

IMPORTANT NOTICE

THE OFFERING OF ANY SECURITIES IN CONNECTION WITH THE ATTACHED BASE PROSPECTUS IS AVAILABLE ONLY TO INVESTORS WHO ARE LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Base Prospectus following this page and you are therefore advised to read this page carefully before reading, accessing or making any other use of the attached Base Prospectus. In accessing the attached Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the attached Base Prospectus) and VTB Capital plc and other Dealers (as defined in the attached Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your representation: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities being offered, prospective investors must be non-U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) located outside the United States. The attached Base Prospectus is being sent to you at your request, and by accessing the attached Base Prospectus you shall be deemed to have represented to the Issuer and the Dealers that (1) you and any customers you represent are non-U.S. persons located outside of the United States and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such attached Base Prospectus by electronic transmission.

You are reminded that the attached Base Prospectus has been delivered to you on the basis that you are a person into whose possession such attached Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver such attached Base Prospectus to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

In member states of the EEA, the attached Base Prospectus is directed only at persons who are "qualified investors" within the meaning of Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**") and in the United Kingdom only at persons who are "qualified investors" within the meaning of Regulation (EU) 2017/1129 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"). In addition,

in the United Kingdom, the attached Base Prospectus may only be distributed to, and is directed at (1) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (2) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). The securities to which the attached Base Prospectus relates are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be available only to, or will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the attached Base Prospectus or any of its contents.

The attached Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Dealers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Dealers.



Eurasian Development Bank

U.S.\$3,500,000,000

Euro Medium Term Note Programme

The Eurasian Development Bank (the "**Issuer**"), an international development bank founded by the Russian Federation and the Republic of Kazakhstan, has established this U.S.\$3,500,000,000 euro medium term note programme (the "**Programme**"), pursuant to which the Issuer may from time to time issue and have outstanding Euro medium term notes (the "**Notes**"), which will constitute direct, general, unsubordinated and unsecured obligations of the Issuer.

This base prospectus (the "**Base Prospectus**") constitutes a prospectus for the purposes of Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**") and has been approved by the Central Bank of Ireland, as competent authority under the EU Prospectus Regulation. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the Notes that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Notes. Any website referred to in this document does not form part of this Base Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes issued under the Programme to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Regulated Market**") during the period of twelve months after the date hereof. The Regulated Market is regulated for the purposes of the Markets in Financial Instruments Directive II 2014/65/EU, as amended ("**MiFID II**").

The Issuer may also issue unlisted Notes and/or Notes admitted to trading on a market other than the Regulated Market, and which is not a regulated market for the purposes of MiFID II. The requirement to publish a prospectus under the EU Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area ("**EEA**") and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(2) of the EU Prospectus Regulation. References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the EU Prospectus Regulation. Information contained in this Base Prospectus regarding Exempt Notes shall not be deemed to form part of this Base Prospectus and the Central Bank of Ireland has neither approved nor reviewed information contained in this Base Prospectus in connection with the offering and sale of Exempt Notes. In the case of Exempt Notes, notice of information which is applicable to each Tranche will be set out in a pricing supplement document (the "**Pricing Supplement**").

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**"), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes may only be offered and sold (i) within the United States, to qualified institutional buyers (each, a "**QIB**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance on the exemption from registration provided by Rule 144A (such Notes so offered and sold, the "**Rule 144A Notes**") and (ii) outside the United States, to non-U.S. persons in offshore transactions in reliance on Regulation S (such Notes so offered and sold, the "**Regulation S Notes**"). Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside of the United States, the sellers of Notes may be relying on Regulation S. For a description of these and certain other restrictions, see "**Subscription and Sale**" and "**Transfer Restrictions**".

Factors which may affect the ability of the Issuer to fulfil its obligations under the Programme and factors which are material for the purpose of assessing the risks associated with the Notes are set out in "Risk Factors". Prospective investors should carefully consider the risks described beginning on page 1 of this Base Prospectus prior to making an investment decision with respect to the Notes.

EACH INITIAL AND SUBSEQUENT PURCHASER OF THE NOTES OFFERED HEREBY IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH IN THIS BASE PROSPECTUS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF NOTES AND MAY IN CERTAIN CIRCUMSTANCES BE REQUIRED TO PROVIDE CONFIRMATION OF COMPLIANCE WITH SUCH RESALE OR TRANSFER RESTRICTIONS.

The Issuer has been assigned long-term foreign currency ratings of "BBB" (outlook - negative) by S&P Global Ratings Europe Limited ("**Standard & Poor's**"), "Baa1" (outlook - stable) by Moody's Investors Service Singapore Pte. Ltd. ("**Moody's**") and "BBB+" (outlook - stable) by Fitch Rating CIS Limited ("**Fitch**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended (the "**CRA Regulation**") unless: (i) the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or (ii) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (iii) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. For the purposes of the credit ratings included and referred to in this Base Prospectus, Standard & Poor's is established in the European Union and is registered under the CRA Regulation. As such, Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. Neither of Moody's or Fitch is established in the European Union. The rating issued by Moody's has been endorsed by Moody's Deutschland GmbH and the rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited, in each case in accordance with the CRA Regulation. Each of Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such each of Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

