Eurasian Development Bank

Annual Report of the Eurasian Development Bank for 2021

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Message from the Chairman of the Management Board

Dear shareholders and partners of the Eurasian Development Bank,

The year 2021 was an important landmark for the Eurasian Development Bank as we celebrated 15 years since our establishment. Our professional team and continued support from our shareholders have made the EDB one of the most respected and fastest-growing international development institutions, which is amply confirmed by our performance and results.

Since its inception, the Bank has financed 245 projects. The cumulative investment portfolio in our member economies' key sectors has reached US $11.3 billion, of which about 60% are projects with an integration component.

In 2021, we started a new chapter in the Bank's history and set ambitious goals reflected in the EDB Strategy for 2022–2026.

Today, our main goal is to make the EDB the number one development bank in our region of operations.

The Bank will focus on cultivating and implementing key investment megaprojects in the areas of end-to-end transport infrastructure, logistics, water balance, manufacturing, environment and resource efficiency, green energy, and digital infrastructure. The EDB's investment over five years will total US $10.9 billion.

To contribute to Sustainable Development Goals and enhance project operations in the smaller economies, the EDB plans to significantly expand its project portfolio. The Bank's aggregate investments in Armenia, the Kyrgyz Republic, and Tajikistan will reach US $500 million.

In the past year, the Bank has built a solid foundation for the implementation of its plans.

Despite a general decline in business activity, in 2021 the EDB was able to deliver its highest-ever current investment portfolio of US $4.5 billion, up 2.0% on 2020. The balance sheet remained at last year's level of US $3.0 billion. The net profit for the year totalled US $37.1 million, 2.1 times higher than the target.

The EDB's financial strength as at 31 December 2021 has been confirmed by international agencies' ratings — Baa1 from Moody's (two notches above the sovereign ratings of Kazakhstan and Russia), BBB+ from Fitch (one notch above Kazakhstan and Russia), BBB from Standard & Poor's (one notch above Kazakhstan and Russia), and A- from ACRA (one notch above Kazakhstan and the same as Russia's rating). The ratings on the national scales are AAA (KAZ) from Fitch and AAA (RU) from ACRA. On 13 October 2021, Standard & Poor's affirmed the Bank's credit rating at BBB and revised its outlook from "negative" to "stable".

The EDB places particular emphasis on supporting green finance. In 2021, the Bank adopted an internal ESG policy framework that enables it to attract financing linked to the sustainable development sector. In September and November, as part of the Bank's sustainable debt instruments framework, the EDB floated its debut tenge-denominated green and social bonds for a total of KZT 40 billion. The bonds have been successfully placed among institutional investors on the Kazakhstan Stock Exchange and the Astana International Financial Centre's trading floor.

In early 2021, the Bank floated a EUR 300 million Eurobond issue and, in the middle of the year, a KZT 21.5 billion Eurobond issue, with historically low spreads over Russia's and Kazakhstan's government securities curves, respectively. The Eurobonds have been listed with international institutional investors on the Irish Stock Exchange.

In 2021, the EDB continued to develop its infrastructure for settlements in national currencies, providing intermediary services for second-tier banks in the EAEU states. As at 1 January 2022, the EDB payment infrastructure was used by 130 clients from all its six member states, including major commercial banks, stock exchanges, depositories, international financial institutions, central/national banks, and EAEU development institutions.

The Bank's Fund for Digital Initiatives has also made significant progress. In 2021, all the necessary documents for the Fund's operation and the personnel on its Committee were approved. At the end of the year, the Fund's Committee held two meetings to approve the COVID-19-Free Travel, Work in the EAEU, and ForumVR projects. The Fund's flagship project, the COVID-19-Free Travel app, has demonstrated its effectiveness and demand from the member states and their citizens. By the end of 2021, nine countries had joined the project, the number of app users had exceeded 1.3 million, and over 2.7 million PCR test results had been obtained using the app. The app also made available vaccination records for users who received their vaccines in Armenia, the Kyrgyz Republic, Russia, and Uzbekistan. During the past year, the Work in the EAEU project developed an international component of the relevant digital platform, which is scheduled to be commissioned in 2022. ForumVR was the first project to be approved for a grant from the Fund for Digital Initiatives.

In 2021, the Bank continued to consolidate its position as a leading researcher on the Eurasian economy and Eurasian integration. Applied macroeconomic analysis and sector-specific expertise are becoming a distinctive feature and strength of the EDB. This year, the research team prepared several major reports, including the *EDB Macroeconomic Outlook. From Recovery to Sustainable Growth*; *The International North–South Transport Corridor: Promoting Eurasia's Intra- and Transcontinental Connectivity*; *Investment in the Water and Energy Complex of Central Asia*; *EDB Monitoring of Mutual Investments*; and *Green Technologies for Eurasia's Sustainable Future*, a joint report by the Eurasian Development Bank and the Global Energy Association. The Bank's research team focuses on analysing the global climate agenda and sustainable development issues. An indicative result of the demand for the Bank's research in 2021 was a 100% increase in the media's citations of its analysts compared to 2020. The number of views of the research papers on the EDB's website also doubled.

In 2021, the Bank held another annual Eurasian Congress, which has become a respected and influential platform for an open dialogue on deepening Eurasian integration and the EDB's role in it. I would like to thank the representatives of the Bank's shareholders and our partners who took an active part in preparing and holding the Second Eurasian Congress. The proposals and findings from the plenary and thematic sessions will provide important guidance for the Bank's future endeavours.

In summarising the EDB's performance in 2021, I would like to express my sincere gratitude to the entire Bank staff for their professionalism, dedication, and teamwork and wish everyone good health, prosperity, and success in implementing our plans.

Nikolai Podguzov
Chairman of the EDB
Management Board

About the Eurasian Development Bank

The Eurasian Development Bank was established by a bilateral agreement between Russia and Kazakhstan on 12 January 2006. In subsequent years, Tajikistan, Armenia, Belarus, and the Kyrgyz Republic joined the Bank. The Bank is open to new members.

Over 16 years, the EDB, as an international financial institution, has invested in Eurasia to help build stronger and broader economic ties and promote comprehensive development in its member states.

The supreme management body of the EDB is its Council. The Chairman of the EDB Council is Alikhan Smailov, Prime Minister of Kazakhstan, and the Chairman of the EDB Management Board is Nikolai Podguzov.

The Bank is headquartered in Almaty and has a branch in St. Petersburg and representative offices in Bishkek, Dushanbe, Yerevan, Minsk, Moscow, and Nur-Sultan.

The Bank's charter capital totals US $7.0 billion, including US $1.5 billion of paid-in capital and US $5.5 billion of capital on call.

The cumulative investment portfolio as at the end of 2021 totalled US $11.3 billion and the current investment portfolio US $4.5 billion. Over years of operations, the EDB has completed 245 projects. Its portfolio mainly consists of projects with an integration effect in transport infrastructure, digital systems, green energy, agriculture, manufacturing, and machinery and engineering.

The EDB is an active participant in public-private partnerships (PPPs) and has unique research competencies and capacity to provide technical assistance in project preparation and advisory support. The Bank's operations are guided by the United Nations Sustainable Development Goals and ESG principles.

The EDB's investment portfolio has significant integration effects (the share of projects with integration effects is 60%) as well as environmental and socio-economic effects such as decarbonisation, development and promotion of digital technologies, job creation, better living standards, water and clean energy supply, and combating the effects of the COVID-19 pandemic.

The Bank's landmark projects include loan facilities extended to financial institutions to finance small and medium-sized businesses and trade (Armenia); the COVID-19-Free Travel mobile app (implemented in nine Eurasian countries); upgrade of the fleet of passenger railcars (Armenia); the Central Ring Road (Moscow, Russia); the Western High-Speed Diameter (St. Petersburg, Russia); the Big Almaty Ring Road (Almaty, Kazakhstan); the Azov Wind Farm (Rostov Region, Russia); modernisation of Almaty International Airport (Almaty, Kazakhstan); upgrade of energy facilities (Belarus); loan facilities for a financial institution to finance small and medium-sized businesses and trade (Kyrgyz Republic); financing for the Kazakhstan Housing Company to implement the public affordable housing programme (Kazakhstan); projects to build solar power plants in Kazakhstan and Russia; construction of the Saryarka gas pipeline (Kazakhstan); a PPP project to construct and operate Pulkovo Airport facilities (Russia); and a street lighting system in Atyrau (Kazakhstan).

The Bank consistently develops international and regional relations, research projects, and projects with the world's leading organisations and associations, including the EAEU, CIS, SCO, United Nations agencies (UNDP, UNIDO, UNECE, UNESCAP, UNEP, FAO), other IFIs (EBRD, NDB, IFC, ADB, IBRD, BSTDB). In doing so it develops and implements global best practices in advancing financial markets, industrial cooperation, and integration to promote economic growth and better living standards in its member states.

Key Operational Results

The EDB's Key Performance Indicators for 2021

The Eurasian Development Bank (EDB, the Bank) has successfully achieved its performance targets for 2021 (US $ millions):

Indicator	Actual	Plan	% achieved
Current investment portfolio	4,513	4,665	96.7%
Annual transaction/ investment value	1,637	1,108	147.7%
Share of projects with an integration effect	59.6%	Not less than 50.0%	Achieved
Share of provisions in the balance-sheet portfolio	2.9%	Not more than 5.0%	Achieved
Credit ratings	Three of the Bank's ratings are higher than Russia's ratings	One of the Bank's ratings is higher than, and one is equal to, Russia's ratings	Achieved

The Bank's net profit for 2021 was US $37.1 million, up US $4.5 million (13.8%) on 2020.

The structure of the EDB's assets as at the end of 2021 was as follows:

– US $2,989 million in the balance-sheet portfolio; and

– US $2,808 million in the treasury portfolio.

Performance of the EDB Strategy for 2018–2022

In 2021, the Bank delivered the performance benchmarks set by the EDB Strategy for 2018–2022 ahead of schedule.

The four-year deliverables (2018 to 2021) are presented below, cumulatively:

Indicator	Actual 2018–2021	Strategy 2018–2022	% achieved
Annual transaction/investment value (US $ billions)	6.0	4.6	130.4%
Net profit (US $ millions)	205.2	157.0	130.7%

The four-year cumulative value of signed projects totalled US $6.0 billion, exceeding the Strategy's five-year target of US $4.6 billion by US $1.4 billion or 30.4%.

The four-year cumulative net profit exceeds the five-year strategic target (US $157.0 million) by US $48.2 million or 30.7%.

As at the end of 2021, the Bank has also achieved the following non-cumulative performance indicators:

Indicator	Actual 2021	Strategy 2021	% achieved
Current investment portfolio (US $ billion)	4.5	3.5	128.6%
Share of projects with an integration effect (%)	59.6%	Not less than 50.0%	Achieved
Share of provisions in the balance-sheet portfolio (%)	2.9%	Not more than 5.0%	Achieved
ROAE (%)	2.0%	1.8%	Achieved
Credit ratings	Three of the Bank's ratings are higher than Russia's ratings	One of the Bank's ratings is higher than, and one is equal to, Russia's ratings	Achieved

The current investment portfolio amounted to US $4.5 billion, which is US $1.0 billion or 28.6% over the strategic target. By year-end 2021, the Bank's current investment portfolio included 87 projects in five member states. In 2021, 19 new projects worth US $1,418 million) were added to the current investment portfolio and included in the annual transaction/investment value. These include two projects guaranteed by the Bank (US $80 million).

The actual share of projects with an integration effect was above 59.6%, which is higher than the target.

The share of provisions in the balance-sheet portfolio was 2.9%, against the strategic limit of 5.0% or less, attesting to the credit quality of the portfolio.

ROAE amounted to 2.0%, 0.2% higher than the strategic benchmark.

Three of the Bank's credit ratings are higher than those of Russia.

