Eurasian Development Bank

Annual Report of the Eurasian Development Bank for 2022

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Chairman’s Foreword

Dear shareholders and partners of the Eurasian Development Bank,

Since its establishment 17 years ago, the Eurasian Development Bank has fostered integration in the Eurasian Economic Union, investing more than US $13 billion in projects that are significant to the economies, businesses and peoples of its member states.

The EDB’s 2022–2026 Strategy, approved in 2021 by the Bank’s Council, focuses on the following key areas:

- increasing emphasis on the Bank’s integration role and initiating key integration mega-projects;
- strengthening investment, with a particular focus on expanding operations in Armenia, Kyrgyzstan, and Tajikistan; and
- enhancing the Bank’s support for the ESG agenda and its member countries’ Sustainable Development Goals.

In early 2022, the Bank, like many financial institutions in the EAEU, faced new challenges.

Despite the unprecedented geopolitical environment and high volatility of liquidity and capital stability indicators in Q1 2022, the Bank achieved record year-end performance, confirming its position as a stable and reliable counterparty in the Eurasian market. In particular, the EDB:

- achieved all its targets and secured record annual new investment (US $2.5 billion); and
- complied with all its stability ratios, as confirmed by S&P’s investment grade rating; ACRA’s “A-” international rating and China’s Dagong Global’s “BBB+” investment rating on the international scale.

In 2022, the Bank also increased its investment in Kazakhstan and Armenia. In Kazakhstan, EDB annual investment reached a total of US $1.2 billion, exceeding its strategic target by 200%. By the end of 2022, the Bank's current investment portfolio in Kazakhstan reached a historic high of US $2.1 billion. Armenia received over US $100 million of investment, increasing its current investment portfolio from US $29 million to US $110 million during the year. The focus of investment shifted from the financial sector to the real sector.

The EDB placed particular emphasis on cultivating and implementing three key integration mega-projects:

- the Eurasian Transport Network;
- the Central Asian Water and Energy Complex; and
- the Eurasian Commodity Distribution Network.

The Bank has agreed to finance the Togliatti Bypass road, is supporting a project to increase the capacity of the Astrakhan–Mangyshlak water pipeline and reached agreements on the Kulanak hydroelectric plant.

The EDB is financing a feasibility study for new railway infrastructure crossing the Kazakhstan–China border, and a project to build a wholesale/distribution centre and road infrastructure near the Verkhny Lars Russia–Georgia border crossing. It will also finance an updated feasibility study for the Kambarata Hydroelectric Plant 1 in 2023.

During the year, in collaboration with its shareholders, the Bank developed individual country strategies to enable them to achieve their Sustainable Development Goals by 2026. This has resulted in new projects in renewable energy, agriculture and industrial development.

The Bank secured funds to meet its project financing needs and expanded access to funding by the end of 2022. In particular, the EDB:

- achieved an annual record of more than US $2 billion in bond issues; and
- became the first regional multilateral development bank to successfully float yuan-denominated bonds in addition to traditional currencies.

Cbonds Awards recognised the Bank's US $700 million bond issue as the Best Primary Deal offered by an international financial institution in 2022.

In 2022, we made a strong commitment to promoting ESG principles both internally and as part of EDB-funded projects. The Bank focused on sustainable development, building its expertise in this field and in assessing projects' compliance with its mission and strategy, particularly in limiting adverse human impact. The ADFIAP Sustainable Development Award recognised the social impact of the Bank's projects by giving an award to the COVID-19-Free Travel mobile app developed by the EDB Fund for Digital Initiatives.

At the end of 2022, the Bank's Council made an important decision to redistribute evenly between the other EDB member countries a portion of the Russian Federation's stake in the Bank's paid-in charter capital, which was reduced from 66.0% to 44.8%.

In summing up the EDB's performance in 2022, I would emphasise that the Bank continues to work dynamically to achieve all the objectives set out in its 2022–2026 Strategy.

Nikolai Podguzov
Chairman of the EDB
Management Board

About the Eurasian Development Bank

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

In the 17 years that it has operated as an international financial institution, the EDB has invested in Eurasia to help build stronger and broader economic ties and to promote far-reaching development in its member states.

The Bank's management structure comprises the Bank's Council, the Management Board and the Chairman of the Management Board.

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 Astana, Bishkek, Dushanbe, Yerevan, Minsk and Moscow.

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 2022 totalled US $13.4 billion and the current investment portfolio US $5.0 billion. Since its inception, the EDB has completed 273 projects. Its portfolio mainly consists of projects with an integration effect in transport infrastructure, digital systems, green energy, agriculture, manufacturing, and machinery and engineering.

Key Operational Results

Overview of EDB Operations in 2022

In 2022, the EDB strengthened its role and market position in its member states, as demonstrated by a significant increase in investment in sustainable development projects. The Bank's cumulative investment portfolio reached US $13.4 billion by the end of 2022, with a record high of US $2.5 billion in newly signed projects. The number of the Bank's successful projects aimed at improving the living standards of 194 million citizens in EAEU countries reached 273.

In the current environment, where many international and local development institutions have suspended operations in Eurasia, the EDB has built up its project portfolio, continued to mobilise funds in financial markets, and maintained a stable financial position. The Bank achieved all targets identified in its strategy and operational objectives for 2022. The EDB's performance in 2022 demonstrated the strength of its robust governance and risk management system.

On 30 December 2022, the Bank's Council unanimously approved a redistribution of the Bank's charter capital between the member states. The Russian Federation's share was reduced from 66.0% to 44.8%, and the capital freed as a result was distributed evenly between the other member states. The Republic of Kazakhstan's stake in the EDB increased from 33.0% to 37.3%.

Furthermore, in December 2022, the Council approved amendments to the Bank's charter, changing the threshold for passing Council resolutions from a simple majority to 75% of votes. Given its voting share, the Republic of Kazakhstan gained the right to veto decisions on crucial EDB matters, including investment policies, project approvals, the appointment of the Chairman and members of the Bank's Management Board, and the approval of annual budgets.

As of the end of 2022, the EDB's current investment portfolio totalled US $5 billion, including US $3.4 billion in the balance-sheet portfolio (financed projects).

The Bank's net profit for 2022 reached US $30.7 million, with a ROAE of 1.8%, exceeding the budgeted target.

Performance of the EDB 2022–2026 Strategy

By 31 December 2022, the Bank had achieved all the benchmarks identified in the current strategy:

Indicator	Actual	2022–2026 Strategy	Achieved
Annual transaction/investment value (US $ billions)	2.5	1.3	Achieved
Return on average equity (ROAE) (%)	1.8%	1.1%	Achieved
Implementing key investment mega-projects (KIMP)	Approved concept for KIMP 1	Approved concept for KIMP 1	Achieved
Projects in Armenia, Kyrgyzstan and Tajikistan as a proportion of the current investment portfolio (%)	6.5%	2.7%	Achieved
Projects with an integration effect as a proportion of the current investment portfolio (%)	61.1%	Not less than 50%	Achieved
Projects contributing to Sustainable Development Goals (SDGs) as a proportion of the current investment portfolio (%)	19.2%	Not less than 10%	Achieved

In 2022, the EDB added 31 new projects (US $2.5 billion) to its current investment portfolio. These projects, including eight implemented through guarantees and letters of credit (US $450 million), were included in the calculation of the annual transaction/investment volume.

The return on average equity (ROAE), totalling 1.8% per annum, exceeded the Bank's strategic target of 1.1% by 0.7 percentage points.

The Bank's Management Board approved a Concept for the Eurasian Development Bank's Participation in the Key Investment Mega-project in the Central Asian Water and Energy Complex.

In 2022, the Bank increased the value of active projects in Armenia, the Kyrgyz Republic and Tajikistan from US $246 million to US $325 million. Consequently, these countries' share in the current investment portfolio reached 6.5%, exceeding the minimum requirement of 2.7% established in the Bank's strategy.

Projects with an integration effect accounted for 61.1% of the portfolio, exceeding the target by 11.1 percentage points.

Projects contributing to SDGs accounted for 19.2% of the portfolio, 9.2 percentage points higher than the strategic benchmark.

Compliance with Financial Ratios

During 2022, the Bank complied with the financial ratios established by its Council.

Financial ratio	2019	2020	2021	2022
Minimum liquidity (financial ratio 1) (US $ millions):				
minimum required	894	729	980	1 511
actual	1,729	1,293	1,465	2,101
Financial leverage ratio (financial ratio 2):				
maximum allowed	300.0%	300.0%	300.0%	300.0%
actual	141.4%	123.3%	136.6%	192.7%

The EDB's Other Achievements

Several EDB projects won prestigious awards in 2022:

- Cbonds Awards awarded the Bank's US $700 million bond offering (series 003P-003) the accolade of Best Primary Deal by an international financial institution in 2022;
- financing the modernisation and expansion of Almaty International Airport won the DFI Deal of the Year awarded by the international IJGlobal Awards;
- the investment project to build the Central Ring Road (TsKAD) around Moscow won the National Traffic Formula Award; and
- the COVID-19-Free Travel mobile app won the ADFIAP Sustainable Award for technological development.

A significant milestone for the Bank was the publication of five macroeconomic reviews of EDB member states. These reports analyse macroeconomic indicators in the member countries and provide short-term forecasts.

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Investing in Development and Integration

Economic Developments in the EDB Operating Region in 2022

In 2022, the Bank's member economies showed resilience and adaptability in the face of external economic shocks. The EDB's preliminary estimates suggest that its member states' aggregate GDP decreased by 1.5% due to the restrictive measures imposed by Western countries against Russia and Belarus. By contrast, Armenia, the Kyrgyz Republic and Tajikistan experienced significant GDP growth due to higher domestic demand. Kazakhstan's GDP increased by 3.1% despite the weaker performance of its key trading partners, Russia and China.

During 2022, inflation in most of the region's countries peaked and then began to decline. The global reversal of inflation in the second half of the year and domestic factors limited consumer price growth in the region by the end of the year. In December 2022, inflation in the Bank's member states decreased to 12.5% year-on-year, down from 13.9% in September. However, it remained higher than the previous year's rate of 8.5% and exceeded official targets in all countries of the region except Tajikistan.

The acceleration of inflation at the beginning of 2022 prompted EDB member states' central and national banks to tighten their monetary policies. In the months that followed, the regulators' rates varied depending on inflationary pressures in each country. The Bank of Russia's key rate decreased significantly from 20% in March to 7.5% in December 2022. The national banks of the Kyrgyz Republic and Tajikistan also reduced their rates by the end of the year, while the Central Bank of Armenia and the National Bank of Kazakhstan raised their rates to mitigate consumer price growth. The National Bank of Belarus raised the refinancing rate from 9.25% to 12% in March 2022 and maintained it until January 2023.

Geopolitical events in 2022 increased volatility in EDB member states' financial markets, impacting their national currency exchange rates. After a short-term weakening, the Russian rouble strengthened markedly against the U.S. dollar due to a record foreign trade surplus and the suspension of operations under the fiscal rule. This appreciation reached its peak during the summer, after which the Russian currency gradually adjusted to reflect recovering imports and declining oil prices. Kazakhstan's tenge weakened slightly in 2022, influenced by accelerating inflation and the global strengthening of the U.S. dollar.

Republic of Armenia

Armenia's GDP grew by 12.6% in 2022. This growth was driven by the services sector, which saw an increase in demand due to an influx of Russian citizens into the country and a significant rise in remittances. Capital investment increased by 9.5%, supported by steady growth in construction (+18.8%). Inflation accelerated to 8.3% year-on-year in December 2022, compared to 7.7% the previous year. The sharp increase in prices began in March 2022, primarily influenced by global food and raw material price hikes as well as increasing consumer demand. This surge peaked in June with a year-on-year increase of 10.3%. Subsequently, inflation started to slow steadily, aided by the strengthening of the Armenian dram and the implementation of a tighter monetary policy. The Central Bank of Armenia raised its refinancing rate several times over the year, from 7.75% at the end of 2021 to 10.75% at the end of 2022. The Armenian dram rose 13.5% against the U.S. dollar, 22.7% against the euro, and 5.3% against the Russian rouble in 2022.

Republic of Belarus

Belarus's GDP had declined by 4.7% by the end of 2022, primarily due to the pressure of sanctions and resulting disruption in production and logistics chains. The physical volume of Belarusian exports and imports decreased by dozens of per cent. Consequently, manufacturing industry contracted by 6.1%, transport by 16.8%, trade by 16.8%, construction by 11.4%, and information and communications by 2.2%. Investment activity also declined by 19% due to high levels of uncertainty, reduced production and challenges with imports. Agriculture grew by 4.4% year-on-year, driven by increased grain yields. Inflation rose from 10% at the end of 2021 to 12.8% at the end of 2022. Inflation peaked in July, reaching 18.1%, then began to slow down. A new system of price regulation played a significant role in lowering inflation during Q4 2022. To support economic activity, the National Bank implemented a de facto softer monetary policy by suspending the regulation of banking system liquidity. Consequently, nominal interest rates in the credit and deposit market reached historic lows by the end of 2022.

Republic of Kazakhstan

In 2022, Kazakhstan saw GDP growth of 3.2%, primarily driven by agriculture, construction, and information and communications. Industrial production increased by 1.1% by the end of the year, with key contributors being metallurgy (up 1.9%), machinery and engineering (9.4%), food processing (3.9%), and chemical products (10.2%). The mining sector was the limiting factor on overall growth, largely due to lower oil production resulting from scheduled repairs at key fields and disruption to oil transportation by the Caspian Pipeline Consortium. Investment activity gained momentum in 2022, with increased investment in mining, real estate, construction, and public administration. The foreign trade surplus expanded by 1.8 times, benefiting from favourable prices in global commodity markets. Income from fuel and energy exports rose by 1.5 times during the year. Inflation surged to 20.3% year-on-year in December 2022, compared to 8.4% in the previous year, due to disruptions in global supply chains, rising producer costs, and higher demand from Russian citizens moving to Kazakhstan. Amid accelerating inflation, the National Bank of Kazakhstan raised its rate to 16.75% by the end of 2022, up from 9.75% at the beginning of the year. Kazakhstan's tenge depreciated by an average of 8.2% against the U.S. dollar in 2022.

