8.75% to 6.25%.

As regards foreign trade, despite the improved balance of payments, an increase in exports, in particular to Russia, and a decline in net migrant workers' remittances, the increased repayments to investors and the negative balance of services have resulted in a current account deficit.

In 2016, Armenia's had an increase in its fiscal expenditure but its fiscal revenues remained constrained by lower VAT payments and economic slowdown in the second half of the year. The fiscal deficit amounted to 5.4% of GDP, after a deficit of 4.8% in 2015. As a result, Armenia's government debt increased to more than 50% of GDP.

## Republic of Belarus

In 2016, Belarus continued to maintain negative economic growth rates. Preliminary estimates suggest that in 2016 GDP fell by 2.6% (Belarus previously saw a decline of 3.9% in 2015). Reductions in production continued while domestic and foreign demand remained weak because of conservative monetary and fiscal policies. Another constraint for economic recovery in the second half of 2016 was the decrease in crude oil supplies from Russia, which affected industrial outputs.

In Belarus, inflation amounted to 10.6% year-on-year as at the end of 2016, while the National Bank's target for the year was 12%. The main factors stabilising inflation included lower consumer activity and the relative stability of the national currency ensured by the country's conservative monetary and fiscal policies.

The worsened foreign trade conditions in 2016 led to an increase in the country's trade balance deficit. At the same time, the improved balance of services and lower expenses for loan servicing have helped to reduce the current account deficit.

As a result, the country's budget had a surplus of 1% of GDP as at the end of the year (1.7% in 2015). This was ensured, to a significant extent, by the consolidation of additional revenues and lower fiscal expenditure, including government subsidies.

## Republic of Kazakhstan

The stimulating anti-crisis measures deployed by Kazakhstan's government and National Bank, as well as the reduced volatility of exchange rates and oil prices, helped Kazakhstan to maintain a positive GDP growth of 0.7%, following an increase of 1.2% in 2015.

Inflation in Kazakhstan at the end of 2016 approached the ceiling of the target corridor of 6-8% and amounted to 8.5% (13.6% in 2015). It continued to fall after an upsurge in the beginning of the year due to post-devaluation effects. After inflation began to slow, the National Bank of Kazakhstan reduced its base rate from 17% in May to 12% in December 2016.

The weak world energy and metal prices and the low domestic demand resulted in a decline in the country's exports and imports. The floating exchange rate policy has helped, to an extent, to support exporters of non-primary products. As at the end of 2016, the trade balance surplus decreased and the current account deficit grew. Trade between Russia and Kazakhstan shrank: imports from Russia to Kazakhstan went down by 13.3% and Kazakhstan's exports by more than 10%.

The fiscal budget deficit in 2016 was 1.6% of GDP and both fiscal revenues and expenditure increased. As compared to 2015, the structure of fiscal revenues changed due to an increase in VAT payments and a drop in transfers from the National Fund. Despite the reduction, these transfers have helped a lot to stimulate housing construction and the fulfilment of infrastructure projects included in the Nurly Zhol state programme. Overall, the increase in fiscal expenditure has supported economic growth in Kazakhstan and prevented economic recession in 2016.

## Kyrgyz Republic

In the Kyrgyz Republic, after a significant decline in GDP during the first six months of the year, its growth reached 3.8%, up from 3.5% in 2015. GDP fluctuations during the year were caused by uneven gold production. An additional factor conducive to economic improvements in the Kyrgyz Republic was the recovery of money remittances from Russia associated, to a significant extent, with preferential conditions extended to Kyrgyz migrant workers in the EAEU.

The low world prices of energy resources and food, as well as the weak recovery of consumer activity and low prices of agricultural produce have been exerting deflation pressure on the Kyrgyz economy. As a result, deflation amounted to 0.5%, after an inflation of 3.4% in 2015. The key rate of the National Bank of the Kyrgyz Republic was decreased from 10% to 5% in 2016.

The improved current account in the Kyrgyz Republic, according to preliminary estimates for 2016, was due to improvements in the balance of trade and services, as well as net migrant workers' remittances. Exports were falling throughout the year and began to restore by the end of the period when gold production was recovered.

During the first six months of 2016, government expenditure increased significantly and the budget deficit amounted to 6.9%. However, the GDP growth rate of 4.6% did not exceed the targeted 4.9%.

## Russian Federation

In 2016, the decline in Russia's GDP slowed to 0.2%, compared to a slide of 2.8% in 2015. The weak domestic demand due to low consumer and investment confidence remained the main constraint for the recovery of economic growth in 2016.

The annual inflation was 5.4% in December 2016 (12.9% the year before). The appreciation of the rouble, high agricultural yields and the persistently weak domestic demand were the significant factors contributing to its slowdown. The main inflation risks during the year were formed by inflation expectations. Despite the decline in inflation, the Bank of Russia reduced its key rate by one percentage point.

The decrease in the current account surplus in Russia was due to low energy prices in the world markets. Export revenues tended to decline in 2016, while imports recovered to the level of 2015. At the same time, the net capital outflow from the private sector reduced significantly, from US $57.5 billion in 2015 to US $19.2 billion in 2016.

The growth in fiscal spending was limited in real terms and the fiscal deficit in 2016 was 3.5% of GDP. The deficit was financed primarily by changing budget balances and from the Reserve Fund.

As a result of fiscal stabilisation and a revival in the real sector, international rating agencies improved their outlooks for Russia's sovereign ratings in 2016. S&P and Fitch, for example, lifted Russia's sovereign outlook from 'negative' to 'stable' in September and October 2016, respectively (with their respective ratings remaining at BB+ and BBB-).

## Republic of Tajikistan

Tajikistan's economic activity improved as a result of growth in investments and its GDP increased to 6.9%, up from 6.0% in 2015. Investment activities (financed primarily with foreign investments) compensate the weak domestic consumer demand that remains limited because of a drop in migrant workers' remittances.

As distinct from most of the countries, Tajikistan saw an increase in inflation to 6.1% as at the end of 2016, compared to 5.1% in the preceding year, due to, to a significant extent, the devaluation shock in the beginning of the year. During the remaining part of the year, the National Bank of Tajikistan continued to replenish international reserves. This has prevented the appreciation of the somoni and accelerated an increase in money supply, which also contributed to inflation growth.

The reduction in money remittances was compensated, to a significant degree, by a decline in the value of imports and this has helped to restrain the current account deficit in 2016. Tajikistan's trade with the EDB countries shrank by 6.1% as a result of a 9.4% decline in imports, although Tajik exports to the EDB countries grew.

In the fiscal sphere, Tajikistan had a budget deficit of 1.7% of GDP, compared to a surplus of 0.8% the year before. Fiscal revenues and expenditure grew by 6.8% and 17.6% year-on-year, respectively. The fuel and energy sector continued to account for the largest portion of fiscal expenditure, standing at 17.8% of the total.

## EDB's Economic Growth Outlooks for 2017

The EDB countries may improve their key macroeconomic indicators in 2017. Economic growth will be ensured by recovery in Russia and the expected increases in raw material prices, migrant workers' remittances and foreign direct investments. Improvements in the external environment may also help to offer fiscal and monetary incentives in order to maintain economic growth.

The most probable scenario for economic recovery in the EDB countries and inflation reduction in stabilised foreign policy conditions in 2017 is that of inertia. In 2017, the EDB economies are forecast to grow by 1.4%, with a further acceleration to 1.5-1.7% in 2018-2019. It is also probable that inflation rates will decline further. In particular, EDB estimates inflation to go down from 5.8% as at the end of 2016 to 4.3% in 2017. The limited demand, stabilised exchange rates and capital flows, as well as conservative monetary policies in most countries of the region will foster further decreases in inflation.

The fiscal sphere will be the main macroeconomic challenge for the EDB countries if to take into account their increased debt burden, a decline in their fiscal reserves, and budget gaps that expanded in 2016. In the Kyrgyz Republic and Armenia, the government debt exceeded 50% of GDP. The planned normalisation of the FRS' monetary policy is among the key risks for the economies as regards the external environment, since it is expected to drive volatility in emerging markets.

The expected economic recovery, decreases in inflation and interest rates, and improvements in the countries' sovereign ratings will improve conditions for the Bank's project activities in the region in 2017.

The positive factors of 2016 and the expected trends in 2017 include the significant decline in the volatility of the countries' national currencies. This is also expected to enhance conditions for long-term investment projects. The recovery of mutual trade and investments between the EDB countries will most probably improve the potential for investment projects in 2017.

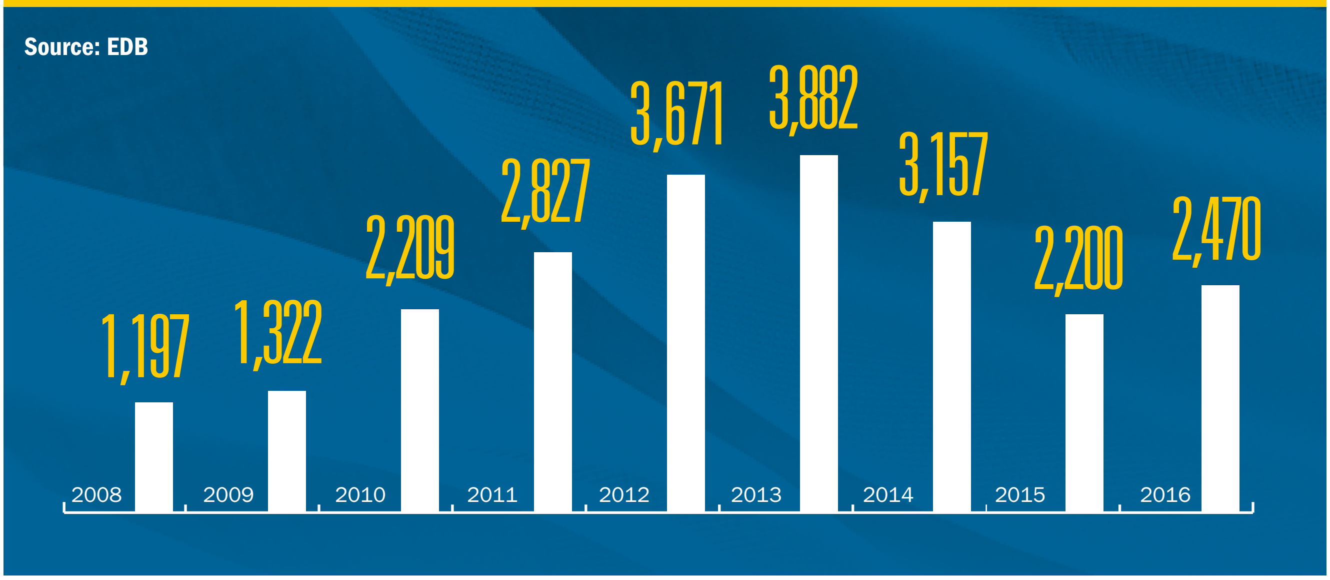
# EDB'S LENDING AND INVESTMENT ACTIVITY

As at the end- of 2016, the Bank's investment portfolio[3] totalled US $5,405,941,000, an increase of 20.1% (US $906,485,000) year-on-year.

The current investment portfolio[4] was US $2,469,836,000, up 12.2% (US $269,421,000).

The balance sheet portfolio[5] (less provisions and discounts) contracted insignificantly, by US $563,000, compared to 2015, totalling US $1,686,203,000.

CURRENT INVESTMENT PORTFOLIO, US $ million




[3] The "investment portfolio" refers collectively to all financial instruments under the Bank's approved projects since the Bank started operating, with respect to which financial agreements have been signed and not repealed before the start of financing.

[4] The "current investment portfolio" refers to the amount of funds extended that are reported on the Bank's balance sheet and off-balance-sheet liabilities relating to duly approved projects that form the Bank's investment portfolio, less provisions and discounts.

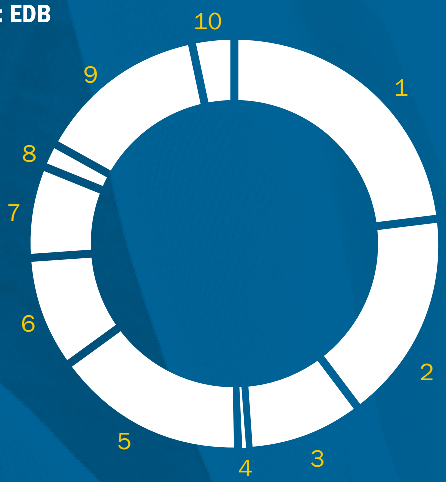
[5] The "balance sheet portfolio" refers to the amount of funds extended to the Bank's customers and other banks, as well as investments in debt and equity instruments relating to duly approved projects that form the Bank's investment portfolio, that have not been repaid and are reported as the Bank's assets on its balance sheet.

At year-end 2016, the Bank's current investment portfolio included 69 projects in its six member states. In 2016, 21 new projects totalling US $739,802,000 were added to the portfolio, of which 11 were launched in the member states' real economies and 10 in the financial sector.

The industrial structure of the current investment portfolio changed in 2016. Mining projects increased from 5.2% to 15.4%. Power and transport projects continue to account for the largest portion of the portfolio as in the preceding year. The completion of some projects led to respective decreases in the shares of mechanical engineering (from 13.6% to 8.9%) and the chemical sector (from 5.4% to 0.8%). The Bank's investments in the financial sector remained practically unchanged compared to the previous year (13.4% vs. 12.6%).

CURRENT INVESTMENT PORTFOLIO, BY INDUSTRY, %

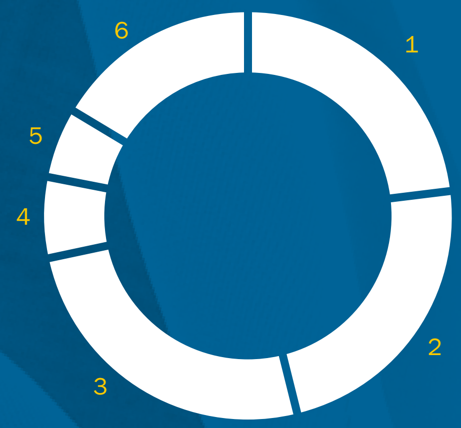
Source: EDB




1 23.3 Power industry
2 16.6 Transport
3 9.1 Other infrastructure
4 0.8 Chemical industry
5 15.4 Mining
6 8.9 Mechanical engineering
7 7.1 Metallurgy
8 2.1 Agriculture
9 13.4 Financial sector
10 3.3 Other industries

PROJECTS UNDER CONSIDERATION, BY INDUSTRY, %

Source: EDB




1 23.1 Power industry
2 23.2 Transport
3 25.6 Mining
4 6.5 Metallurgy
5 5.4 Other industries
6 16.3 Financial sector

As at 31 December 2016, the Bank was considering 19 project applications (preliminarily approved) worth US $3,215,000. Its potential participation in these projects is estimated at US $1,172,000. The industrial composition of the Bank's portfolio is not expected to be affected significantly if these projects are launched.