1

Investment and Project Activity

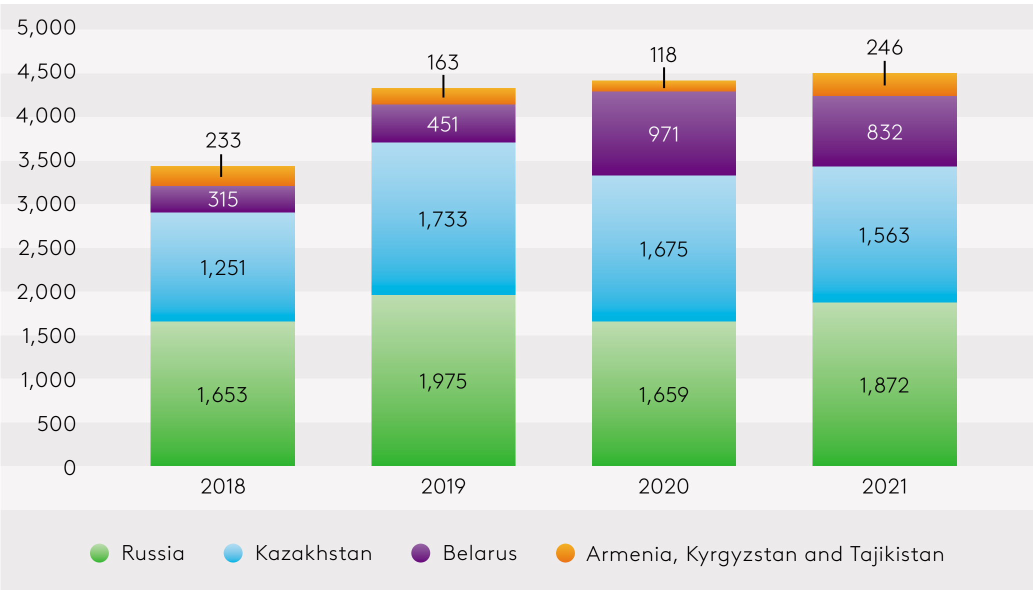
The Bank's current investment portfolio[1] as at year-end 2021 totalled US $4,513 million, up 2% or US $90 million on 2020.

The Bank's cumulative investment portfolio[2] as at the end of 2021 amounted to US $11,346 million, an increase of 14.5% or US $1,440 million compared to 2020.

The annual transaction/investment value in 2021 was US $1,637 million, up 15.6% or US $221 million year-on-year.

The balance-sheet portfolio[3] as at year-end 2021 amounted to US $2,989 million, which is 0.1% or US $3 million more than the year before.

Indicator, US $ millions	2018	2019	2020	2021
Current investment portfolio	3,442	4,322	4,423	4,513
Balance-sheet portfolio	2,180	2,857	2,986	2,989



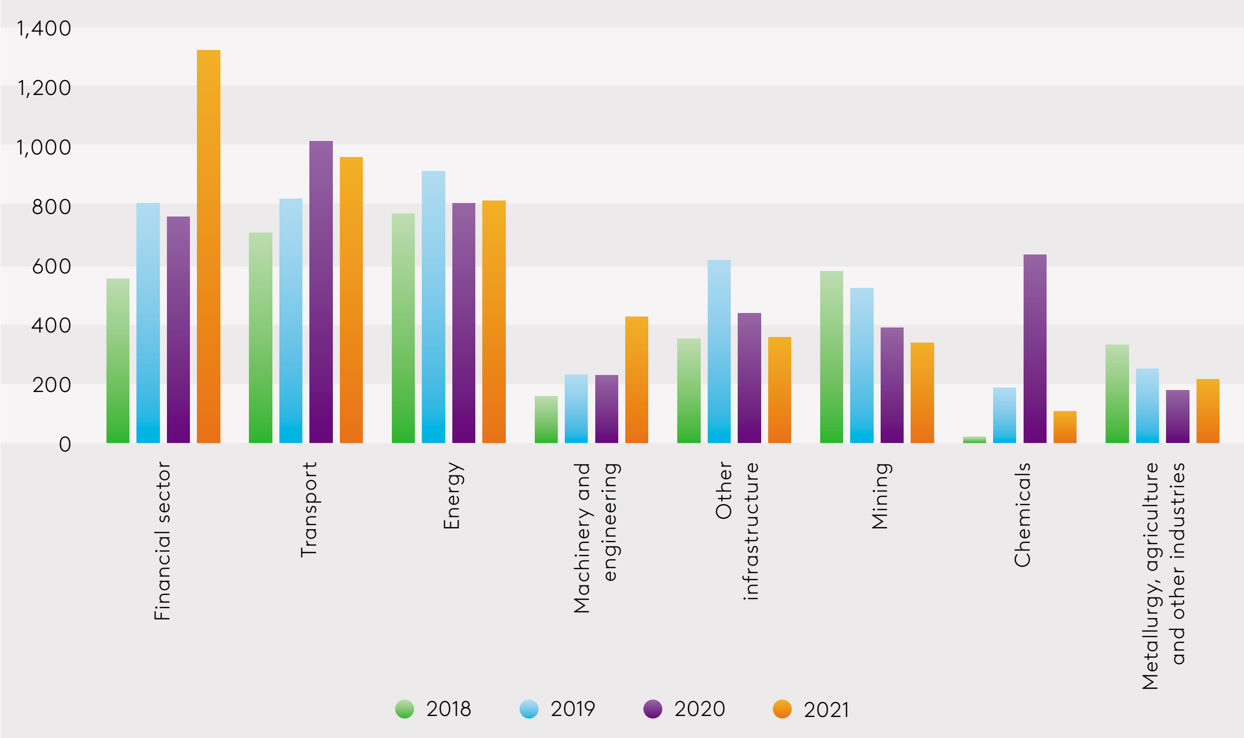
← Current investment portfolio by country, US $ millions

In terms of geographical distribution, projects in Russia and Kazakhstan, as traditionally, accounted for the largest share of the Bank's current investment portfolio as at the end of 2021.

1 The "current investment portfolio" refers to the amount of the balance-sheet portfolio and off-balance-sheet liabilities (loan facilities and guarantees issued) relating to ongoing projects that are included the Bank's investment portfolio.

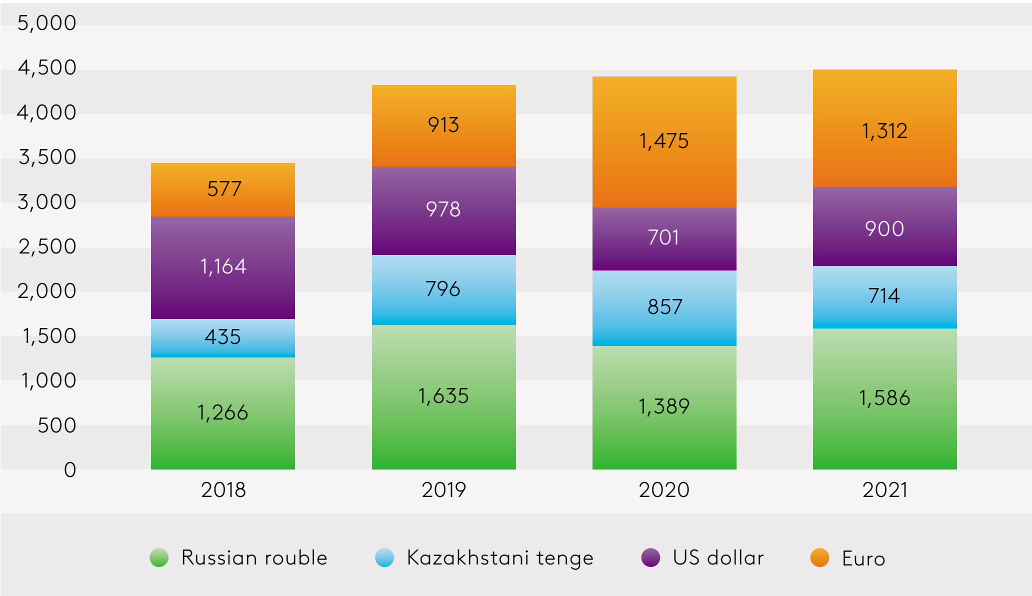
2 The "investment portfolio" refers collectively to all financial instruments under the Bank's approved projects since the Bank started operating, with respect to which financial agreements have been signed and not repealed before the start of financing.

3 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 and participation in direct investment funds relating to projects that comprise the Bank's investment portfolio.



↑ Current investment portfolio by industry, US $ millions

The composition of the current investment portfolio by industry changed somewhat in 2021. The share of projects in the financial sector increased from 17.3% to 29.2% and that in machinery and engineering declined from 5.0% to 9.4%. The share of projects in the chemical sector contracted from 14.4% to 2.3%. Changes in other sectors were insignificant.



← Current investment portfolio by currency, US $ millions

By the end of 2021, projects financed in national currencies accounted for 56.7% of the balance-sheet portfolio (54.3% at the end of 2020).

As at 31 December 2021, the Bank was considering 33 project applications (preliminarily reviewed with project concepts approved). The Bank's share in these projects amounted to US $3,188 million.

Russian Federation

As at 31 December 2021, the Bank's current investment portfolio in Russia was US $1,872 million and included 28 projects in eight sectors, accounting for 41.5% of the total current investment portfolio.

In terms of currency composition, the member states' national currencies made up 70.5% of the portfolio of projects financed in Russia, while the share of US dollars and euros was 29.5%.

In 2021, the Bank's current investment portfolio in Russia was expanded with the following projects:

– developing the product range of KAMAZ vehicles and upgrading relevant production facilities for a total of US $161 million;

– financing GTLK's expenses (including those incurred in previous periods) for the construction of ten RSD59 dry cargo vessels by the Okskaya Shipyard (Navashino), to be subsequently leased to the Astrol Shipping Company, for a total of US $111 million;

– a US $95 million syndicated loan to Sovcombank;

– financing Air Liquide Lipetsk's costs for the construction of an energy-efficient air separation unit for industrial gas production in Lipetsk (Russia) and the purchase of assets for producing hydrogen and rare gas concentrates from NLMK, for a total of US $67 million;

– participation in SOPF Infrastructure Bonds' infrastructure bond programme for a total of US $57 million; and

– participation in a syndicated loan to finance the Ural Mining and Metallurgical Company for a total of US $40 million.

Republic of Kazakhstan

As at 31 December 2021, the Bank's current investment portfolio in Kazakhstan amounted to US $1,563 million and included 35 projects in eight sectors. Projects in Kazakhstan accounted for 34.6% of the current investment portfolio.

In terms of currency composition, the member states' national currencies made up 62.4% of the portfolio of projects financed in Kazakhstan, while the share of US dollars and euros was 37.6%.

In 2021, the Bank's current investment portfolio in Kazakhstan was expanded with the following projects:

– financing the Kazakhstan Housing Company to implement the public affordable housing programme for a total of US $47 million;

– financing day-to-day operations of the Food Contract Corporation for a total of US $44 million;

– refinancing the acquisition of Almaty International Airport and the related fuel business unit of Vines Trading, as well as financing the capital expenditure programme of TAV Kazakhstan, including the construction of a new passenger terminal to eliminate capacity constraints and modernise the airport, for a total of US $39 million;

– increasing the Aktobe CHP plant's capacity through the construction of a gas turbine unt with a waste heat boiler for a total of US $37 million; and

– financing a PPP project to construct and operate street lighting grids in Atyrau (148,525 metres long) for a total of US $8 million.

Republic of Belarus

As at 31 December 2017, the Bank's current investment portfolio in Belarus totalled US $832 million and included 14 projects in five sectors. Belarus's share in the current investment portfolio was 18.5%.

In terms of currency composition, the member states' national currencies accounted for 3.2% of the portfolio of projects financed in Belarus, while the share of US dollars and euros was 96.8%.

In 2021, the Bank's current investment portfolio in Belarus was expanded with the following projects:

- a US $356 million revolving loan facility for the Development Bank of the Republic of Belarus to finance its objectives;
- constructing a peaking power plant at CHPP 5 (Minskenergo) for a total of US $115 million;
- providing counter-guarantees for BELAZ OJSC — BELAZ HOLDING's Management Company to issue bank guarantees securing its obligations to Coal India Limited under a contract for the supply, assembly and commissioning of 96 dump trucks, for a total of US $58 million; and
- providing counter-guarantees for BELAZ OJSC — BELAZ HOLDING's Management Company to issue bank guarantees securing its obligations to Coal India Limited under a contract for the supply, assembly and commissioning of 77 dump trucks, for a total of US $23 million.

Republic of Armenia

As at 31 December 2020, the Bank's current investment portfolio in Armenia totalled US $191 million and included seven projects in three sectors. Projects in Armenia accounted for 4.2% of the current investment portfolio.