Arranger and Permanent Dealer
VTB CAPITAL

Base Prospectus dated
26 February 2021

This Base Prospectus contains information provided by the Issuer in connection with the Programme under which the Issuer may issue and have outstanding at any time the Notes on the terms set out herein (the "**Terms and Conditions of the Notes**") as completed by the final terms applicable to each issue (the "**applicable Final Terms**") up to a maximum aggregate amount of U.S.\$3,500,000,000 or its equivalent in other currencies. The Notes will be constituted by, and have the benefit of, an amended and restated trust deed dated 26 February 2021 (the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which term shall include any successor trustee or trustees under the Trust Deed). The Issuer has, pursuant to a dealer agreement (the "**Dealer Agreement**") dated on or about 26 February 2021, appointed VTB Capital plc as dealer for the Notes under the Programme (the "**Permanent Dealer**") and has authorised and requested the Permanent Dealer to circulate this Base Prospectus in connection with the Programme, subject as provided in the Dealer Agreement.

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

No Notes may be issued under the Programme with a minimum denomination of less than EUR100,000 (or its equivalent in another currency) or, in the case of Rule 144A Notes, U.S.\$200,000 (or its equivalent in another currency). Subject thereto and in compliance with all applicable legal, regulatory and/or central bank requirements and the restrictions described in this Base Prospectus, Notes will be issued in such denominations as may be specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market and admitted to the Official List.

This Base Prospectus has been filed with and approved by the Central Bank of Ireland as required Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**") and Commission Delegated Regulation (EU) 2019/980. The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland.

This Base Prospectus is valid until 26 February 2022 and must during such period and in accordance with Article 23 of the EU Prospectus Regulation be completed by a supplement to the Base Prospectus in the event of any new significant facts or material errors or inaccuracies.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by the Issuer, the Dealers or the Trustee or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person that any recipient of this Base Prospectus should purchase any Notes. Each recipient of this Base Prospectus contemplating the purchase of any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither Citibank, N.A., London Branch (as Principal Paying Agent, Calculation Agent and Transfer Agent) nor the Trustee nor the Make-whole Calculation Agent has independently validated the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Citibank, N.A., London Branch or the Trustee as to the accuracy or completeness at any time of this Base Prospectus or any supplement hereto.

No person has been authorised by the Issuer, the Dealers or the Trustee or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person to give any information or to make any representation not contained in this Base Prospectus or any supplement hereto and, if given or made, such information

or representation must not be relied upon as having been so authorised. Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no material adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Notes come are required by the Issuer, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. In particular, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Base Prospectus and other information in relation to the Notes set out under "*Subscription and Sale*" and "*Transfer Restrictions*". In particular, the Notes have not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons.

None of the Issuer, the Dealers or the Trustee or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person makes any representation regarding the treatment for taxation purposes of payments or receipts in respect of any Notes under U.S. or other tax laws. Each investor contemplating the acquisition of Notes under the Programme must seek such tax or other professional advice as it considers necessary. See "*Taxation*".

Application has been made for the Notes issued under the Programme to be admitted to the Official List and to trading on the Regulated Market. The Programme also permits the Issuer to issue unlisted Notes and/or Notes admitted to trading on a market other than the Regulated Market, and which is not a regulated market for the purposes of MiFID II. The applicable Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and traded on the Regulated Market of Euronext Dublin or any other stock exchange(s).

Regulation S Notes of each Series (as defined herein) which are sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by interests in a global unrestricted note in registered form (each, a "**Regulation S Global Note**"), which will be deposited with a common depository for, and registered in the name of a nominee for the common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**") on its Issue Date (as defined herein). Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream. Rule 144A Notes of each Series sold to QIBs, as referred to in, and subject to, the transfer restrictions described in "*Subscription and Sale*" and "*Transfer Restrictions*", will initially be represented by interests in a global restricted note in registered form (each, a "**Rule 144A Global Note**" and, together with any Regulation S Global Notes, the "**Global Notes**"), which will be deposited either with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**") on its Issue Date or with a common depository for, and registered in the name of a nominee for the common depository for Euroclear and Clearstream on its Issue Date. Beneficial interests in a Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants or Euroclear or Clearstream, as the case may be. See "*Summary of the Provisions Relating to the Notes in Global Form*". Definitive Notes (as defined herein) in registered form will only be available in certain limited circumstances as described herein.

NEITHER THE NOTES, NOR ANY BENEFICIAL INTERESTS THEREIN, HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES

OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS OR ANY SUPPLEMENT HERETO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) designated as the stabilisation manager(s) (the "Stabilisation Manager(s)") (or persons acting on behalf of any Stabilisation Manager(s)) in relation to a particular issuance of Notes may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) or persons(s) acting on behalf of any Stabilisation Manager(s) in accordance with all applicable laws and rules.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 ("IDD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the UK Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a

distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

NOTIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**SF (CMP) Regulations**") that, unless otherwise stated in the relevant Final Terms, all Notes issued under the Programme shall be prescribed capital markets products as defined in SF (CMP) Regulations and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD LOOKING STATEMENTS