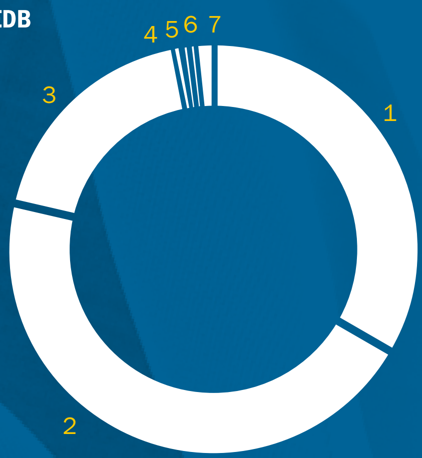
In addition to the projects that are currently under thorough review (those that were preliminarily approved), over thirty project proposals are being considered.

The geographical composition of the current investment portfolio has remained almost unchanged. Projects in Russia and Kazakhstan continue to account for the largest share of the portfolio. At the same time, projects in Kazakhstan increased from 39.6% to 45.4%, while projects in Belarus shrunk from 24.5% to 18.4%.

The geography of the projects and project proposals under consideration allows the prediction that Russia and Kazakhstan will continue to account for the largest portion of the Bank's portfolio.

CURRENT INVESTMENT PORTFOLIO, BY COUNTRY, %

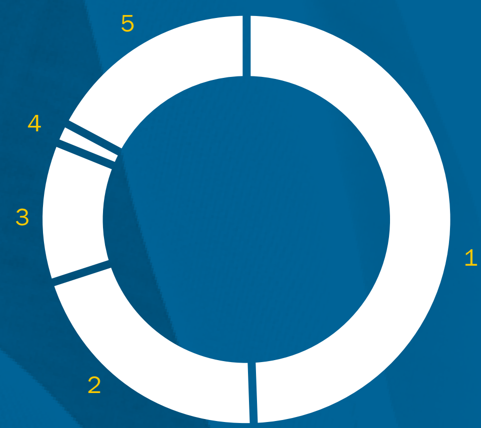
Source: EDB




1 33.4 Russia
2 45.4 Kazakhstan
3 18.4 Belarus
4 0.7 Armenia
5 0.3 Tajikistan
6 0.3 Kyrgyzstan
7 1.5 Other EAEU countries (including PEF)

PROJECT APPLICATIONS UNDER CONSIDERATION, BY COUNTRY, %

Source: EDB




1 49.5 Russia
2 20.6 Kazakhstan
3 11.1 Armenia
4 1.7 Belarus
5 17.1 Kyrgyzstan

# 794,000,000

In 2016, Eurasian Development Bank managed to augment its investment portfolio by signing 21 projects worth US $794 million

*Construction of «North Kazakhstan-Aktobe oblast» interregional power transmission line*

# REPUBLIC OF ARMENIA

The Bank continues to finance its targeted SME programme by extending loans to Armenia's banking sector.

In 2016, the Bank's current investment portfolio in Armenia was US $16,338,000 and included two SME lending projects. Armenia accounts for 0.66% of the current investment portfolio.

*Financing the construction of the North-South road corridor in Armenia, EFSD*

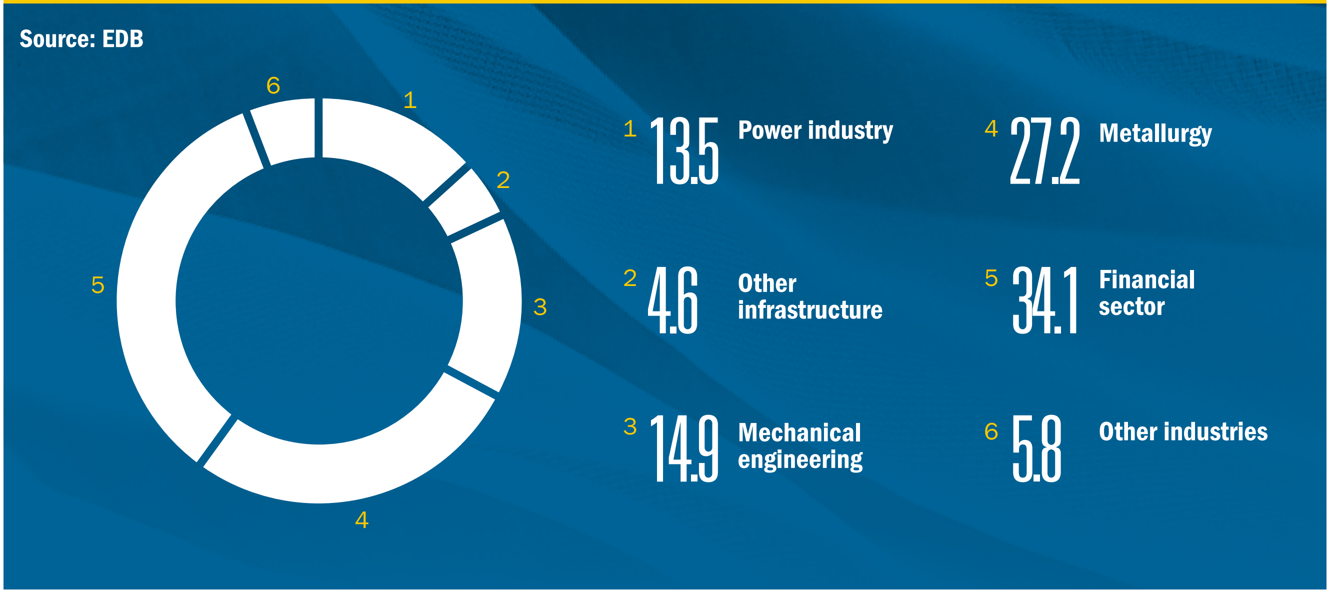
# REPUBLIC OF BELARUS

As at 31 December 2016, the Bank's current investment portfolio in Belarus totalled US $454,496,000 and included fourteen projects in six sectors, primarily in the power industry, mechanical engineering and metallurgy. Belarus accounts for 18.4% of the current investment portfolio.

In 2016, the current investment portfolio in Belarus was expanded with the following projects:

- the Bank's participation in a syndicated loan to Belagroprombank intended to finance its clients' trade contracts for the supply of goods and equipment from Russia and other countries[6];
- a revolving loan facility for the Development Bank of the Republic of Belarus for trade finance;
- a revolving loan facility for Alfa Bank (Republic of Belarus) for trade finance; and
- a revolving loan facility for Belagroprombank for trade finance.

CURRENT INVESTMENT PORTFOLIO IN BELARUS, BY SECTOR, %




[6] The project was closed as at 31 December 2016.

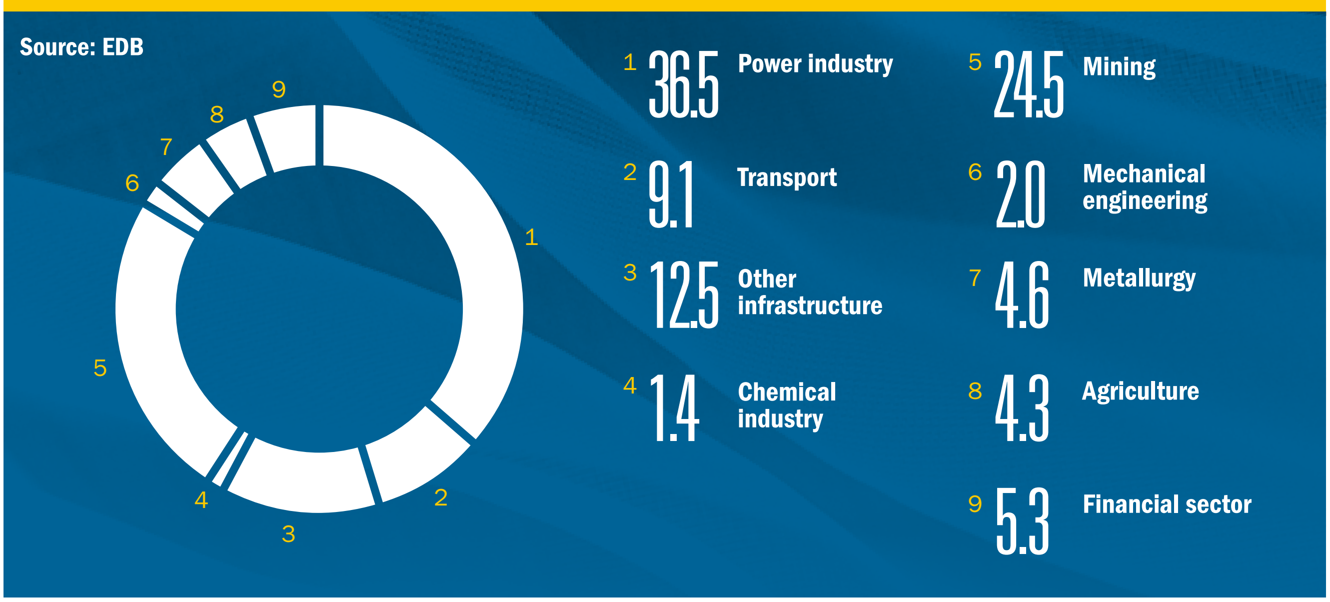
# REPUBLIC OF KAZAKHSTAN

As at 31 December 2016, the Bank's current investment portfolio in Kazakhstan comprised 31 projects in nine sectors and amounted to US $1,120,128,000. Kazakhstan accounts for 45.35% of the current investment portfolio. These projects are mainly in the power industry, transport, mining and the agriculture.

EDB's current investment portfolio in Kazakhstan included the following new projects in 2016:

- a non-revolving targeted loan facility for KazAgroFinance to finance supplies of agricultural machinery and equipment, including from Russia;
- financing day-to-day operations of Kazzinc;
- trade finance for the Sokolov-Sarbai Mining Production Association (SSGPO);
- financing of Transtelecom;
- financing KazTransGas Aimak's investment programme expenditure for 2015-2019;
- participation in a bond issue by KazAgroFinance;
- financing KCell's investments in the development of a LTE network; and
- a revolving loan facility for Bank CenterCredit for trade finance; and
- financing Phase I of the project to produce and process polymetallic ores at the Alaigyr deposit in Karaganda Region.

CURRENT INVESTMENT PORTFOLIO IN KAZAKHSTAN, BY SECTOR, %



# KYRGYZ REPUBLIC

In 2016, the Kyrgyz Republic accounted for 0.3% of the Bank's current investment portfolio (US $7.5 million). Two projects were implemented under the micro-lending programme.

The following project was added to the current investment portfolio in the Kyrgyz Republic:

- a non-revolving loan facility for Halyk Bank Kyrgyzstan supporting a micro-lending programme in the Kyrgyz Republic.

*Toktogul HPP rehabilitation, EFSD*

# RUSSIAN FEDERATION

In 2016, Russia accounted for 33.39% of the Bank's current investment portfolio.

The portfolio in Russia, totalling US $824,589,000, consisted of seventeen projects in eight sectors, including transport infrastructure, mechanical engineering and the power industry.

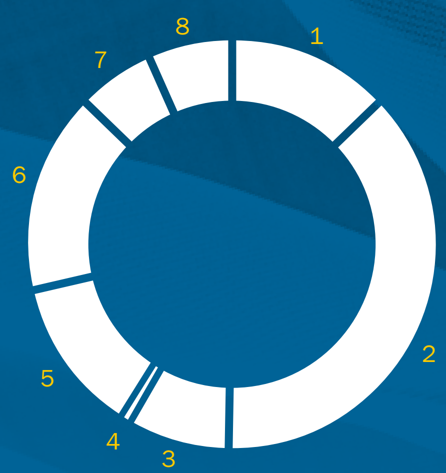
EDB's current investment portfolio in Russia included the following new projects in 2016:

- developing a network of cell towers in Russia (Phase 2) by Russian Towers;
- a bank guarantee for prepayments under the general contract for the construction of Sakhalin GRES 2 (Phase 1);
- a revolving loan facility for RosEvroBank for trade finance;
- enhancing Kombinat KMAruda's capacity (Phase I. The plant's ore and raw material base) and iron ore outputs with the reserves from the lower levels of the Korobki deposit;
- the State Transport Leasing Company's project to construct three RST54 vessels and two RST27 vessels for subsequent lease to BF Tanker; and
- an irrevocable unconditional guarantee for the reconstruction and operation of Pulkovo Airport (a PPP project).

An important project implemented in partnership with other MDBs was preparations for the construction of two small hydropower plants, Beloporozhskaya HPPs 1 and 2, with a total capacity of 50 MW in Karelia (Nord Hydro) co-financed by EDB and the IIB, with the NDB acting as the funding bank.