Kyrgyz Republic

In 2022, the Kyrgyz Republic saw GDP growth of 7.0%, primarily driven by higher output from gold mining, construction, and agriculture. The positive performance of retail and wholesale trade, and the hospitality sector, was largely influenced by higher demand from Russian citizens. In December 2022, inflation decreased to 14.7% year-on-year, down from a peak of 15.6% in August 2022. This indicator was influenced by global food prices and developments in global supply chains. After a spike in inflation at the beginning of the year, the National Bank raised its policy rate to 14.0% in March, from 8.0% at the beginning of the year. In December 2022, as external price pressures began to ease, the regulator reduced the rate to 13.0%. The Kyrgyz som appreciated by an average of 0.6% in 2022.

Russian Federation

In 2022, several Western countries imposed sanctions on foreign trade and financial transactions with Russian counterparts, disrupting production and logistics chains and weakening economic activity in Russia. The country's GDP declined by 2.1% by the end of 2022. However, an even more significant decrease in output was avoided thanks to the economy's strong performance in early 2022 and accumulated profits from 2021, which made it possible to continue investing. The economic downturn was also mitigated by stable oil production, expanding construction activities, higher grain harvests, and increased outputs in certain industrial sectors. Inflation in Russia accelerated from 8.4% year-on-year in 2021 to 11.9% in 2022. Price growth reached its peak at 17.8% in April but then significantly slowed due to weakening consumer demand, the strength of the Russian rouble, and new harvests. The central bank raised its interest rate sharply to 20% in February 2022 to mitigate macroeconomic and financial stability risks. As the situation began to normalise, the regulator implemented a cycle of rate cuts, gradually reducing the rate to 7.5% by the end of 2022.

The geopolitical events of 2022 heightened volatility in Russian financial markets, including the exchange rate of the Russian rouble. The appreciation of the rouble, driven by significant reductions in imports, restrictions on capital flows, and a deviation from fiscal rules, peaked in mid-2022. In the second half of 2022, the recovery of imports and declining oil prices weakened the exchange rate of the Russian rouble against the U.S. dollar.

Republic of Tajikistan

Tajikistan's GDP grew by 8.0% in 2022, driven by the agriculture, industry, trade, and construction sectors, along with increased consumer and investment activity. Industrial output grew by 15.4%, while agricultural output increased by 8.0%. Retailing and capital investment showed growth of 8.0% and 11.4%, respectively. Inflation dropped to 4.2% year-on-year by the end of 2022. The slowdown in consumer price growth in the second half of the year, though it exceeded 8.0% year-on-year in June and July, was attributed to a decline in global food and energy prices. Another key factor that helped to reduce inflation in 2022 was the National Bank of Tajikistan's policy of maintaining a refinancing rate ranging from 13 to 13.25% per annum throughout 2022.

Key Strategic Initiatives

In 2022, the updated EDB 2022–2026 Strategy ("Strategy") came into effect. The Bank's strategic goal is to enhance its role as a leading multilateral development bank in the region, increasing its annual investment 2.7-fold, to reach US $3.0 billion by 2026, with a cumulative investment target of more than US $10 billion over the five-year strategic period.

One of the key objectives of the Strategy is to strengthen the EDB's research role, supporting its operations through applied country expertise. To implement the Strategy, the Bank uses in-depth analysis to identify its strategic priorities in the member states. Country strategies outline the partnerships between the EDB and its member states, the Bank's contribution to each country's economic and social development, its objectives and priorities, the mechanisms for achieving the goals set out in its 2022–2026 Strategy, and its evaluation methods.

Implementing the Bank's strategy in its member states requires a comprehensive approach to securing the EDB's resource base. The EDB's financial stability, and thus its ability to meet its strategic objectives by 2026 with its existing capital, is dependent on maintaining necessary capital adequacy and meeting the FR2 ratio as assessed by external rating agencies. The Bank seeks to maintain capital adequacy in order to absorb unforeseen shocks and capital pressures. It aims to protect its credit rating and effectively manage funding costs, particularly in light of the significant increase in investment required by 2026 and beyond.

Integration

In 2022, the Bank continued to finance projects with an integration effect and maintained the high proportion of integration projects in its current investment portfolio, i.e., 61.1%, which is 11.1 percentage points above the target.

The EDB's investment portfolio as of 31 December 2022 was estimated to be sufficient to generate mutual trade flows worth approximately US $4.8 billion per year. Mutual investment secured by the Bank-funded projects exceeded US $2 billion by the end of 2022.

Integration effects, US $ millions	2019	2020	2021	2022
Mutual trade per year	3,939	4,333	4,562	4,811
Mutual investment	1,932	1,947	1,992	2,009

The number and scope of the Bank's new integration projects in the real sector increased significantly. In 2022, the Bank added 20 projects with an integration effect to its portfolio, including 14 projects in the real sector (compared to eight projects, with five in the real sector, in 2021).

Year	Integration projects		Year-end value, US $ millions	
	Total	Real sector	Total	Real sector
2021	8	5	530	310
2022	20	14	1,364	675

One of these initiatives was Kaskad Energo's project in Armenia, implemented by entities that are part of Russia's Tashir Holding, to supply components from Russia's MIRTEL for a total US $8.5 million per year.

Another notable example of integration-related funding is the project to launch full-cycle Sputnik vaccine production in Belarus. The project envisages a US $7.4 million increase in mutual investment, and an average yearly increase of US $26.3 million in mutual trade between the Bank's member states.

Polymetal Group's project focuses on supporting exports of mining and metallurgical products from Kazakhstan, amounting to approximately US $117 million annually.

In Kazakhstan, new projects include the construction of solar power plants, with an increase in mutual investment via a contribution of at least 20% of the project budget (approximately US $9 million) from Russian businesses. These projects also involve the supply of Russian-made equipment and support structures, including photovoltaic modules and inverter stations, as well as construction, installation, commissioning and other services, totalling around US $13.5 million.

The Bank continued its collaboration with SSGPO, Kazakhstan's major iron-ore producer. The new project is expected to contribute exports worth US $52 million dollars a year.

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

In 2022, the Bank continued to finance projects related to the construction of the international Western Europe–Western China transport corridor. The aim of this project is to unlock Eurasia's integration potential, enhance transport connectivity between regions and improve the sustainability and safety of the transport system. As part of this international transport route, the Bank is financing a new project to build a bypass around the city of Togliatti, including a bridge over the Volga River. This project greatly facilitates trade and economic relations between the Bank's member states and establishes cross-border infrastructure necessary for deeper economic integration — a section of the Europe–Western China transport corridor, spanning Kazakhstan and Russia.

Kazakhstan Temir Zholy's project contributes to the development of transport infrastructure and railway transportation in Kazakhstan and other EDB member states.

In 2023, the Bank continues to expand its portfolio of integration projects in the real sector. By the end of 2022, there were several projects in development:

- procurement of diesel freight locomotives from BMZ;
- financing ALKOPAK's investment in the rebuilding of a plant manufacturing metal and polymer-based products;
- financing the Svetlogorsk Pulp and Cardboard Mill's construction of a craft paper plant; and
- financing Kazakhstan Petrochemical Industries Inc.'s drive to reach design capacity at its gas chemical facility.

Sustainable Development

It is a priority of the Bank to ensure stable economic growth in its member states to promote better living standards, improve the environment and optimise use of natural resources. To achieve this objective, the EDB focuses on financing projects with a strong integration effect, those contributing to SDGs in the smaller economies, and green projects.

Projects contributing to SDGs made up 19.2% of the Bank's current investment portfolio as of 31 December 2022, which is above target. These projects are intended to facilitate the achievement of SDG target effects in line with the Bank's country strategies.

The following indicators enable the Bank to analyse the cumulative non-financial effects of its projects in the member states:

Project effects (US $ millions)	2019	2020	2021	2022
Gross output per year	6,914	7,651	8,126	9,445
Taxes and other compulsory payments per year	1,057	1,192	1,215	1,293
New jobs (thousands)	28.3	29.6	31.9	32.1

EDB-funded projects also have significant social and economic effects, fostering sustained growth in output, employment, household income, fiscal revenues, environmental improvement, and the overall sustainable development of member economies.

The Bank estimates that its projects will contribute nearly 32,100 permanent jobs (already created or to be created in the near future) to its member economies; gross output of approximately US $9.4 billion per year; and approximately US $1.3 billion in average annual taxes and other compulsory payments at the national and local levels.

Projects that provide targeted credit lines to financial institutions are particularly important socially. Such initiatives facilitate lending to small and medium-sized businesses and can contribute to the real economy, job creation, and increased tax revenues as sub-borrowers establish new businesses and expand existing facilities.

In 2022, the Bank began financing new projects by IMON INTERNATIONAL (Tajikistan) under the microfinance support programme; ARMSVISBANK (Armenia) under the trade finance programme; and Ayil Bank (Kyrgyzstan) under the agriculture support programme.

Increased project financing for the Food Contract Corporation (Kazakhstan) helps the borrower to achieve social and economic objectives, e.g., by promoting food security in Kazakhstan, stabilising the domestic grain market, extending financial support to agricultural producers, and developing grain export opportunities.

The Fund for Digital Initiatives: Digital Transformation

The Bank's Fund for Digital Initiatives is a crucial catalyst for digital transformation in the EAEU+. Over the year, the Fund for Digital Initiatives built partnerships with national think-tanks dedicated to digital transformation. For example, it signed memoranda with the Russian Fund for the Development of Information Technologies, the Partner Centre for Technology Development, and the AIFC Tech Hub.

In 2022, the Bank provided US $3.9 million to support and develop the Fund's projects.

Fund for Digital Initiatives: Projects

By the end of 2022, nine EAEU and CIS countries had joined the COVID-19-Free Travel app. The app had more than 1.3 million users; over 5.3 million PCR test results were obtained through the app, and more than 8,200 labs were connected to it. The app also held vaccination records for over 120,000 users who received vaccines in Armenia, the Kyrgyz Republic, Russia, and Uzbekistan. In October 2022, the app won the ADFIAP Sustainable Award for technological development, and in May 2022, it was monetised.

In spring 2022, the "Work in the EAEU" project launched its Russia component, granting EAEU and CIS users access to more than 30 government and commercial services. These included 620,000 job vacancies; checks on Russia's entry restrictions; insurance record checks; applications to the Labor Inspectorate; validation of educational qualifications; patent registration and issuance; registration of EAEU citizens as professional income taxpayers; a service for allocating individual taxpayer numbers; rental services; voluntary health insurance; notarised translations; and the issuance of bank cards.

To manage Fund for Digital Initiatives projects flexibly, including monetising them and integrating them with public information systems, the Bank's Strategy Committee and Council approved a project in 2022 to establish an EDB operational company. The Fund for Digital Initiatives is in the process of securing approval for the founding documents of that company.

The Fund for Digital Initiatives is also working on:

- The MedTour digital platform to develop medical tourism, including a wide range of related services and products in the EAEU and Tajikistan.

- A digital tele-rehabilitation ecosystem for people with disabilities and the elderly, involving governments, manufacturers, service providers, and various prosthetic and patient-care services.

- The International Skills and Professions Platform aims to provide access to professional development services and promote the best international standards, technologies, and skill models. It will also facilitate information exchange with potential partners and employers and support individual career advancement. The Fund for Digital Initiatives reviewed and approved this project in 2022, and it will be presented for approval by the Fund's Committee and the EDB Management Board in 2023.

- Mutual recognition of electronic digital signatures (EDS) between Russia and Belarus. Pursuant to Protocol Resolution 22 adopted by the High-Level Group of the Union State's Council of Ministers on 9 August 2021, the Fund for Digital Initiatives submitted a draft international treaty and participated in its finalisation. The technical and regulatory solutions included in the agreement on EDS mutual recognition will be reviewed as part of a pilot project to monitor road freight transport with international electronic consignment notes (e-CMR). In 2022, the Fund for Digital Initiatives, in collaboration with the Russian and Belarusian Ministries of Transport, transport industry associations, and other authorised bodies, worked on designing the pilot project.

- Digital Trade. Jewellery. In 2022, the Ministries of Finance of Russia and Belarus piloted the startup of the Digital Trade. Jewellery project, establishing digital infrastructure for exports to third countries. In November 2022, the Union State's High-Level Group expressed its support for the pilot project.

- The ForumVR platform for 3D online events, which received a grant from the Fund for Digital Initiatives in 2022.

- A digital platform for international legal and tax regulation.

- A digital platform to develop and scale up BEE-ONLINE.ru allows fashion companies to investigate cooperation in manufacturing, trade, design, logistics, training, consultancy, finance, evaluation and technical control, as well as supplies of material, accessories, equipment, and other resources.

In November 2022, the Fund for Digital Initiatives launched the Digital Project Competition, which is set to conclude in Q2 2023.

In 2022, the Fund for Digital Initiatives participated in various high-level discussions, including the St. Petersburg International Economic Forum, the International Eurasian Economic Perspective Forum, the Eurasian Dialogue on the Labour Market Forum, and the 1st CIS and EAEU Youth Forum.

The Fund for Digital Initiatives continuously analyses digital initiatives with an integration effect in the Bank's member states, and promising digital development projects, to assess their eligibility for the Bank's support, and potential for scaling up and acceleration. This has led to the creation of a register of projects in progress and potential projects.

Technical Assistance Instruments for Investment Projects

The Bank deploys various resources to maximise the quality of investment projects. Its collaboration with the Technical Assistance Fund (TAF) enhances project expertise and is aimed at ensuring the overall sustainability of its activities.

In 2022, the TAF played an active role in structuring projects to be included in the Bank's KIMPs. The TAF helped to develop the institutional environment and improve pre-project preparation.

During the year, the TAF updated its technical assistance model and achieved record-high figures in terms of new technical assistance projects launched, funding approved, and new investment projects it prepared for the Bank.

In the reporting year, the EDB approved 20 new TAF projects worth US $5.3 million. The TAF worked on a total of 32 projects, with five successfully completed in 2022 and two closed ahead of schedule. By the end of 2022, the TAF's cumulative funding since its inception reached US $11.4 million, covering 87 projects. In 2022 itself, the TAF portfolio consisted of 11 projects, with expenditure totalling US $1.7 million.

Technical Assistance in Preparing Investment Projects

During the reporting period, the Bank's Management Board allocated US $1.9 million in technical assistance funding to 11 new projects, focusing on the preparation and implementation of investment projects in several member states, including the Kyrgyz Republic, Kazakhstan and Tajikistan. Some of these projects are due to be implemented as part of the Bank's KIMPs or are renewable energy and infrastructure development initiatives.

The technical assistance projects implemented in 2022 focused on preparing future projects for Bank financing which would have an impact on the following UN SDGs:

- zero hunger;
- affordable and clean energy;
- decent work and economic growth; and
- industries, innovation and infrastructure.