This Base Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Base Prospectus may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although the Issuer believes that the expectations reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, there can be no assurance that these expectations will prove to be correct.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that the Issuer's actual results of operations, financial condition and liquidity and the development of the business environment in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Base Prospectus. In addition, even if the Issuer's results of operations, financial condition and liquidity and the development of that environment in which the Issuer operates for any period are consistent with the forward-looking statements contained in this Base Prospectus, such results, financial condition, liquidity or developments may not be indicative of results, financial condition, liquidity or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- impact of the novel coronavirus ("**COVID-19**") pandemic and measures taken by the governments on the global economy in general and economies of the Issuer's member nation-states (the "**Member States**") in particular;
- the level of support the Issuer receives from the Member States;
- the timing and success of business development efforts;
- the impact of projects undertaken to improve cost efficiencies and enhance revenue growth;
- the ability to increase and diversify the composition of the Issuer's loan portfolio;
- overall economic and business conditions, including declines in the levels of worldwide economic and business activity or the continuation of past reduced levels of such activity for a prolonged period;
- dislocations in global financial markets that restrict access of the Issuer or its customers to capital and credit markets on favourable terms or at all;
- changes and trends in commodity prices;
- the demand for loans in the markets in which the Issuer operates and the ability of the Issuer to originate loans that fulfil its investment criteria;
- competitive factors in the industries in which the Issuer and its customers compete;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- economic and political conditions in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties arising from future actions.

The sections of this Base Prospectus entitled "*Risk Factors*" and "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting the Issuer's Results of Operations*" contain a more complete discussion of the factors that could affect the Issuer's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Base Prospectus may not occur.

The Issuer does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best knowledge of the Issuer, the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

BENCHMARKS

Amounts payable on Floating Rate Notes may be calculated by reference to one of the London Interbank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**"), which are respectively provided by ICE Benchmark Administration Limited ("**ICE**") and the European Money Markets Institute ("**EMMI**"), and other indices which are deemed "benchmarks". As at the date of this Base Prospectus, EMMI is included and ICE is not included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) No. 2016/1011) (the "**Benchmark Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that ICE is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). The applicable Final Terms will specify the administrator of any benchmark used as a reference under the Floating Rate Notes and whether or not such administrator appears on the above mentioned register of administrators and benchmarks established and maintained by the ESMA.

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RISK FACTORS

An investment in the Notes involves a high degree of risk. The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Some of these factors are contingencies that may or may not occur.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. If any of the risks described below actually materialises, the Issuer's business, prospects, financial condition, cash flows or results of operations could be materially adversely affected. If this were to happen, the trading price of the Notes could decline or the Issuer could be unable to pay interest, principal or other amounts on or in connection with any Notes and investors may lose the value of their entire investment, or part of it.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes, or otherwise perform its obligations under any Notes, may occur for other reasons that may not be considered significant risks by the Issuer based on information currently available to it or for reasons that it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risk Factors Relating to the Issuer

The Issuer is exposed to credit risk from its customers, clients and counterparties and its credit policies may be insufficient to mitigate these risks

The Issuer's business exposes it to credit risk. As a result of any economic uncertainty (including as a result of the COVID-19 pandemic), the demand for borrowing from creditworthy customers may decline or the Issuer's customers or counterparties (including other financial institutions) could become delinquent on their loans or other obligations to the Issuer, which, in turn, could result in a higher level of write offs and provisions for expected credit losses or requirements that the Issuer strengthen its capital or provide other funding, any of which could adversely affect the Issuer's and its customers' business, prospects, financial condition, cash flows and results of operations.

The quality of the Issuer's credit exposures will have a significant impact on its earnings. The Issuer estimates and establishes provisions for expected credit losses with respect to credit risks and potential credit losses inherent in its credit exposure in accordance with the International Financial Reporting Standards ("**IFRS**"). This process, which is critical to its financial condition and results of operations, requires difficult, subjective and complex judgments, including forecasts of how economic conditions might impair the ability of its borrowers to repay their loans. While the Issuer's estimations are verified by its auditors through audit or review procedures, as is the case with any such assessment, there is always the possibility that the Issuer will fail to identify the proper factors or that it will fail to accurately estimate the impact of factors that it identifies. The Issuer's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if the relevant adverse financial and economic market conditions render the models and techniques used by the Issuer less accurate in their predictions of future behaviour, valuations or estimates. Any such failure could result in increased default rates.

There can be no assurance that the Issuer's credit policies will be sufficient to mitigate credit risks arising from lending for medium and long terms to borrowers located in emerging markets such as the Eurasian Economic Union (the "**EEU**") countries. Moreover, with a view to promote economic growth, the Issuer intends to expand funding to finance projects in Armenia, Kyrgyzstan and Tajikistan, which may increase risk exposure. This could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations. The Issuer's expected credit loss provisions on loans to customers was U.S.\$72.9 million as at 31 December 2020, representing 3.4% of total loans to customers outstanding on that date compared to U.S.\$62.8 million as at 31 December 2019, representing 3.1% of total loans to customers outstanding on that date, and compared to U.S.\$66.2 million as at 31 December 2018, representing 3.9% of total loans to customers outstanding on that date.