US dollars and euros made up 100% of the currency composition of the projects financed in Armenia.

In 2021, the Bank's current investment portfolio in Armenia was expanded with the following projects:

- a US $75 million revolving loan facility for trade finance (Ardshinbank);
- a US $50 million revolving loan facility for trade finance (Converse Bank);
- a US $20 million non-revolving loan facility for SME development (Ardshinbank); and
- financing the upgrade of passenger railcars of the South Caucasus Railway for a total of US $16 million.

Kyrgyz Republic

As at 31 December 2021, the Bank's current investment portfolio in the Kyrgyz Republic totalled US $55 million and included three projects in the financial sector. The Kyrgyz Republic accounted for 1.2% of the current investment portfolio.

2

Treasury Transactions

As at 31 December 2021, the funds managed by the Bank's Treasury (treasury portfolio) amounted to US $2,808 million.

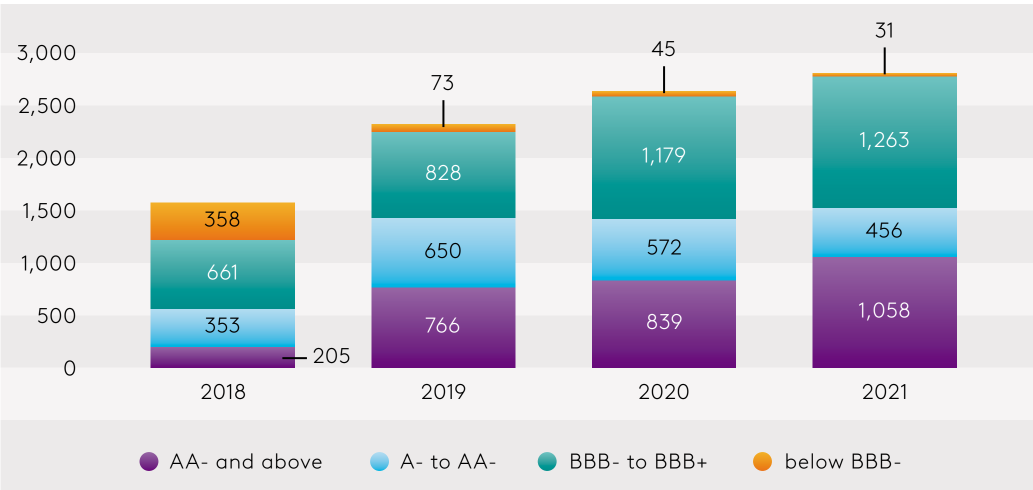
The Bank's key objectives in treasury asset management are to:

- maintain the real value of the Bank's equity;
- maintain the Bank's liquidity at acceptable levels;
- diversify investments and ensure high-quality management of its treasury portfolio; and
- minimise market risks.

Indicator	2018	2019	2020	2021
Treasury portfolio, US $ millions	1,577	2,317	2,634	2,808

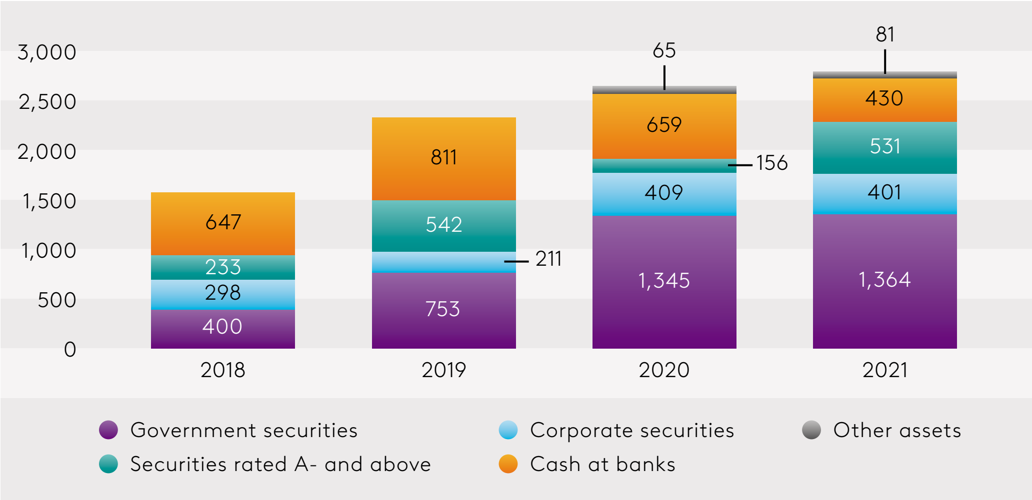
In 2021, the treasury portfolio increased by US $174 million (6.6%) compared to 2020. This was mainly due to unplanned early repayments under several projects and the mobilisation of net funds for planned projects.

At the end of 2021, the average return on the Bank's treasury portfolio was 1.43%. This level of yield has developed due to historically low interest rates in the investment environment for US dollar- and euro-denominated securities as well as the Treasury's maintenance of a relatively short portfolio duration of 1.9 in order to mitigate the risk of rate increases.



← Treasury portfolio assets by rating, US $ millions

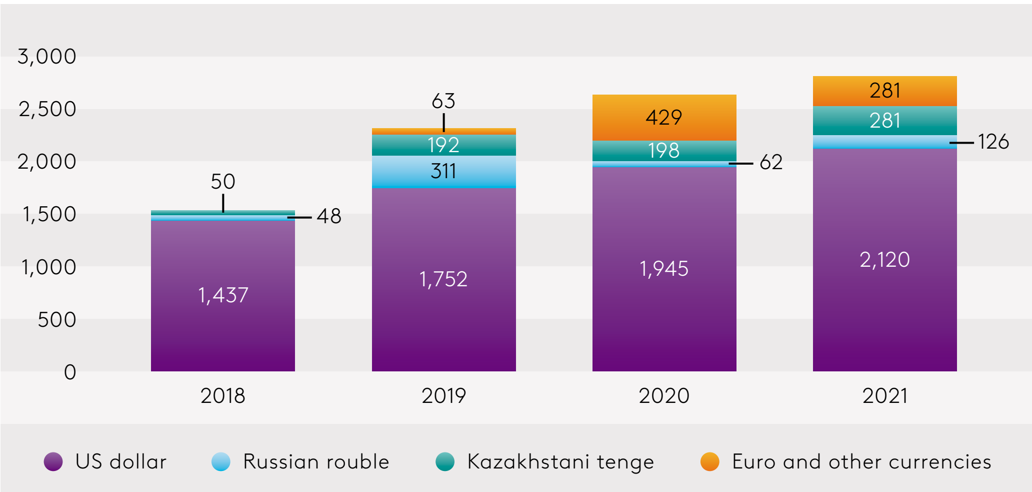
The share of assets with a credit rating of AA- and above in the treasury portfolio increased from 31.8% to 37.7%. The share of assets rated BBB- to BBB+ grew slightly, from 44.7% to 45.0%.



← Treasury portfolio assets by instrument, US $ millions

Because of low money-market rates and as part of its efforts to improve portfolio yields, the Treasury stepped up its investment in securities from 74.0% to 83.0% in 2021. The share of securities in the portfolio was increased by reducing the share of funds in correspondent accounts and assets allocated to interbank lending instruments.

In addition, to improve the composite rating of the portfolio, the Treasury increased the proportion of funds allocated to securities issued by financial institutions and corporate issuers rated A- and above from 5.9% to 18.9%. The share of investments in government and corporate securities fell from 51.1% to 48.6% and from 15.5% to 14.3%, respectively.



← Treasury portfolio assets by currency, US $ millions

At the end of 2021, the proportion of US dollar-denominated assets was 75.5% and they still account for the bulk of the treasury portfolio. The share of assets denominated in the Russian rouble and Kazakhstani tenge grew to 14.5% as a result of an increase in investments in assets in these currencies from funds raised under a short-term funding programme in the tenge.

3

Risk Management

The primary objectives of the Bank's risk management system are to provide reasonable assurance that the Bank will achieve its strategic objectives without compromising its long-term sustainability and to minimise the Bank's potential financial losses from exposure to risks, including the preservation of its capital.

Risk management involves the Bank's Council and Management Board as well as collegial bodies and divisions in charge of certain risk management functions, which together develop and implement risk management policies, including in respect of credit, market, operational, and liquidity risks. For each type of risk, the Bank's divisions regularly produce the necessary management reports for the collegial bodies to manage the specific type of risk.

Risk Assessment Using S&P Global Market Intelligence Methodologies/Models

In 2021, the Bank implemented S&P Global Market Intelligence methodologies/models to assess identified risks and make provisions for the possible impairment of financial instruments. In addition, these methodologies/models allow the classification of financial instruments according to the international rating scale of S&P Global Ratings. This means that priority is given to borrowers' and other counterparties' external/public credit ratings from international rating agencies or, if no such ratings are available or they are recalled, these are replaced by credit ratings determined using S&P Global Market Intelligence methodologies/models.

Investment Portfolio Risks

The following table demonstrates the composition of the balance-sheet portfolio by credit ratings according to S&P Global Ratings' international rating scale, including the stages of credit risk, according to IFRS 9 *Financial Instruments*, as at 31 December 2021 (US $ millions):

S&P Global Ratings' international rating scale	Stage 1	Stage 2	Stage 3	Other	Total	Share (%)
BBB-	623				623	20.8%
BB+	110				110	3.7%
BB	617	17			634	21.2%
BB-	296				296	9.9%
B+	443				443	14.8%
B	635	39		15	689	23.1%
B-	86	5			91	3.0%
CC, C, D			102		102	3.4%
No rating				1	1	0.0%
Total	**2,810**	**61**	**102**	**16**	**2,989**	**100%**

As at 31 December 2021, the weighted average credit rating of financial instruments in the balance-sheet portfolio was BB- on S&P Global Ratings' international rating scale.

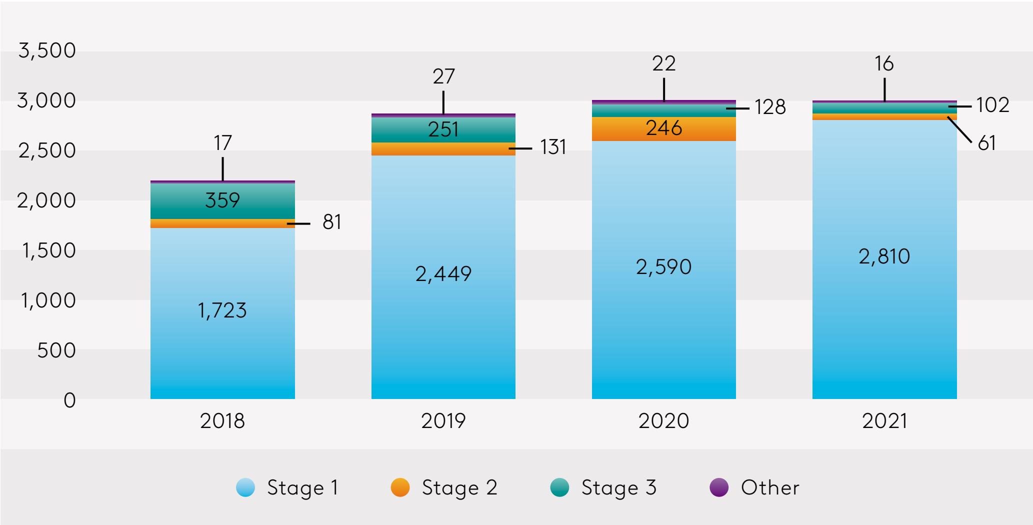
The stages of credit risk are determined in accordance with IFRS 9 *Financial Instruments* (without taking into account the collateral factor):

Stage 1: instruments for which there has been no evidence of a significant increase in credit risk since initial recognition;

Stage 2: instruments for which there has been a significant increase in credit risk since initial recognition, but which are not credit-impaired; and

Stage 3: credit-impaired instruments.

Information on changes in the composition of the Bank's balance-sheet portfolio by credit risk stage for 2018–2021 is provided below:



← Balance-sheet portfolio by credit risk stage, US $ millions

In 2021, the value of financial instruments in Stage 3 was US $102 million, a decrease of US $26 million (20.0%) compared to 2020. The share of these instruments in the balance-sheet portfolio was 3.4% in 2021 (4.3% in 2020).