CURRENT INVESTMENT PORTFOLIO IN RUSSIA, BY SECTOR, %

Source: EDB



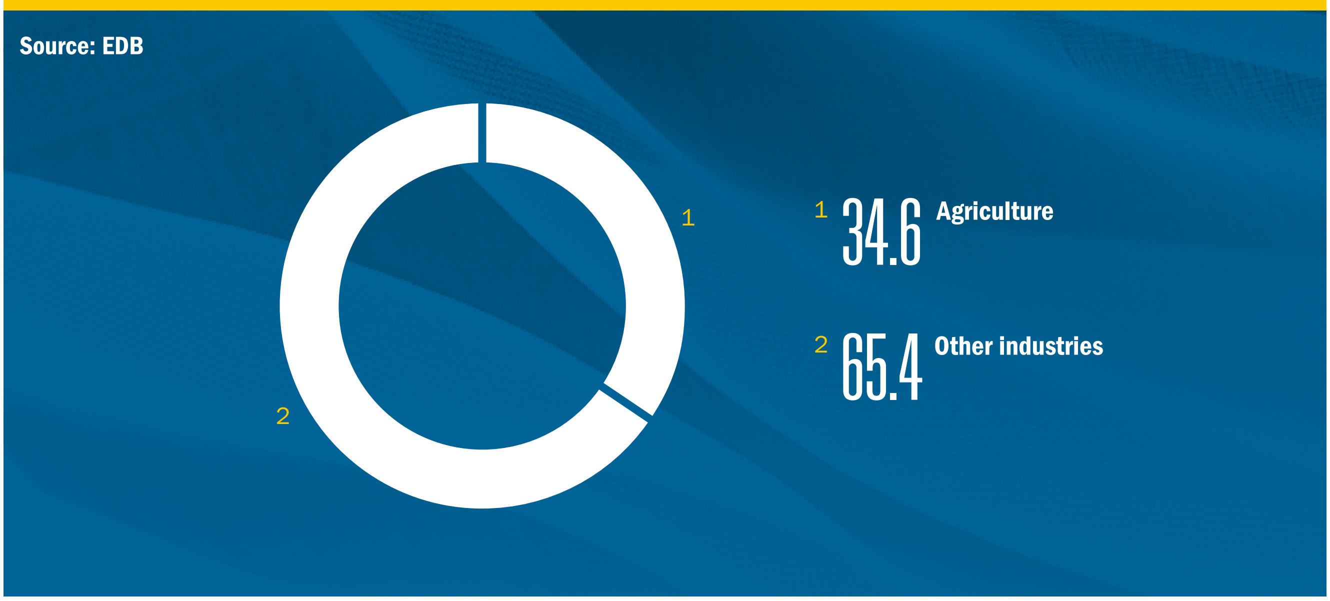

| | | |
|---|---|---|
| 1 | 13.0 | Power industry |
| 2 | 37.5 | Transport |
| 3 | 7.9 | Other infrastructure |
| 4 | 0.4 | Chemical industry |
| 5 | 12.8 | Mining |
| 6 | 15.8 | Mechanical engineering |
| 7 | 6.0 | Other industries |
| 8 | 6.6 | Financial sector |

# REPUBLIC OF TAJIKISTAN

As at 31 December 2016, the Bank's current investment portfolio in Tajikistan totalled US $8,599,000 and included two projects in agriculture and other sectors (light industry).

In 2016, Tajikistan accounted for 0.35% of the current investment portfolio.

CURRENT INVESTMENT PORTFOLIO IN TAJIKISTAN, BY SECTOR, %



# 5,540,000,000

The EFSD project portfolio totalled
US $5,540 million, up 60% year-on-year

*Construction and commissioning of a small section wire mill at the Byelorussian Steel Works (BMZ)*

# MANAGEMENT OF THE EURASIAN FUND FOR STABILISATION AND DEVELOPMENT

The Eurasian Fund for Stabilisation and Development (EFSD; the EurAsEC Anti-Crisis Fund before 15 June 2015) is a regional financial institution with a capital of US $8,513 million. Its members are Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, Russia and Tajikistan. The countries' finance ministers form the Fund's Council and manage its operations. EDB manages EFSD resources, functions as its Secretariat and fulfils all the Fund's projects.

The EFSD finances member states' stabilisation/anti-crisis programmes and investment projects in order to:

- maintain economic and financial sustainability of national economies;
- deepen integration between the member states; and
- promote private sector development sector.

One of EDB's key objectives, as the EFSD Resources Manager, is to support stabilisation programmes developed by the member states. The Fund's experts assist the borrowing states in assessing the efficiency of measures envisioned by stabilisation programmes. A stabilisation programme that would typically be eligible for EFSD support incorporates measures designed to ensure macroeconomic stability; improve fiscal sustainability and balance of payments, competitiveness and the business climate, and promote economic cooperation between the EFSD member states.

The EFSD is cooperating closely with IFIs in accordance with the Paris Declaration on Aid Effectiveness.

In 2016, the EFSD Resources Manager collected applications from the member countries for the first competition for EFSD grants to support government projects in the social sphere, including education and health care. Twenty-six applications were received, including seven from Armenia, fifteen from the Kyrgyz Republic and four from Tajikistan, for a total of US $50,612,000. The competition fund totalled US $9,612,000. The winning project proposals will be announced in 2017.

As at 31 December 2016, the EFSD project portfolio totalled US $5,540 million and included fourteen projects, up US $2,070 million (60%) year-on-year.

EFSD PROJECT PORTFOLIO AS AT 31 DECEMBER 2016

| Project | Country | Sector | Size of EFSD financing (US $ million) | Status |
|---|---|---|---|---|
| **Social expenditure support (financial credit)** | Tajikistan | Fiscal support | 70 | Completed |
| **Stabilisation of the balance of payments (financial credit)** | Belarus | Fiscal support | 2,560 | Completed |
| **Financial credit** | Armenia | Fiscal support | 300 | Loan agreement signed |
| **Financial credit** | Tajikistan | Fiscal support | 40 | Loan agreement signed |
| **Financial credit** | Belarus | Fiscal support | 2,000 | Loan agreement signed |
| **Construction of the North-South road corridor (Phase IV)** | Armenia | Transport | 150 | Loan agreement signed |
| **Irrigation system modernisation** | Armenia | Agriculture | 40 | Loan agreement signed |
| **Agricultural machinery supplies** | Kyrgyzstan | Agriculture | 20 | Loan agreement signed |
| **Reconstruction of a section of the Bishkek–Osh road (Phase IV)** | Kyrgyzstan | Transport | 60 | Loan agreement signed |
| **Toktogul HPP rehabilitation (Phase 2)** | Kyrgyzstan | Power sector | 100 | Loan agreement signed |
| **Commissioning of Unit 2 at Kambarata HPP 2** | Kyrgyzstan | Power sector | 110 | Approved by the EFSD Council |
| **Construction of Mastara water reservoir** | Armenia | Agriculture | 25.2 | Preliminarily approved by the EFSD Council |
| **Toktogul HPP rehabilitation (Phase 3)** | Kyrgyzstan | Power sector | 40 | Preliminarily approved by the EFSD Council |
| **Construction of a distribution network to export agricultural produce** | Kyrgyzstan | Agriculture | 25 | Preliminarily approved by the EFSD Council |
| **Total for all projects** | | | **5,540.2** | |

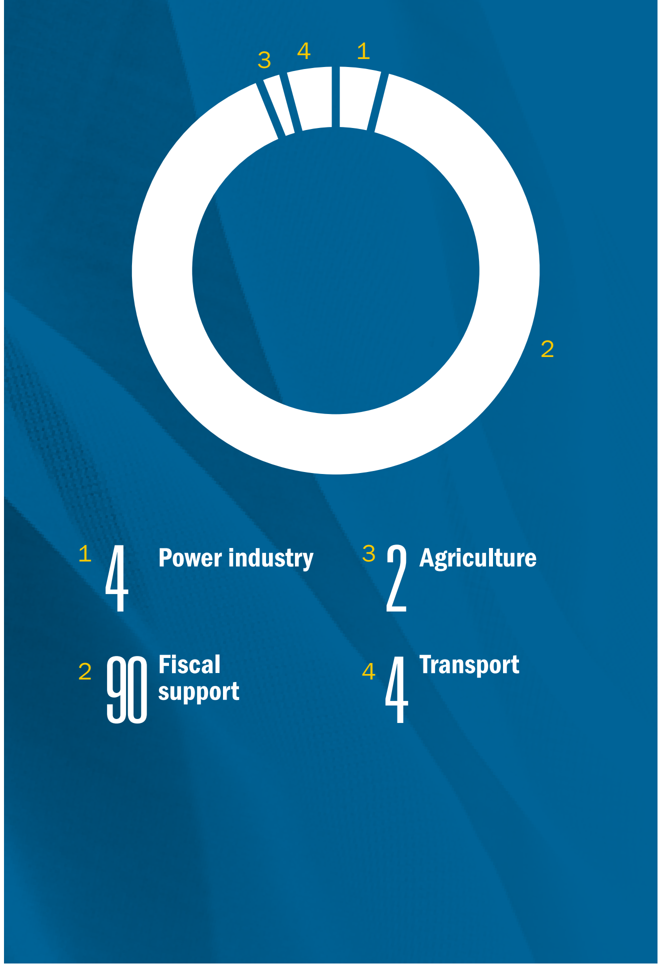
**Source: EDB**

EFSD PROJECTS BY COUNTRY AS AT 31 DECEMBER 2016, %

**Source: EDB**


EFSD PROJECTS BY SECTOR AS AT 31 DECEMBER 2016, %

**Source: EDB**




The EFSD's main borrower is Belarus, accounting for 82% of its total current portfolio.

As at the end of 2016, the Fund's portfolio included five financial credits issued as part of the fiscal support programme, totalling US $4,970 million (90% of the portfolio), and nine investment credits worth US $570 million (10% of the portfolio). The majority of investment credits were for transport and power projects, accounting for 3.8% (US $210 million) and 4.5% (US $250 million) of the portfolio, respectively.

## Financial Credits

The EFSD provides financial credits only to member state governments to support stabilisation/anti-crisis programmes aimed at improving their economies' resilience to domestic and external crises. In 2016, the EFSD approved a US $2 billion financial credit to the Republic of Belarus and the second tranche of the financial credit to the Republic of Armenia totalling US $100 million. In August 2016, EDB and the Republic of Tajikistan signed a US $40 million EFSD financial credit agreement; the first tranche of US $20 million was extended.

The main objective of the financial credit to Belarus is to support the government and National Bank's reforms aimed at promoting sustainable economic growth through improvements in the economic policy and structural reforms. Taking into account the country's successful performance of the first and second tranches, in 2016 Belarus received US $800 million from the Fund. The first two tranches have helped to improve the country's monetary and fiscal policies, which ensured stabilisation of the macroeconomic situation, including inflation slowdown, a positive budget balance, and increased gross international reserves. Structural reforms were initiated to liberalise prices of consumer goods and reduce the government's support to state-owned enterprises through directed lending. An assessment of the country's compliance with the conditions of the third tranche has shown a failure on one control and three indicative indicators. In view of the importance of reforms in public governance, the Resources Manager recommended in its report that a third tranche be provided in the amount of US $300 million after the country's authorities comply with the above indicative criteria and that it be relieved of the requirement to comply with the control indicator.

The Republic of Armenia complied with all indicators of the second tranche, except for one indicative indicator, and in December 2016 the Fund's Council extended it another tranche of the EFSD financial credit worth US $100 million. Armenia's performance of the tranche has helped to improve financial sustainability in the power sector, create a base for improving fiscal sustainability (the approval of the tax code and improved efficiency of public expenditure), and improve the conditions for doing business.

The resolution to extend the first tranche of the credit to the Republic of Tajikistan (US $200 million) was based on Tajikistan's fulfilment of all the conditions precedent set by the EFSD Council on 8 December 2015, including the elimination of multiple exchange rates. At the end of 2016, consultations were conducted based on a request from Tajikistan's government to increase finance by US $30 million provided that the reform matrix will be enhanced with reforms in the power sector.

# 50%

Projects with an integration effect accounted for more than 50% of the portfolio

*Construction of the central section and operation of the north, central, and south sections of the Western High Speed Diameter*

## Investment Credits

As at 31 December 2016, the EFSD project portfolio comprised nine investment projects at various stages of fulfilment, totalling US $570,200,000 (up 14% on 2015), including six projects in the Kyrgyz Republic (US $355 million) and three in Armenia (US $215,200,000).

The projects aim to strengthen transport and logistics ties in and between the EFSD member states, ensure growth in agricultural exports, improve energy security, create jobs, and enhance labour productivity.

In 2016, the EFSD Council approved two projects:

- Commissioning of Unit 2 at Kambarata HPP 2 (US $110 million; final application approved); and
- Toktogul HPP rehabilitation (Phase 3) in the Kyrgyz Republic (US $40 million; preliminary application approved).

In 2016, the investment credit agreements on Toktogul HPP rehabilitation (Phase 2) in the Kyrgyz Republic (EFSD's finance of US $100 million) and irrigation system enhancement in Armenia took effect (EFSD's finance of US $40 million).

As at 31 December 2016, the EFSD provided US $10,480,000 for the current investment projects, including US $5,480,000 for lease transactions related to the financing of agricultural equipment supplies to the Kyrgyz Republic, and US $5 million extended as a prepayment for irrigation system enhancement in Armenia.

In addition, bids were invited in 2016 to select a contractor for the construction of the North–South road corridor (Phase 4).

The Resources Manager also received a preliminary application from the Ministry of Finance of Tajikistan for an investment credit for the rehabilitation of the Nurek HPP. It is expected that the project will be co-financed by the World Bank and the Asian Infrastructure Investment Bank. The potential contribution by the EFSD is US $40 million. The Resources Manager also continued to consider the project for the rehabilitation of the Aral–Suusamyr road in the Kyrgyz Republic, which the Asian Development Bank plans to co-finance (the potential finance by the EFSD amounts to US $85 million).

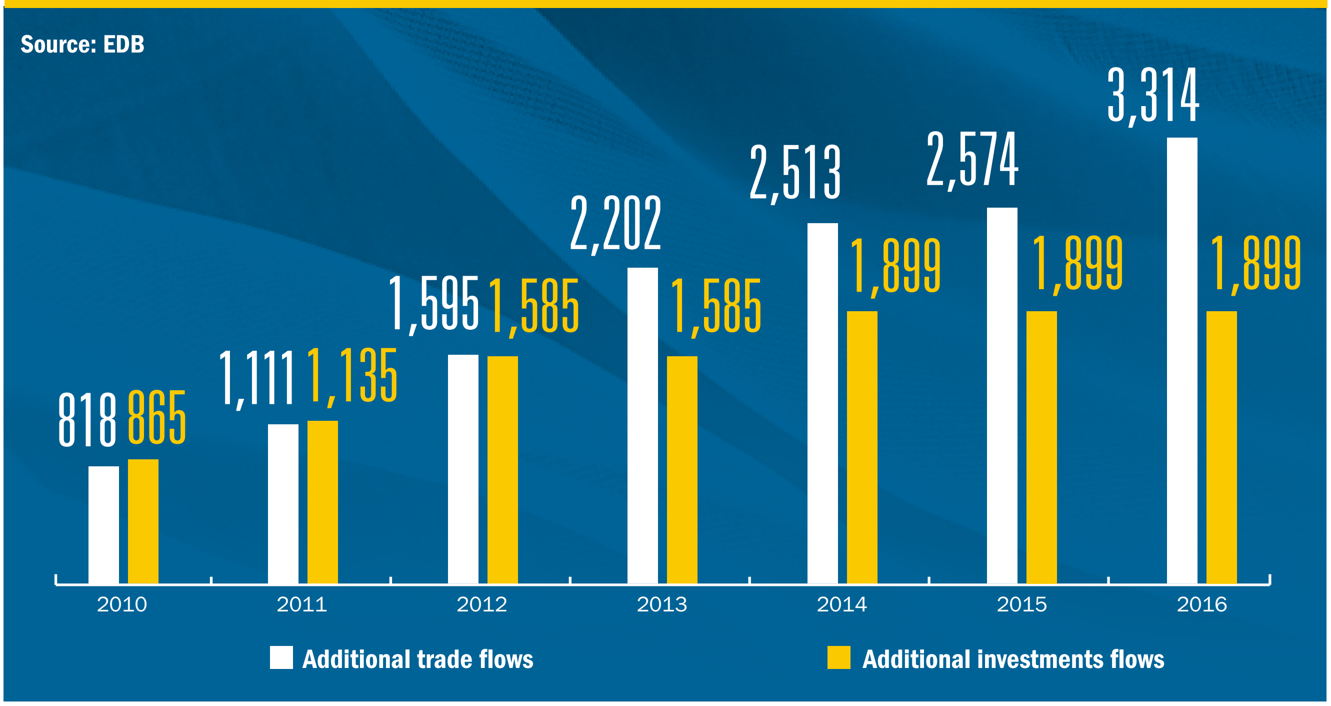
# SOCIAL AND ECONOMIC EFFECTS OF EDB ACTIVITIES

## Facilitating Integration

The Bank's mission is to facilitate integration in Eurasia. It focuses, therefore, on the integration effects of each of the projects it supports, and quantifies these effects for each project. The Bank's Strategy for 2013-2017 states that by the end of that period at least 50% of its current investment portfolio must consist of projects with an integration effect.