The Issuer ordinarily estimates the credit capacity of a borrower based on its solvency and the net realisable value of the collateral in determining applicable provisioning and collateralisation requirements. The Issuer has established relationships with certain credit reference organisations in the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Kyrgyzstan and the Russian Federation to receive information about potential borrowers in the countries where the Issuer operates. However, the information that these credit reference organisations provide may not be sufficient in all cases to carry out a comprehensive credit assessment of a potential borrower. The systems in place in the Member States for gathering and publishing economic data, both generally and relating to specific economic sectors or individual enterprises, are not as comprehensive as those of many more developed countries. The Issuer's inability to properly assess potential borrowers' creditworthiness may have a negative effect on the Issuer's loan portfolio and, accordingly, the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer's ability to assess the creditworthiness of customers and to estimate the losses inherent in its loan portfolio is made more complex by the adverse financial market and economic conditions, which may be caused by unexpected factors such as the outbreak of COVID-19. The reoccurrence of such adverse financial and economic market conditions, or the failure of the global and local economic and financial markets to continue to improve, could have the following consequences:

- increases in loan delinquencies;
- increases in distressed assets; and
- decreases in the value of the collateral securing the Issuer's loans, which could reduce the borrowing power of the Issuer's customers.

The occurrence of such events could require significant increases in the provision for expected credit losses. If the Issuer's provision for expected credit losses is not adequate to absorb losses in its loan portfolio, it may experience excessive loan losses, while increased provision for expected credit losses may decrease the Issuer's profitability and have an adverse impact on the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer's loan portfolio is concentrated in certain industry sectors and in certain Member States and is subject to credit risk due to high lending concentration

The Issuer's loan portfolio includes, and is likely to continue to include, concentrations in the non-financial sectors of its Member States' economies. As at 31 December 2020, the Issuer had made U.S.\$2,171.6 million in gross loans to 42 borrowers in non-financial sectors, largely in the transport, chemical industry, energy, mining and infrastructure sectors. Of these loans, 33.7% were in the transport sector, 21.4% were in the chemical industry sector, 20.3% were in the energy sector, 9.8% were in the mining sector, 5.0% were in the infrastructure sector and 9.7% were in other non-financial sectors.

The Issuer's loan portfolio also includes, and is likely to continue to include, concentrations in particular Member States. As at 31 December 2020, 29.6%, 42.4%, 26.3% and 1.8% of the Issuer's total loans to customers and loans and advances to financial institutions were to borrowers based in the Republic of Kazakhstan, the Russian Federation, the Republic of Belarus and in other Member States, respectively. In addition, as at 31 December 2020, the Issuer's top ten borrowers (in terms of loans issued to single borrowers or groups of connected borrowers) accounted for 66.0% of the Issuer's total loans to customers and loans and advances to financial institutions. As at 31 December 2020, two customers of the Issuer had balances exceeding 10% of the Issuer's total equity.

The Issuer expects that, to fulfil its purposes as set out in the Establishing Agreement, it will continue to have a high lending concentration. This concentration may result in an adverse impact on the business, prospects, financial condition, cash flows and results of operations of the Issuer if economic changes particularly affect its

largest customers, or its customers in the countries or business sectors to which its loan portfolio is concentrated and exposed. As a result, the Issuer is potentially subject to high credit risk concentration and earnings volatility.

The Issuer faces risks associated with the level of, and changes in, interest rates

The Issuer is exposed to interest rate risks resulting from mismatches between the interest rates on its interest bearing assets and interest bearing liabilities. Any future increase or decrease in interest rates could have an adverse effect on the net interest margin and results of operations of the Issuer. Additionally, absolute changes in market interest rates, changes in the relationships between short-term and long-term market interest rates or changes in the relationships between different interest rate indices may affect the interest received by the Issuer on interest bearing assets differently than the interest paid by the Issuer on interest bearing liabilities. This difference could result in an increase in interest expense relative to interest income and, therefore, reduce the Issuer's net interest income. Further, as happened in the past, a decrease in market interest rates may enable the Issuer's borrowers to request a decrease in the established interest rates under existing facilities. The Issuer may not be able to match such changes in its interest income by a corresponding change in its interest expense. The profitability of the Issuer is dependent to a large extent on interest rate margins, which are the differences between interest income that the Issuer earns on interest bearing assets, such as loans and investment securities, and the interest expense paid by the Issuer on interest bearing liabilities, such as borrowings. These rates are highly sensitive to many factors beyond the Issuer's control, including general economic conditions and policies of various government and regulatory authorities. Fluctuations in interest rates are not predictable or controllable.

The Issuer's net interest margin was 1.33% for the year ended 31 December 2020, compared to 2.22% for the year ended 31 December 2019 and 2.75% for the year ended 31 December 2018. A decrease in the Issuer's interest margin was primarily driven by a decrease in the average interest rate on the Issuer's interest bearing assets. The average interest rate on the Issuer's total interest bearing assets for the year ended 31 December 2020 was 5.2%, as compared to 6.2% for the year ended 31 December 2019 and 6.1% for the year ended 31 December 2018. The decrease in the Issuer's average rate on interest bearing assets was primarily driven by a decrease in interest rates in the Member States, as well as a decrease in key global interest rate benchmarks. The average interest rate on the Issuer's total interest bearing liabilities was 5.8%, 7.5% and 6.8% for the years ended 31 December 2020, 2019 and 2018, respectively. As at 31 December 2020, 57.7% and 43.2% of the Issuer's total interest bearing assets had fixed and floating interest rates, respectively.