The value of financial instruments in Stage 2 decreased by US $185 million (75%) to US $61 million at the end of 2021 compared to 2020. The share of Stage 2 financial instruments in the balance-sheet portfolio was 2.0% in 2021 (8.2% in 2020).

The proportion of Stage 1 loans and other financial instruments in the balance-sheet portfolio was 94.0% in 2021 (86.7% in 2020).

The table below provides a breakdown of the Bank's balance-sheet provisions and their dynamics in 2021 (US $ millions):

	Balance-sheet portfolio		Provisions		Share of provisions (%)	
	2021	2020	2021	2020	2021	2020
Stage 1	2,810	2,591	28	24	1.0%	0.9%
Stage 2	61	246	3	17	4.5%	7.1%
Stage 3	102	127	56	42	55.1%	32.7%
Other	16	22	-	-	-	-
Total	**2,989**	**2,986**	**87**	**83**	**2.9%**	**2.8%**

Therefore, the investment portfolio maintained high quality as at the end of 2021: the share of provisions in the balance-sheet portfolio was 2.9% and the proportion of financial instruments in Stages 2 and 3 declined.

The following table provides information on guarantees issued by the Bank, with changes for 2021 (US $ millions):

	Guarantees issued		Provisions		Share of provisions (%)	
	2021	2020	2021	2020	2021	2020
Stage 1	121	135	6	1	4.7%	0.4%

As at 31 December 2021, the weighted average credit rating of guarantees issued by the Bank and included in the balance-sheet portfolio was B- on S&P Global Ratings' international rating scale.

Treasury Portfolio Risks

As at 31 December 2021, the weighted average credit rating of treasury assets was BB- on S&P Global Ratings' international rating scale. The proportion of assets (including all assets in the treasury portfolio) with a credit rating of A- and above exceeded 50%, with almost all assets concentrated in the investment-grade credit rating category of BBB- and above.

As at 31 December 2021, all assets in the treasury portfolio were classified in Stage 1 as showing no evidence of a significant increase in credit risk.

Liquidity Risk Management

The Bank performs liquidity risk analysis on an ongoing basis. The Asset and Liability Committee manages this risk by analysing the term structure of assets and liabilities. The Bank's relevant divisions monitor liquidity indicators and perform gap analysis, taking into account possible changes in the Bank's asset and liability composition. Such analyses are conducted at least twice a month and are reviewed by the Asset and Liability Committee on a monthly basis. Based on this analysis, the Asset and Liability Committee makes decisions regarding liquidity risk management, including borrowings.

The Bank maintains the liquidity of its assets at an appropriate level in order to ensure that cash is available to meet all its commitments quickly, even in adverse conditions.

The Bank manages its net liquidity through the issuance of debt securities and other borrowings. In addition, assets from the securities portfolio may be sold if required for liquidity purposes. Most contingent liabilities require that certain conditions be met before they are issued. In some cases, the Bank may withdraw a loan or postpone its issuance.

Market Risk Management

The Bank regularly reviews interest rate risk to maintain it at an adequate level as well as to continuously control the possible impact on the Bank's performance. To analyse interest rate risk, the Bank conducts gap analysis and uses the Economic Value of Equity (EVE) methodology, which assesses its assets and liabilities for sensitivity to changes in interest rates. To manage interest rate risk, the Bank sets limits on possible adverse events in the event of changes in market interest rates. The analysis is carried out by the responsible divisions, while the overall management and setting of limits is a function of the Asset and Liability Committee.

The Asset and Liability Committee manages interest rate risk by managing the Bank's asset and liability positions and controls the risk of changes in market interest rates by setting limits on the amount of interest rate risk taken by the Bank. The Bank's responsible divisions monitor interest rate risk and assess the Bank's vulnerability to changes in interest rates and the impact of those changes on its net profit.

Currency Risk Management

The currency risk analysis is performed by examining the composition of the Bank's assets and liabilities by currency, taking into account possible changes in the balance sheet. The Bank maintains an acceptable level of currency risk. It sets open currency position limits for individual currencies and the sum of all positions. All currency limits are monitored daily. The overall management and the setting of limits is a function of the Bank's collegial bodies.

Currency risk is managed by managing the open currency position, which enables the Bank to mitigate potential losses from significant fluctuations in exchange rates. Relevant divisions monitor compliance with the currency risk limits set by the Bank's Management Board or the Asset and Liability Committee.

The Bank's maximum position for each currency must not exceed 10% of its equity, nor must it exceed 20% of the equity for all currencies.

Compliance with Financial Ratios

In 2021, the Bank complied with the internal financial ratios set by its Council and Management Board without any deviations.

Ratio	2021	2020
Ratios set by the Council		
Minimum liquidity (financial ratio 1) (US $ thousands):		
minimum required	979,657	729,024
actual	1,464,715	1,292,552
Financial leverage ratio (financial ratio 2):		
maximum allowed	300.0%	300.0%
actual	136.6%	123.3%
Ratios set by the Management Board		
Capital adequacy:		
minimum required	16.0%	16.0%
actual	44.2%	42.8%
Risk per borrower (group of related borrowers):		
maximum allowed	25.0%	25.0%
actual	21.2%	23.1%

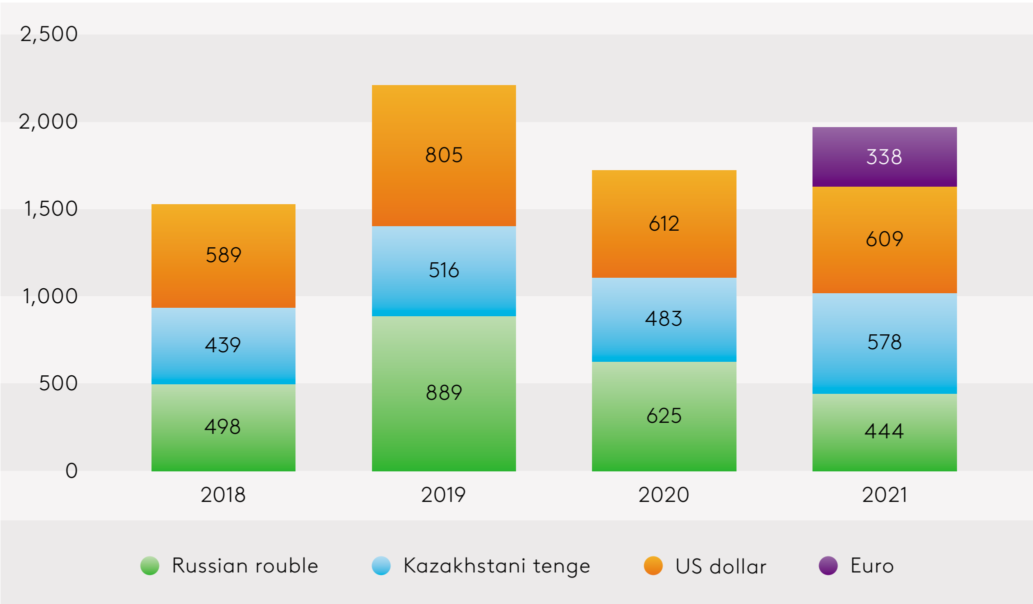
4

Capital Markets

The Bank has extensive experience in mobilising finance in different currencies, debt instruments, and market conditions. The Bank has registered an EMTN programme for the placement of Eurobonds and developed and registered bond programmes in Russia and Kazakhstan.

The Bank uses the following debt financing instruments: traditional rouble- and tenge-denominated bonds, green and social ESG bonds, and US dollar-, euro-, and tenge-denominated Eurobonds.

As at the end of 2021, the Bank's total borrowings amounted to US $ 2,572 million, including US $1,970 million in bonds issued and US $602 million in loans from other banks.



← Debt securities issued by currency, US $ millions

The Bank floated a EUR 300 million Eurobond issue at the beginning and a KZT 21.5 billion Eurobond issue in the middle of the year. These Eurobonds have been listed with international institutional investors on the Irish Stock Exchange.

In September and November, as part of its sustainable debt instruments framework, the Bank issued debut tenge-denominated green and social bonds for a total of KZT 40.0 billion, which have been successfully placed among institutional investors on the Kazakhstan Stock Exchange and the AIFC international trading floor.

In December, the Bank raised US $100 million through the issuance of debt notes on the AIFC exchange.

The ratings on the Bank's debt financial instruments denominated in foreign currencies as at the end of 2021 were as follows:

Rating	Moody's	S&P	Fitch
Long-term	Baa1	BBB	BBB+
Short-term	P-2	A-2	F1
Outlook	stable	stable	stable

Four issues of the Bank's exchange-traded rouble bonds have been rated by ACRA at AAA (RU) on the national scale, with a stable outlook.

EDB Long-term Ratings on the International Scale

The Bank's credit rating is assessed by three major international rating agencies — S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, as well as the Russian rating agency ACRA.

On 13 October 2021, S&P Global Ratings upgraded the outlook on the Bank's rating from "negative" to "stable."

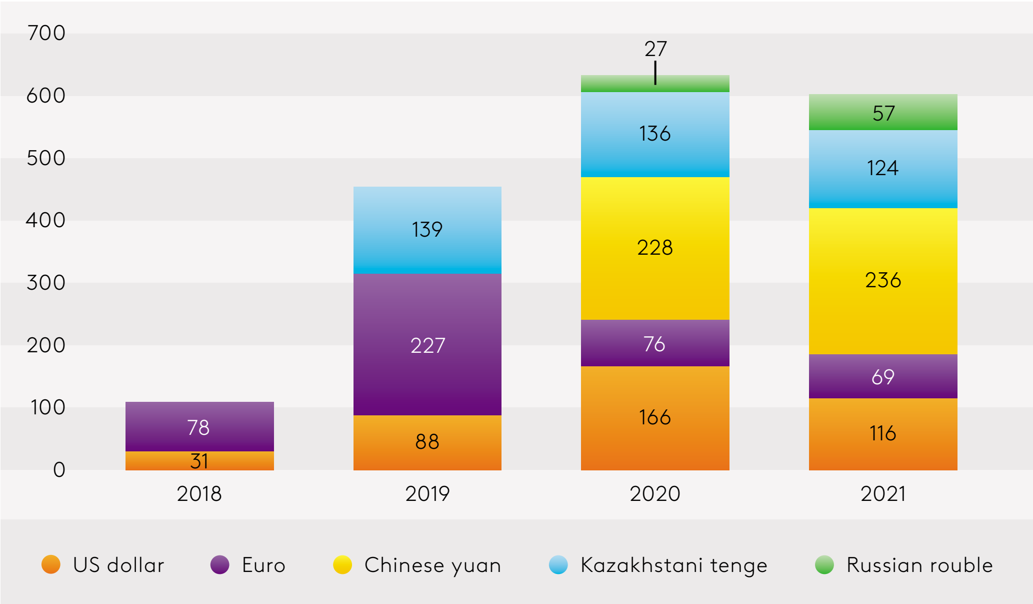
The Bank's ratings from other rating agencies were not revised during the reporting period and remained unchanged: Baa1 with a stable outlook from Moody's; BBB+ with a stable outlook from Fitch; and A- on the international scale and AAA (RU) on the national scale, also with a stable outlook, from ACRA.

	Moody's	S&P	Fitch	AKPA
Long-term rating	Baa1	BBB	BBB+	A-
Outlook	stable	stable	stable	stable
Rating/affirmation date	27 Apr 2021	13 Oct 2021	24 Nov 2021	24 Aug 2021

5

Financial Markets

In 2021, the Bank continued to raise tied financing for its projects. At the end of the reporting period, the total amount outstanding under loan agreements with international and domestic financial institutions was the equivalent of US $598 million.



← Loans from banks by currency, US $ millions

The funds were used to finance projects in manufacturing, infrastructure, renewable energy, and energy conservation.

Under the terms of these agreements, the Bank must comply with covenants such as maintaining financial stability, meeting payment obligations, cross-default, absence of encumbrances or litigations over certain assets, and some others. As at 31 December 2021, the Bank complied with all the covenants.

The Bank aims to further expand cooperation and establish new loan facilities with foreign banks and international financial institutions, including export credit agencies and export-import banks.