In 2016, projects with an integration effect constituted 50.8% of the Bank's current investment portfolio.

INTEGRATION EFFECTS OF PROJECTS IMPLEMENTED BY EDB, US $ MILLION

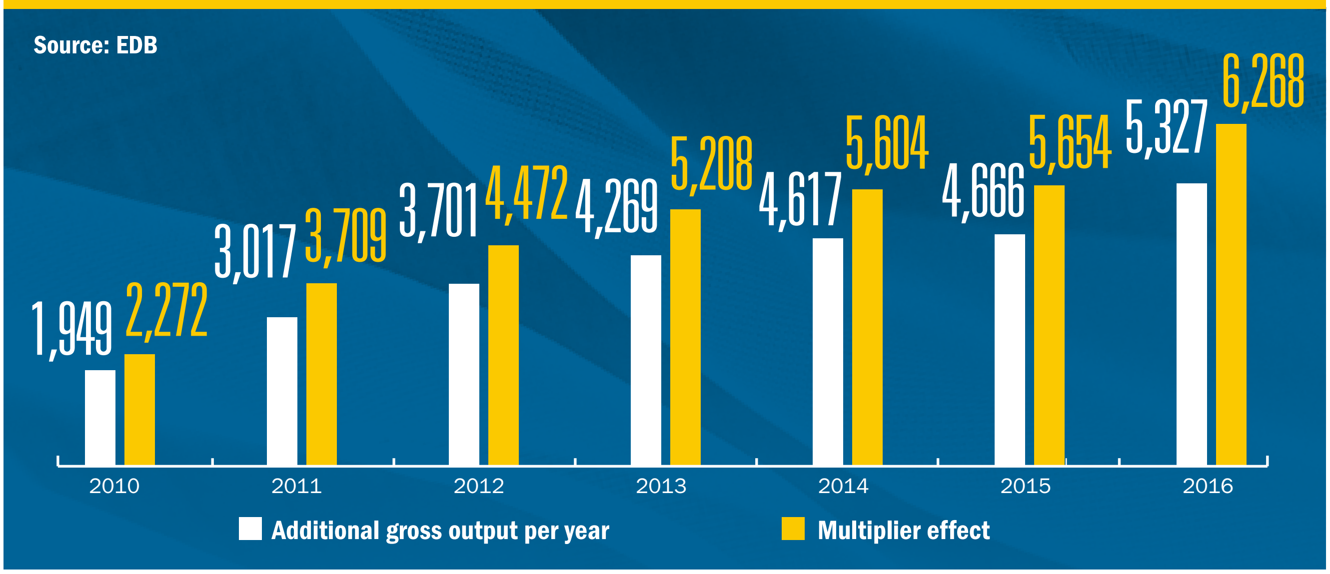


Investment projects are constantly monitored and their relevance to the Bank's mission and strategic objectives assessed. In 2016, the Bank improved its approaches to the evaluation and monitoring of investment projects in accordance with MDBs' best practices. Investment projects are reviewed for their sustainable development effects, market economy development and the integration effects on the member countries. Additional trade flows[7] and additional mutual investment flows[8] are reviewed in the first instance. EDB's investment portfolio as at 31 December 2016 was estimated to be capable of generating mutual trade flows worth US $3,314 million a year. The total additional mutual investment flows generated by the projects in which the Bank has invested since it started operations amounts to US $1,899 million.

## Facilitating Sustainable Development

Sustainable economic development amounts to improvements in industrial outputs, employment, population's income, fiscal efficiency, investment mobilisation, innovations, and the environment. EDB ensures that the projects it supports have a significant social and economic effect. They are capable of generating an average of around US $5,327 million gross output per year in the EDB member economies. The Bank's investment portfolio is also characterised by its multiplier effect[9], that is, the additional output and production in associated sectors of the economy that its projects generate. In the long term, the projects supported by the Bank – provided they continue to be operated directly – will have the capacity to generate US $6,268 million of additional output in the EDB member economies.

SOCIAL AND ECONOMIC EFFECTS OF EDB-FUNDED PROJECTS, US $ MILLION




7 The term "additional trade flows" refers to the average annual increase in trade between the Bank's member states as a result of a project implemented in a member state through the purchase of raw materials, sale of end products, acquisition of equipment, etc.

8 The term "additional mutual investment flows" refers to the increase in investment made by the member states in a Bank project in another member state.

9 The "multiplier effect" is the indirect effect of a project on GDP growth in associated sectors of the economy. Quantitative estimates of multiplier effects are based on a given sector of the economy and the average influence of that sector on associated sectors (in terms of additional output per monetary unit of the loan).

As with other MDBs, an important indicator of the social effectiveness of the Bank's projects is job creation. EDB estimates that its projects in the member states have already created and will create in the near future approximately 23,400 permanent jobs. It is also important that the implementation of EDB-supported projects increases tax and other government and local fiscal revenues. Average annual payments generated by supported projects should reach US $906 million over the period that the Bank's financing covers.

SOCIAL AND ECONOMIC INDICATORS OF EDB'S OPERATIONS

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|
| **New jobs (thousand)** | 12.6 | 15.9 | 20.8 | 21.5 | 22.9 | 22.6 | 23.4 |
| **Fiscal revenues per year (US $ million)** | 364 | 522 | 708 | 763 | 881 | 884 | 906 |

**Source: EDB**

## Environmental Policy

The Bank adheres to the principles of social and environmental responsibility and its operations are aimed, *inter alia*, at promoting more efficient use of natural resources and protecting the environment, both of which are integral components of sustainable social and economic development. The Bank categorises projects based on their social and environmental impacts.

For its own operations and in the projects in which it invests, the Bank does not merely take environmental and social challenges into account, but integrates them comprehensively into its policies. These principles have been incorporated formally into the Bank's Environmental and Social Responsibility Policy.

The policy outlines the rules and procedures that must be adhered to in monitoring the environmental and social impact of the Bank's investment operations. The Bank is thus able to establish incentives for its clients to address environmental and social risks themselves, increase the potential to generate positive environmental and social effects as well as avoid or mitigate negative environmental and social effects in the planning and implementing of projects. This helps to ensure that EDB-financed projects contribute to sustainable development. In particular, the Bank only extends finance to projects that do not significantly degrade the environment or the social wellbeing and living conditions of local people. The Bank's investments should improve living standards, employment and social security.


*Construction of a 45MW wind farm near Yereimentau*

In accordance with the practice of MDBs, the Bank does not finance business activities which involve the use of forced and child labour; production and distribution of tobacco and alcohol; gambling; the manufacture of or trading in weapons and ammunition; and activities prohibited under the legislation of the member countries or international conventions related to the protection of biodiversity and cultural heritage.

Since 2012, the Bank has been involved in the Multilateral Finance Institutions' Working Group on Environment and Social Standards. In 2016, it continued its active involvement with the Group, which allows institutions to share expertise and best practice in the area of environmental and social responsibility and exchange information on projects deemed as being least successful in this regard. The Bank's participation in the Group has helped to share experience with other development institutions and enhance cooperation, including as concerns the preparation and fulfilment of joint projects.

# KEY FINANCIAL PERFORMANCE INDICATORS

In 2016, the Bank had a profit of US $163,509,000, compared to a loss of US $143,609,000 in 2015. The improved quality of the Bank's investment portfolio (a guarantee was received from the Republic of Belarus for the BELAZ project, and additional collateral was provided for the Tikhvin Freight Car Building Plant, among other improvements) made it possible to reduce provisions from US $175,404,000 to US $125,963,000 by the end of the year.

The net interest income of EDB before provisions was US $109,212,000, compared to US $92,896,000 in 2015.

THE BANK'S KEY FINANCIAL RESULTS

| | 2014 | 2015 | 2016 | 2016/2015 difference |
|---|---|---|---|---|
| **Investment portfolio (US $ thousand)** | 4,971,406 | 4,499,456 | 5,405,941 | 20.14% |
| **Current investment portfolio (US $ thousand)** | 3,156,630 | 2,200,415 | 2,469,836 | 12.24% |
| **Balance sheet portfolio (US $ thousand)** | 2,400,026 | 1,686,766 | 1,686,203 | -0.03% |
| **Borrowings to finance project activities (US $ thousand)** | 2,249,484 | 1,357,708 | 1,420,517 | 4.63% |
| **Equity (US $ thousand)** | 1,638,270 | 1,499,333 | 1,667,085 | 11.19% |
| **Net income (loss) (US $ thousand)** | 17,783 | -143,609 | 163,509 | -213.86% |
| **Comprehensive income (loss) (US $ thousand)** | 6,111 | -138,937 | 167,752 | -220.74% |
| **Level of financial liabilities (US $ thousand)** | 137.12% | 89.24% | 75.79% | -15.07% |
| **Capital adequacy (%)** | 51.75% | 67.28% | 64.26% | -4.49% |
| **ROA (%)** | 0.42% | -3.89% | 5.48% | -240.85% |
| **ROE (%)** | 1.08% | -9.09% | 10.40% | -214.45% |

**Source: EDB**

# 4.96%

The return on the treasury portfolio was 4.96% in 2016


100

Its operating expenses stood at US $30,444,000 (US $34,494,000 in 2015).

In 2016, the Bank's total comprehensive income amounted to US $167,752,000 (in 2015, the total comprehensive loss was US $138,937,000).

The Bank's equity increased by 11.2% (US $167,752,000). Its Return on Assets (ROA) and Return on Equity (ROE) for 2016 were 5.5% and 10.4% respectively, compared to –3.9% and –9.1% respectively in 2015.

In 2016, the Bank complied with its established internal financial ratios. As at 31 December 2016, its capital adequacy ratio was 64.3% (67.3% in 2015).

The bank also complied with the financial ratios established by its Council, in effect from 1 January 2012:

FINANCIAL RATIOS

| | 31.12.2015 | 31.12.2016 |
|---|---|---|
| **Minimum liquidity (financial ratio 1)[10] (US $ thousand)** | | |
| **minimum required** | 837,301 | 525,990 |
| **actual** | 1,280,069 | 1,328,069 |
| **Financial leverage ratio (financial ratio 2) (%)** | | |
| **maximum allowed** | 300.0% | 300.0% |
| **actual** | 90.1% | 75.8% |
| **Maximum financial liabilities as at the end of the year (financial ratio 3) (US $ thousand)** | | |
| **maximum allowed** | 2,734,000 | 1,444,336 |
| **actual** | 1,351,601 | 1,263,521 |

**Source: EDB**

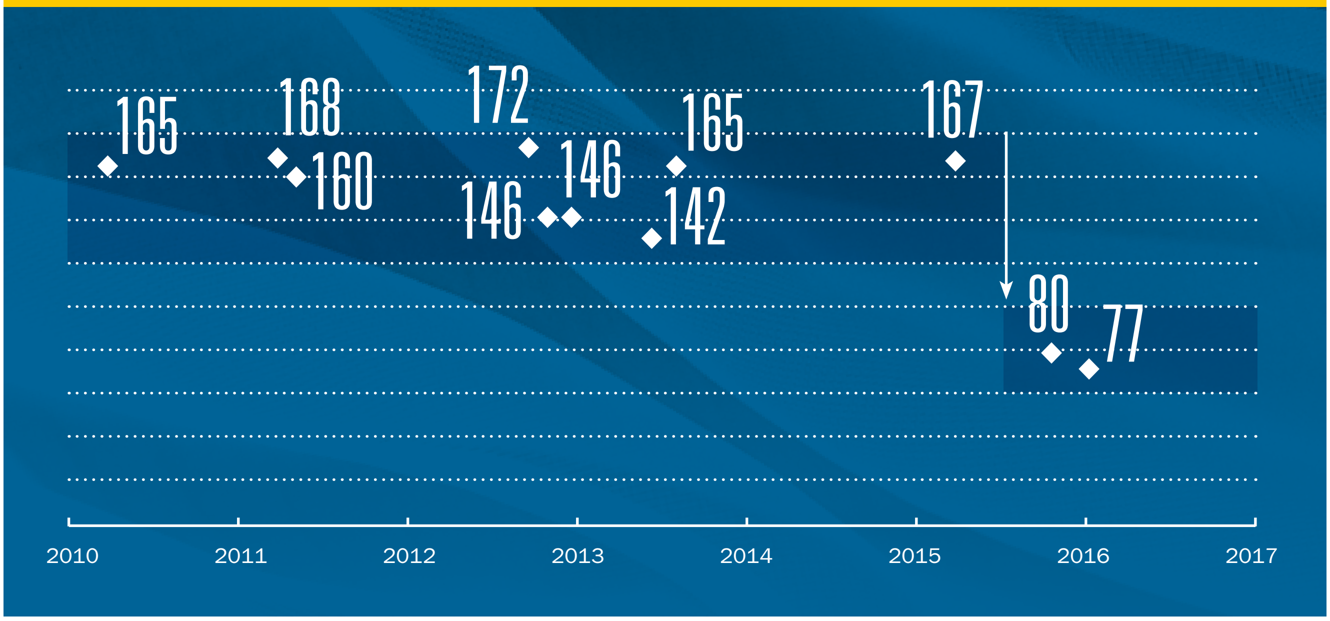
[10] In December 2016, the Bank's Council approved an amended approach to minimum liquidity calculation. The new approach will take effect on 1 January 2017, with quarterly revisions of the ratio. As at 1 January 2017, the ratio was US $301,192,000.