Subsidising Interest Rates on Investment Projects

In 2022, the EDB's Subsidy Programme launched its first two projects, totalling US $1.7 million, to develop agribusiness in Armenia and the financial sector in Tajikistan.

Technical Assistance to Expand the Bank's Investment Activity

Under the Technical Assistance Programme to Expand Investment Activity, the EDB allocated US $1.7 million in technical assistance for seven new TAF projects.

In 2022, the Bank identified the projects implemented under the programme that produced the most significant outcomes:

- The TAF project to modernise software at the Armenian Stock Exchange was completed in November 2022. This technical assistance project commissioned by the Armenian Stock Exchange is related to Priority 4.1 of the EDB 2022–2026 Strategy for Armenia: "Developing financial infrastructure". The project has contributed to the development of Armenia's financial markets. According to the Armenian Stock Exchange, the annual value of auctions for the placement/redemption of government securities increased by 79%, from AMD 254 billion in 2019 to AMD 455 billion in 2022. The annual number of transactions in the same segment grew by 35%, from 968 in 2019 to 1,311 in 2022. Total trading in the secondary securities market surged by 103%, from AMD 90.8 billion in 2019 to AMD 184.2 billion in 2022, with the number of transactions in this segment increasing by 129%, from 2,972 in 2019 to 6,809 in 2022.

- Another TAF initiative, a workshop on Preparing and Launching PPP Projects in the Priority Sectors of the Kyrgyz Economy: Lessons Learnt and Best International Practices, was completed in December 2022. The project, commissioned by the PPP Centre at the Kyrgyz Republic Ministry of Economy and Commerce, focused on developing the institutional environment under the EDB's 2022–2026 Strategy. It trained 32 representatives of relevant authorities, including the President's Administration of the Kyrgyz Republic, the National Investments Agency, the PPP Centre, the Ministry of Finance, the Ministry of Transport and Communications, the Ministry of Education and Science, and the Ministry of Health. During the workshop, EDB representatives discussed the basic parameters and indicators for drafting project documents (bidding documents, financial models, and material conditions of PPP agreements) for three planned PPP projects in the Kyrgyz Republic.

Cooperation in Technical Assistance

In 2022 the Bank initiated three new TAF projects involving collaboration with other international organisations. Two of these projects will be in partnership with the United Nations Development Programme (UNDP) under a joint programme between the EDB and UNDP entitled "Strengthening Capacities for Sustainable Development Finance in the CIS Region." The third TAF project aims to establish a unified information system for coordinating technical assistance for the international Eurasian Group on Combating Money Laundering and Financing of Terrorism.

Social and Environmental Responsibility

The EDB is uniquely positioned to finance companies and projects that contribute to SDGs and sets benchmarks for raising market standards and integrating ESG practices in the regions in which it operates.

The EDBs' five-year Strategy sets out its goal of becoming the foremost development bank in its member countries by 2026. Achieving this requires a commitment to ESG values, principles and standards, and for these to be integrated into the Bank's corporate culture. The Bank recognises that sustainable development principles are fundamental to creating long-term value for shareholders, partnering with clients and other stakeholders to enhance their sustainable development activities, and fostering social benefits, economic achievements, and prosperity in Eurasia.

Throughout the year, the EDB conducted a comprehensive assessment of its operations, evaluated its adoption of ESG standards, reviewed internal documents and procedures, and identified areas for improvement based on best international practice. At the end of 2022, the Bank developed its 2022–2026 Sustainable Development Strategy, setting as its objective to become the most important ESG financial institution in Eurasia. The Strategy outlines the EDB's sustainable development priorities and provides a roadmap for achieving them. The Bank's upcoming plans include:

- cultivating a culture of sustainability, human capital, and sustainability awareness within the Bank;

- implementing global principles, commitments, standards, policies, practices, science-based goals, and performance indicators for sustainable development and sustainable finance, based on applied research, peer company activities and expertise, and local and regional priorities, including international rating agencies' requirements;

- expanding high-level regulatory provisions such as policies, standards, frameworks, guidelines, methodologies, tools, and reports related to sustainable development;

- reviewing the most significant aspects of the Bank's sustainability activities, assessing their materiality, and focusing on areas that are particularly important for adding value;

- enhancing the Bank's internal architecture for sustainability risk management by assessing future ESG and climate risks and the scoring and rating system, by defining immateriality levels for sectors and industries, compiling business engagement/restriction lists, tracking inconsistencies, and monitoring consistency in impact, contribution, and intensity of investment portfolio projects and borrowers;

- improving the system for collecting ESG data and related procedures, enhancing due diligence statistics, quality, and disclosure of non-financial and other information;

- establishing a decarbonisation pathway for the Bank, reflecting responsibilities for the implementation of EDB member states' climate agenda through commitments to achieve carbon neutral targets by 2060, with interim milestones focusing on halving emissions by 2030;

- enhancing disclosure, transparency, and access to documents, publications, and information related to the Bank's sustainable development by making them publicly available on its website;

- providing technical advice to business units to expand sustainable financing to new and promising projects that directly address sustainability issues, contribute to SDGs, and align with the Paris Agreement; and

- building up international networking and cooperation with development financial institutions and other partners focusing on industrial and non-industrial sectors to facilitate technical cooperation, expand sustainability-based funding sources, explore co-financing opportunities utilising a variety of funding instruments, and develop research and other activities to promote such cooperation.

The Bank evaluates the ESG risks associated with each investment project and provides expert advice to clients on minimising these risks. In 2022, the EDB provided opinions on 21 projects, with 24% classified as Category A (projects with potentially significant, multi-dimensional and irreversible adverse environmental and social impact). Additionally, the Bank assesses each project's contribution to SDGs and its compliance with international and national green taxonomies.

The Bank actively promotes the sustainable development agenda in the region, establishes mechanisms and tools to share best practice, and shares its own experience of green projects. On 28 June 2022, the Bank signed a memorandum of understanding with the Astana International Financial Centre's Green Finance Centre to collaborate in establishing a National ESG Club. The ESG Club was set up to debate possible solutions to key issues offered by ESG approaches and responsible investment. It will boost green and sustainable projects, organise ESG events such as conferences, forums, and exhibitions, facilitate international cooperation in the field of ESG, and promote responsible business.

In November 2022, at the United Nations' global Climate Change Conference (COP-27), the Bank negotiated with the Islamic Development Bank on potential cooperation in various domains, including sustainable development.

During 2022, the Bank provided recommendations on Belarus's draft taxonomy of green and adaptation projects and Kazakhstan's draft 2060 Carbon Neutral Strategy.

In developing its green portfolio, the EDB adheres to its sustainable development targets. Over the last year, under its green finance objectives, the Bank continued to finance and prepare projects aimed at promoting renewable energy.

The EDB-funded solar power projects in Kazakhstan's Zhambyl Region (50 MW) and Turkistan Region (5 MW) have a positive environmental impact by substituting generation from heat and power plants. These solar power plants are expected to generate 100,000 MWh of clean green energy per year and substitute traditional thermal generation, reducing CO_2 emissions by approximately 90,000 tonnes per year and benefiting the environment in the country.

The project to construct and operate a 35 MW solar power plant in Armenia will further diversify power generation, enhance energy system reliability, and improve the environment by reducing carbon emissions.

Financial Stability

Guided by its Strategy and adhering to the fundamental principles of EDB Regulations on Investment Activities, the Bank successfully implemented measures in 2022 to mitigate the adverse impact of external risks and reinforce its financial stability as a key multilateral financial institution and development partner in achieving member states' strategic objectives.

The Bank applied its expertise to significantly improve its management processes. Its divisions became more involved and more expert in the analysis and assessment of the current macroeconomic environment and how this impacts their performance.

Efforts to reduce the impact of market risk on the Bank's financial stability focused attention on how its current investment portfolio is structured in relation to its development goals and the Bank's strategic objectives in its member states. In 2022, the Bank implemented an action plan to meet project financing needs in key currencies such as the Russian rouble, U.S. dollar, Chinese yuan, and Kazakh tenge.

The Bank's performance demonstrates the effectiveness of the measures implemented in 2022. By the end of the year, the EDB achieved record results, exceeding more than 80% of its Strategy objectives and sustaining a record investment portfolio. Moreover, the Bank achieved positive outcomes by maintaining its operational and financial stability.

The Bank's efforts were highly commended by external experts. In November 2022, S&P affirmed the EDB's investment grade rating of "BBB-." On 1 August 2022, ACRA, a local rating agency, affirmed the Bank's ratings at "A-" on the international scale and "AAA (RU)" on the national scale, with a stable outlook. In addition, in 2022, the Bank was rated "BBB+" on the international scale and "AA+" on the national scale, with a stable outlook, by China's Dagong Global.

	S&P	Dagong Global	ACRA
Long-term rating	BBB-	BBB+	A-
Outlook	negative	stable	stable
Rating/affirmation date	16.11.2022	21.10.2022	01.08.2022

As of 31 December 2022, the Bank was fully compliant with financial ratios established by its Council.

Research

Research and analysis are at the heart of the Bank's updated operating model. The Bank analyses and forecasts economic developments in its member states, their investment opportunities, economic sectors, and Eurasian integration. In 2022, the EDB strengthened its analytical capabilities by developing country-, sector-specific and applied project expertise.

The Bank has a range of analytical publications, including weekly reports on key macroeconomic indicators and developments in trade, investment and infrastructure in its member states. It also provides regular macroeconomic analysis and medium-term economic forecasts for its member countries. In addition, the EDB publishes yearly reports on various integration and industry-specific regional developments.

The Bank's analytical publications are available on its website. The number of views of these publications increased by 13% in 2022 compared to the previous year.

In 2022, the EDB expanded its communication channels and formats. It issued more than 90 Telegram posts on macroeconomic trends, mutual trade and investment. The exclusive content received significant attention in the media and reputable Telegram channels. The Bank's expert opinions and analytical materials were quoted by the media over 1,700 times. Furthermore, the Bank continued to present its reports online[1], expanding its audience and recognition.

The Bank's information and research activities during the reporting period have confirmed its position as a leading think-tank on macroeconomic, sector-specific and integration expertise in Eurasia and as a "knowledge bank" that promotes the interests of its member states. The EDB's sector-specific expertise now shapes the strategic development agenda in the EAEU and Central Asia, fostering expert dialogue with government agencies, international partners and key industry players.

The Bank released the following macroeconomic publications in 2022:

- Five macroeconomic reviews of the EDB member states. These publications analyse the macroeconomic situation and indicators of the member countries, and provide short-term forecasts;

- Two extended publications detailing domestic and external macroeconomic developments and the outlook for the Bank's member states:

  - Macroeconomic Outlook. May 2022. *The Region's Economies in the New Reality*; and

  - Macroeconomic Outlook 2023. November 2022.

During 2022, the EDB also published reports on topics of importance for the entire Eurasian region. Industry research informs the Bank's cross-country integration mega-projects and helps to identify investment opportunities and cultivate projects. These reports include:

- *Regulation of the Water and Energy Complex of Central Asia*. The report scrutinises historical data on all forms of regulation and best international practice and suggests five institutional solutions for optimal regulation of water and energy resources in the Aral Sea basin, benefitting all countries in the region.

- *The Economy of Central Asia: A Fresh Perspective*. This report examines structural socioeconomic changes and developments in water, energy and transport infrastructure in the region over the last 20 years. It concludes that the region is growing dynamically, yet its role and prospects are not fully understood. The report also analyses risks, growth prospects, and key structural challenges hindering the development of these countries.

[1] The live video presentations are available on the EDB's online platform: https://analytics.eabr.org/

- *International North–South Transport Corridor: Investments and Soft Infrastructure*. The report contributes to one of the Bank's KIMPs, the Eurasian Transport Network. It assesses the role of the International North–South Transport Corridor in creating new logistics chains in Eurasia and includes a database of over 100 investment projects linked to the corridor. It proposes solutions to improve soft infrastructure, including eliminating barriers and harmonising the international transportation of goods and border crossing procedures. The investment project database created as part of the report supports the EDB's efforts to develop the Eurasian Transport Network.

- *EDB Monitoring of Mutual Investments 2022*. This annual study examines mutual foreign direct investment in Eurasia. The investment database, created using the Bank's unique methodology, complements official national statistics and helps assess the level of economic integration at the corporate level. The 2022 issue focuses on mutual direct investment between the region's countries and the EAEU's prospective trade and economic partners including China, Iran, the UAE, and other Arab countries.

- *Food Security and Agro-Industrial Potential of the Eurasian Region*. This draft report analyses food security and the export potential of agriculture in EAEU countries, Tajikistan and Uzbekistan, given current challenges.

As a recognised leader in applied economic analysis, the EDB actively participates in surveys conducted by international and national agencies to gather expert community insights on macroeconomic forecasting. The Bank regularly provided its estimates for consensus forecasts developed at the request of the National Bank of Kazakhstan, Reuters, PwC Kazakhstan, and HSE. The Bank's projections are widely used by public authorities in the member states as an authoritative and unbiased source of information about the region's economies and their development prospects.

The EDB's analytical reports stimulate discussions with member governments and the expert community. In 2022, the Bank hosted a meeting of the Expert Club to discuss its report on the *Regulation of the Water and Energy Complex of Central Asia,* which considered possible institutional solutions to improve the management of water and energy resources in Central Asia. The meeting brought together representatives from EDB member countries plus Uzbekistan's governments, IFAS, SIC ICWC, and the Energiya Coordination and Dispatch Centre. Additionally, the Bank held discussions on its analytical report on the *International North–South Transport Corridor: Investments and Soft Infrastructure* with the Directorate of International Transport Corridors, Russian Railways, and the Institute of Economics and Transport Development. *The Economy of Central Asia: A Fresh Perspective* was discussed with ACI Russia — the Financial Markets Association.

The Bank participated in meetings of inter-state working groups, including the expert meeting of the High-Level Working Group to bridge the positions of EAEU member states on the climate agenda and the pan-European regional preparatory meeting for the United Nations' Water Conference 2023.

Bank experts gave presentations on integration and sector-specific developments at several significant international events, including the 2nd Caspian Economic Forum (Transport and Logistics roundtable), the 19th Diplomatic Seminar of the Alexander Gorchakov Public Diplomacy Fund, the 10th Annual International Forum "Eurasian Economic Perspective", and the International Forum "Eurasian Integration Process: Present and Future."