Developing the Settlement and Payment Infrastructure

In pursuance of its 2018–2022 Strategy, since 2018 the Bank has maintained settlements in national currencies for legal entities and banks in the member states using its settlement and payment infrastructure, which enables payments through national payment systems in national financial messaging formats. The EDB offers settlements through national payment systems using correspondent accounts opened with the central/national banks of Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, and Russia.

As at the end of 2021, the Bank maintained loro accounts for 78 financial institutions, including the Central Bank of the Republic of Armenia and the National Bank of the Republic of Belarus, and stock exchange-related institutions from EAEU countries such as the Kazakhstan Stock Exchange, the National Clearing Centre and the Belarusian Currency and Stock Exchange, the International Bank for Economic Co-operation (IBEC; an international financial institution), and the Central Securities Depository of the Republic of Kazakhstan.

As at 1 January 2022, sixty non-banking companies with account balances equivalent to US $278 million used the EDB's payment and settlement services.

In 2021, the Bank's Representative Office in Moscow launched a backup centre for business-critical payment systems and introduced a new overdraft product for respondent banks.

6

International Activities

In 2021, the Bank continued to develop cooperation with international organisations to address ongoing economic development challenges in its member states. In doing so, the Bank developed cooperation with key United Nations international organisations, including the United Nations Development Programme (UNDP), the United Nations Industrial Development Organisation (UNIDO), the Food and Agriculture Organisation (FAO), the United Nations Environment Programme (UNEP), and the Economic and Social Commission for Asia and the Pacific (ESCAP).

As the EDB's 2022–2026 Strategy focuses on building a portfolio of green economy projects and introducing ESG banking, the Bank has prepared a memorandum and a roadmap and initiated negotiations to sign them with UNEP — the lead agency in this area in the United Nations system.

The Bank has also developed mechanisms for interaction with United Nations specialised agencies based on the principle of complementarity.

As regards investments, a cooperation format has been proposed where a United Nations agency develops technical assistance projects in the manufacturing, municipal, infrastructure, agricultural, energy, and resource efficiency sectors that require substantial investments. This agency sends a project brief to the EDB for review at the beginning of project development. If the project is in line with the Bank's objectives, the agency will prepare a feasibility study taking into account the EDB's requirements for investment projects and in consultation with the Bank's investment managers, with possible subsequent financing by the EDB in mind. This cooperation scheme has been agreed upon with the heads of the UNDP Regional Bureau for Europe and the CIS, UNIDO sectoral departments, the UNEP Regional Office for Central Asia, the FAO Regional Office for Europe and Central Asia, as well as UNDP, UNIDO, and FAO country offices in the Bank's member states. In 2021, the approach has been tested with the regional and country offices of these organisations, including UNDP offices in Belarus, Armenia, and Kazakhstan, FAO offices in Armenia and Tajikistan, UNIDO offices in Armenia, as well as with ministries and agencies of these countries.

Several events have been held as part of a joint project with UNDP titled *Strengthening Capacities for Sustainable Development Finance in the CIS Region*. In particular, the EDB, with support from the UNDP, assisted 12 partner banks in Armenia, Belarus, and the Kyrgyz Republic to improve their efficiency in providing financial instruments and assessing projects submitted by small and medium-sized enterprises. The main funding for the project came from the Russian Federation–UNDP Trust Fund for Development.

A special study to identify the banks' current needs has informed a training programme for risk and compliance management, process optimisation, information technology and information security, credit scoring models, digital marketing, performance management, and employee motivation. This programme provided face-to-face and online training sessions for 170 employees of the EDB's partner banks.

In addition, the joint project by the UNDP and the EDB reviewed best practices used by international development institutions in financing second-tier banks. The review analysed experiences in promoting energy efficiency and sustainable agricultural production, as well as supporting small and medium-sized enterprises. It has also informed the EDB's development of new instruments to finance second-tier partner banks on comfortable and feasible terms.

At the Bank's initiative, UNDP-funded consultants have prepared reports on *Reviewing International Best Practices and Methodologies for ESG Responsible Investment* and *International Decarbonisation Experiences in the Transition to a Green Economy*. These reports were presented at the Second Eurasian Congress and are used in the work of the Bank's units.

In late 2021, the Bank initiated the preparation of UNDP studies on *Developing ESG Implementation Policies for Commercial Banks (EDB Clients)* and *Greening Central Asia's Water and Energy Complex: Technologies and Regulatory Approaches*, both in progress.

The EDB continued communications with the Secretariat of the United Nations Green Climate Fund on the Bank's accreditation.

The Bank's activities were also aimed at maximising its representatives' participation in events hosted by international organisations, integration unions, international financial institutions, foundations and associations (annual forums, panel sessions, round tables).

The EDB management regularly participated in meetings of the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Council, the Council of the Eurasian Economic Commission (EEC), the CIS Council of Heads of Government, and the CIS Economic Council. In addition, the Bank actively developed cooperation in research and analysis with the EEC.

During the year, Bank staff participated and spoke at videoconferences hosted by UNESCAP, UNECE, the FAO, and the United Nations Special Programme for Economies of Central Asia (SPECA).

Bank representatives also attended and spoke at high-level Financing for Development Forums organised by the United Nations Economic and Social Council (ECOSOC), which is central to the work of the United Nations system.

Overall, the Bank took part in more than 50 international forums and conferences, including those organised by the United Nations specialised agencies (the World Bank, UNDP, UNEP, FAO, ESCAP, UNECE, and SPECA). The topics covered at these events included sustainable development, industrialisation, overcoming the impact of the COVID-19 pandemic, regional integration, and cooperation between multilateral development banks and international organisations.

The EDB was granted observer status in the Association of Development Financial Institutions in Asia and the Pacific (ADFIAP), the D20 Long-Term Investors Club (D20-LTIC), and the Central Asia Regional Economic Cooperation (CAREC) Programme.

7

The EDB Evolves as a Recognised International Development Institution

In 2021, the Bank continued to develop its agenda around key aspects of integration and cooperation between Eurasian countries and to actively build up its presence in the information field, expert community, and the media.

During the year, the EDB organised more than 17 events of various formats and sizes, including at major international forums: an EDB delegation took part in the Digital Almaty conference, the SPIEF-2021 business programme, and the 2021 United Nations Climate Change Conference (COP-26). The Bank also ran a series of client events for its partners, the Bank's Council, as well as the Second Eurasian Congress.

The Bank established the EDB Expert Club — a discussion platform that puts on the agenda economic integration developments and promising cross-border projects involving its member states. The first two meetings in Moscow and Almaty presented their participants with the EDB's new Strategy for 2022–2026. To date, more than 60 representatives of the authorities, expert community, EDB partners, and international development institutions have become regular participants in the Expert Club.

A new information product was launched, the *EDB Newsletter*, containing key news, analytical reports, and facts about the Bank and its projects. For extended coverage, the Bank held online presentations and produced informative videos.

Also in 2021, a full rebranding exercise was undertaken to develop non-verbal communication channels that convey the EBD's values and strategic objectives.

The new initiatives and projects and updated approaches to communications with the media and the pool of opinion leaders helped to boost the number of interviews, comments, and articles published by EDB representatives in the media, as well as media reports mentioning and quoting EDB staff in 2021.

In 2021, the Bank received several recognitions for its achievements at the regional and international levels. Three EDB projects won prestigious awards:

– financing the Big Almaty Ring Road (BAKAD) was named Europe's Transport Deal of the Year;

– the project to build the Central Ring Road around Moscow won the National Traffic Formula Award; and

– the EDB received Environmental Finance's 2021 IMPACT Award for the social and economic effects of the Atyrau street lighting project.

8

Adherence to Social and Environmental Responsibility Principles

Facilitating Sustainable Development

A priority objective of the Bank is to ensure stable economic growth in its member states in order to promote better living standards and improve the environment and use of natural resources. To achieve this objective, the EDB focuses on financing projects with a strong integration effect as well as national development and green projects.

In 2021, the Bank continued to consistently finance projects with an integration effect and maintained a high share of integration projects in its current investment portfolio — 60%, which is 10% above the target.

In analysing the integration effects of its projects on the member states, the Bank measures the following cumulative effects (US $ billions):

Effects of Bank projects	2018	2019	2020	2021
Mutual trade	3,626	3,939	4,333	4,562
Mutual investment	1,899	1,932	1,947	1,992
Gross output	6,094	6,914	7,651	8,126
Taxes and other compulsory payments	978	1,057	1,192	1,215
New jobs (thousands)	28.0	28.3	29.6	31.9

The Bank's work leads to sustained growth in production outputs, employment and income, greater fiscal revenues, environmental improvements, and the sustainable development of its member economies as a whole.

Social and Environmental Responsibility

An important principle of the Bank's investment policy is social and environmental responsibility for the impact of EDB-financed projects on the environment, living standards, and, ultimately, the sustainable development of its member economies. The Bank's investments are aimed at promoting better living standards, employment, and social conditions.

The Bank's investment projects must not lead to environmental degradation, especially in a cross-border context, worsen working or living conditions or endanger public health. When making decisions to finance projects, the Bank factors in their environmental and social impact. As a result, it sets forth requirements for borrowers with respect to managing such impact and monitors compliance with these requirements, including those relating to health, safety, environmental protection, and public consultations. This type of assessment is conducted at the pre-project stage. Consequently, all Bank-funded projects comply with national environmental legislation and international law.

As part of its additional social and environmental responsibility, the Bank is guided by its Environmental and Social Responsibility Framework. The Bank does not finance investment projects that harm the human environment, the social conditions of labour, or living conditions. In addition, the Bank does not finance socially hazardous activities, including projects that involve the production and distribution of alcohol and tobacco, the use of forced and child labour, gambling, the manufacture of or trading in weapons and ammunition, as well as activities prohibited under the legislation of its member states or international conventions related to the protection of biodiversity, resources, and cultural heritage.

In 2021, the EDB, as an international financial institution, intensified its efforts in implementing international best practices relating to environmental and social responsibility. The Bank is developing and implementing new standards for assessing and monitoring the social and environmental impact of its projects.

Green Finance Projects

Over the past year, as part of its green finance objectives, the Bank continued to finance and prepare projects aimed at improving energy efficiency and promoting renewable energy. It is a member of the International Capital Market Association (ICMA) and the Multilateral Finance Institutions' Working Group on Environment and Social Standards.

The Bank is currently in the process of being accredited to the United Nations Green Climate Fund to expand its capabilities in financing investment projects and enable co-financing of green projects with other multilateral development banks and international organisations accredited by the Green Climate Fund.

The Bank is also working with the United Nations Development Programme on the Capacity Building for Financing Sustainable Development in the CIS Region, Sustainable Cities for Low Carbon Development, and Derisking Renewable Energy Investment projects.

In addition to financing green projects, the Bank became a shareholder in the AIFC Green Finance Centre to promote green finance and expertise in Kazakhstan. In 2021, the EDB made two debut offerings in the ESG segment: green bonds in September and social bonds in November. The Bank is the most active issuer among international financial institutions in Kazakhstan's capital market, attracting around KZT 100 billion annually. The Bank's green bonds have been included in the International Capital Market Association's register.

Infrastructure Development Projects

The EDB sees its key role in infrastructure investment as that of a development institution, primarily because of the significant integration and multiplier effect of such investment.

The project to reconstruct and expand Almaty International Airport is being implemented in cooperation with multilateral development banks and involves the construction of a new terminal and the modernisation of existing airport facilities to eliminate capacity constraints, improve customer service, add new routes, and increase the number of flights, including to the Bank's member states.

In 2021, the Bank continued to finance projects building the international Western Europe–Western China transport corridor, which is intended to realise Eurasia's integration potential, improve transport connectivity among regions, and enhance the sustainability and safety of the transport system. In particular, the EDB is also taking part in PPP projects to construct the Central Ring Road in the Moscow Region and the Western High-Speed Diameter in St. Petersburg (Russia), as well as the construction and operation of the Big Almaty Ring Road (BAKAD) in Kazakhstan.

The EDB-financed project to upgrade the South Caucasus Railway's passenger railcars contributes to the development of transport infrastructure in Armenia. This is an integration project implemented by a subsidiary of Russian Railways and involving the supply of Russian railcars to Armenia.

Regional Development Projects

In 2021, the Bank provided financing for a project to expand the capacity of the Aktobe CHP plant, which envisages the decommissioning of obsolete boiler equipment and the transition to an efficient combined cycle operation through the construction of a gas turbine unit with a waste heat boiler, allowing for increased power generation in one of Kazakhstan's industrial regions.