# ACTIVITY IN FINANCIAL AND CAPITAL MARKETS

At 31 December 2016, the Bank's total borrowing stood at US $1,156 million. Its debts reduced insignificantly year-on-year as a result of partial or full redemption of rouble-denominated bonds.

After the Bank of Russia had decreased its key rate, interest rates in the corporate bond segment went down gradually over the year. The Bank pursued a conservative policy in mobilising finance. In particular, it managed to maintain its rouble-denominated liabilities practically unchanged due to the successful exercise of offers and new borrowings through secondary offerings. As at year-end, nine bond issues totalling RUB 14,272 million were listed on the Moscow Exchange. In the beginning of the year, the Bank placed seven-year Series 10 rouble-denominated bonds for a total of RUB 2 billion. The proceeds were used to finance a project in the corporate sector. In the second half of the year, alongside improvements in the market environment, EDB made a secondary offering of its Series 09 bonds in the amount of RUB 4.8 billion. Investors' aggregate demand for the bonds totalled RUB 7.9 billion and the offer price amounted to 100% of their face value. The coupon was set at 9.75% per annum and maturity 1.5 years, until the next offer in November 2017. In order to exercise offers with respect to Series 06 and 07 bonds, in early October the Bank offered investors new conditions concordant with the current market environment. This has helped to preserve almost one half of the nominal amount of both issues. The coupon for Series 06 was set at 9.50% per annum for 1.5 years and for Series 07 at 9.35% per annum for two years. Redemptions amounted to RUB 5.4 billion, out of the total of RUB 10 billion. To optimise rouble liquidity rates, in November 2016, the Bank also arranged finance in the Russian roubles from a foreign bank via a repo transaction. The transaction was worth RUB 3 billion and was entered into for two years. The Bank used new instruments to raise funds and pursued a more aggressive policy in the second half of 2017 that allowed it to narrow its spread with respect to the federal loan bonds' curve in the roubles from 140-180 to 70-100 basis points.

SPREAD BETWEEN EDB BORROWINGS AND THE FEDERAL LOAN BONDS' CURVE (BASIS POINTS)




**Source: EDB**

In 2016, the Bank did not offer tenge-denominated bonds because of the tenge liquidity deficit in Kazakhstan's stock exchange market and postponed the proposed issue until 2017. At the same time, the Bank has three unplaced issues within its first bond programme registered with the National Bank of Kazakhstan, for a total of KZT 50 million, as well as twelve issues under its second bond programme amounting to KZT 200 billion. The Bank may decide to offer these issues if the market environment and investor demand improve. As at the end of the year, the Bank had four bond issues totalling KZT 81,496 million traded on the Kazakhstan Stock Exchange.

Due to its excessive currency liquidity, the Bank did not borrow in foreign currencies through the issuing of Eurobonds in 2016. The overall value of outstanding Eurobonds amounted to US $582,596,000. In addition, the Bank has one rouble-denominated Eurobond issue worth RUB 5 billion, expected to be redeemed in 2017. All three Eurobond issues are listed on the London Stock Exchange. Investors in the Bank's Eurobonds are foreign institutions.

In 2016, the Bank took part as a co-arranger in a bond issue by SFO PSB MSB 2015 and continued to arrange related finance for its projects in the corporate sector against guarantees of export credit agencies, including with insurance from Euler Hermes and other European agencies.

In the second half of 2016, Standard & Poor's revised the Bank's outlook from "negative" to "stable." The agency stated that the outlook had been improved as a result of the Bank's positive financial performance during the first six months of the year and access to tenge-denominated funding through the National Bank of Kazakhstan.

EDB AND MEMBER STATE RATINGS AS AT 31.12.2016

| | FitchRatings | Moody's | Standard & Poor's |
|---|---|---|---|
| **EDB** | - | Baa1/stable/P-2 | BBB-/stable/A-3 |
| **Armenia** | B+/stable/B | B1/stable/- | - |
| **Belarus** | B-/stable/B | Caa1/stable/- | B-/stable/B |
| **Kazakhstan** | BBB/stable/F2 | Baa3/negative/- | BBB-/negative/A-3 |
| **Kyrgyzstan** | - | B2/stable/- | - |
| **Russia** | BBB-/stable/F3 | Ba1/negative/NP | BB+/stable/B |
| **Tajikistan** | - | - | - |

**Source: FitchRatings, Moody's Investors Service, Standard & Poor's Ratings Services**

EDB's main objectives relating to treasury transactions were to:

- improve treasury portfolio profitability;
- maintain the real value of the Bank's capital and protect it against risk;
- maintain the Bank's liquidity at acceptable levels;
- diversify investments and ensure appropriate management of its treasury portfolio; and
- minimise market risks.

In order to meet these goals, the treasury portfolio was structured in such a way as to retain high levels of liquidity and quality of assets, commitments that are regularly recognised by ratings agency analysts as one of the Bank's greatest strengths.

By 31 December 2016, the funds managed by the Bank's Treasury (treasury portfolio) had increased by US $346 million compared to 31 December 2015, to a total of US $1,626 million.

To reduce market risks and improve its treasury profitability, in 2016 the Bank began to revise its treasury management strategy on a quarterly basis. This has made it possible for the Bank to react to market changes more quickly.

As a result of these revisions, the structure of the Bank's treasury portfolio changed significantly.

COMPOSITION OF NET ASSETS IN THE BANK'S TREASURY PORTFOLIO

| Instruments | 31.12.2015 | 31.12.2016 |
|---|---|---|
| **Securities portfolio, o/w:** | 77% | 67% |
| **Government securities** | 85% | 32% |
| **Corporate securities** | 15% | 47% |
| **IFI securities** | 0% | 21% |
| **Deposits** | 12% | 15% |
| **Reverse REPO** | 0% | 9% |
| **Correspondent accounts and cash** | 10% | 9% |

**Source: EDB**

By the end of the year, the share of U.S. bonds had been reduced and investments in the more profitable Eurobonds issued by the member countries increased. At the same time, to maintain the credit quality of its treasury portfolio, the Bank continued to hold most of its funds in IFI and agency securities rated at A and above.

In 2016, the Bank increased the level of reverse repo and interbank loan transactions in its treasury portfolio, having expanded significantly the counterparty network in order to be able to place short-term liquidity instruments more efficiently.

To diversify its portfolio, the Treasury increased investments in securities denominated in the Kazakh tenge (notes issued by the National Bank of Kazakhstan, 9%), Russian roubles (Russian corporate securities, 2%), Japanese yen (Japan's government securities, 6%), and euro (Russian corporate securities, 11%). These purchases were financed through the Treasury's short-term transactions (swaps, repo and interbank loans), which helped to eliminate foreign exchange risks completely. US dollar-denominated instruments still constitute the largest share (72%) of the treasury portfolio.

STRUCTURE OF THE TREASURY PORTFOLIO HOLDINGS BY ISSUERS' RATINGS

| Ratings | 31.12.2015 | 31.12.2016 |
|---|---|---|
| **AA- and above** | 52% | 31% |
| **A- to A+** | 0% | 6% |
| **BBB- to BBB+** | 44% | 36% |
| **BB- to BB+** | 4% | 27% |

**Source: EDB**

CURRENCY COMPOSITION OF TREASURY PORTFOLIO ASSETS

| Currency | 31.12.2015 | 31.12.2016 |
|---|---|---|
| **USD** | 94.9% | 72% |
| **EUR** | 5.0% | 11% |
| **RUB** | 0.1% | 2% |
| **KZT** | 0.0% | 9% |
| **ADM/BYR/TJS/JPY** | 0.0% | 6% |

**Source: EDB**

All the securities held in the treasury portfolio at the end of the year had investment-grade ratings. In fact, 73% of the treasury portfolio as at 31 December 2016 consisted of securities rated at or above BBB-/Baa3, and their total market value was US $796 million.

The foreign exchange position as at 31 December 2016 was 0.81% – practically unchanged from 31 December 2015 (0.53%). The maximum permitted ratio is 20% of assets.

The treasury portfolio duration as at the end of 2016 was 0.78 (compared to 2.01 at the end of 2015), which means that the portfolio's exposure to market risks was very low.

The return on the portfolio was 4.96% in 2016.

Since 2010, EDB has been a member of the International Capital Markets Association (ICMA) and the International Swaps and Derivatives Association (ISDA).

In 2016, the Bank was admitted to the foreign exchange market of the Moscow Exchange (MOEX), and the stock and futures market of the Kazakhstan Stock Exchange (KASE). This has helped the Bank to manage its short-term liquidity in Russian roubles and Kazakh tenge more effectively (EDB has been a member of the KASE foreign exchange section since 2010).

In 2016, to promote the integration of the Russian and Kazakh financial markets, the Bank began to act as a market maker for the RUB/KZT pair at KASE and MOEX.

# RISK MANAGEMENT

All Bank-funded investment projects undergo regular risk monitoring. The following tools are used to structure and control risks associated with investment projects:

- sector reviews and assessments of borrowers' marketing programmes (with the involvement of marketing consultants for some projects);
- assessment of the technological and engineering elaborateness of projects;
- optimisation of the project financing structure, including co-ordination with co-lenders and risk division;
- sensitivity analysis and stress testing of the financial models of projects with respect to main risks;
- collateral analysis;
- monitoring of borrowers, originators and guarantors' financial standing;
- monitoring of project fulfilment at the investment phase, including field visits; and
- other measures aimed at reducing project risks.

The credit risk is identified and measured based on on-going monitoring of the financial position of the Bank's counterparts and issuers.

In 2016, the approaches, methods and tools used to assess project exposure at various stages of the project cycle were optimised and improved. In particular, the Bank has revised the project rating system, which can be used now for the purposes of pricing and loan classification by quality. The new system assigns a project a combined rating consisting of two components – the borrower's rating and the collateral rating.

To reduce credit risks relating to the projects it finances, the Bank has undertaken a comprehensive analysis of the acceptability of various types of assets as collateral in the current conditions, taking into account the Bank's experience, and revised the list of the most acceptable types of collateral. Terms of reference for external consultants were drafted and the Bank's interactions with external consultants were summarised for the same purpose.

A system of limitations is used to manage treasury portfolio risk in operations involving securities. Limitations have been put in place relating to the issuers in whose securities investment may be made, the composition of the treasury portfolio and the amount that may be invested in securities of a single issuer and issue.

EDB also has limits in place governing its operations with counterpart institutions. These relate to the type of operation, size and maturity. Most of the Bank's counterparts with regard to treasury operations are banks with investment-grade ratings. Key counterparts include major international banks, their subsidiaries and the central and systemically important banks of the Russian Federation and the Republic of Kazakhstan.

The system of limits was adjusted and supplemented during the year. The Bank's internal regulations and the formats of internal statements were amended to optimise the processes of setting, revising and closing limits.

The Bank's balance sheet is regularly stress-tested to assess the potential impact on the Bank should any identified risk become a reality. In this respect, the Bank relies on the expertise of and methodologies established by leading international financial institutions and the central banks of its member states. In 2016, the Bank improved its stress-testing techniques and issued an internal regulation governing this process. This has helped to optimise stress-testing and settle methodological and organisational issues that had arisen earlier.

The Bank uses economic valuation of equity (EVE) and interest rate gap analysis techniques to analyse its sensitivity to interest rate changes. EVE measures changes in the economic valuation of the Bank's capital in case of interest rate changes by calculating differences in the present value of all cash flows related to assets and liabilities. Interest rate gap analysis identifies assets and liabilities sensitive to interest rate changes and their distribution by maturity range.

Price and foreign exchange risks are identified and measured using the value at risk (VaR) technique. The Bank has put in place and controls on a continuous basis the maximum levels of open foreign exchange positions.

Liquidity risk management is based on gap analysis and assessment of the Bank's liquidity for all maturity periods under different potential scenarios. The Bank complies with the relevant approved financial ratio for maintaining a minimum level of liquidity to finance its activities. In 2016, the Bank made changes to the procedure for calculating its minimum liquidity (financial ratio 1) in order to calculate more precise estimates of the required minimum amount of the Bank's liquid assets and, ultimately, improve its asset and liability management. The new calculation method was devised with the best practice of MDBs taken into account. The proposed changes to the calculation of minimum liquidity (financial ratio 1) were approved by the Bank's Council in December 2016.

Operational risks are assessed by regularly analysing all areas of the Bank's operations and identifying risks not previously accounted for. The risk analysis framework involves maintaining an analytical database of operational risk; recording and systematising risk types identified; and preparing regular reports on operational risk events and their management. To minimise operational risks relating to the preparation and maintenance of credit files, a new procedure was introduced in 2016 that improves the systematisation and order of documents included in credit files and reduces the risk of data loss.

# 50,000

The Centre’s materials published on the Bank’s website were downloaded more than 50,000 times and the number of quotations and publications by its experts in key media outlets reached 880


Банк Развития
ОЦЕНКА ЭКОНОМИЧЕСКИХ
ЭФФЕКТОВ ОТМЕНЫ
НЕТАРИФНЫХ БАРЬЕРОВ В ЕАЭС
Ведутся
работы

# RESEARCH AND ANALYSIS

In the beginning of 2016, the Bank completed optimisation of its research activities. This resulted in the establishment of a new a research division – the Strategic and Industrial Research Department – and the Chief Economist Group. The Centre for Integration Studies continued its work as the Bank's think tank. The Bank's research operations have thus been aligned with the needs of its shareholders and business divisions. This also has helped to improve the quality of work with the current loan portfolio and potential projects, and enhance the competitiveness and visibility of the Bank's research products within the professional community.

As a result of these rearrangements in the Bank's operating model, the Strategic and Industrial Research Department began to take part in all the most important stages of the Bank's project cycle that is deemed its key business process.

PROJECT CYCLE

| Project cycle | Customer search | Project blueprint | Project review | Decision making | Monitoring |
|---|---|---|---|---|---|
| **Research divisions' project-related tasks** | • Selection of priority industries<br>• Search for and selection of potential customers<br>• Search for and selection of promising projects<br>• Review of potential projects for conformance to the Bank's mission | • Industry review<br>• Appraisal of integration effects<br>• Participation in blueprint development | • Review of project financial models<br>• Review of project marketing and environmental reports | • Comments for the Credit Committee and the Management Board<br>• Participation in project discussions | • Periodic industry reviews<br>• Regular monitoring of project social and economic effects |
| | Weekly front office meetings to discuss the pipeline of promising projects with the participation of research divisions | | | | |

**Source: EDB**

## Strategic and Industrial Research Department

In 2016, the key documents prepared by the Strategic and Industrial Research Department included the Bank's revised Strategy for 2013-2017 and a report on the possible expansion of the Bank's shareholding.