Developing Partnerships

In 2022, the Bank continued its cooperation with international organisations, including the United Nations Development Programme (UNDP), United Nations Industrial Development Organisation (UNIDO), Food and Agriculture Organisation (FAO), United Nations Environment Programme (UNEP), United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and United Nations Economic Commission for Europe (UNECE), to address the current development challenges in its member states. The EDB also took steps to enhance cooperation with key international development banks, such as the Asian Development Bank (ADB) and the Islamic Development Bank (IsDB).

Documents approved during the year include the Key Areas of the EDB's Interaction with Multilateral Development Banks (MDBs) and International and National Development Institutions (INDIs) for 2022–2026, which envisages joint participation in investment projects, technical assistance, information and research activities, and policy dialogues with MDBs and INDIs. This work is aimed at improving the efficiency of the Bank's collaboration with MDBs and INDIs.

At a bilateral meeting between the Chairman of the EDB Management Board and the President of the IsDB, the EDB agreed to sign a 2023–2026 EDB and IsDB Joint Action Plan. The document, which was drafted and provisionally agreed by both parties, relates to the identification of potential investment projects for joint financing and technical assistance in Central Asia, and joint research and events relating to sustainable development, digital transformation, and public-private partnerships (PPPs).

The Bank has established mechanisms for interaction with United Nations international organisations based on the principle of complementarity.

This cooperation scheme was discussed with the heads of UNDP Regional Bureau for Europe and CIS, UNIDO sectoral departments, the UNEP Regional Office for Central Asia, the FAO Regional Office for Europe and Central Asia, and UNDP, UNIDO and FAO offices in the Bank's member states.

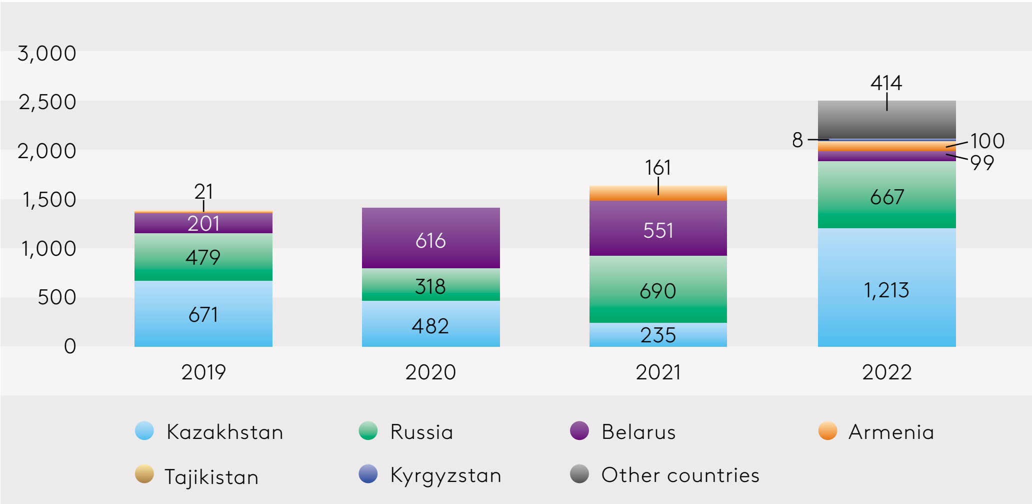
The EDB's management participated in meetings of the Supreme Eurasian Economic Council, Eurasian Intergovernmental Council, Council of the Eurasian Economic Commission (EEC), CIS Council of Heads of Government, and CIS Economic Council. Additionally, the Bank fostered cooperation in research and analysis with the EEC.

In October 2022, an EDB delegation headed by the Chairman of its Management Board visited the ADB's headquarters to discuss Central Asia's economic prospects and challenges, investment partnerships, and analytical cooperation in developing water and energy complexes, transport infrastructure, digitalisation, and sustainable development.

Member States' Development and Integration

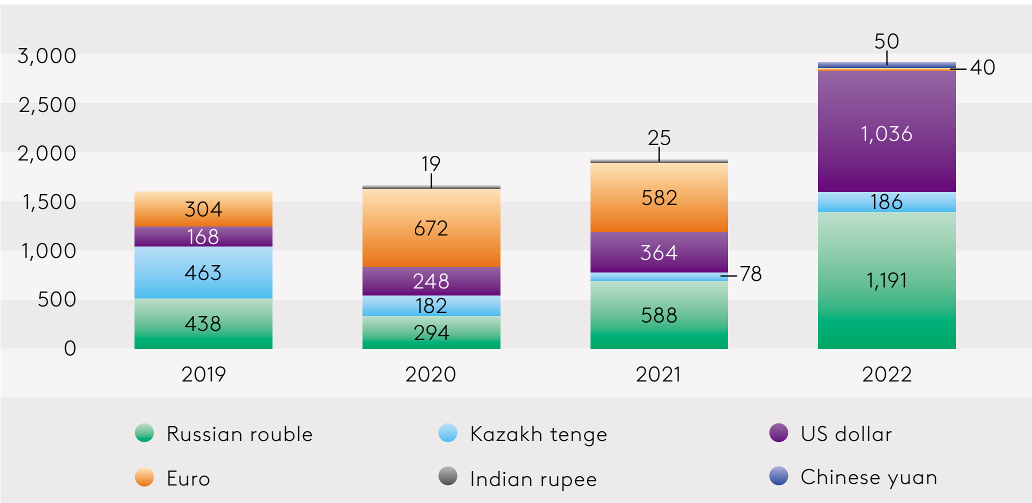
In 2022, the EDB launched its new 2022–2026 country strategies for Armenia, Belarus, the Kyrgyz Republic, and Tajikistan ("Country Strategy"). These focus on strengthening EDB's role as a multilateral development bank and a leading investor in its member states, enhancing project operations and transforming the internal operating model of the Bank.

By the end of the year, the Bank's annual investment value reached US $2,503 million, up 52.9% or US $866 million year-on-year. The EDB signed 31 new projects worth US $2,484 million and increased its current loan facilities by US $19 million.



← Annual investment value by country (US $ millions)

Kazakhstan accounted for the largest share of the Bank's annual investment value in 2022



← Annual investment value by currency (US $ millions)

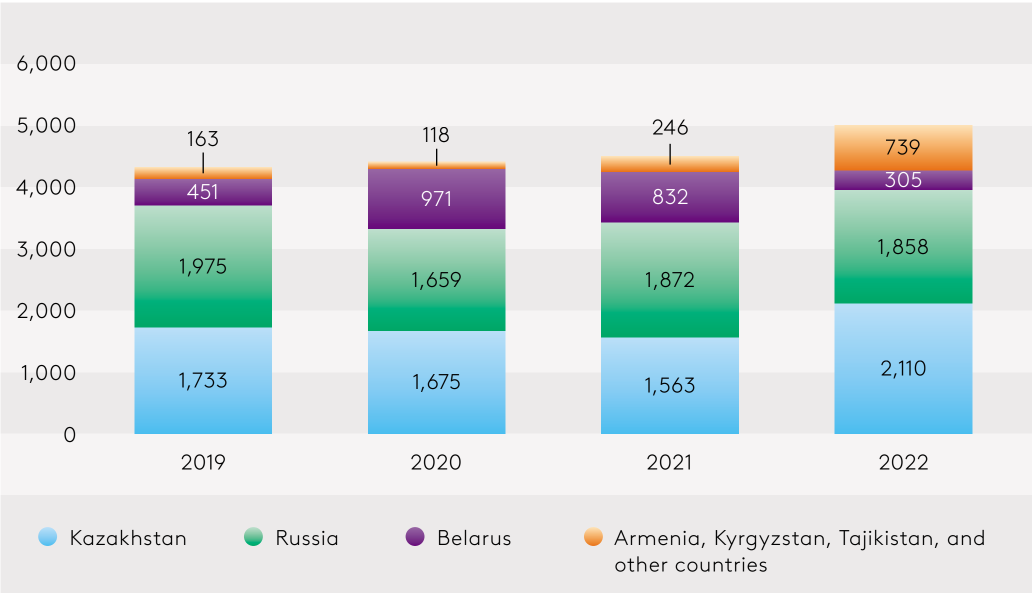
A total of 55.0% of new projects signed in 2022 were denominated in EDB member state national currencies.

By 31 December 2022, the Bank was considering 22 project applications, which had undergone preliminarily review and had their concepts approved. The EDB's share in these projects amounted to US $2,038 million.

The EDB's current investment portfolio[2] at the end of 2022 totalled US $5,013 billion, a year-on-year increase of 11.1% or US $500 million.

As of the end of 2022, the Bank's cumulative investment portfolio[3] amounted to US $13,414 million, up 18.2% or US $2,069 million compared to 2021.

Indicator (US $ millions)	2019	2020	2021	2022
Current investment portfolio	4,322	4,423	4,513	5,013
Cumulative investment portfolio	8,865	9,906	11,346	13,414



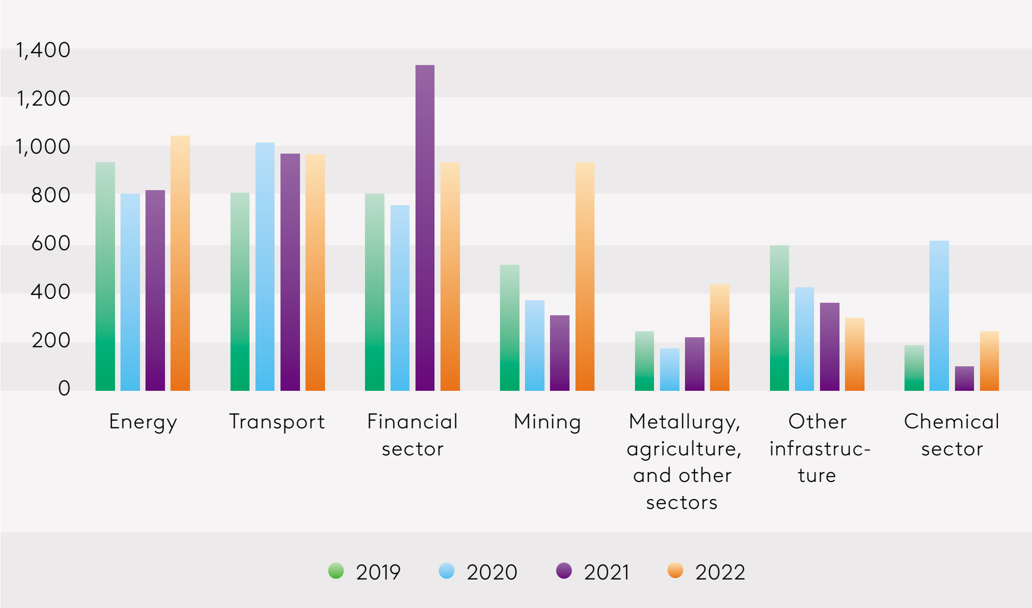
← Current investment portfolio by country (US $ millions)

In terms of geographical distribution, projects in Kazakhstan accounted for the largest share of the Bank's current investment portfolio at the end of 2022.

2 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.

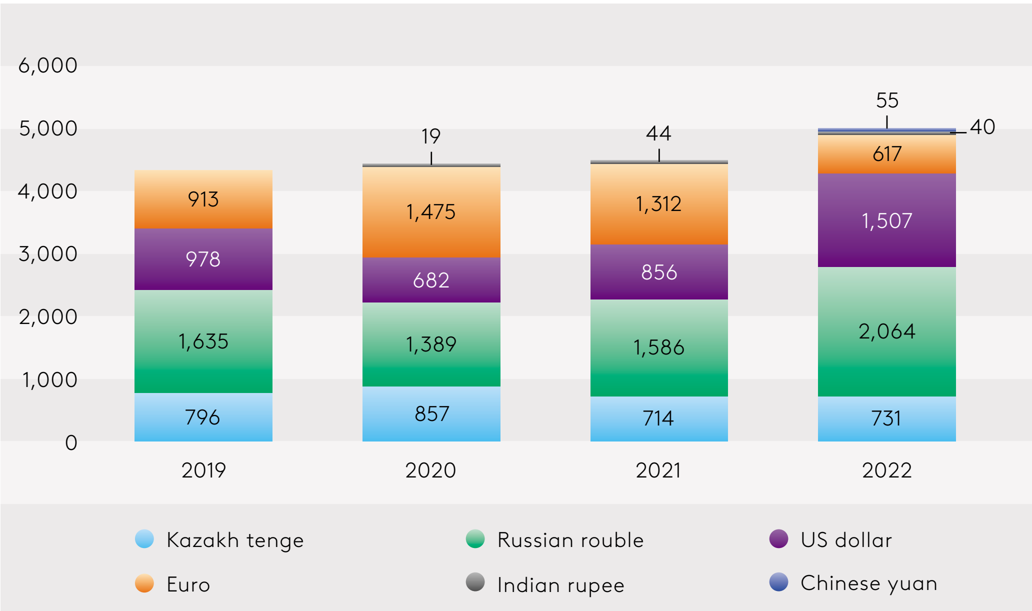
3 The "(cumulative) investment portfolio" refers collectively to all financial instruments under the Bank's approved projects since the Bank started operating, with respect to which financial agreements have been signed and not repealed before the start of financing.

← Current investment portfolio by sector (US $ millions)



In terms of the composition of the current investment portfolio by sector, mining projects surged from 7.3% to 17.9% of the portfolio and those in agriculture increased from 1.6% to 4.8%. Machinery and engineering declined from 9.4% to 4.0%. Investment in the real sector expanded, leading to a reduction in the proportion of projects in the financial sector from 29.2% to 18.0%. Changes in other sectors were insignificant.

← Current investment portfolio by currency (US $ millions)



At the end of 2022, projects financed in EDB member states' national currencies accounted for 55.7% of the current investment portfolio, compared to 51.0% at the end of the previous year.

Republic of Armenia

In 2022, significant results were achieved in agricultural development. A project was implemented in Armenia in which the EDB, for the first time, played a leading role, taking charge of its organisation, preparation and structuring at every stage. The Bank utilised its resources, expertise, and instruments, taking the lead in arranging financing for the Yeremyan Group of Companies' agriculture and food project, thus strengthening its reputation for nurturing investment initiatives from pre-investment to transaction.

Furthermore, in 2022, the Bank intensified efforts to align project priorities with the development objectives outlined in the Country Strategy. During the year, the EDB collaborated with stakeholders, executive authorities and businesses, focusing attention on priority areas in Armenia.

To support promising project initiatives in the country, the Bank deployed a record amount of TAF resources. The EDB allocated US $1.7 million from the TAF to reduce financing costs for the Yeremyan Group's agriculture and food project. This was a record-breaking project for the TAF, accounting for around 32% of its newly funded projects in 2022.