While the Issuer monitors its interest rate sensitivity by analysing the composition of its assets and liabilities, including off-balance sheet financial instruments, interest rate movements may have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer is exposed to foreign currency risks

The Issuer's presentation currency is U.S. dollars. Assets and liabilities of the Issuer are denominated in several currencies, including RUB, KZT and EUR. Foreign currency risk refers to losses that may be incurred due to currency fluctuations. Although the Issuer in most cases extends loans in the same currencies as its principal liabilities, it remains exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position. In 2020, national currencies of the Member States depreciated against the USD primarily due to a decline in global trade exacerbated by a turbulence in global financial markets as a result of the COVID-19 pandemic. These tendencies resulted in a decrease in RUB and KZT exchange rate against the USD by 19.3% and 10.4%, respectively, in 2020.

As at 31 December 2020, 8.3%, 15.9%, 29.6% and 46.2% of the Issuer's net loan portfolio was denominated in USD, KZT, RUB and Euros, respectively, while 58.2%, 6.5% and 22.8% of the Issuer's debt securities at amortised cost and at fair value through other comprehensive income were denominated in USD, RUB and KZT, respectively. In order to diversify its funding base and expand its range of operations with financial institutions the Issuer had increased its loans and deposits from banks to U.S.\$1,560.1 million as at 31 December

2020 from U.S.\$242.9 million as at 31 December 2018. This funding is denominated in multiple currencies, including Chinese yuan. Pursuant to its internal policies, the Issuer sets limits on its open currency positions and performs certain other measures aimed at reducing exchange rate risk, such as entering into foreign exchange derivative contracts. The Issuer might not be able to obtain hedging for its liabilities or, if it does, it might be at significant cost and/or its counterparties could default on their obligations to the Issuer. Future changes in currency exchange rates and the volatility of currencies may adversely affect the Issuer's foreign currency position and, accordingly, the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer may face liquidity risks, which it may fail to mitigate if it is unable to raise sufficient funding

The Issuer meets a portion of its funding requirements using loans and deposits from banks and issuing debt securities, which as a percentage of total liabilities represented 88.2%, 89.1% and 89.7% as at 31 December 2020, 2019 and 2018, respectively. The Issuer may have limited access to the capital markets and the Issuer's depositors and lenders may withdraw their deposits from the Issuer or decide not to extend deposits to the Issuer, and such withdrawals of deposits may result in liquidity gaps that the Issuer may not be able to cover.

The Issuer faces increasing competition and its performance may vary depending on changes in the intensity and source of this competition

The market in providing financing to development projects is relatively competitive. The Issuer's principal competitors are national, regional and other international development banks as well as large local commercial or state-owned banks operating within the region (including the EEU markets). The Issuer attempts to avoid direct competition with commercial banks where possible using its extensive expertise in major long-term infrastructure projects across the Member States. In addition to local commercial and development banks, foreign commercial banks, especially those located in the Russian Federation, play an important role in providing financing to corporate customers. Foreign entries into the Member States' banking markets may further increase competition in those markets. Certain of these competitors could be more established, and have greater financial resources, than the Issuer.

In recent years, sovereign wealth funds, private equity funds and hedge funds have risen in prominence as alternative sources of financing. Consolidation in the financial services industry worldwide is increasingly concentrating activity in larger institutions, with globalisation exposing the Issuer to competition at global and local levels, both for funding in the capital markets and for access to the most creditworthy borrowers. In 2020, the recent economic and financial downturn caused by the COVID-19 pandemic reduced the number of suitable investment projects in the EEU markets in which the Issuer operates. In many cases across the Member States, state-owned financial institutions receive lower cost sources for funding their loans and an opportunity to refinance or restructure their borrowings to reduce their interest expense. No assurance can be given that the Issuer will be able to compete effectively as it continues to implement its strategy which may adversely affect the Issuer's business, prospects, financial condition, cash flows and results of operations.

Sanctions may affect the Issuer's business, financial condition and results of operations

Despite being an international organisation, the Issuer is exposed to legal risks arising from a variety of sources to the extent that, where applicable, the Issuer has waived immunity with respect to such exposure. See "*The Issuer—Legal Status, Privileges and Immunities*". The Issuer also may be affected by actions of governments that affect access to the global financial infrastructure. These issues require the Issuer to deal appropriately with potential conflicts of interest, legal requirements, ethical issues, anti-money laundering laws and similar laws and regulations, including sanctions regulations administered by the U.S. Department of Treasury Office of Foreign Assets Control ("**OFAC**") and equivalent sanctions or measures imposed by the European Union and the United Kingdom (the "**UK**"), privacy laws and confidentiality issues, information security policies and conduct by companies with which the Issuer does business. For example, OFAC subjects U.S. persons who do business with certain persons or entities listed on the "specially designated nationals" list and other sanction lists promulgated by OFAC to potential

sanctions, and these lists currently include, and from time to time in the future may include, persons and entities, including officials and state entities, of one or more of the Member States or prospective Member States.