A new PPP project by Batys Transit envisions the construction and operation of street lighting grids to improve safety and liveability in the city of Atyrau.

Social Impact Projects

The project to finance the Kazakhstan Housing Company's public affordable housing programme is of great social importance. The borrower plans to develop the mortgage market and provide affordable rental housing.

The project financing the Food Contract Corporation helps the borrower to achieve its social and economic objectives, including promoting food security in Kazakhstan, stabilising the domestic grain market, extending financial support to agricultural producers, and developing grain exports.

The Bank's participation in SOPF Infrastructure Bonds' infrastructure bond programme finances long-term projects (not less than three years) to construct and/or reconstruct housing-related utilities, and transport and social infrastructure.

Innovative Industrial Development Projects

In 2021, the EDB signed agreements for a project by Air Liquide Lipetsk to construct an energy-efficient air separation unit for industrial gas production in Lipetsk (Russia).

The Bank continued its cooperation with BELAZ, a major Belarusian manufacturer of quarry machinery. In the process of implementing new projects to export dump trucks, it is planned to purchase raw materials and supplies from Russia.

The project to develop the KAMAZ vehicle range and upgrade its production facilities is expected to boost sales of finished products and spare parts to all the member states, as well as to build two plants in Kazakhstan and integrate them into the KAMAZ production chain. The projected amount of direct investment in Kazakhstan approximates US $46 million.

9

Research

One of the EDB's key objectives is to analyse and forecast economic developments in its member states, their investment opportunities, economic sectors, and Eurasian integration.

To regularly collect, systematise, and analyse information on the development of the EDB member states, Bank experts conduct weekly reviews of key economic events, monthly macroeconomic reviews, and quarterly medium-term outlooks for the development of the member states. The results of these reviews are made publicly available, including on the Bank's website[4].

These activities have helped the Bank to establish itself as a leading think tank for macroeconomic, integration, and sector-specific expertise in Eurasia and as a "knowledge bank" promoting the interests of its member states.

The following macroeconomic publications were issued in 2021:

– six macroeconomic reviews of the EDB member states. These publications analyse the macroeconomic situation in the Bank's member states and their macroeconomic indicators and provide short-term forecasts;

– three extended publications detailing domestic and external macroeconomic developments and an outlook for the Bank's member states:

  → *EDB Macroeconomic Forecast. Strong Recovery Growth in 2021*, published in March 2021;

  → *EDB Macroeconomic Forecast. The Return of Inflation: For How Long and Should We Fear It?* published in June 2021; and

  → *EDB Macroeconomic Outlook. From Recovery to Sustainable Growth* (an analysis of current developments with a forecast for 2022–2023), published in November 2021 and presented at the Second Eurasian Congress.

[4] https://eabr.org/en/analytics/

Several special reports were also prepared during the year:

- *Enhancing the Role of EAEU National Currencies in International Settlements*. The report reviews the global role of EAEU national currencies, analyses de-dollarisation in mutual settlements, and presents the main factors contributing to greater use of EAEU national currencies in domestic and foreign trade;

- *Investment in the Water and Energy Complex of Central Asia*, presented at the Second Eurasian Congress. This report analyses current developments, cooperation, main challenges, economic losses, and investment activities in the water and energy complex of Central Asia. It also presents a unique database of ongoing and prospective investment projects worth over US $60 billion. The results of this research have informed a concept for one of the Bank's key investment megaprojects and are being actively discussed with relevant ministries and market players;

- *The International North–South Transport Corridor: Promoting Eurasia's Intra- and Transcontinental Connectivity*. This report provides a comprehensive assessment of the freight potential of the International North-South Transport Corridor (INSTC), identifies promising commodities and constraints, and measures the trade effects of the INSTC's digitalisation and seamlessness. It also articulates the idea of a Eurasian Transport Framework that would offer numerous benefits to EAEU countries and transform them into a Eurasian transport hub. The concept was announced by Russian Prime Minister Mikhail Mishustin at the Second Eurasian Congress and underpins one of the Bank's key investment megaprojects;

- *Green Technologies for Eurasia's Sustainable Future*, a joint report by the EDB and the Global Energy Association presented at the Second Eurasian Congress. Written in collaboration with key international industry experts and young scientists, the report presents the results of technical research that address today's energy challenges and contribute to reducing Eurasia's carbon footprint;

- *Uzbekistan and the EAEU: Prospects and Potential Impact of Economic Integration* comprehensively estimates the potential effects of Uzbekistan's accession to the EAEU and outlines promising areas for cooperation between the current Union member states and Uzbekistan;

- *EDB Integration Business Barometer*, a report based on a survey of 337 large and medium-sized businesses from six EDB member states, demonstrates businesses' awareness of Eurasian integration and relevant interstate institutions (including the EDB), their opinions and assessments of barriers and support for foreign trade in the EAEU and CIS, and their expectations and suggestions with respect to integration and cooperation priorities in the CIS; and

- *EDB Monitoring of Mutual Investments*, presented at the Second Eurasian Congress. The EDB's unique methodology provides a more comprehensive assessment of mutual investments in Eurasia than offered by official statistics. The database of mutual direct investments in the region and the analysis presented in the report help to better understand economic integration processes in the Bank's region of operations and are highly appreciated by the governments of its member states.

Research Partnerships

During the year, the Bank continued to hold forecast roundtables with representatives of the central/national banks, ministries, and other authorities of its member states, as well as the EEC Macroeconomic Policy Department.

Bank analysts participated in consensus forecasts by Reuters, PricewaterhouseCoopers, HSE University, and the National Bank of the Republic of Belarus, a plenary session at the 4th Stolypin Forum, the Moscow Financial Forum, and the St. Petersburg International Economic Forum; they also moderated a session at the Krasnoyarsk Economic Forum.

EDB representatives made presentations at open workshops hosted by HSE's School of World Economy, the Conference on the Current State and Prospects of Russian-Azerbaijani Economic Relations, the EAEU Integration Business Forum, and HSE's 9th Annual Conference on the Global Economy titled *Fragile World Economy: Challenges of Divergent Recoveries*. Bank experts also took part in a conference titled *The Future of the Water Sector in Central Asia — Opportunities and Challenges*, hosted by Corvinus University of Budapest, and the Fifth CAREC Think Tank Development Forum, titled *Economic Corridors: Pathways to Regional Growth*.

10

Managing the EFSD's Funds

The Eurasian Fund for Stabilization and Development (EFSD) is a regional financing arrangement of the global financial safety net. The EFSD works closely with international financial institutions in line with the principles of collaboration between the IMF and G20 regional financing arrangements and the United Nations' 17th Sustainable Development Goal, Partnership for Sustainable Development.

The EDB member states use EDB expertise and funds to support macro-stabilisation, institutional and structural reforms, and the financing of development projects. The EFSD extends sovereign financing in the form of:

– financial credits to support budgets and/or balances of payments;

– investment loans for state-run infrastructure projects; and

– grants to support state-run projects in socially important sectors.

As at 31 December 2021, the EFSD loan portfolio totalled US $2,609 million and the cumulative project portfolio amounted to US $5,937 million.

Financial Credits

The bulk of EFSD loans, amounting to US $2,513 million, has been disbursed through financial credit programmes to Armenia, Belarus, and Tajikistan. All loans are subject to post-programme monitoring of the economic situation.

Throughout the year, the EFSD performed routine macroeconomic monitoring, including the preparation of macroeconomic overviews and forecasts for all the recipient states. It also continued to prepare potential financial credits to support budgets in Belarus, the Kyrgyz Republic, and Tajikistan.

In 2021, the EDB, as the ESFD Resources Manager, finalised the preparation of documents for a potential US $230 million financial credit to the Kyrgyz Republic. This was requested for budget support and is conditional on the implementation of anti-crisis measures to cope with the COVID-19 pandemic in 2021, as well as implementation of the government's programme in certain key areas, including the public financial management system, digitalisation, and others.

Investment Loans

In 2021, the EFSD continued to actively support projects with sovereign investment loans. At the end of 2021, the EFSD project portfolio comprised ten investment projects for a total of US $620 million, aimed at upgrading basic infrastructure. The EDB, as the EFSD Resources Manager, oversees the implementation of EFSD-funded transport, hydropower, agricultural, and social projects.

As at 31 December 2021, the following projects were in various stages of preparation or implementation:

- three projects in Armenia worth US $215 million, with loan agreements signed for two of them for a total of US $190 million;

- five projects in the Kyrgyz Republic amounting to US $335 million, with loan agreements signed for three of them for a total of US $270 million; and

- two projects in Tajikistan totalling US $70 million, with a US $40 million loan agreement signed for one of them.

Grants for Social Projects

As at 31 December 2021, the EFSD had three grant-funded projects in progress with a total value of US $5 million. In addition, the EFSD Council was considering and/or approved another five projects for a total of US $11 million.

Donation Agreement

In December 2020, the Bank and Russia’s Ministry of Finance agreed on a donation to the EFSD to finance the construction and equipment of schools providing education in the Russian language in Tajikistan. In 2021, the Bank arranged the construction of five schools in the cities of Dushanbe, Bokhtar, Kulab, Khujand, and Tursunzade. As at 31 December 2021, the Bank had extended US $24 million for this project.

11

Technical Assistance Fund

In 2021, the EDB approved 14 new projects of its Technical Assistance Fund (TAF). Sixteen TAF projects were in progress, four of which were completed in 2021, with the remaining ones to be continued in 2022. The TAF demonstrated record-high figures in terms of new technical assistance projects launched, the amount of funding approved, and the number of activities that prepare new investment projects for the Bank.

As at the end of 2021, the TAF cumulative portfolio included 78 projects totalling US $9.7 million.

Technical Assistance in Preparing Investment Projects

As part of this programme, the TAF contributed to the preparation and implementation of new investment projects in Kazakhstan and Russia, including PPP initiatives. These activities included legal due diligence, advisory support, preparation of business plans, project pooling, auditing, preparation of a zero-balance report, and development of a subcontractor management portal. The total funding for this programme was US $1.8 million in 2021.

Technical Assistance to Expand the Bank's Investment Activity

In 2021, this programme supported the preparation of concepts/ programmes for the development of industries at the state and interstate levels, including studies of integration effects, modernisation of the Armenia Securities Exchange, establishment of Kazakhstan's National Commodity Distribution System, and consultancy services. The EDB allocated a total of US $1.2 million to fund this programme.

In addition, the Bank extended resources to the TAF to work out concepts for two key investment megaprojects, the Single Commodity Distribution System and the Water and Energy Complex, laying the foundations for the launch of its 2022–2026 Strategy.

TAF funding also strengthened the Bank's ESG agenda. A technical assistance project informed the EDB's Green and Social Debt Instruments Framework, which made it possible to float two debut issues of green and social bonds on the Kazakhstan Stock Exchange (KASE) in 2021. Both issues have been accredited by a verifier and included in the registry of the International Capital Markets Association.

Cooperation in Technical Assistance

In 2021, a technical assistance project was launched to participate in the development of Russia's national Programme for Supporting the Development of Low-Carbon Hydrogen Energy. The programme brings together Russia's major oil, gas, petrochemical, and power generation companies, as well as technology companies and financial and development institutions, and is designed to analyse and promote this new export-oriented industry and coordinate relevant activities.

12

Fund for Digital Initiatives

In 2021, to launch the EDB Fund for Digital Initiatives, the Bank's Council and Management Board approved internal regulatory documents governing its operations, the Fund's Programme for 2020–2021, and the personnel on its Committee.

During the year, the Fund for Digital Initiatives was consistently building a network of partnerships with national think tanks for digital transformation. This resulted in signing memoranda of cooperation and understanding with seven institutions.

In 2021, the Bank extended US $2.261 million for the Fund's projects.

Projects of the Fund for Digital Initiatives

In 2021, the Fund for Digital Initiatives developed and commissioned the COVID-19-Free Travel app and finalised the first version of the Work in the EAEU mobile app. Both projects were announced by Mikhail Mishustin, Prime Minister of Russia, at the Digital Almaty 2021 Forum on 5 February 2021.