In pursuit of its sustainable infrastructure development goals, the EDB also focused on projects conceived or being considered by Armenia's Ministry of Economy and Ministry of Territorial Administration and Infrastructure.

As part of its efforts to diversify industries and exports, the Bank continued to foster collaboration with Armenian businesses in areas favourable for cooperation.

To promote food security, the EDB focused on coordinating institutional initiatives and supporting priority agribusiness projects for the Armenian economy, and on mechanisms that would enable it to deploy TAF resources more actively. The Bank negotiated and signed a trilateral memorandum of cooperation with the Government of Armenia and the Yeremyan Farm on the Pilot Assistance Programme for Livestock Investment Projects in Armenia ("Programme"). The cooperation was aimed at helping the government to finance agricultural projects that improve feedstock processing and increase the added value of products. The EDB successfully leveraged TAF funds to reduce lending costs and signed an agreement on the Bank's pilot participation in the Programme. The EDB is to finance the Yeremyan Group's investment projects in agriculture and the food industry; its contribution will be used to develop the full production cycle, including the replacement of low-yielding animals with pedigree cattle, expansion of farmland for fodder crop production, and modernisation of assets to boost meat and dairy output. The increase in Armenia's own production capacity has the potential for import substitution and improvement of domestic milk supply.

In financial services, the Bank continued its joint initiative with the Armenian Stock Exchange to modernise and develop the country's financial markets and launch joint targeted lending programmes with the EDB's commercial partner banks in Armenia. In 2022, TAF resources supported software upgrades at the Armenian Stock Exchange.

The Bank promoted digital transformation and improvements in public administration through projects in various sectors, utilising TAF resources, and mobilising financing from the EDB Fund for Digital Initiatives. The Fund for Digital Initiatives helped set up an inter-agency working group linked to the "Work in the EAEU" project, chaired by Armenia's Deputy Minister of Labour and Social Affairs. A roadmap was created for the Armenian element of the "Work in the EAEU" mobile app. At the request of the Armenian side, the Fund drew up proposals for its participation in the first donor conference on the national digital agenda and on the Bank's involvement in financing digital projects. Armenia joined the Fund's COVID-19-Free Travel project; 125 labs are connected to the app and people in Armenia have used it more than 560,000 times.

The first year of the EDB Country Strategy for Armenia saw record levels of new investment and projects since Armenia's accession to the Bank. The EDB's investment in Armenia's real sector saw significant growth.

In 2022, for the first time in twelve years, new projects worth a total of US $43.5 million were supported in the country's agricultural sector. By year-end, the Bank's annual investment in the country's real sector reached US $95 million, 1.5 times more than the Bank's cumulative investment in these industries since the country joined the Bank (US $62.3 million) and nearly six times more than in 2021 (US $16 million).

The EDB's ongoing investment projects generate output increases in Armenia of US $387 million per year, an annual increase in tax revenues of nearly US $3 million, and more than 200 jobs.

The cumulative portfolio of the Bank's integration projects in Armenia exceeded US $340 million, and the total increase in the country's mutual trade with the Bank's member states within this portfolio exceeded US $430 million.

By 31 December 2022, the Bank's current investment portfolio in Armenia amounted to US $260 million, comprising nine projects in four sectors. Projects in Armenia accounted for 6.1% of the Bank's overall current investment portfolio.

During 2022, the Bank added the following projects to its current investment portfolio in Armenia:

- financing Kaskad-Energo's contracting costs, including refinancing US $30 million in debts under loan agreements;
- financing the Yeremyan Group of Companies' investment projects in Armenia's agriculture and food sector, totalling US $25 million;
- construction and operation of solar power plants with a combined installed capacity of 35 MW, amounting to US $21 million;
- financing the repayment of principal under the Yeremyan Group of Companies' loans from Ardshinbank, totalling US $19 million; and
- providing a US $5 million trade finance revolving loan facility to ARMSVISBANK.

Republic of Belarus

Throughout 2022, the EDB contributed to Belarus's development objectives in priority areas such as basic infrastructure, sustainable development of the energy system, industrial modernisation, enhancing export potential, supporting businesses, and promoting digital transformation.

The basic infrastructure projects the Bank focused on included road and infrastructure projects to improve connectivity and accessibility of the country's provinces, including cross-border transport corridors. Integrating Belarus's commodity distribution network on cross-border routes was particularly important. To achieve this, the Bank worked on the Eurasian Commodity Distribution System, exploring financing for container trans-shipment infrastructure in the country.

The sustainable development of urban transport was another priority for the EDB in Belarus. The Bank examined a programme to establish a public electric vehicle charging network and took steps to intensify its work in this area. The Bank also explored opportunities to support projects to modernise and develop utilities, including collaboration with multilateral partner institutions.

The EDB developed initiatives to support Belarus's sustainable energy system. This involved focusing on projects to improve the reliability and continuity of power supply and reduce losses. The Bank also worked on promising renewable energy initiatives.

By the end of 2022, the Bank's most successful operations in Belarus were those linked to modernising and developing the industrial sector. Over the year, the EDB explored potential cooperation with Belarusian businesses, including in metallurgy and pharmaceuticals. The initiatives being considered by the Bank have a significant integration effect, through import substitution and increased mutual trade between member countries.

To develop export potential and support entrepreneurship, in 2022, the Bank continued to finance targeted lending programmes with partner commercial banks in Belarus.

The EDB's Fund for Digital Initiatives is a particular priority. At the request of the Ministries of Finance of Russia and Belarus, the Fund reviewed a project for digital jewellery trading, aimed at boosting exports. It was supported by the High-Level Group of the Union State's Council of Ministers. In addition, in collaboration with authorities in Belarus and Russia, the Fund for Digital Initiatives is launching a pilot project to test technical, organisational and regulatory solutions outlined in the draft Treaty on the Recognition of Electronic Digital Signatures (E-signatures) and Ensuring the Validity of Electronic Documents in Cross-Border Information Exchange between Countries. The Fund for Digital Initiatives also launched a Digital Project Competition to promote collaboration between the Bank's member countries. Belarus joined the Fund's COVID-19-Free Travel project; 78 labs are linked up to the app and people in Belarus have used it more than 700,000 times.

The EDB's current investment projects increase Belarus's output by US $672.4 million per year, generate an increase of almost US $22.7 million in annual tax revenues, and create more than 550 jobs.

The cumulative portfolio of the Bank's integration projects in Belarus exceeds US $1.6 billion, increasing the country's mutual trade with the Bank's member states by more than US $5 billion.

As of 31 December 2022, the Bank's current investment portfolio in Belarus totalled US $305 million, comprising nine projects in six sectors. Belarus's share of the total current investment portfolio was 6.1%.

In 2022, the Bank added the following projects to its current investment portfolio in Belarus:

- purchasing a 24% stake in, and contributing US $50 million to, the charter capital of Bioimmunity to establish full-cycle Sputnik vaccine production at Belmedpreparaty; and
- US $49 million to support Severlux Group's exports to EAEU countries.

Republic of Kazakhstan

In 2022, the EDB made efforts to strengthen its position as a leading MDB in terms of the value of its operations and number of projects in Kazakhstan, focusing on ESG and contributing to UN SDGs[4].

The Bank prioritised projects to develop physical infrastructure, competitive and innovative industries, food security and agriculture, the financial market, green transition, and ESG practices.

EDB activities in Kazakhstan align with development objectives set by the country's government and aim to enhance integration with the Bank's member states. Priorities include transport and social infrastructure, the commodity distribution network, and green economy initiatives including those involving PPP mechanisms.

Key investment mega-projects are also a focus. These projects are seen to have the greatest potential for enhancing integration and economic development and achieving priority development objectives in line with Kazakhstan's national agenda.

The EDB facilitates development transformation in Kazakhstan, such as the decarbonisation of the economy, improved water supply, and green financing.

The Bank's current investment projects generate a total increase in Kazakhstan's output of more than US $5 billion per year, an annual increase of almost US $120 million in tax revenues, and more than 7,000 jobs.

The cumulative portfolio of the Bank's integration projects in Kazakhstan exceeded US $3.5 billion, leading to a total increase in the country's mutual trade with the Bank's member states within this portfolio of over US $10 billion.

[4] https://www.un.org/sustainabledevelopment/ru/sustainable-development-goals/

As of 31 December 2022, the Bank's current investment portfolio in Kazakhstan amounted to US $2,110 million, comprising 42 projects across eight sectors. Projects in Kazakhstan accounted for 42.1% of the Bank's current investment portfolio.

In 2022, the Bank added the following projects to its current investment portfolio in Kazakhstan:

- US $668 million financing for the Baiterek National Management Holding;
- US $100 million financing for the Kazakhmys Corporation;
- support for Polymetal Group's exports to EAEU countries totalling US $100 million;
- increased participation in financing the operations of the Food Contract Corporation by US $99 million;
- US $55 million financing for SSGPO's operations;
- providing a guarantee for NGSK KazStroyService under a contract with the Amur Gas Chemical Complex, with a US $50 million counter-guarantee from Halyk Bank of Kazakhstan;
- participating in a bond issue by Kazakhstan Temir Zholy for a total of US $47 million;
- construction of a 50 MW solar power plant in the Zhambyl Region, amounting to US $31 million;
- setting a limit on Halyk Bank of Kazakhstan's documentary transactions, totalling US $24 million;
- construction and operation of street lighting grids in Atyrau (270 kilometres) under a PPP programme, amounting to US $19 million; and
- construction of a 5 MW solar power plant in the Turkistan Region, totalling US $4 million.

Kyrgyz Republic

The EDB's work in the Kyrgyz Republic focuses on strengthening its role as a development bank by collaborating with public authorities and development institutions, and cultivating and implementing investment projects in the priority sectors as defined in the Country Strategy. In 2022, the Bank worked with stakeholders, executive authorities and businesses to align their focus with its priorities in the country. The Bank also explored potential joint projects with multilateral and national development institutions.

The EDB considered basic infrastructure project proposals under a memorandum with the PPP Centre of the National Investments Agency set up by the President of the Kyrgyz Republic. It also worked on agreements for new renewable energy projects.

In agriculture, the EDB signed agreements with Aiyl Bank, a state-owned bank specialising in financing agriculture, to provide a US $8 million loan facility for agricultural sub-projects. This is aimed at supporting agricultural producers and processing companies, contributing to the country's economic growth targets by boosting output, generating jobs, and increasing tax revenues. The TAF also funded a workshop on PPP development in the Kyrgyz Republic.

In 2022, the Bank signed a memorandum with the Ministry of Digital Development to support digital transformation in the Kyrgyz Republic and new high-tech and green initiatives. The Kyrgyz Republic joined the COVID-19-Free Travel project developed by the EDB Fund for Digital Initiatives. Approximately 300 labs were linked to the app and it saw over 1.3 million uses in the country.

In 2022, EDB investment in the Kyrgyz Republic increased by US $8 million.

The cumulative portfolio of the Bank's integration projects in the Kyrgyz Republic exceeded US $100 million, and the total increase in the country's mutual trade with the Bank's member states within this portfolio amounted to more than US $130 million.

As of 31 December 2022, the Bank's current investment portfolio in the Kyrgyz Republic amounted to US $63 million, comprising four projects in the financial sector. The Kyrgyz Republic accounted for 1.2% of the current investment portfolio.

Moving forward, the EDB aims to diversify its investments in line with the key objectives set by the Country Strategy, including in industry, infrastructure, agriculture and digital transformation.

In 2022, the Bank added the following project to its current investment portfolio in the Kyrgyz Republic:

- a US $8 million revolving loan facility for Aiyl Bank to support the implementation of its agriculture support programme.

Russian Federation

In Russia, the Bank adheres to its 2022–2026 Strategy objectives. It directs resources into support for the sustainable development and integration of the Russian economy and to meet investment demand.

The Bank cultivates and implements cross-border investment projects that have a significant integration effect, serve as a foundation for major infrastructure mega-projects, develop unique strengths in structuring complex projects, and contribute to the United Nations' 2030 SDGs.

As a development institution, the EDB continued to generate enduring multiplier social and economic effects through its investment. It pursued its goal of scaling up integration effects through structuring and implementing key investment projects.

Throughout 2022, the Bank continued to develop its priority project operations in Russia, strengthening its contribution to national SDGs. It focused on projects that foster sustainable territorial development, promote macro-regional connectivity, drive the green economy, support competitive and innovative industries, facilitate sustainable agricultural growth, and ensure the digital transformation of industries and public administration.

The EDB's current investment projects in Russia generate a total annual increase of more than US $3 billion in the country's output, nearly US $260 million in tax revenues, and almost 6,000 jobs.

The cumulative portfolio of the Bank's integration projects in Russia exceeded US $2.5 billion, and the total increase in the country's mutual trade with the Bank's member states within this portfolio amounted to more than US $2 billion.

As of 31 December 2022, the Bank's current investment portfolio in Russia amounted to US $1,858 million, comprising 29 projects across nine sectors. This accounted for 37.1% of the overall current investment portfolio.

In 2022, the Bank added the following new projects to its current investment portfolio in Russia:

- investment of US $143 million in the construction and operation of a bypass around the city of Togliatti, including a bridge over the Volga River, as part of the Europe–Western China transport corridor;
- a US $100 million framework limit in letters of credit for the Amur Gas Chemical Complex for settlements with suppliers, including under a contract with VA Tech Wabag, Ltd. guaranteed by SIBUR Holding;
- US $99 million financing for Unipro's working capital;
- US $71 million letters of credit for Detskiy Mir; and
- US $10 million documentary transactions of Biokad.

Republic of Tajikistan

In Tajikistan, the Bank focused on enhancing its role in strengthening project mechanisms, transforming its internal operating model and increasing the deployment of technical assistance. The Bank collaborated with government stakeholders, agencies and businesses to present its Country Strategy and focus efforts on priority areas.

To promote energy security, the EDB focused on hydroelectricity and energy saving projects. It coordinated with the Ministry of Energy and Water Resources and project operator on financing a feasibility study through its TAF, and the project as a whole. The Bank also worked on an initiative to expand and modernise Dushanbe's automated electricity control and metering system to reduce electricity wastage. The Bank paved the way for further negotiations with the government and other stakeholders on its involvement in a major hydroelectric infrastructure project, which could become part of its key investment mega-projects.

To foster food security and agricultural development, the EDB continued to explore collaboration with Tajikistan's businesses. The Bank considered financing wholesale and logistics infrastructure in the Gissar District, which specialises in the cultivation of grapes, apples and figs, and exports produce to EAEU member states.