In particular, the United States, the EU and the UK (as well as other nations such as Australia, Canada, Japan and Switzerland) have imposed sanctions on certain Russian persons and entities in connection with the conflict in Ukraine, as well as alleged interference in the 2016 U.S. Presidential elections. For example, a number of Russian government officials, businessmen, banks and companies have been subject to asset seizures (and, in the case of individuals, travel bans) in the EU, United States and the UK, and U.S., EU and UK persons have been restricted in their ability to do business and provide funds or other economic resources to such individuals and entities. In addition, the EU, the UK and United States have also instituted so-called "sectoral" sanctions restricting the ability of several of Russia's leading banks to access international capital markets (as U.S. persons are prohibited from extending them debt financing in excess of 14 days and EU and UK persons - in excess of 30 days, or dealing in their new equity issuances and providing related services). Similar sectoral sanctions have been applied against several prominent Russian oil and gas and defense companies. These sectoral sanctions have in the past contributed, and may in the future contribute, to an increase in the cost of capital in Russia. Other international sanctions have been imposed in respect of, among other things, Russian military defense entities, dual military/civil use technologies, sophisticated off-shore oil drilling technologies and companies doing business in Crimea. The current sanctions regime is a result of multiple extensions by the U.S., EU and the UK of the term and scope of sanctions. The governments of the United States and certain EU member states, as well as certain EU officials, have indicated that they may consider additional sanctions should such tensions between Russia and Ukraine continue. On 6 April 2018, OFAC announced that it has added certain individuals and entities to the specially designated nationals and blocked persons (SDN) List and made certain changes to the sectoral sanctions identifications list (which did not include the Issuer or any of its officers). In 2018 and 2019, the United States continued to add various private individuals and entities to the SDN List with no indication of any specific reason for including them. Further expansion of the SDN List with Russian entities or their affiliates may have a further negative effect on the Russian economy and result in further impairment of the investment environment, capital outflows from Russia.

Russia is a Member State and the other Member States have significant economic and political relations with Russia. Russia and Kazakhstan, together with Belarus, are also members of the Customs Union (the "**Customs Union**") and Common Economic Space. The functioning of the EEU (which essentially is the continuation of the Customs Union and Common Economic Space) is expected to continue to strengthen the Member States' economic relations with Russia going forward. As at 31 December 2020, 41.6% of the Issuer's gross loans to customers and gross loans and advances to financial institutions were to borrowers based in Russia. Sanctions imposed on certain Russian persons and entities by the United States, the EU and the UK and other countries and possible expansion of such sanctions could prevent the Issuer from dealing with certain Russian counterparties, which could have a material adverse impact on the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer has implemented policies and procedures designed to identify whether persons with whom the Issuer does business, including potential Council and Management Board members and potential borrowers and their affiliated parties, are included on the sanctions lists. The compliance procedures applied by the Issuer are recommended by the Financial Action Task Force, the Wolfsberg Group and the Eurasian Group on combating money laundering and the financing of terrorism. As part of these procedures, the Issuer uses the OFAC card-index database, UN and EU sanctions lists, the Consolidated List of Financial Sanctions Targets in the UK, the World-Check and Accuity databases and other information resources. As at the date of this Base Prospectus, no person designated to serve on any management body of the Issuer is the subject of sanctions administered by OFAC or sanctions or measures imposed by the European Union and the UK. While the Issuer believes its procedures are effective, there can be no assurance that these procedures can ensure that their objectives will be achieved. Failure to address these issues appropriately may give rise to additional legal and compliance risk to the Issuer, result in litigation and other action against the Issuer, or subject the Issuer to fines, penalties or reputational damage, which may have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

None of the proceeds of the issue of the Notes will be used to fund activities or persons that are subject to sanctions introduced by the United States, the European Union and/or the United Kingdom.

The Issuer is a creation of international law and is not subject to regulation by any state

The Issuer is an international organisation founded by the Russian Federation and the Republic of Kazakhstan pursuant to the Agreement Establishing the Eurasian Development Bank dated 12 January 2006 (the "**Establishing Agreement**"). The Establishing Agreement has the status of a treaty under public international law and the Issuer is a creature of, and subject to, public international law. The Issuer's existence, powers, privileges, immunities, liabilities and operations are subject to and governed by the Establishing Agreement. The Issuer is not subject to regulation by any state. Accordingly, while the Issuer has established policies and procedures to govern its internal operations in accordance with international standards, such as the Basel Accords and IFRS standards, the operations of the Issuer are not subject to the external regulatory oversight to which domestic financial institutions established in its Member States are subject. In particular, the Issuer is not subject to any external formal minimum capital adequacy requirements. However, it has adopted internal regulations on maintaining a minimum capital adequacy ratio calculated on the basis of Basel II principles, which currently is no less than 16.0%. See "*Legal Personality; Enforceability of Judgments*" and "*The Issuer-Legal Status, Privileges and Immunities*".