Vladimir Putin, Member of the Supreme Eurasian Economic Council and President of Russia, took note of the COVID-19-Free Travel app developed by the Fund for Digital Initiatives and proposed to continue improving its functionality and expanding its geographical coverage. Nikol Pashinyan, Prime Minister of Armenia, and leaders of other EDB member states also noted the app's social and economic importance.

As at the end of 2021, nine countries joined the COVID-19-Free Travel app (including EAEU and CIS countries), the number of app users exceeded 1.3 million, and over 2.7 million PCR test results were obtained using the app. The app also made available vaccination records for users who received their vaccines in Armenia, the Kyrgyz Republic, Russia, and Uzbekistan.

The Fund for Digital Initiatives' projects also include:

- mutual recognition of electronic digital signatures between Russia and Belarus;
- the Digital Trade. Jewellery project;
- the Economic Integration Platform aimed at improving the transparency of trade transactions within the EAEU and providing effective feedback; and
- the ForumVR platform for online events in 3D.

The Fund for Digital Initiatives' ongoing and future projects are an important part of the Bank's 2022–2026 Digital Competence Strategy.

In 2021, the Fund for Digital Initiatives took part in high-level discussions such as Digital Almaty, the Gaidar Economic Forum, the St. Petersburg International Economic Forum, and the Eastern Economic Forum. It also hosted the panel session titled *Digital Eurasia: Infrastructure, Big Data, Sovereignty* on the sidelines of the Second Eurasian Congress.

The Fund for Digital Initiatives continuously analyses digital initiatives and projects with an integration effect in the Bank's member states, as well as promising digital projects and developments to assess their potential for acceleration, scaling up, and eligibility for the EDB's support. This work has resulted in the preparation of the Register of Projects in Progress and the Register of Promising Projects.

13

Corporate Governance

Corporate Governance Structure

The Bank's corporate governance framework establishes the structure of relations between its management (the Bank's Council, Management Board, and the Chairman of the Management Board), collegial bodies other than management (those established by the Bank's Council and Management Board), supervising bodies (the Bank's Audit Committee and Internal Audit Service), external auditor, Bank employees, and other stakeholders.

The Bank's corporate governance system ensures that its Management Board is accountable to the member states and enables effective management of the Bank's activities by the Management Board and its Chairman, as well as supervision of their activities by the member states, by effectively distributing functions between the Bank's Council, executive bodies (the Management Board and its Chairman), and supervisory bodies (the Audit Commission and the Internal Audit Service).

The Bank's Council is its supreme management body representing the interests of its member states. The Council provides overall management of the Bank, makes strategic decisions regarding its operations and development, and supervises the activities of the Management Board and its Chairman. The Council reports to the Bank's member states.

The Bank's Management Board is a permanent collegial executive body managing the Bank's operations and responsible for its ongoing performance. The Management Board reports to the Bank's Council and is governed by the Bank's Charter, the Rules of Procedure of the Management Board, and Council decisions.

The Chairman of the Management Board is the Bank's sole executive and official representative authorised to manage the Bank's day-to-day operations in accordance with the Charter and decisions of the Council and the Management Board within the powers provided to him or her by the Charter.

The Chairman of the Management Board directs the work of the Management Board and distributes duties among its members, participates in meetings of the Bank's Council with the right of advisory vote, and takes operative and executive decisions on the Bank's activities.

The supervisory bodies that report to the Bank's Council are the Audit Committee, which supervises the Bank's financial and business activities, and the Internal Audit Service. The Internal Audit Service assists the Bank's Council and Management Board in achieving the Bank's strategic objectives by taking a systematic and consistent approach to assessing and improving the effectiveness of risk management, internal controls, and corporate governance.

To ensure in-depth consideration of matters within the competence of the Bank's Council, the Council established the following standing consultative and advisory bodies:

- the Strategy Committee, responsible for the preliminary review and approval of decisions determining the Bank's investment priorities in order to set up effective mechanisms of cooperation between the Bank and relevant public authorities in its member states, assist the Bank in achieving its strategic goals, and negotiate proposals on how to develop and adjust the strategic areas of the Bank's investments;

- the Budget Committee, responsible for the preliminary review and approval of decisions on the Bank's budget; and

- the Human Resources Committee, responsible for the preliminary review and approval of personnel-related decisions as well as decisions relating to the remuneration system for Bank employees and the Internal Audit Service.

Corporate Governance Developments

As instructed by the Bank's Council, the Internal Audit Service conducted an analysis and prepared a report on the effectiveness of the EDB's current management structure. The report, submitted to the Bank's Council, recognises the Bank's current management structure as sufficiently effective. Potential conflicts of interest are minimised by the documents in effect, a well-developed communication system, and control divisions. However, given the differences identified between the EDB's current corporate governance system and the Basel Committee's Principles of Corporate Governance for Banks or the OECD Principles of Corporate Governance, and in order to improve management effectiveness, the Internal Audit Service proposed to:

- consider delegating the approval of key documents (Risk Management Framework, Rules for Calculating Ratios and Limits, Compliance Control Regulations) to the Bank's Council;

- develop a Risk Appetite Strategy and have it approved by the Bank's Council; and

- include the results of stress tests in the risk management information submitted to the Bank's Council.

The Bank has submitted proposals to the Strategy Committee to improve its corporate governance system by expanding the competencies of the committees under the Bank's Council and simplifying the procedure for convening meetings of the Bank's Council and its committees.

By decision of the Strategy Committee, the Bank's Management Board was instructed to organise a platform for the EDB member states to discuss the proposed changes to the current corporate governance model, following which updates to the Bank's relevant regulations will be initiated.

To improve corporate governance, a special Corporate Governance and Shareholder Engagement Unit was established in 2021, with the following key functions:

– ensuring the continued operation of the Bank's Council and Management Board and the committees under the Bank's Council;

– monitoring and controlling the implementation of decisions and orders of the Bank's Council and Management Board and of the committees under the Bank's Council; and

– participating in the assessment of the EDB's corporate governance system, including its compliance with the expectations and interests of the Bank's member states and international corporate governance standards.

The EDB has introduced a position of Corporate Secretary to ensure continuity of the activities of the Bank's management bodies and serve as the EDB's "single point of contact" for members of the Bank's Council, its committees, and the staff of ministries and agencies representing the Bank's member states.

Main Corporate Events

On 2 July 2021, the Bank's Council had a face-to-face meeting in Almaty. The Council selected its Chairman and approved the following:

– the EDB Strategy for 2022–2026;

– the Annual Report of the Management Board, the Bank's financial statements and profit distribution for 2020;

– the Bank's organisational chart; and

– the number of members of the Bank's Management Board.

The Council also reviewed the reports of the Audit Commission and the Internal Audit Service for 2020 and gave instructions to the Bank's Management Board.

In addition to the face-to-face meeting, the Council had 25 absentee votes in 2021 on matters included in its competency.

Changes to the Bank's Council

In 2021, the following changes were made to the Bank's Council:

- Vahe Hovhannisyan, Deputy Minister of Finance of Armenia, was appointed as Armenia's deputy plenipotentiary representative on the Council;
- Almaz Baketaev, Minister of Finance of the Kyrgyz Republic, was appointed as the Kyrgyz Republic's plenipotentiary representative on the Council;
- Ruslan Tatikov, Deputy Minister of Finance of the Kyrgyz Republic, was appointed as the Kyrgyz Republic's deputy plenipotentiary representative on the Council;
- Zavqi Zavqizoda, Minister of Economic Development and Trade of Tajikistan, was appointed as Tajikistan's plenipotentiary representative on the Council; and
- Yusuf Majidi, Deputy Minister of Finance of Tajikistan, was appointed as Tajikistan's deputy plenipotentiary representative on the Council.

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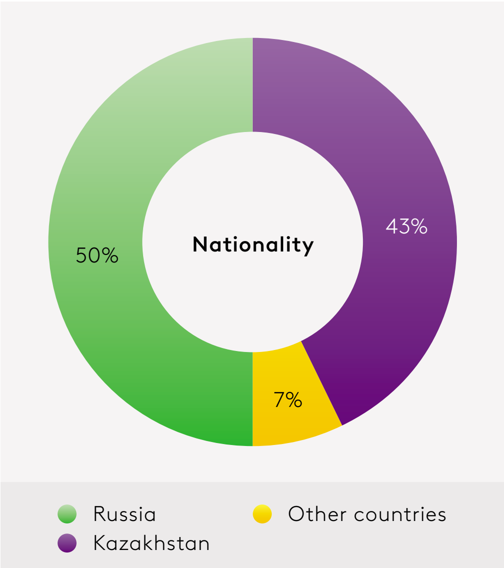
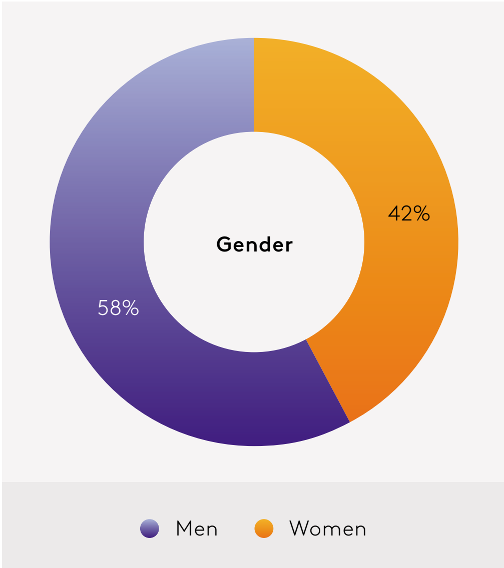
Organizational Development (Human Resource Management)

As at 31 December 2021, the Bank's actual authorised personnel complement was 374 people, including 39 at the EFSD Project Unit. The Management Board comprised 10 members, including its Chairman.

In 2021, the Bank hired 107 people, including 14 for the EFSD Project Unit. A total of 57 employees were dismissed, including nine from the EFSD Project Unit. Staff turnover for 2021 was 16%.

The graphs below provide breakdowns of the EDB personnel by nationality and gender:





The average age of the Bank's employees is 41 years. Their average employment duration with the Bank is 4.3 years.

The Bank's HR policies and procedures are governed by 33 internal regulatory documents, four of which are approved by the Bank's Council — the Human Resources Policy, Business Ethics Rules, Regulations on the Human Resources Committee of the Bank's Council, and Regulations on Bonus Payments to the Chairman of the Management Board. In 2021, work was underway to update the regulatory documents governing certain HR areas in order to streamline processes.

The Bank has two standing collegiate bodies dealing with human resources and labour relations:

- the Human Resources Committee of the Bank's Council reviews and approves key personnel-related decisions that are taken at the Council level; and

- the Committee for HR-Related Matters, which reports to the Bank's Management Board, develops proposals to improve the internal regulatory framework relating to human resources management, as well as proposals and recommendations on controversial issues involving labour relations, social benefits and guarantees, and makes decisions relating to personnel performance.

The Bank has an Ethics Committee to deal with conflicts and non-standard situations around employment relations and violations of business ethics rules. In 2021, the Ethics Committee received no complaints.

In 2021, the Bank's organisational structure was adjusted. The Bank has two main types of divisions: 1) directorates — business generating units (front office); and 2) departments — supporting units (middle and back office). The new organisational structure is consistent with the practices of multilateral development banks and reflects a hierarchy where deputy chairs of the Management Board are assigned certain divisions and key functions in a way that should contribute to achieving the objectives of the Bank's 2022–2026 Strategy.

The Bank has also resumed staff engagement and satisfaction surveys. An employee dialogue survey conducted using the international Kincentric (Aon Hewitt) model has identified factors that influence employee engagement and satisfaction. According to the survey, the Bank's employee engagement rate was 67%, which is in line with the financial industry benchmark (66%). The survey has also helped to identify the Bank's strengths as an employer: a high level of employee awareness of the Bank's goals and values; employees' high assessment of the EDB brand as a stable and reliable employer; and satisfaction with the social package and training and development opportunities at the Bank.

One of the initiatives implemented in 2021 was intended to improve the internal client service, including the quality, speed of delivery, and client focus of the middle and back-office divisions. A methodology has been developed to assess client satisfaction with services. A key performance indicator, the Unit Performance Score, was introduced for managers and employees of relevant divisions, which affects their final performance rating and annual bonus.