To promote industrial diversification, private sector development and entrepreneurship, the EDB devoted special attention to highly integrated and innovative industries in Tajikistan.

To foster the digital transformation of public administration, the EDB consulted with national and regional executive authorities. The EDB Fund for Digital Initiatives launched its Digital Project Competition to encourage collaboration between the Bank's member countries. Tajikistan joined the Fund's COVID-19-Free Travel project, with 267 labs connected to the app and more than 1 million uses in the country.

The Fund for Digital Initiatives held a workshop on digital transformation in public administration, bringing together experts from Russia, Belarus and Kazakhstan (working at national and regional levels), and Tajikistan's public authorities.

The Bank worked with Tajikistan's Ministry of Economic Development and Trade on an initiative to digitalise electronic document management, increasing the EDB's focus on leveraging TAF resources to develop promising initiatives in Tajikistan.

Throughout 2022, the EDB worked to expand its operations in Tajikistan.

The cumulative portfolio of the Bank's integration projects in the country exceeded US $40 million, and the total increase in the country's mutual trade with the Bank's member states within this portfolio amounted to more than US $230 million.

As of 31 December 2022, the Bank's US $2.6 million current investment portfolio was accounted for by a single project in the financial sector — a US $2.6 million non-revolving loan facility for IMON INTERNATIONAL to support microfinance, which was added to the portfolio in 2022.

Non-member Countries

As of 31 December 2022, 8.2% of the Bank's current investment portfolio, totalling US $414 million, was in non-member countries. The portfolio was made up of two projects in different sectors.

In 2022, the Bank expanded its current investment portfolio in non-member countries with the following projects:

- US $400 million investment financing for Navoi Mining and Metallurgical Company; and
- US $14 million bank guarantee for an advance payment for VA Tech Wabag, Ltd. (principal) under a contract with the Amur Gas Chemical Complex, with a counter-guarantee from the State Bank of India.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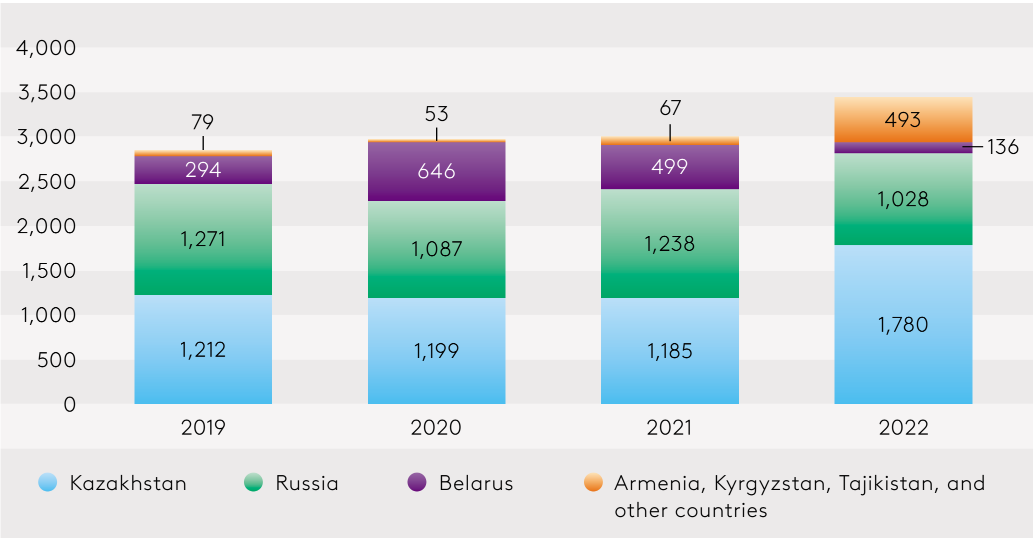
Balance-Sheet Management

Project Portfolio

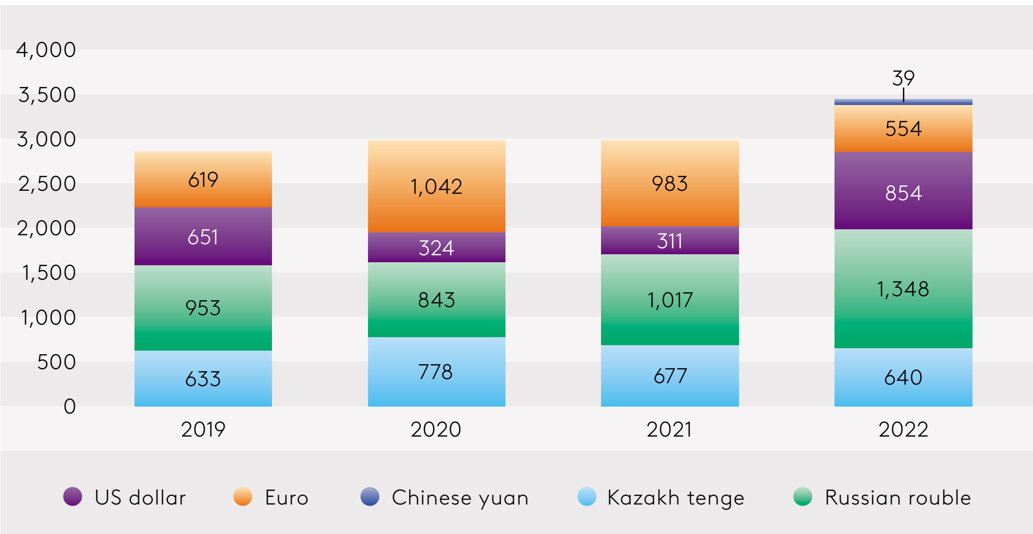
The balance-sheet portfolio[5] at the end of 2022 amounted to US $3,436 million, which is 15.0% or US $447 million more than the previous year.

Indicator (US $ millions)	2019	2020	2021	2022
Balance-sheet portfolio	2,857	2,986	2,989	3,436
Current investment portfolio	4,322	4,423	4,513	5,013



← Balance-sheet portfolio by country, US $ millions

In terms of geographical distribution, projects in Kazakhstan accounted for the largest share of the Bank's balance-sheet portfolio by the end of 2022.



← Balance-sheet portfolio by currency, US $ millions

By the end of 2022, projects financed in EDB member states' national currencies comprised 57.9% of the Bank's balance-sheet portfolio, compared to 51.0% at the end of the previous year.

[5] The "balance-sheet portfolio" refers to the amount of outstanding 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 form the Bank's investment portfolio.

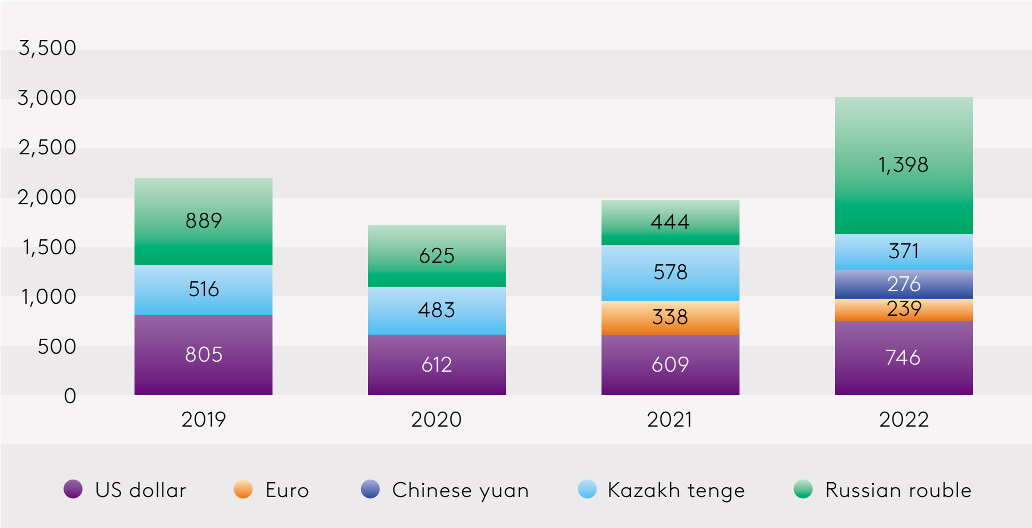
Funding

In 2022, despite the challenging conditions in financial markets, the EDB was able to take advantage of opportunities to mobilise long-term funding and short-term borrowings to manage liquidity risk.

The Bank employs several debt financing instruments, including traditional rouble and tenge-denominated bonds, green and social ESG bonds, and Eurobonds denominated in different currencies.

By the end of 2022, the Bank's total borrowings stood at US $3,553 million, comprising US $3,030 million from bond issuances and US $523 million from loans obtained from other banks.

Bond Issuances



← Debt securities issued by currency, US $ millions

During 2022, the Bank issued US $2.3 billion in debt securities, including:

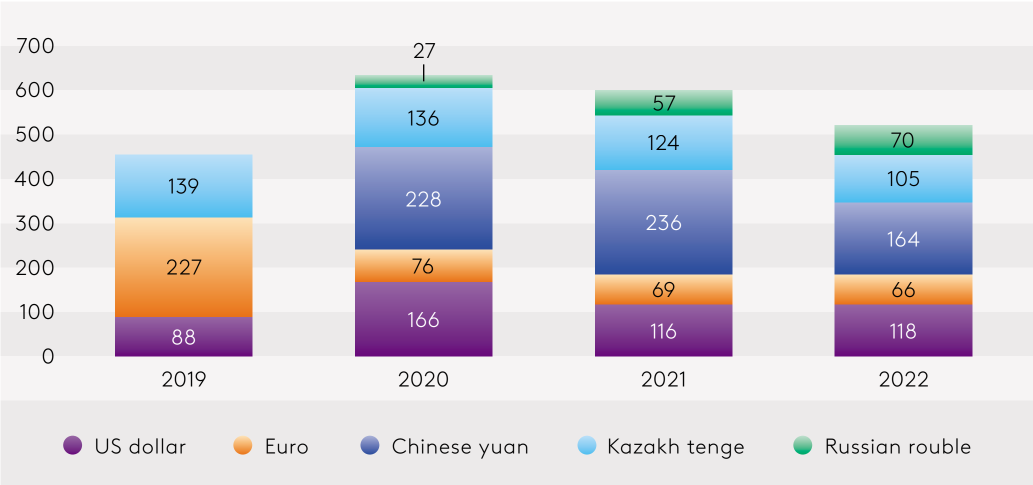
- one issue for a total of US $700 million;
- one issue for a total of CNY 1.9 billion;
- four issues for a total of RUB 65 billion; and
- one issue for a total of KZT 36 billion.

The ratings for the Bank's debt financial instruments denominated in foreign currencies at the end of 2022 were as follows:

Rating	S&P	ACRA
Long-term	BBB-	A-
Short-term	A-3	
Outlook	negative	stable

Loans from Other Banks

To finance its project activities, the Bank leverages tied financing from international and national financial institutions. At year-end, the aggregate debt under such loan agreements amounted to US $523 million.



← Loans from banks by currency, US $ millions

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

Under certain agreements, the Bank is bound by covenants to maintain financial stability, meet payment obligations, avoid cross-default, refrain from encumbering or litigating certain assets, and other obligations. As of 31 December 2022, the Bank was compliant with all these covenants.

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

Throughout 2022, the EDB raised short-term funding from financial institutions to manage liquidity. These funds were invested in highly liquid assets with strong credit ratings.

Treasury

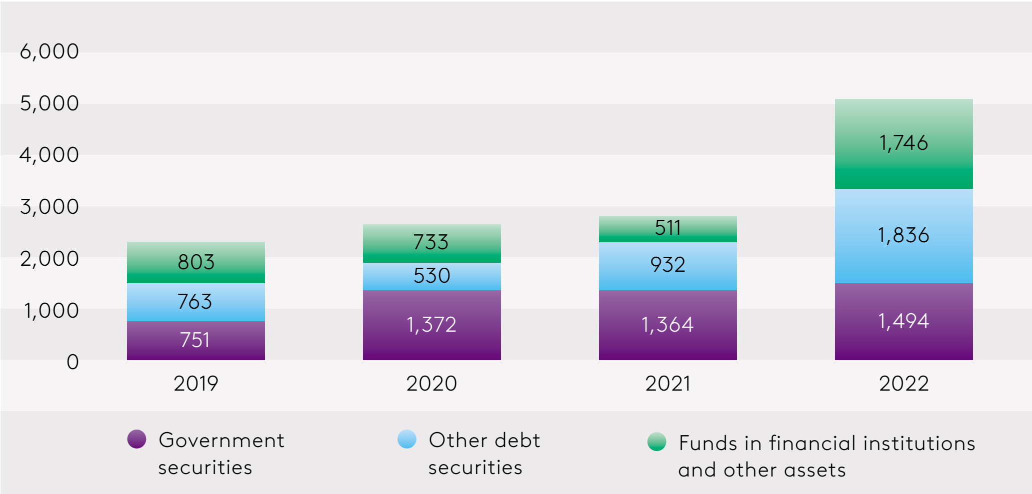
As of 31 December 2022, the Bank's Treasury-managed assets (treasury portfolio) amounted to US $5,076 million.

The key objectives of the Bank's treasury asset management include:

- preserving the value of the Bank's equity;
- maintaining the Bank's liquidity at acceptable levels;
- ensuring high credit quality of the treasury portfolio;
- achieving a well-diversified treasury portfolio; and
- safeguarding the value of clients' funds.

Indicator	2019	2020	2021	2022
Treasury portfolio (US $ millions)	2,317	2,634	2,808	5,076

In 2022, the treasury portfolio increased by US $2,268 million (81%) compared to 2021, primarily due to short-term liabilities leveraged to manage the Bank's liquidity.



← Treasury portfolio by instrument, US $ millions

To maintain the credit quality of its treasury portfolio, the EDB increased the percentage of assets with the credit rating of "AA-" or higher from 38% to 47%.

Risk Management

The primary objectives of the EDB's risk management framework 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 risk, including the preservation of its capital.

Risk management is the responsibility of the Bank's Council and Management Board, and of collegial bodies and divisions in charge of certain risk management functions. Together they develop and implement risk management policies, including those relating to credit, market, operational, and liquidity risk. The Bank's divisions regularly produce management reports required for the collegial bodies to manage each type of risk.

Investment Portfolio Risks

The Bank uses its own and S&P Global Market Intelligence's methodology/models ("Internal Models") to assess the risks identified and establish reserves/provisions for expected credit losses (ECL) on financial instruments. This enables the Bank to establish an equivalent credit rating based on S&P Global Ratings' international rating scale. Using the Internal Models, the Bank analyses various quantitative and qualitative indicators, such as counterparty performance and macroeconomic factors.