In addition, although its members constitute sovereign states, the Issuer has the status of a legal entity and has a legal personality separate from the governments of its Member States and the agencies of such governments. The Notes, interest or other amounts due or to become due in respect of the Notes, constitute obligations solely of the Issuer and do not constitute the obligation of, nor are they guaranteed or insured by, the Russian Federation, the Republic of Kazakhstan or any other Member State or sovereign entity or agency thereof.

The Issuer may not be able to recruit or maintain qualified personnel

There is generally a considerable shortage of adequately qualified personnel in the banking sectors of the Member States, particularly in such areas as risk management and credit assessment. If the shortage of adequately qualified banking personnel persists, the Issuer's ability to conduct its business may be affected, which could, in turn, adversely affect the Issuer's financial results. In addition, the shortage of adequately qualified banking personnel may cause the Issuer to increase expenditures to implement additional financial and other incentives in order to retain its existing personnel and recruit additional personnel.

Risk Factors Relating to the Member States

General

Substantially all of the Issuer's business is undertaken, and its customers and assets are located, in the Member States. Emerging markets such as those in the Member States are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Investors should be aware that these risks may be applicable to the Issuer notwithstanding that its status as an international organisation affords it certain privileges, immunities and political protection. Investors should also note that emerging markets such as the Republic of Kazakhstan, the Russian Federation and the other Member States are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

Adverse global conditions in financial and economic markets that affect the economies of the Member States could have an adverse effect on the Issuer's business and financial condition

From time to time, the economies of the Member States are adversely affected by the global or regional economic turbulence. The recent COVID-19 outbreak and restrictive measures that were imposed by governments throughout the world negatively affected supply chains and the global demand for crude oil. The sharp decline in oil prices adversely affected the Russian economy, as one of the largest oil exporters in the world, and indirectly

negatively affected the economies of the other Member States, because Russia is their main trading partner. Although oil prices have recovered in the second half of 2020 and in the beginning of 2021 (with spot prices of Brent crude oil averaging U.S.\$50/bbl in December 2020 and U.S.\$55/bbl in January 2021, as compared to U.S.\$18.4/bbl in April 2020, according to the U.S. Energy Information Agency), they may continue to be volatile.

In addition, the conflict in Ukraine and related sanctions imposed on certain Russian individuals and legal entities by the U.S. and the EU in response to the perceived actions of Russia in Ukraine have undercut confidence in the Russian economy and added to the cost of capital and devaluation of the Russian Rouble. The negative effects of the decline in commodity prices on the economies of Russia and Kazakhstan have had, to a certain extent, a "contagion effect" on economies in the region, including, the economies of other Member States as Russia and Kazakhstan are their close trading partners.

Belarus' economy and finances have been and continue to be adversely affected political and economic instability in neighbouring markets such as Ukraine and Russia, as well as by downturns in the global economy. The political and economic situation in Belarus also remains volatile, however, the influence of the Belarussian economy on the Member States is limited due to its smaller size.

The global economic environment is subject to a number of uncertainties, including mounting government deficits, discontinuation of certain stimulus programmes, potential inflation or deflation, political tensions over global trade (in particular, economic tension between the governments of the United States and China), labour and capital mobility, terrorism and concerns over the stability of the monetary and political union in the EU. Financial markets and the supply of credit are likely to continue to be impacted by concerns surrounding the sovereign debt of certain EU countries as well as concerns about a slowdown in growth in certain economies.

The outbreak of COVID-19 severely affected the volume of business activity, investments and trade worldwide. In October 2020, the International Monetary Fund released its forecast, which predicted a 4.4 per cent. contraction in global GDP in 2020 as a result of the COVID-19 pandemic (and associated effects such as oil price volatility) and the restrictive measures taken to combat it. The downturn in economic activity and export operations globally and in Russia and Kazakhstan as a result of the COVID-19 outbreak have been aggravated by the substantial decline in oil prices since early March when the global oil markets experienced a precipitous decline in oil prices in response to concerns regarding the potential impact of the COVID-19 outbreak and the uncertainty of oil production from the OPEC+ countries. In April 2020 the OPEC+ countries entered into a new agreement to reduce oil production. Notwithstanding the goal of this agreement, its total impact on crude oil prices is still to be determined. The depreciation of the RUB and KZT in March 2020 and the ensuing volatility of RUB and KZT may negatively impact the Issuer's performance in U.S. dollar terms, as well as have a broader effect on its operations and customers. No assurance can be given that further economic downturns, financial crises or widespread stock market crashes will not occur, or that measures to support global or local banking and financial systems, if taken to overcome any downturn or crisis, will be sufficient to restore stability in the banking sectors and financial markets in the short term or beyond. These and other events have resulted and could result in further economic uncertainty, decrease in foreign investment into and increased capital outflows from Russia and emerging markets generally as well as persistent volatility in global and regional financial markets.