In 2021, five EDB representatives were included in the Top 1000 Russian Managers rating, and Amangely Issenov, Vice Chairman of the EDB Management Board, was awarded a special badge on the occasion of the 100th Anniversary of the Ministry of Finance of the Republic of Kazakhstan for his contribution to the development of Kazakhstan's financial system.

Voluntary health insurance for Bank employees and their family members was improved by expanding the scope of medical services, including the addition of COVID-19 rehabilitation and the dynamic monitoring of chronic diseases.

In accordance with the 2021 Training Plan, 80 training sessions were conducted, including on significant topics such as project management in the Bank's regions of operations, syndicated financing, and financial modelling of investment projects. Project management staff were actively trained to achieve the internationally recognised Certified Public-Private Partnership Professional (CP^{3}P) certification. While implementing the S&P rating model, the Bank arranged training sessions on S&P rating models with representatives of S&P Global Market Intelligence. The Bank also continued sharing professional expertise at internal seminars, including on the digital transformation of the banking and financial sector and the impact of loan agreement parameters on the Bank's reporting.

The Eduson online platform was launched to provide self-learning opportunities for employees. The platform offers over 950 interactive courses from lecturers of leading business schools (Wharton, INSEAD, London Business School, Skolkovo), successful entrepreneurs, and top managers of major international companies.

In addition, the Bank actively developed its internship programme in 2021, with 18 participants.

To recognise success and motivate employees, the Bank distributed corporate awards for 2021. Bank employees received 14 awards in various nominations, including Manager of the Year, Employee of the Year, and the team category for effective cross-functional collaboration.

To implement best international practices, the Bank launched an HR audit of its internal HR processes in 2021. Ernst & Young was engaged to conduct a general audit of all HR-related matters and an in-depth audit of compensations and benefits to further improve these areas.

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Financial Statements

The Bank's financial statements are prepared in accordance with the International Financial Reporting Standards.

The EDB shareholding structure as at 31 December 2021 was as follows (US $ thousands):

Countries	Charter capital	Capital on call	Paid-in capital	Share (%)
Russia	4,617,900	(3,617,900)	1,000,000	65.97
Kazakhstan	2,309,300	(1,809,300)	500,000	32.99
Belarus	69,300	(54,300)	15,000	0.99
Tajikistan	2,100	(1,600)	500	0.03
Armenia	700	(600)	100	0.01
Kyrgyz Republic	700	(600)	100	0.01
Total	**7,000,000**	**5,484,300**	**1,515,700**	**100.00**

This annual report presents:

– statements of the Bank's profit or loss and other comprehensive income for years ended 31 December 2021, 2020 and 2019;

– statements of the Bank's financial position as at 31 December 2021, 2020 and 2019;

– statements of changes in equity for years ended 31 December 2021, 2020 and 2019; and

– statements of cash flows for years ended 31 December 2021, 2020 and 2019.

The full version of the Bank's financial statements with a report by an external auditor is available on the Bank's website at www.eabr.org.

↓ Statement of financial position as at 31 december 2021
(US $ thousands)

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

↓ Statement of profit or loss and other comprehensive income for the year ended 31 december 2021
(US $ thousands)

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Interest income calculated using the effective interest rate method:			
investment portfolio	203,799	204,288	199,952
treasury portfolio	52,817	57,206	60,966
Other interest income on treasury portfolio	10,755	7,075	4,110
Interest expense	(197,331)	(198,195)	(168,697)
Net interest income	**70,040**	**70,374**	**96,331**
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	46,491	1,948	(35,814)
Net realised gain on financial assets at fair value through other comprehensive income	9,862	4,619	546
Net gain/(loss) on modification and recognition of new financial instruments	5,078	193	(3,436)
Losses on investments in associates	(1,968)	(2,908)	-
Net gain/(loss) on transactions in foreign currencies	(43,843)	8,301	53,074
Recovery of expenses for managing the EFSD	10,485	8,057	7,312
Fee and commission income	4,524	3,302	1,413
Fee and commission expense	(977)	(1,043)	(455)
Dividend income	3,332	-	-
Other net (expenses)/income	(57)	(166)	70
Net non-interest income	**32,927**	**22,303**	**22,710**
Operating profit before ECL provisions	**102,967**	**92,677**	**119,041**
Provision for expected credit losses on interest-bearing assets	(7,825)	(15,909)	(6,194)
(Provision)/recovery of provision for expected credit losses on guarantees issued and other assets	(5,235)	156	(602)
Net operating profit	**89,907**	**76,924**	**112,245**
Operating expenses	(52,787)	(44,335)	(43,023)
TAF's expenses, net	-	(7)	(245)
NET PROFIT	**37,120**	**32,582**	**68,977**
Profit per share	0.0245	0.0215	0.0455

↓ Statement of profit or loss and other comprehensive income for the year ended 31 december 2021 (continued)
(US $ thousands)

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

↓ Statement of changes in equity for the year ended 31 december 2021
(US $ thousands)

	Charter capital			Reserve fund	TAF reserve	Fund for Digital Initiatives reserve
	Charter capital	Capital on call	Paid-in capital			
31 December 2018	**7,000,000**	**(5,484,300)**	**1,515,700**	**111,732**	**-**	**-**
Net profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to TAF reserve	-	-	-	-	19,133	-
31 December 2019	**7,000,000**	**(5,484,300)**	**1,515,700**	**111,732**	**19,133**	**-**
Net profit	-	-	-	-	-	-
Other comprehensive (loss)/ income	-	-	-	-	-	-
Total comprehensive (loss)/ income	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to the reserve fund	-	-	-	34,488	-	-
Transfer to the Fund for Digital Initiatives reserve	-	-	-	-	-	10,000
Transfer to TAF reserve	-	-	-	-	10,102	-
Allocation of TAF reserve	-	-	-	-	(5,550)	-
31 December 2020	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**23,685**	**10,000**
Net profit	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive (loss)/ income	**-**	**-**	**-**	**-**	**-**	**-**
Recognition of the Fund for Digital Initiatives assets	-	-	-	-	-	-
Transfer to the Fund for Digital Initiatives reserve	-	-	-	-	-	4,887
Allocation of the Fund for Digital Initiatives reserve	-	-	-	-	-	(10,000)
Allocation of TAF reserve	-	-	-	-	(8,116)	-
31 December 2021	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**15,569**	**4,887**

Treasury portfolio: revaluation (deficit)/reserve for financial assets at fair value through other comprehensive income	Treasury portfolio: revaluation (deficit)/ reserve for hedging instruments	Investment portfolio revaluation (deficit)/reserve for financial assets at fair value through other comprehensive income	Retained earnings	Total
(16,826)	**(435)**	**(238)**	**128,047**	**1,737,980**
-	-	-	68,977	68,977
31,373	727	10,939	-	43,039
31,373	**727**	**10,939**	**68,977**	**112,016**
-	-	-	(19,133)	-
14,547	**292**	**10,701**	**177,891**	**1,849,996**
-	-	-	32,582	32,582
(1,768)	(292)	7,170	-	5,110
(1,768)	**(292)**	**7,170**	**32,582**	**37,692**
-	-	-	(34,488)	-
-	-	-	(10,000)	-
-	-	-	(10,102)	-
-	-	-	-	(5,550)
12,779	**-**	**17,871**	**155,883**	**1,882,138**
-	-	-	37,120	37,120
(28,764)	-	(12,007)	-	(40,771)
(28,764)	**-**	**(12,007)**	**37,120**	**(3,651)**
-	-	-	860	860
-	-	-	(4,887)	-
-	-	-	-	(10,000)
-	-	-	-	(8,116)
(15,985)	**-**	**5,864**	**188,976**	**1,861,231**

↓ Statement of cash flows for the year ended 31 december 2021
(US $ thousands)

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on loans to customers	116,146	134,003	148,162
Interest received on loans and amounts due from financial institutions and cash and cash equivalents	18,614	26,365	34,589
Interest received from financial assets at fair value through other profit or loss	43,306	7,879	2,277
Interest received from financial assets at fair value through other comprehensive income	93,449	81,201	43,369
Interest received on debt securities at amortised cost	18,857	6,180,	-
Interest paid on loans and amounts due to banks	(45,589)	(24,834),	(9,296)
Interest paid on financial liabilities at fair value through profit or loss	(13,492)	(21,353)	(5,507)
Interest paid on deposits from customers	(21,379)	(15,454),	(14,889)
Interest paid on debt securities issued	(105,961)	(147,111),	(116,647)
Fees and commissions received	8,155	16,445,	1,279
Fees and commissions paid	(976)	(1,031),	(436)
Other (expenses paid)/income received	(18)	129	46
Operating expenses paid	(47,513)	(35,988)	(35,129)
Cash inflow from operating activities before changes in operating assets and liabilities	**63,599**	**26,431**	**47,818**
Changes in operating assets:			
Decrease/(increase) in loans to customers	386,375	(190,654)	(263,607)
(Increase)/decrease in loans due from financial institutions	(418,012)	71,787,	(13,013)
Increase in financial assets at fair value through profit or loss	(12,435)	(63,169),	(2,709)
Increase in other assets	(19,967)	(2,260),	(1,475)
Changes in operating liabilities:			
Increase/increase in amounts due to banks	144,119	(110,049),	154,504
(Decrease)/increase in deposits from customers	(98,549)	115,727,	119,864
Increase/(decrease) in other liabilities	5,382	(1,275)	86
Cash inflow from/(use of cash in) operating activities	**50,512**	**(153,462)**	**41,468**

↓ Statement of cash flows for the year ended 31 december 2021 (continued)
(US $ thousands)

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of financial assets at fair value through other comprehensive income, treasury portfolio	(3,852,142)	(4,411,611),	(6,862,624)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, treasury portfolio	3,560,960	4,274,921,	6,336,649
Acquisition of debt securities at amortised cost	(141,812)	(300,396),	-
Proceeds from redemption of debt securities at amortised cost	10,500	2,155	-
Acquisition of financial assets at fair value through other comprehensive income, investment portfolio	(113,104)	(82,079)	(349,405)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, investment portfolio	8,270	16,799	-
Acquisition of investments in associates	-	-	(20,131)
Dividends on investments in associates	70		
Acquisition of property, equipment and intangible assets	(1,819)	(1,132)	(875)
Net use of cash in investing activities	**(529,077)**	**(501,343)**	**(896,386)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities	701,658	403,040,	775,557
Redemption of debt securities issued	(397,755)	(713,990),	(164,129)
Proceeds from loans due to banks and under repo agreements	92,579	1,041,900	359,879
Repayment of loans due to banks	(123,110)	(177,839),	(20,920)
Repayment of lease liabilities	(2,500)	(1,850),	(2,215)
Net cash inflow from financing activities	**270,872**	**551,261,**	**948,172**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(207,693)**	**(103,544),**	**93,254**
CASH AND CASH EQUIVALENTS at the beginning of the year	663,840	765,144,	641,170
Effect of changes in foreign exchange rate on cash and cash equivalents	(25,867)	2,240,	30,720
CASH AND CASH EQUIVALENTS at the end of the year	**430,280**	**663,840**	**765,144**

Abbreviations and Acronyms

ACRA	Analytical Credit Rating Agency
ADB	Asian Development Bank
ADFIAP	Association of Development Financing Institutions in Asia and the Pacific
AIFC	Astana International Financial Centre
BSTDB	Black Sea Trade and Development Bank
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
D20-LTIC	D20 Long-Term Investors Club
EAEU	Eurasian Economic Union
EBRD	Eurasian Bank for Reconstruction and Development
EDB, Bank	Eurasian Development Bank
EEC	Eurasian Economic Commission
EFSD	Eurasian Fund for Stabilization and Development
EMTN	euro medium-term note
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
ESG	Environmental, Social and Corporate Governance
FAO	United Nations Food and Agriculture Organisation
HSE University	National Research University Higher School of Economics
IBEC	International Bank for Economic Co-operation
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
IFI	international financial institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
NDB	New Development Bank
NPO	non-for-profit organisation
OECD	Organisation for Economic Cooperation and Development
PPP	public-private partnership
repo	repurchase agreement
ROAE	return on average equity
SCO	Shanghai Cooperation Organisation
SME	small and medium-sized enterprises
SPECA	United Nations Special Programme for the Economies of Central Asia
SPIEF	St. Petersburg International Economic Forum
TAF	EDB Technical Assistance Fund
U.S.	United States of America
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organisation