The following table illustrates the composition of the balance-sheet portfolio by credit rating identified with the Internal Models, including stages of credit risk according to IFRS 9 *Financial Instruments*, as of 31 December 2022 (US $ millions):

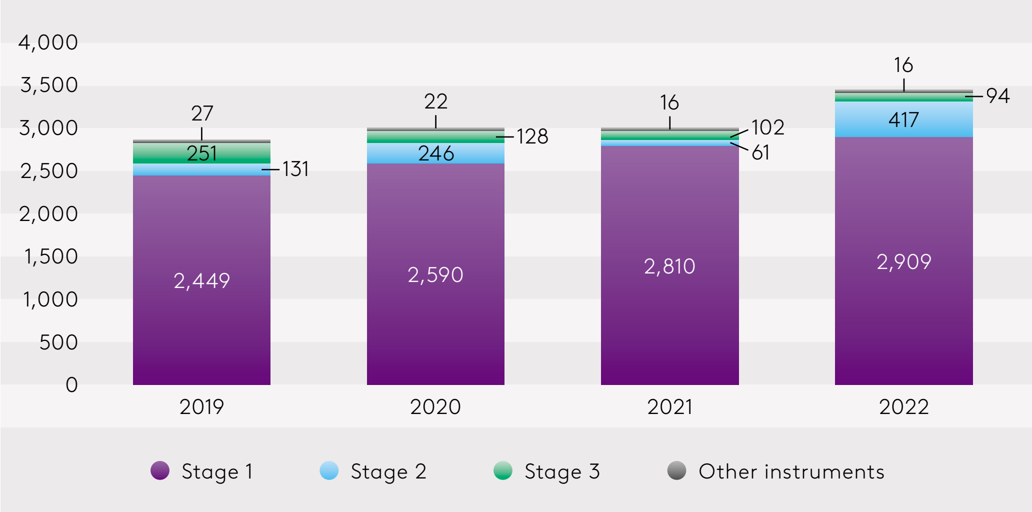
S&P Global Ratings' international rating scale	Stage 1	Stage 2	Stage 3	Other	Total	Share (%)
BBB	281				281	8.2%
BBB-	221				221	6.4%
BB+	134				134	3.9%
BB	304				304	8.8%
BB-	832	60			892	26.0%
B+	450				450	13.1%
B	243	22			265	7.7%
B-	349	200			549	16.0%
CCC+	86	9			95	2.8%
CCC		122			122	3.5%
CCC-	9	4			13	0.4%
CC, C, D			94		94	2.7%
No rating				16	16	0.5%
Total	**2,909**	**417**	**94**	**16**	**3,436**	**100%**

As of 31 December 2022, the balance-sheet portfolio's weighted average credit rating for financial instruments was "B+."

The stages of credit risk are determined according to IFRS 9 *Financial Instruments* (excluding the collateral factor), as outlined below:

- Stage 1: financial instruments for which there has been no evidence of a significant increase in credit risk since initial recognition and for which 12-month ECL is calculated;
- Stage 2: financial instruments for which there has been evidence of a significant increase in credit risk since initial recognition, but that are not credit impaired, and for which lifetime ECL is calculated; and
- Stage 3: financial instruments for which there has been evidence of credit impairment since initial recognition, and for which lifetime ECL is calculated.

The changes in the composition of the Bank's balance-sheet portfolio categorised by credit risk stage from 2019 to 2022 are presented below:



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

In 2022, Stage 1 financial instruments accounted for 84.6% of the balance-sheet portfolio, compared to 94.0% in 2021.

The value of Stage 2 financial instruments increased by US $356 million (583%) to reach US $417 million by the end of 2022, compared to the previous year. The percentage of Stage 2 financial instruments in the balance-sheet portfolio was 12.2% in 2022, up from 2.0% in 2021.

The value of Stage 3 financial instruments in 2022 amounted to US $94 million, a decrease of US $8 million (8%) compared to 2021. These instruments constituted 2.7% of the balance-sheet portfolio in 2022, down from 3.4% in 2021.

The probability of default and ECL is calculated based on counterparties' credit ratings obtained from international rating agencies. In cases where such ratings are unavailable or revoked, the Bank employs credit ratings determined using the Internal Models.

The table below presents the breakdown of the Bank's balance-sheet provisions and their dynamics in 2022 (US $ millions):

	Balance-sheet portfolio		Provisions		Share of provisions (%)	
	2022	2021	2022	2021	2022	2021
Stage 1	2,909	2,810	63	28	2.2%	1.0%
Stage 2	417	61	52	3	12.5%	4.5%
Stage 3	94	102	61	56	64.7%	55.1%
Other instruments	16	16	-	-	-	-
Total	**3,436**	**2,989**	**176**	**87**	**5.1%**	**2.9%**

The following table provides information on guarantees and letters of credit issued by the Bank, with changes for 2022 (US $ millions):

	Guarantees and letters of credit issued		Provisions		Share of provisions (%)	
	2022	2021	2022	2021	2022	2021
Stage 1	375	127	14	6	3.6%	4.5%

As of 31 December 2022, the weighted average credit rating of the guarantees and letters of credit issued by the Bank and included in its current investment portfolio was "B+."

Liquidity Risk Management

The Bank conducts ongoing liquidity risk analysis. The Asset and Liability Committee manages this risk by assessing 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 composition of the Bank's assets and liabilities. These analyses are carried out at least twice a month and reviewed monthly by the Asset and Liability Committee. Based on the findings, the Asset and Liability Committee makes appropriate decisions regarding liquidity risk management, including the implementation of borrowing.

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

Net liquidity is managed through debt security issuance and other borrowings. In addition, assets from the securities portfolio may be sold if necessary for liquidity purposes. Most contingent liabilities require that certain conditions are met before they are issued. In some cases, the Bank may withdraw or postpone the issue of a loan.

Interest Risk Management

The EDB regularly reviews interest rate risk to maintain this risk at an appropriate level and continuously control its potential 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 analyses the sensitivity of its assets and liabilities to interest rate changes. To manage interest rate risk, the Bank sets limits on possible adverse events resulting from changes in market interest rates. The analysis is conducted by the responsible divisions, while the Asset and Liability Committee oversees overall management and sets limits.

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

Currency Risk Management

Currency risk analysis involves examining the composition of the Bank's assets and liabilities by currency and considering possible balance-sheet changes. The Bank sets limits on the open currency position for individual currency pairs and overall positions. Currency risk is managed by monitoring the open currency position and mitigating potential losses from significant fluctuations in currency exchange rates. The EDB monitors compliance with the limits set by the Bank's Management Board or Asset and Liability Committee daily.

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.

Managing the Risk of Breaching Sanctions

Given the geopolitical environment of the region in which the Bank operates, and the financial, trade, and other economic restrictions imposed on Russian and Belarusian entities, banks, and government agencies by the United States, the European Union, the United Kingdom, and other countries, compliance with sanctions was a priority for the Bank in 2022.

Under its obligations to investors and counterparties, the Bank ensured it did not engage in transactions or operations that violated sanctions applied by the United States, the European Union, the United Kingdom, and other countries, nor aimed to circumvent them.

Guided by its internal regulatory documents, the Bank implemented compliance procedures with respect to all its clients and counterparties. This involved using the Bank's automated system to check the ownership structure and founders of clients and counterparties, and their beneficial owners and management, against regularly updated sanction lists.

Managing Information Security Risks

Recognising growing cyber security threats and information security risk in 2022, the Bank introduced measures to maintain the functioning of its systems. The EDB redesigned its Threat Model and Information Security Violator Model to adapt to ongoing events and put in place measures to reduce the risk of modern cyber threats. It also enacted information security protocols to eliminate vendor-related information security risks and upgraded its information security systems.

Capital Adequacy Ratio

In 2022, the Bank remained compliant with the capital adequacy ratio established by its Management Board.

	2019	2020	2021	2022
Capital adequacy				
minimum required	16.0%	16.0%	16.0%	16.0%
actual	43.3%	42.3%	44.2%	29.9%

3

Corporate Governance

Organisational Developments

In 2022, the Bank continued to improve its corporate governance.

It established a division dedicated to its corporate governance and shareholder interaction. The new division supports the Bank's Council, its committees and the Management Board, and monitors and supervises the execution of their decisions and instructions. The EDB also introduced quarterly reporting to Council members on key performance indicators and the execution of Council instructions.

In 2022, the Bank introduced preliminary expert discussion of draft agendas, involving Council committee members and member state representatives. Its aim was to inform Council committees, respond to queries and facilitate the exchange of opinions between EDB member state representatives on documents and issues the Bank included in committee agendas.

In response to comments and suggestions from member state representatives, the Bank updated certain internal corporate governance documents and submitted them for discussion to Council committees: these were the Regulations of the Eurasian Development Bank Council; Regulations of the Eurasian Development Bank's Management Board; Regulations on Committees of the Eurasian Development Bank's Council; and Corporate Governance Regulations of the Eurasian Development Bank.

Main Corporate Events

On 24 June 2022, the Bank's Council held an in-person meeting in Nur-Sultan (now Astana) to approve:

- the Management Board's annual report for 2021;
- the Bank's financial statements for 2021;
- the Regulations for the Admission of New Members to the Eurasian Development Bank; and
- distribution of the Bank's profits;

and review reports by the Bank's:

- Audit Commission; and
- Internal Audit Service for 2021.

On 30 December 2022, an in-absentia meeting of the Bank's Council unanimously approved the redistribution of the Bank's charter capital, with a portion of the Russian Federation's stake, comprising 321,151 shares in the Bank's paid-in capital, to be equally distributed between the other member states. This will reduce the Russian Federation's share in the EDB from 65.9761% to 44.7878%. After redistribution, the other EDB member states will have the following shares in its paid-in capital: the Republic of Kazakhstan — 37.2864%; the Republic of Armenia — 4.2291%; the Kyrgyz Republic — 4.2291%; the Republic of Belarus — 5.2121%; and the Republic of Tajikistan — 4.2555%.

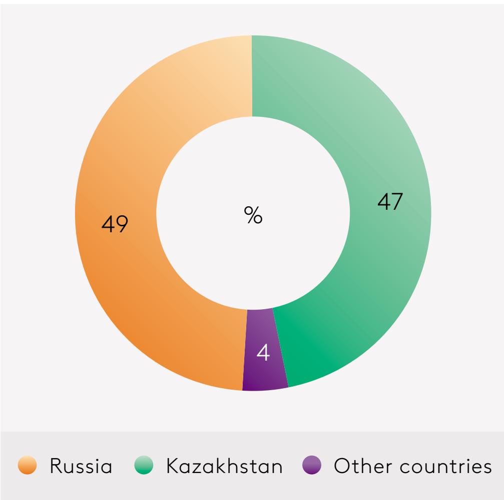
In December 2022, the Council approved amendments to the Bank's Charter that increased the threshold for passing Council resolutions from a simple majority to three-quarters of any vote. With its increased voting share, the Republic of Kazakhstan gained the right to veto decisions on key issues, including investment policies, project approvals, the appointment of the Chairman and members of the Bank's Management Board, and the approval of annual budgets.

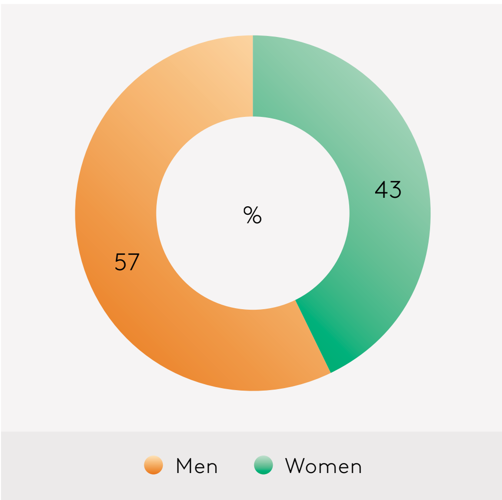
Personnel Management

The Bank's 2022–2026 Strategy sets out key personnel targets, such as the need to build a highly qualified team and enhance human resources capacity. In 2022, the Bank continued to improve human resources, and personnel management and development, by incorporating best practice from local labour markets and comparable international financial development institutions.

Key Aspects of Personnel Structure

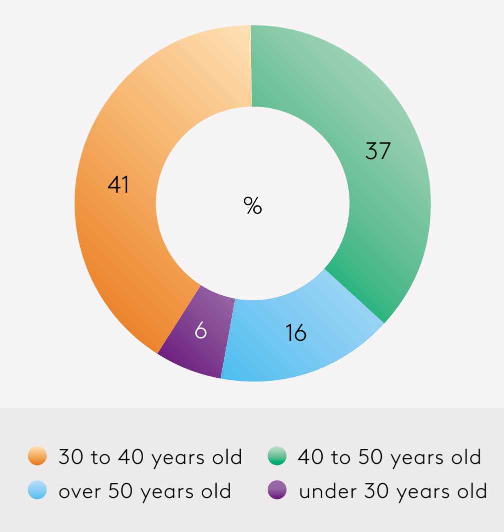
As of 31 December 2022, the Bank had an authorised personnel complement of 336 employees. During the year, the Bank hired 51 individuals and dismissed 55 employees. The unwanted attrition rate for the year was 2.13%, down 17% compared to 2021 (2.56%).

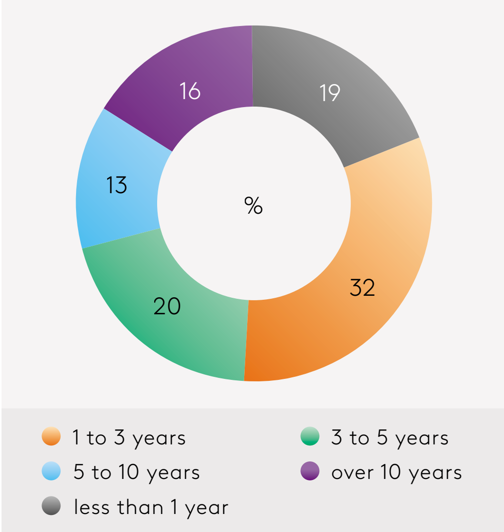




← Personnel by country

← Personnel by gender





↰ Personnel by age

← Personnel by length of service

Recruitment

The main factors that attract candidates to the Bank are its status as an international financial institution; the opportunity to be involved in major integration projects; the Bank's stability and sustainability; the opportunity for professional development; and competitive salaries and benefits.