The Strategic and Industrial Research Department focuses on sector analysis to support the Bank's project divisions at all stages of the project cycle (in the first place, at the initial stages in order to screen risky projects, sectors and sub-sectors), and stress testing. During the year, the Department prepared thirteen reports on metallurgy, the chemical industry (mineral fertilisers), agriculture, the power sector (generation and distribution), automobile engineering, transport, the food industry, the coal sector, oil and gas, the petrochemical sector, power engineering, and infrastructure. Its industry reports review promising investment projects/campaigns in the strategic sectors of all the Bank's countries. Additional reports were prepared on the power sector, automobile engineering, the petrochemical sector and agriculture to analyse whether the Bank should invest in these industries. Another two studies reviewed the condition and prospects for the development of solid household waste management in Kazakhstan and Russia, and the mobile communications market in Kazakhstan.

The Bank's reports on its priority industries help to better understand their prospects and risks, utilise emerging investment opportunities (reviews of corporate investment programmes). In addition to industry reports, in 2016 the Department began to prepare monthly industry digests (including on additional sectors and sub-sectors) as requested by the Bank's project divisions.

The Department's study of the countries' strategic sectors has shown that export-oriented industries are significantly more attractive than those oriented to domestic demand. The reasons for this include the devaluation of national currencies, the declining growth in people's income, and the increased prices of imported equipment and consumables. Accordingly, the Bank focused on mining and metallurgy projects, including KMAruda (Russia), Alaigyr deposit (Kazakhstan), and the Sokolov-Sarbai Mining Production Association (SSGPO). Mechanical engineering projects such as, for example, the upgrade of the Minsk Tractor Works in Belarus or the construction of a new car building plant in Kazakhstan were postponed because the sector does not expect recovery of demand in the near future and its production capacity is clearly excessive.

It has tried new research approaches and techniques to determine promising areas of investments for the Bank:

- an analysis of the investment attractiveness of industries using key criteria (such as production growth and its volatility, the phase of the cycle as concerns production growth, profit, and current profitability to growth ratio) was conducted;
- an analysis of intra-union value chains and an assessment of the EAEU countries' participation in global and inter-country value chains (the Hausman test) were undertaken for some industries. Business pairs that form production chains in certain sectors were identified and enquiries were sent to more than 150 companies;
- an analysis of cross-border regions' enterprises and regions' investment programmes was completed;

- overviews of the current condition and main participants in industrial and infrastructure construction, as well as in the chemical sector in Russia and Kazakhstan, were prepared;

- market research into target companies' interest in cooperation with EDB was conducted. A total of 305 businesses were surveyed, 22 of which expressed interest in cooperating with EDB;

- cooperation with the key IFIs in each member country was enhanced with a view to arranging joint project finance. The BRICS Bank and AIIB were sent investment proposals with the list of eighteen projects. Work with the leading IFIs and international organisations operating within the EDB region was streamlined and systematised. In particular, a blueprint was prepared for Armenia and the Kyrgyz Republic, aimed at advancing their cooperation with partnering MDBs (EBRD, ADB, IFC, RKDF). The exchange of project proposals (with the NDB, AIIB, KfW) is also currently being coordinated;

- cooperation with development institutions, including the Federal Corporation for the Development of Small and Medium-Sized Enterprises (SME Corporation), the Russian-Kyrgyz Development Fund (RKDF), the Industrial Development Fund, the Agency for Technological Development, and the Far East Investment and Export Agency, was initiated. This work has already produced results: the SME Corporation has been involved as a guarantor for Nord Hydro's project and fifty projects were identified in the Far East. Consultations with KfW and KfW IPEX Bank on new areas of cooperation were held; and

- a working group for cooperation projects with integration potential that could be financed by the Bank was set up with the EEC.

The research division has identified 700 target companies and 200 investment projects as a result of these efforts. Work on some projects has commenced. The Bank has ten projects proposed by the Strategic and Industrial Research Department in its active pipeline, primarily in the infrastructure and power sectors.

Research material and information were prepared for presentations and speeches delivered by the Chairman of the EDB Management Board and other representatives at major forums and conferences.

In 2016, the Bank's investment projects were monitored continuously for compliance with its mission and current strategy. To this end, approaches to the assessment of the integration effects of projects were improved.

On 11 November 2016, the 11th EDB International Conference on Eurasian Economic Integration took place in Moscow, with significant media coverage. The participants in the event discussed economic reforms in the Eurasian Economic Union and their coordination, the work of MDBs in Eurasia, and aspects of economic integration. The conference was attended by Alexei Kudrin, Sergei Guriev, Maxim Oreshkin, Tigran Sargsyan, Natalya Korzhova, Dmity Krutoi and other prominent experts.

## Chief Economist Group

In 2016, the processes of macroeconomic analysis and forecasting for the region were enhanced with an integrated model system (DSGE) that provides analytics and forecasts for individual member countries and the union as a whole. The Chief Economist Group used this tool to prepare, in partnership with the Centre for Integration Studies and the EEC Macroeconomic Policy Department, four quarterly macroeconomic forecasts for the EAEU, which described macroeconomic conditions in all the five EAEU countries in 2015-2016 and made projections for their socioeconomic development until 2018. The forecasts were prepared with the participation of national banks, ministries of finance and ministries of economies. The overviews of the macroeconomic situation in the EDB member states and respective calculations were published in the quarterly issues of *The Macroeconomic Review*.

The following reports on issues of particular importance to the EDB member states were published as part of *The Macroeconomic Review* in 2016:

- *Integration Growth Points*, analysing the developments in exports, primarily to Russia, as an important factor of economic recovery for some of the EDB countries;

- *The 11th Conference of Eurasian Development Bank*, describing the key theses of the conference's plenary session "Economic Reforms in the EAEU Countries: Development and Coordination" held on 11 November 2016; and

- *The Economic Geography of Eurasian Countries*, providing an overview of the region's economic geography and emphasising the special role of integration and infrastructure development. In particular, the overview provides an assessment of the importance of the region's continental position and economic geography, in particular as regards economic development and integration in Eurasia.

The Chief Economist Group's publications are highly relevant to the expert community, as confirmed by the growing number of quotations used in the media and downloads from the Bank's website.

The Bank's divisions were provided with the most up-to-date information about the region's economies in the form of monthly macroeconomic reviews, describing the countries' developments, drivers and risks.

To improve information and analytical competencies, a database of macroeconomic indicators was created, key macroeconomic statistics on the EDB countries was prepared and published, and an up-to-date comparative table of statistical data on the Bank's member states was compiled and put into use (as part of the monthly macroeconomic reviews). An internal workshop on the system of analysis and macroeconomic forecasting in EDB was arranged in June 2016. In December, the Bank's middle and top management was given a presentation on macroeconomic forecasts for the Bank's member countries in 2017. The Chief Economist Group also prepared reports and memoranda for the Bank's key shareholders and potential investors.

## Centre for Integration Studies

EDB's Centre for Integration Studies is a leading think tank specialising in integration.

The Centre prepared the following reports in 2016:

- *Analysis and Macroeconomic Forecasting in Eurasian Economic Union*, a user's guide on the model complex for macroeconomic forecasting;

- *Financial Market Liberalisation in Belarus within the EAEU*, reviewing Belarus' new opportunities for arranging finance for the economy, improving the effectiveness of distribution of financial resources and stimulating trade with financial services, as well as challenges faced by the country within the emerging EAEU common financial market;

- *Regional Institutions: Types and Development Logic*, prepared as part of the Centre's on-going project, Regional Integration in the World. The project's core is a database of 60 economic regional organisations that is updated on a regular basis;

- *European Union and Eurasian Economic Union: Long-Term Dialogue and Prospects for Agreement and Challenges and Opportunities of Economic Integration within a Wider European and Eurasian Space* prepared by the Centre in cooperation with the International Institute for Applied Systems Analysis (IIASA; Austria), as well as *Mapping the Potential EU-EAEU Cooperation Agenda: Readmission Agreements, Visa-Free Regime, Labour Migration, Mobility of Pensions, Large-Scale Educational Exchanges, Recognition of Professional Diplomas and Certificates*. These reports were prepared as part of the long-term project titled Challenges and Opportunities of Economic Integration in the European and Eurasian Spaces that aims to produce recommendations as to how to converge the EU and EAEU positions and form an agenda for the expected inter-union negotiations;

- a report in the framework of another of the Centre's on-going projects, *Monitoring of Mutual Investments in the CIS*. This database is currently the largest source of information on corporate integration in the CIS region. It is being used to prepare additional reports for beneficiaries (in 2016, reports were prepared for the Ministry of Finance, the Cabinet of the Prime Minister and the Ministry of Foreign Affairs of Kazakhstan);

- the annual report on the Centre's on-going project *EDB Integration Barometer 2016*. This project has been operational since 2012 and has become a standard tool for assessing Eurasian integration preferences among the population used by the Bank's member state governments; and

- a report on the on-going *EAEU and Eurasian Continent Countries: Monitoring and Analysis of Mutual Investments* project. It collates and analyses data on FDI made by the EAEU countries, Tajikistan, Azerbaijan and Ukraine in Eurasia (including European and Asian countries), which is used to assess current and potential corporate integration and economic cooperation.

The data and research on investments and foreign trade produced by the Centre for Integration Studies are used to analyse potential Bank members. In 2016, the Centre prepared respective briefs on South Korea, Mongolia, Azerbaijan, Iran, Singapore, and Israel, among other countries.

The Centre for Integration Studies also conducted a number of studies and prepared reports and memoranda for governmental authorities of the Bank's member states:

- research titled *Monetary Policies in Eurasian Economic Union Member States: Current Condition* and Prospects for Coordination in cooperation with the EEC Macroeconomic Policy Department. Its main objective was to analyse the current monetary policies of the EAEU member states;

- *Monetary Policy Coordination in EAEU* for the Ministry of Finance of Russia;
- *Transit Potential of Kazakhstan: Opportunities and Prospects Associated with Silk Road Economic Belt* commissioned by the Ministry of Finance of Kazakhstan; and
- the draft report *Cooperation between Development Institutions for Financing Infrastructure Projects in EAEU* for the Ministry of Finance of Russia. The work included a review of Eurasian transport corridors/routes for possible connections between the EAEU and the Silk Road Economic Belt (SREB), as well as their economic effectiveness and sources of finance for such projects. It is expected to help to identify promising EAEU and SREB infrastructure projects as well as mechanisms for EDB participating in the financing of various investment projects, and prepare proposals on the EAEU's strategy of connections to the SREB.

A comprehensive analysis of opportunities and prospects for aligning the EAEU and SREB's key areas of integration and infrastructure development in the context of emerging global economic partnerships and changes in the global economic system was completed as a special paid-for commission and delivered to the client.

The Centre also prepared a range of memoranda and summaries for its beneficiaries, including those for internal use. Analytics are prepared based on the Centre's on-going projects such as *Monitoring of Mutual Investments in the CIS, EDB Integration Barometer* and macroeconomic modelling developments. The most recent topics studied include mutual investments between Kazakhstan, Russia and other CIS countries, alignments between the EAEU and SREB, and the EAEU's anti-crisis measures, among others. Memoranda were presented to the Ministry of Finance, the Cabinet of the Prime Minister and the Ministry of Foreign Affairs of Kazakhstan.

The Centre's director took part in the Centre for Strategic Research's working group on Eurasian integration, the Russian Government's working group for preparing data on priority international cooperation and export projects, and the Science-into-Practice Council headed by the chair of the EEC Board.

The Centre's materials published on the Bank's website were downloaded more than 50,000 times and the number of quotations and publications by its experts in key media outlets reached 880.

# ORGANISATIONAL DEVELOPMENT AND HUMAN RESOURCE MANAGEMENT POLICIES

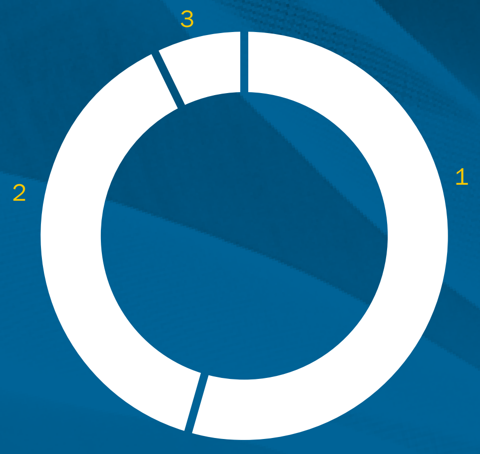
As at 31 December 2016, the Bank's actual authorised personnel complement[11] was 242 people, and its total number[12] of employees was 247.

In 2016, the Bank continued the work it began in 2015 – to form project divisions specialising in industries. New personnel with expertise and competencies in the Bank's key sectors were hired.

In 2016, the Bank hired 49 people and dismissed 38. Labour turnover over the year was 5.81%, down 28 percentage points compared to 2015. Today, the Bank's staff is a team of professionals. A third of the employees hold Master's, PhD, candidate or doctor of science degrees and specialist qualification certificates.

CITIZENSHIP OF THE BANK'S EMPLOYEES AS AT 31 DECEMBER 2016, %

**Source: EDB**




1 54.5 **Kazakhstan**

2 38.5 **Russia**

3 7.0 **Other countries**

[11] The actual authorised personnel complement (manning table) is the number of staffed positions as at the end of the reporting period. The actual authorised personnel complement does not include employees who work under replacement labour contracts or combine jobs.

[12] The total number of personnel also includes employees dismissed on the last working day of the reporting period.

The average age of the Bank's employees is 39 years.

In the second half of 2016, the personnel were surveyed for employee engagement, a yearly procedure that has shown an increase in the indicator compared to the previous year. In addition, it was higher than in other companies operating in the financial sectors of Russia, as well as Central and Eastern Europe.