Recruitment is chiefly via the internet (through the EDB's website; HeadHunter, a recruitment portal; and social media), referrals and recruitment agencies.

The Bank also developed its internship programme in 2022, attracting 14 participants.

Professional Training and Development

The Bank held 50 training events as part of its 2022 Training Plan, covering topics such as project management fundamentals, financial modelling for investment projects, and PPP projects. A total of 120 employees received professional and corporate training. A further 15 employees from different business units trained towards professional certification in PPP projects.

The Eduson online platform provided employees with opportunities for self-directed learning. Eduson offers over 950 interactive courses led by renowned business schools (e.g., Wharton, INSEAD, London Business School, and Skolkovo), successful entrepreneurs and top managers of major international companies.

Employee Performance Evaluation, Engagement and Motivation

In 2022, the Bank streamlined its performance management cycle by combining annual evaluation and objective setting and launching new objectives linked to evaluation. This involved simplifying software for users.

The Bank's annual performance appraisals in 2022 revealed that 92% of employees achieved 100% or more of their key performance indicators.

In 2021, the Bank resumed employee engagement surveys using the international Kincentric (Aon Hewitt) model, which helps to identify factors influencing employee engagement and satisfaction. According to the survey, the Bank's employee engagement rate in 2022 was 68%, slightly higher than the previous year's rate of 67%.

Importantly, the 2022 survey indicated improvement in interaction between the Bank's divisions, openness to employee initiatives, and employee satisfaction with resources.

In 2022, the EDB surveyed all its employees to gauge satisfaction with the quality and timeliness of services, and the customer orientation of its middle and back offices. The 2021 survey identified areas for development and improvement, resulting in higher scores for quality evaluation by the end of 2022.

In 2022, the Bank recognised 12 employees with corporate awards in the Manager of the Year and Employee of the Year categories for their significant contributions to the Bank's objectives.

The Chairman of the EDB Management Board commended eight employees for demonstrating aptitude and achieving notable results in their work in 2022. The Management Board also awarded certificates of merit to ten managers at various levels for their anti-crisis work ensuring operational continuity and coordinating different divisions to maintain the Bank's financial stability in 2022.

Collegiate Bodies in Charge of Personnel Management

The Bank has three standing collegiate bodies responsible for human resources and labour relations, each dealing with specific issues and decision-making levels:

- The Human Resources Committee of the Bank's Council handles key human resources matters within the authority of the Council. In 2022, the committee met four times to review personnel management issues and provide recommendations and suggestions to the Bank's Council.

- The Committee for Human Resources Matters is an internal body that works to improve regulation related to human resources management and makes recommendations on controversial labour relations issues, social benefits and guarantees, and personnel performance management. The committee met four times in 2022, focusing on performance management, employee incentives, and support for team sports within the Bank.

- The EDB Ethics Committee is responsible for resolving and preventing ethical conflict and violations of business ethics rules at the Bank. In 2022, no complaints were received by the Ethics Committee.

Improving Personnel Management

The Bank personnel management policies and procedures are governed by 33 internal regulatory documents, four of them approved by the Bank's Council. These include the Human Resources Policy, Business Ethics Rules, Regulations on the Human Resources Committee at the Eurasian Development Bank's Council, and Regulations on Bonus Payments to the Chairman of the Management Board.

In 2022, the EDB continued to align its internal regulatory documents with international best practice. It updated seven internal regulatory documents (21% of all the documents relating to personnel management).

The Bank commissioned Ernst & Young to conduct an independent HR audit of its personnel management, which was completed in 2022. Ernst & Young concluded that the Bank demonstrates a satisfactory level of development in key areas of personnel management, taking into account its international status and the scale of its activities.

Overall, the unprecedented challenges the Bank faced in 2022 have tested the effectiveness of its management team and entire staff.

Without increasing staff numbers or changing organisational structure, in 2022, the Bank signed financial agreements for 32 projects, of which 31 are new. The value of new projects signed in 2022 was a record high — 86% more than the annual average for the past five years, demonstrating the Bank's stability and the effectiveness of its current organisational structure and HR policy.

Communications Agenda

Over the year, the EDB organised approximately 15 events including its own participation at major international forums. Media coverage generated over 10,000 messages mentioning the Bank and its projects, reaching a target audience of more than 190 million.

In total, the Bank participated in over 80 international forums and conferences, including those organised by multilateral development banks (ADB, IsDB, and EBRD), United Nations specialised agencies (the World Bank, UNDP, UNEP, FAO, ESCAP, UNECE, and SPECA), the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), and the Central Asia Regional Economic Cooperation Programme (CAREC). The topics covered included sustainable development, industrialisation, digitalisation, regional integration, and collaboration between multilateral development banks and international organisations.

In 2022, the Bank positioned itself as a centre for PPP expertise in Eurasia. It launched an annual discussion platform for PPP market players — the roundtable entitled *PPP for Sustainable Development in EAEU+ States*. A training course was designed and the first workshop held for the authorities of the Kyrgyz Republic. A dedicated section was created on the eabr.org website, bringing together information and expertise and promoting EDB services for PPP projects.

The Bank continued to develop its cross-country dialogue platform, the Expert Club of the Eurasian Development Bank, focused on potential cross-country investment projects. In October 2022, the EDB hosted an Expert Club meeting in Astana to discuss the Central Asian water and energy complex.

The EDB also organised an annual international media competition, recognising and awarding the best journalists from EAEU countries and Tajikistan for their contribution to promoting cooperation and integration in Eurasia.

4

EFSD

The Bank manages the Eurasian Fund for Stabilization and Development ("EFSD" or "Fund"), which invests in various financial instruments. As of 31 December 2022, the Fund's assets amounted to US $4.3 billion. The Bank is not liable for the liabilities it undertakes on behalf of Fund participants.

The EFSD aims to foster economic and financial sustainability in the member states. As part of this mandate, the Fund works to enhance the sustainability of economic growth while promoting development. In the short term, this involves timely anti-crisis responses, while in the long term it targets macroeconomic stabilisation, institutional transformation, and the development of physical infrastructure and the social sector. Ultimately, the Fund's resources are directed towards ensuring sustained improvement in the well-being of member states' populations.

The EFSD provides 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 for socially important state-run projects, including technical assistance.

As of 31 December 2022, the EFSD loan portfolio totalled US $2,467 million and its cumulative project portfolio amounted to US $6,220 million.

5

Financial Statements

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

The EDB shareholding structure as of 31 December 2022 was as follows (US $ thousands):

Countries	Charter capital	Capital on call	Paid-in capital	Share (%)
Russian Federation	4,617,900	(3,617,900)	1,000,000	65.97
Republic of Kazakhstan	2,309,300	(1,809,300)	500,000	32.99
Republic of Belarus	69,300	(54,300)	15,000	0.99
Republic of Tajikistan	2,100	(1,600)	500	0.03
Republic of 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:

- consolidated statements of the Bank's profit or loss and other comprehensive income for years ended 31 December 2022, 2021 and 2020;
- consolidated statements of the Bank's financial position as of 31 December 2022, 2021 and 2020;
- consolidated statements of changes in equity for years ended 31 December 2022, 2021 and 2020; and
- consolidated cash flow statements for years ended 31 December 2022, 2021 and 2020.

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

↓ Statement of profit or loss and other comprehensive income for the year ended 31 December 2022
(US $ thousands)

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

↓ Statement of profit or loss and other comprehensive income for the year ended 31 December 2022 (continued)
(US $ thousands)

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

↓ Statement of financial position as of 31 December 2022
(US $ thousands)

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

↓ Statement of changes in equity for the year ended 31 December 2022
(US $ thousands)

	Charter capital			Reserve fund	Technical Assistance Fund reserve
	Charter capital	Capital on call	Paid-in capital		
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	–	–	–	–	–
Transfer to the Technical Assistance Fund reserve	–	–	–	–	10,102
Distribution of the Technical Assistance Fund reserve	–	–	–	–	(5,550)
31 December 2020	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**23,685**
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	–	–	–	–	–
Distribution of the Fund for Digital Initiatives reserve	–	–	–	–	–
Distribution of the Technical Assistance Fund reserve	–	–	–	–	(8,116)
31 December 2021	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**15,569**
Net profit	–	–	–	–	–
Other comprehensive loss	–	–	–	–	–
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**–**
Transfer to the Technical Assistance Fund reserve	–	–	–	–	5,568
Transfer to the Fund for Digital Initiatives reserve	–	–	–	–	–
Distribution of the Fund for Digital Initiatives reserve	–	–	–	–	–
Recognition of the Fund for Digital Initiatives' assets	–	–	–	–	–
31 December 2022	**7,000,000**	**(5,484,300)**	**1,515,700**	**146,220**	**21,137**

Fund for Digital Initiatives reserve	Treasury portfolio, revaluation reserve/(deficit) for financial assets at fair value through other comprehensive income	Treasury portfolio, revaluation reserve for hedging instruments	Investment portfolio, revaluation reserve/(deficit) for financial assets at fair value through other comprehensive income	Retained earnings	Total
–	**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	–	–	–	(10,000)	–
–	–	–	–	(10,102)	–
–	–	–	–	–	(5,550)
10,000	**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	–	–	–	(4,887)	–
(10,000)	–	–	–	–	(10,000)
–	–	–	–	–	(8,116)
4,887	**(15,985)**	**–**	**5,864**	**188,976**	**1,861,231**
–	–	–	–	30,656	30,656
–	(45,974)	–	(9,384)	–	(55,358)
–	**(45,974)**	**–**	**(9,384)**	**30,656**	**(24,702)**
–	–	–	–	(5,568)	–
5,568	–	–	–	(5,568)	–
(4,887)	–	–	–	–	(4,887)
–	–	–	–	4,709	4,709
5,568	**(61,959)**	**–**	**(3,520)**	**213,205**	**1,836,351**

↓ Statement of cash flows for the year ended 31 December 2022
(US $ thousands)

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on loans to customers	134,532	116,146	134,003
Interest income received on loans and amounts due from financial institutions and cash and cash equivalents	53,502	18,614	26,365
Interest income received from financial assets at fair value through other profit or loss	20,848	43,306	7,879
Interest income received from financial assets at fair value through other comprehensive income	60,007	93,449	81,201
Interest income received on debt securities at amortised cost	18,668	18,857	6,180
Interest paid on loans and amounts due to banks	(79,802)	(45,589)	(24,834)
Interest paid on financial liabilities at fair value through profit or loss	(25,569)	(13,492)	(21,353)
Interest paid on deposits from customers	(12,729)	(21,379)	(15,454)
Interest paid on debt securities issued	(111,928)	(105,961)	(147,111)
Fees and commissions received	20,408	8,155	16,445
Fees and commissions paid	(2,343)	(976)	(1,031)
Other income received/(expenses paid)	7	(18)	129
Operating expenses paid	(49,992)	(47,513)	(35,988)
Cash inflow from operating activities before changes in operating assets and liabilities	**25,609**	**63,599**	**26,431**
Changes in operating assets:			
(Increase)/decrease in loans to customers	(599,842)	386,375	(190,654)
Decrease/(increase) in loans and amounts due from financial institutions	32,007	(418,012)	71,787
Increase in financial assets at fair value through profit or loss	(257,730)	(12,435)	(63,169)
Decrease/(increase) in other assets	23,196	(19,967)	(2,260)
Changes in operating liabilities:			
Increase/(decrease) in amounts due to banks	2,509,391	144,119	(110,049)
Increase/(decrease) in deposits from customers	34,971	(98,549)	115,727
Increase/(decrease) in other liabilities	5,771	5,382	(1,275)
Cash flows from/(use of cash in) operating activities	**1,773,373**	**50,512**	**(153,462)**

↓ Statement of cash flows for the year ended 31 December 2022 (continued)
(US $ thousands)

	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of financial assets at fair value through other comprehensive income, treasury portfolio	(18,827,954)	(3,852,142)	(4,411,611)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, treasury portfolio	17,536,487	3,560,960	4,274,921
Acquisition of financial assets at fair value through other comprehensive income, investment portfolio	(118,009)	(113,104)	(82,079)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income, investment portfolio	21,693	8,270	16,799
Purchase of debt securities at amortised cost	(159,301)	(141,812)	(300,396)
Proceeds from redemption of debt securities at amortised cost	91,416	10,500	2,155
Acquisition of investments in an entity, classified as assets held for sale	(61,556)	–	–
Disposal of assets held for sale	53,479	–	–
Acquisition of property, equipment, and intangible assets	(4,836)	(1,819)	(1,132)
Dividends on investments in associates	–	70	–
Net use of cash in investing activities	**(1,468,581)**	**(529,077)**	**(501,343)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities	2,272,015	701,658	403,040
Redemption of debt securities issued	(1,082,233)	(397,755)	(713,990)
Proceeds from loans from banks and under repo agreements	123,106	92,579	1,041,900
Repayment of loans from banks and under repo agreements	(830,845)	(123,110)	(177,839)
Liabilities under lease agreements	(3,261)	(2,500)	(1,850)
Net cash inflow from financing activities	**478,782**	**270,872**	**551,261**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**783,574**	**(207,693)**	**(103,544)**
CASH AND CASH EQUIVALENTS at the beginning of the year	430,280	663,840	765,144
Effect of changes in foreign exchange rate on cash and cash equivalents	65,427	(25,867)	2,240
CASH AND CASH EQUIVALENTS at the end of the year	**1,279,281**	**430,280**	**663,840**

Abbreviations and Acronyms

ACRA	Analytical Credit Rating Agency
ADB	Asian Development Bank
AIFC	Astana International Financial Centre
EAEU	Eurasian Economic Union
EBRD	Eurasian Bank for Reconstruction and Development
ECL	expected credit loss
EDB, Bank	Eurasian Development Bank
EDS	electronic digital signature
EEC	Eurasian Economic Commission
EFSD	Eurasian Fund for Stabilization and Development
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
HPP	hydropower plant
HSE University	Higher School of Economics National Research University
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
IsDB	Islamic Development Bank
ITC	international transport corridor
KIMP	key investment mega-project
MDB	multilateral development bank
NDB	New Development Bank
OECD	Organisation for Economic Cooperation and Development
PPP	public-private partnership
ROAE	return on average equity
SDG	Sustainable Development Goal
SIC ICWC	Scientific Information Centre of the Interstate Commission for Water Coordination in Central Asia
SME	small and medium-sized enterprises
SPECA	United Nations Special Programme for the Economies of Central Asia
SPIEF	St. Petersburg International Economic Forum
TAF	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