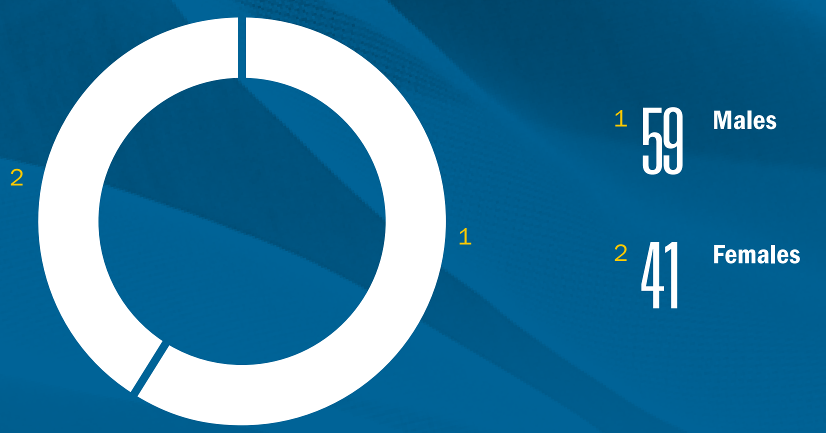
In order to raise the employees' awareness about the Bank's objectives and performance, the Management Board began to arrange extended quarterly sessions where it reviews the Bank's results and sets targets for the next quarter. In addition to the members of the Management Board, these meetings are attended by middle and lower management.

Personnel training and development in 2016 were focused on deepening sector competencies of employees involved in the project cycle. Internal workshops were arranged by employees to share knowledge.

In 2016, the Bank offered internships to students of leading universities of Russia and Kazakhstan.

GENDER COMPOSITION OF THE BANK'S PERSONNEL AS AT 31 DECEMBER 2016, %

**Source: EDB**



# TECHNICAL ASSISTANCE FUND

As at the end of 2016, the portfolio of the Technical Assistance Fund (TAF) comprised 63 projects worth a total US $7,165,000. Of these projects, 62 have an integration effect. These projects are worth a total US $7,145,000, equivalent to 99.7% of TAF's resources.

In 2016, TAF's costs amounted to US $414,000 and its revenues US $4,000.

EDB TAF Regional Integration Studies Programme supported three projects, two of which were completed in the reporting year.

## EDB TAF Regional Integration Studies Programme

The following projects were implemented under the programme:

- the 15th All-Russia Forum on Strategic Planning in the Regions and Cities of Russia: Building Alignment through Dialogue (implemented by the International Centre for Social and Economic Research – Leontief Centre);

- the 11th EDB International Conference on Eurasian Economic Integration (implemented by Business News Media); and

- technical (financial) assistance for a study by the Centre for Strategic Research titled *Russia and the EAEU: Foreign Economic Positions in the Current Context (Including Russia's Medium and Long-Term Social and Economic Development Strategies)*, and twenty events such as round tables, workshops and strategic sessions. It is expected that this project will be completed by 31 July 2017.

## TAF Management Committee

In 2016, the TAF Management Committee held eight sessions, discussed eight topics and passed resolutions on three TAF projects. The Committee's decisions were approved by the Bank's Management Board.

# EDB EVOLVING AS A REPUTABLE INTERNATIONAL DEVELOPMENT BANK

In 2016, the Bank continued to develop cooperation with international organisations, international financial institutions and the United Nations specialised agencies, with the aim of solving pressing economic development issues in its member states.

The Steering Committee of the Russia–UNDP Trust Fund for Development approved finance for the UNDP regional project *Capacity Building for Financing Sustainable Development in the CIS Region*, which had been initiated and prepared with EDB participation. The Bank is expected to provide technical assistance for the project worth US $540,000. These funds will be used to prepare feasibility studies for the Bank's investment projects and arrange cooperation in the area of research.

In addition, the Bank took part in the work of the Steering Committee of UNDP in Kazakhstan's project *Sustainable Cities for Low Carbon Development*, which is currently being fulfilled and envisions the preparation of investment projects in the area of energy efficiency.

The Industrial Development Board of the United Nations Industrial Development Organisation (UNIDO) decided to sign a relationship agreement with EDB, on its initiative, envisioning cooperation between the organisations in the preparation of industrial development strategies for the member states and investment projects, as well as joint research.

Draft memoranda of cooperation with the New Development Bank and GIH were prepared and it is expected that these will be signed in 2017.

The CIS Electric Power Council and EDB signed the Joint Plan of Action for 2016-2017.

EDB and the Eurasian Economic Commission organised the international workshop *Model Law on Public-Private Partnerships for the CIS Member States and PPP Legislation in Central Asian Countries*.

The Bank also took part in working groups and IFI cooperation organisations such as the Multilateral Finance Institutions' Working Group on Environment and Social Standards, a task force for the development of PPP mechanisms at the EEC Advisory Committee on Entrepreneurship, energy efficiency working groups, and a human resources group, among others.

It also participated for the first time in an IFI round table on trusts and partnerships and a meeting of the Saint Petersburg Initiative, and continued to work on joining the Northern Dimension Environmental Partnership.

EDB participated in several international forums and conferences organised by the United Nations specialised agencies (UNDP, UNIDO, UNEP, FAO, ESCAP, UNECE). The topics discussed at these events included sustainable development, industrialisation, regional integration and cooperation between MDBs and international organisations.

EDB's cooperation with the Eurasian Economic Commission in the area of research was enhanced significantly.

The Bank continued to pursue its policy of building links with leading MDBs:

- in January 2016, the Chairman of the Management Board had talks in Beijing with the President of the AIIB on investment cooperation between the institutions and joint preparation and co-financing of projects in the countries that are the member states of both banks;

- in March 2016, the ADB and EDB signed a framework co-financing agreement, setting forth the main areas and mechanisms of cooperation in the EDB and ADB member states;

- in May 2016, EDB took part in the annual meeting of the Board of Governors of the Asian Development Bank. As the EFSD Resources Manager, it also implemented joint investment projects with the ADB and WB in Armenia and the Kyrgyz Republic;

- in May 2016, an EDB delegation took part in the EBRD Annual Meeting where it had meetings and talks with the EBRD officials on the expansion of cooperation;

- in July 2016, the Chairman of the Management Board spoke at the First Annual Meeting of the Board of Governors of the BRICS New Development Bank; and

- in September 2016, EDB and the Russian-Kyrgyz Development Fund signed a framework cooperation agreement to promote joint financing of investment projects.

EDB participated in dozens of international forums and conferences, including the Boao Forum for Asia (BFA), the Astana Economic Forum, the Saint Petersburg International Economic Forum, the Emerging Markets Forum, the ASEAN – Russia Business Forum, the Eastern Economic Forum, the Russian Investment Forum in Sochi, the Eurasian Economic Congress, and international financial forums.

# MAIN CORPORATE EVENTS

## Meetings of and Decisions by the EDB Council

On 24 May 2016, the Bank's Council held its regular meeting in Astana, attended by:

- Gagik Khachatryan, Minister of Finance, Republic of Armenia;
- Vladimir Amarin, Minister of Finance, Republic of Belarus;
- Karim Massimov, Prime Minister, and Bahyt Sultanov, Minister of Finance, Republic of Kazakhstan;
- Adylbek Kasymaliyev, Minister of Finance, Kyrgyz Republic;
- Anton Siluanov, Minister of Finance, and Sergey Storchak, Deputy Minister of Finance, Russian Federation; and
- Yusuf Majidi, Chief of the Strategic Planning and Reform Department of the President's Executive Office, Republic of Tajikistan.

Karim Massimov, Prime Minister and Representative Plenipotentiary of the Republic of Kazakhstan, was re-elected as the Council's chair.

The Council approved the Bank's annual report and financial statements for 2015, as well as the reports of the Audit Commission and the Internal Audit Service for 2015.

It also approved the Bank's revised Strategy for 2013-2017. The Strategy is EDB's fundamental planning and strategic document setting forth its key areas of operations, goals, objectives, mechanisms and tools/solutions for their achievement, investment priorities and key performance indicators. The revised Strategy is an absolutely new instrument in terms of quality and elaborateness, corresponding to the best practices of other international financial institutions.

The Strategy sets achievable performance indicators for EDB, taking into account macroeconomic developments in the region, currency devaluation in the member states and revised national and overall Eurasian priorities in industrial, investment and social policies, and expands the areas of the Bank's investment activities (to include trade finance and corporate acquisitions).

It envisions an increase in EDB's current investment portfolio to US $3.3 billion by the end of 2017. The Bank expects that integration projects in the region will comprise at least 50% of its portfolio.

The Bank intends to focus more on projects with an integration effect. As a supranational institution, it will look for possibilities for integration and cooperation between the countries and link the existing production chains in the region, in the industrial sector in particular. In addition, it will continue to search for and participate in infrastructure projects in the member states. EDB plans to concentrate on projects in the power sector, mechanical engineering, the chemical industry, mining, oil and gas, and infrastructure.

# 164,000,000

In 2016, EDB received its biggest-ever profit of US $164 million


999.9

Strategy fulfilment mechanisms have been devised, including with respect to the mobilisation of funds and liquidity in national currencies.

Taking into account the possible accession to EDB of other countries, as envisioned by the Agreement Establishing the Bank, and as a follow-up to the Bank's review of the countries whose membership of EDB could be of mutual interest, a report on the possible expansion of the Bank's shareholding, a respective section in the revised Strategy and appropriate information for the Bank's Council to consider were prepared in May 2016. Among other issues, the report evaluated the intensity of mutual trade with the EDB countries, the scale and specifics of investments in the member states, and the intensity of integration processes with the Bank's shareholders. During the second half of 2016, following the approval of the Bank's new strategy, EDB held preliminary consultations with some countries (South Korea, Mongolia, and others), prepared reviews of potential member countries, including analysis of mutual investments, trade and investment projects, and devised approaches to quota calculations, as well as possible terms and conditions for the accession to EDB of new member countries, which were submitted for consideration to the Eurasian Economic Commission (EEC) and federal executive bodies of the Russian Federation.

In addition to meetings in presentia, the Council held five extraordinary written votes to approve work plans of the Bank's management and supervisory bodies for 2016 and amendments to an investment project falling within the competence of the Council. It also approved the revised Regulations of the Bank's Internal Audit Service and extended the authority of its officials. Changes were made to the composition of the Budget and Strategy Committees of the Council. In addition, the approach to the calculation of minimum liquidity (financial ratio 1) was revised.

## Changes to the Bank's Council

In 2016, the following changes took place in the composition of the Council:

In October 2016, Bahyt Sagintayev, Prime Minister of the Republic of Kazakhstan, was appointed as the representative plenipotentiary of Kazakhstan to the Council to replace Karim Massimov, in accordance with the respective Resolution by the Government of Kazakhstan. In December 2016, Bahyt Sagintayev was elected as the chair of the Council by a written vote;

In November 2016, Vardan Aramyan, Minister of Finance of the Republic of Armenia, was appointed as the representative plenipotentiary of Armenia to the Council, in accordance with the respective resolution by the Prime Minister of Armenia (to replace Gagik Khachatryan).

## Meetings of the Management Board

In 2016, EDB's Management Board held 60 meetings to discuss the Bank's day-to-day operations and 13 sessions to discuss managing the financial resources of the Eurasian Fund for Stabilisation and Development.

## Changes to the Bank's Management Board

In 2016, the following changes were made to the Management Board:

In February and March 2016, Sergey Yelagin and Dmitry Krasilnikov, Deputy Chairmen of the Management Board, discontinued their service at the Bank.

# FINANCIAL STATEMENTS

The Bank's 2016 annual financial statements were prepared in accordance with International Financial Reporting Standards.

This report presents:

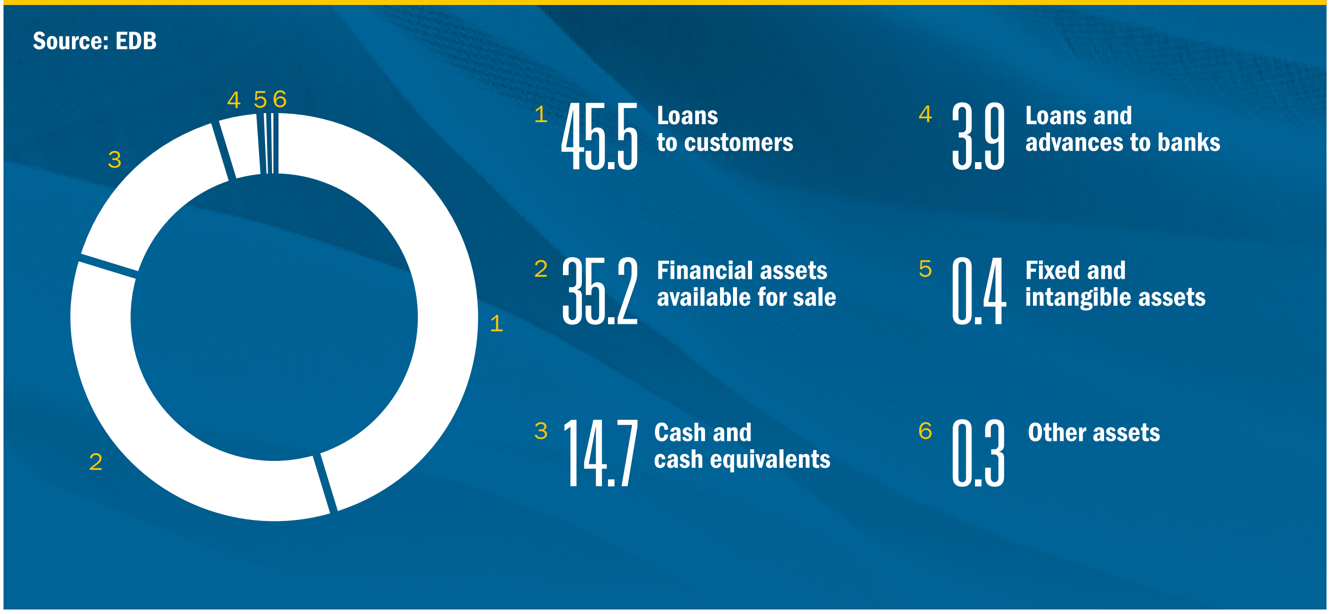
- statements of the Bank's financial position as at 31 December 2016, 2015 and 2014;
- statements of changes in equity for years ended 31 December 2016, 2015 and 2014; and
- statements of cash flows for years ended 31 December 2016, 2015 and 2014.

As at the end of 2016, the Bank's total assets amounted to US $3,255,075,000, up US $374,441,000 (13%) compared to 2015, due to an increase in loans and advances from banks by US $246,892,000 (153%), and the Bank's equity increase by its annual comprehensive income of US $167,752,000 (11.2%).

The structure of the Bank's assets at the end of 2016 was as follows:

- Loans to customers: 45.5% (or US $1,482,208,000);
- Financial assets available for sale: 35.2% (US $1,145,519,000) (in 2016, financial assets that had been previously accounted for as investments held to maturity were included in this item);
- Cash and cash equivalents: 14.7% (US $477,882,000);
- Loans and advances to banks: 3.9% (US $127,960,000);
- Fixed assets and intangible assets (less amortisation and impairment loss): 0.4% (or US $12,855,000); and
- Financial assets at fair value through profit or loss and Other assets: 0.3% (or US $8,651,000).

COMPOSITION OF EDB'S ASSETS, %



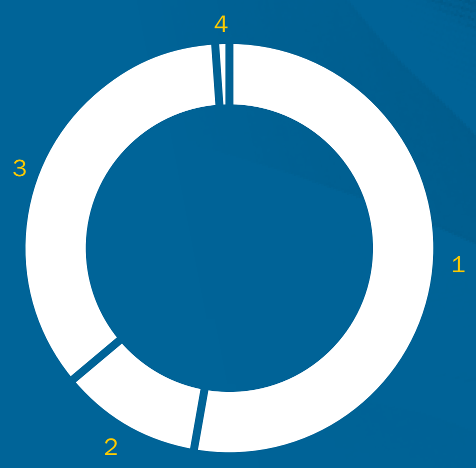

The structure of the Bank's liabilities and equity was as follows:

- 51.2% (or US $1,667,085,000) of the Bank's total equity consists of its share capital (including capital on call), reserve fund, revaluation reserves and retained earnings;
- 35.5% (or US $1,156,129,000) is debt securities issued by the Bank;
- 12.6% (or US $408,243,000) is the share of loans mobilised in international capital markets and interbank deposits (loans and advances from banks); and
- 0.7% (or US $23,618,000) is comprised of financial liabilities at fair value through profit or loss in the amount of US $904,000 and other liabilities in the amount of US $22,714,000.

The full version of the Bank's financial statements for years ending 31 December 2016, 2015 and 2014, together with a report by Deloitte LLP, its independent external auditor, is available on the Bank's website at www.eabr.org.

COMPOSITION OF EDB'S LIABILITIES AND EQUITY, %

Source: EDB




1 51.2 Equity

2 12.6 Loans and advances from banks

3 35.5 Debt securities issued

4 0.7 Other liabilities

THE BANK'S SHARE CAPITAL AS FOLLOWS AS AT 31 DECEMBER 2016, in thousand US $

| | Charter capital | Capital on call | Paid-in capital |
|---|---|---|---|
| **Russian Federation** | 4,617,993 | (3,617,993) | 1,000,000 |
| **Republic of Kazakhstan** | 2,309,271 | (1,809,271) | 500,000 |
| **Republic of Belarus** | 69,295 | (54,295) | 15,000 |
| **Republic of Tajikistan** | 2,145 | (1,645) | 500 |
| **Republic of Armenia** | 648 | (548) | 100 |
| **Kyrgyz Republic** | 648 | (548) | 100 |
| **Total** | **7,000,000** | **5,484,300** | **1,515,700** |

**Source: EDB**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016, in thousand US $

| | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2014 |
|---|---|---|---|
| Interest income | 193,484 | 225,989 | 264,879 |
| Interest expense | (84,272) | (133,093) | (167,938) |
| **Net interest income before provision for impairment losses on interest bearing assets** | **109,212** | **92,896** | **96,941** |
| Provision for impairment losses on interest bearing assets | 54,523 | (150,448) | (20,696) |
| **NET INTEREST INCOME/(EXPENSE)** | **163,735** | **(57,552)** | **76,245** |
| Provision for impairment of equity financial assets available for sale | - | (21,732) | (21,295) |
| Provision for impairment losses on other assets | 435 | (42,587) | - |
| Net gain/(loss) from financial assets and liabilities at fair value through profit or loss | 12,726 | (18,033) | (7,896) |
| Net realised gain on financial assets available for sale | 26,619 | 1,543 | 64 |
| Net gain/(loss) on transactions in foreign currencies | (11,743) | 37,224 | 12,486 |
| Fee and commission income | 2,327 | 5,329 | 5,622 |
| Fee and commission expense | (265) | (225) | (238) |
| Net loss on debt securities issued | (162) | (13,725) | (650) |
| Other income | 301 | 643 | 481 |
| Other expenses | (20) | - | (2) |
| **Net non-interest income/(loss)** | **30,218** | **(51,563)** | **(11,428)** |
| **Net result from financial operations** | **193,953** | **(109,115)** | **64,817** |
| Other operating expenses | (30,034) | (34,235) | (46,766) |
| Technical Assistance Fund's expenses | (410) | (259) | (268) |
| **NET PROFIT (LOSS)** | **163,509** | **(143,609)** | **17,783** |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | |
| Net unrealised gain/(loss) on revaluation of financial assets available for sale | 10,592 | 6,215 | (22,394) |
| Loss on equity financial assets available for sale transferred to profit or loss | - | - | 10,415 |
| Difference between balance-sheet and market value of investments held to maturity, as at reclassification date | 20,270 | - | - |
| Net realised gain/(loss) on financial assets available for sale transferred to profit and loss | (26,619) | (1,543) | (64) |
| Net unrealised gain on hedging transactions | - | - | 371 |
| **Total items that are or may be reclassified subsequently to profit or loss** | **4,243** | **4,672** | **(11,672)** |
| **OTHER COMPREHENSIVE INCOME** | **4,243** | **4,672** | **(11,672)** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | **167,752** | **(138,937)** | **6,111** |

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016, in thousand US $

| | 31 December 2016 | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 477,882 | 288,287 | 346,436 |
| Financial assets at fair value through profit or loss | 6,531 | - | 1,821 |
| Loans and advances to banks | 127,960 | 61,539 | 200,196 |
| Loans to customers | 1,482,208 | 1,499,391 | 2,151,623 |
| Financial assets available for sale | 1,145,519 | 609,749 | 716,228 |
| Investments held to maturity | - | 402,714 | 437,271 |
| Fixed assets | 11,727 | 12,513 | 13,311 |
| Intangible assets | 1,128 | 1,246 | 1,451 |
| Other assets | 2,120 | 5,195 | 47,161 |
| **TOTAL ASSETS** | **3,255,075** | **2,880,634** | **3,915,498** |
| **LIABILITIES AND EQUITY** | | | |
| LIABILITIES: | | | |
| Loans and advances from banks | 408,243 | 161,351 | 187,923 |
| Financial liabilities at fair value through profit or loss | 904 | 5,137 | 3,471 |
| Debt securities issued | 1,156,129 | 1,196,357 | 2,061,561 |
| Other liabilities | 22,714 | 18,456 | 24,273 |
| **TOTAL LIABILITIES** | **1,587,990** | **1,381,301** | **2,277,228** |
| EQUITY | | | |
| Share capital: | | | |
| Charter capital | 7,000,000 | 7,000,000 | 7,000,000 |
| Less: capital on call | (5,484,300) | (5,484,300) | (5,484,300) |
| Paid-in capital | 1,515,700 | 1,515,700 | 1,515,700 |
| Reserve fund | 90,872 | 90,872 | 90,872 |
| Revaluation reserve for financial assets held for sale | 4,469 | 226 | (4,446) |
| Retained earnings | 56,044 | (107,465) | 36,144 |
| **TOTAL EQUITY** | **1,667,085** | **1,499,333** | **1,638,270** |
| **TOTAL LIABILITIES AND EQUITY** | **3,255,075** | **2,880,634** | **3,915,498** |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016,
in thousand US $

| | Share capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Capital on call** | **Paid-in capital** | **Reserve fund** | **Hedging reserve** | **Revaluation reserve for financial assets held for sale** | **Retained earnings** | **Total** |
| **1 January 2014** | **1,515,700** | **-** | **1,515,700** | **90,872** | **(371)** | **7,597** | **18,361** | **1,632,159** |
| Net profit | | | - | - | - | - | 17,783 | 17,783 |
| Other comprehensive income | - | - | - | - | 371 | (12,043) | - | (11,672) |
| **Total comprehensive income/(loss)** | **-** | **-** | **-** | **-** | **371** | **(12,043)** | **17,783** | **6,111** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | |
| Capital on call | 5,484,300 | (5,484,300) | - | - | - | - | - | - |
| **31 December 2014** | **7,000,000** | **(5,484,300)** | **1,515,700** | **90,872** | **-** | **(4,446)** | **36,144** | **1,638,270** |
| Net loss | | | - | - | - | - | (143,609) | (143,609) |
| Other comprehensive income | - | - | - | - | - | 4,672 | - | 4,672 |
| **Total comprehensive income/(loss)** | **-** | **-** | **-** | **-** | **-** | **4,672** | **(143,609)** | **(138,937)** |
| **31 December 2015** | **7,000,000** | **(5,484,300)** | **1,515,700** | **90,872** | **-** | **226** | **(107,465)** | **1,499,333** |
| Net profit | - | - | - | - | - | - | 163,509 | 163,509 |
| Other comprehensive income | - | - | - | - | - | 4,243 | - | 4,243 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-** | **4,243** | **163,509** | **167,752** |
| **31 December 2016** | **7,000,000** | **(5,484,300)** | **1,515,700** | **90,872** | **-** | **4,469** | **56,044** | **1,667,085** |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016, in thousand US $

| | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2014 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest received on loans to customers | 171,905 | 165,891 | 211,421 |
| Interest received on loans and advances to banks | 12,551 | 17,523 | 16,929 |
| Interest and income received from/(expense paid on) financial assets and liabilities at fair value through profit or loss | 2,050 | (14,546) | (7,022) |
| Interest and income received from financial assets available for sale | 42,526 | 5,772 | 12,061 |
| Interest received on investments held to maturity | 14,933 | 19,225 | 20,063 |
| Interest paid on loans and advances from banks | (4,311) | (5,487) | (6,327) |
| Interest paid on debt securities issued | (75,341) | (132,516) | (157,217) |
| Fees and commissions received | 5,299 | 4,563 | 4,665 |
| Fees and commissions paid | (253) | (255) | (204) |
| Other income received | 301 | 643 | 481 |
| Other expenses paid | (20) | - | (2) |
| Operating expenses paid | (27,917) | (37,702) | (37,591) |
| **Cash inflow from operating activities before changes in operating assets and liabilities** | **141,723** | **23,111** | **57,257** |
| **Changes in operating assets** | | | |
| (Increase)/decrease in loans to customers | 114,359 | 268,780 | (424,362) |
| (Increase)/decrease in loans and advances to banks | (63,534) | 133,478 | (14,613) |
| Increase in other assets | 272 | 433 | 2,023 |
| **Changes in operating liabilities** | | | |
| Increase in advances from banks | 286,823 | - | - |
| Increase/(decrease) in other liabilities | 1,316 | 8 | (58) |
| **Net cash flows from/(used in) operating activities** | **480,959** | **425,810** | **(379,753)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of financial assets available for sale | (1,750,697) | (1,032,995) | (963,581) |
| Proceeds from sale and redemption of financial assets available for sale | 1,586,832 | 1,121,139 | 1,353,592 |
| Purchase of investments held to maturity | (13,869) | - | (103,332) |
| Proceeds from redemption of investments held to maturity | 37,771 | 29,430 | 66,350 |
| Purchase of fixed and intangible assets | (404) | (635) | (1,075) |
| Proceeds from sale of fixed and intangible assets | - | - | 18 |
| **Net cash flows from/(used in) investing activities** | **(140,367)** | **116,939** | **351,972** |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D), in thousand US $

| | Year ended 31 December 2016 | Year ended 31 December 2015 | Year ended 31 December 2014 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issuing debt securities | 124,416 | - | 363,326 |
| Repayments of securities | (229,218) | (587,843) | (4947,94) |
| Proceeds from loans from banks | 2,792 | 18,804 | 72,112 |
| Repayments of loans from banks | (46,504) | (27,677) | (12,749) |
| **Net cash flows (used in)/from financing activities** | **(148,514)** | **(596,716)** | **(72,105)** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **192,078** | **(53,967)** | **(99,886)** |
| CASH AND CASH EQUIVALENTS, at beginning of the year | 288,287 | 346,436 | 458,393 |
| Effect of changes in foreign exchange rate on cash and cash equivalents | (2,483) | (4,182) | (12,071) |
| **CASH AND CASH EQUIVALENTS, at end of the year** | **477,882** | **288,287** | **346,436** |

**ADB** – Asian Development Bank

**AIIB** – Asian Infrastructure Investment Bank

**ASEAN** – Association of Southeast Asian Nations

**BRICS** – association of five major emerging national economies (Brazil, Russia, India, China and South Africa)

**CIS** – Commonwealth of Independent States

**DSGE** – dynamic stochastic general equilibrium

**EAEU** – Eurasian Economic Union

**EBRD** – Eurasian Bank for Reconstruction and Development

**EDB** – Eurasian Development Bank

**EEC** – Eurasian Economic Commission

**EFSD** – Eurasian Fund for Stabilisation and Development

**ESCAP** – United Nations Economic and Social Commission for Asia and the Pacific

**EU** – Eurasian Union

**EurAsEC** – Eurasian Economic Community

**EVE** – economic value of equity

**FAO** – Food and Agriculture Organisation

**GDP** – gross domestic product

**GRES** – state-owned district power plant

**HPP** – hydropower plant

**ICMA** – International Capital Market Association

**IFC** – International Finance Corporation

**IFI** – international financial institution

**IIASA** – International Institute for Applied Systems Analysis

**IIB** – International Investment Bank

**IMF** – International Monetary Fund

**ISDA** – International Swaps and Derivatives Association

**KASE** – Kazakhstan Stock Exchange

**MDB** – multilateral development bank

**MGIMO** – Moscow State Institute of International Relations

**MOEX** – Moscow Exchange

**MRIF** – Macquarie Russia and CIS Infrastructure Fund

**MW** – megawatt

**NDB** – New Development Bank

**PPP** – public private partnership

**PPP** – public private partnership

**RID** – Regional Integration Database

**RKDF** – Russian-Kyrgyz Development Fund

**ROA** – Return on Assets

**ROE** – Return on Equity

**SME** – small and medium-sized enterprises

**SREB** – Silk Road Economic Belt

**TAF** – Technical Assistance Fund

**U.S.** – United States of America

**UN** – United Nations

**UNDP** – United Nations Development Programme

**UNECE** – United Nations Economic Commission for Europe

**UNEP** – United Nations Environment Programme

**UNIDO** – United Nations Industrial Development Organisation

**VaR** – Value at Risk

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