Other global political developments may also have negative effects on the economies of the Member States. On 31 January 2020, the United Kingdom formally left the EU ("**Brexit**"). The United Kingdom and the European Commission reached an agreement on the future trading relationship between the parties (the "**UK-EU Trade and Cooperation Agreement**" or "**TCA**"). On 30 December 2020, the UK Parliament approved the European Union (Future Relationship) Bill, thereby ratifying the TCA. The TCA is subject to formal approval by the European Parliament and the Council of the European Union before it comes into effect and has been applied provisionally since 1 January 2021. While it is difficult to predict the effect of Brexit on the European and global economy, uncertainty regarding new or modified arrangements between the United Kingdom and the European Union could result in additional volatility in the markets and increased borrowing costs. The resulting political and economic uncertainty could also lead to further calls for other governments of other European Union Member States

to consider withdrawal from the European Union or the abandonment of the Euro as a currency. Such developments, or the perception that any such developments could occur, could have a material adverse effect on global economic conditions and the stability of the global economy.

In addition, the status of trade relations between the U.S. and some of its largest trade partners, including with respect to the U.S.'s existing trade agreements, may adversely impact the financial markets. These volatile trade relations, in particular between the U.S. and China, could result in negative repercussions in these countries and have a knock-on effect on global trade and the economic environment. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to fund their capital and liquidity requirements and operate in certain financial markets. Any of these factors could depress economic activity, commodities markets and restrict access to capital.

If the condition of the global or Member States' economic and financial markets continues to deteriorate, it could lead to a deterioration of the credit quality of the Issuer's investment and treasury portfolios, decrease in profitability of the Issuer's projects, negative revaluation of financial assets, an increase in operational risks, and have other adverse effects on the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Member States may be subject to liquidity problems that could have an adverse impact on the Issuer's business or financial condition

The decline in global oil prices between 2014 and 2016 and in 2020, in addition to continuing volatility in commodity markets, combined with the sanctions against Russian persons and entities, has impaired the ability of banks, corporates and other entities in the Member States to access the international capital markets and led, generally, to reduced liquidity and increased costs of funding, both for banks and for other participants in and users of these markets.

As at 31 December 2020, 42.3%, 13.2% and 22.7% of the Issuer's gross loans and advances to financial institutions were to financial institutions in the Russian Federation, the Republic of Kazakhstan and Belarus, respectively. Further, as at 31 December 2020, the Issuer held an equivalent of U.S.\$1,799.6 million of financial assets (comprising financial assets at fair value through profit or loss, loans and advances to financial institutions, loans to customers, financial assets at fair value through other comprehensive income, debt securities at amortised cost, investments in associates and hedging instruments) issued by the Government of the Russian Federation and Russian-based banks and companies. Instability in the Russian financial and banking sector and a bail-out of three major private banks in 2017 have contributed to volatility and lowered investor confidence in the Russian banking system. More recently, on 22 January 2019, similar measures were introduced by the CBR with respect to Moscow Industrial Bank, the 33rd largest bank in Russia by assets as of 1 January 2019. Any further significant disruptions to the business operations of large Russian banks or restrictions on their ability to fulfil their financial obligations towards other Russian or foreign creditors and banks may have a material adverse effect on the Russian banking sector, local financial market and investment climate generally. Liquidity difficulties could also arise in other large privately owned banks in Russia, and there can be no assurance that the CBR will be able to provide financial support to such banks, which would further exacerbate difficulties in the banking sector and the local financial market.

The Kazakhstan banking system remains under stress with banks seeking to deleverage through partial repayments and debt restructurings. In the past, the NBK, and with effect from 1 January 2020, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (the "ARDFM") revoked the licenses of a number of banks and there were several liquidations, consolidations and government-supported restructurings in Kazakhstan. While the measures implemented by the NBK and the ARDFM have contributed to the general stability of the banking sector, the industry continues to operate in a challenging environment in which

further defaults and restructurings cannot be excluded. The impact of the continuing challenges in the banking sectors in the Russian Federation and the Republic of Kazakhstan may lead to a further reduction in liquidity and affect the soundness of Russian and Kazakhstan banks, including the Issuer's counterparties, which in turn could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Belarus has significant external financing, which historically has been obtained to address the balance of payments deficit and support its foreign reserves. If Belarus is unable to access the international capital markets or is unable to secure further external funding from Russia, China, IFIs or other sources, this may result in increased pressure on Belarus' foreign exchange reserves and have an adverse impact on Belarus' economy and ability to meet its ongoing financing needs.

During the periods of instability, the authorities in the Member States historically implemented measures to provide liquidity to their banking sectors and support the solvency of financial institutions, which was critical for restoring investor confidence and supporting the recovery of the economy. However, there is no assurance that the authorities of the Member States will continue to implement such measures or, if implemented, such measures will be successful in materially improving the financial condition of the affected financial institutions or that such measures will not be implemented selectively. If instability continues, the Member States' economies, as well as the Issuer's customers, may suffer, which in turn could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations and the value of the Notes.

Member States face corporate and commodity risks that could negatively affect the Issuer's business and financial condition

Many businesses in the Member States have much more limited operating experience in competitive market conditions than their U.S. and Western European counterparts. In addition, the Member States' economies have recently experienced significant volatility. Accordingly, the financial performance of businesses in the Member States is generally more volatile, and the credit quality of such businesses has been, on average, less predictable than the credit quality of similar businesses doing business in more mature markets and economies.

In addition, Member State countries, such as the Republic of Kazakhstan and the Russian Federation, whose economies and state budgets rely materially on the export of hydrocarbon products and other commodities, the import of capital equipment and significant foreign investments in infrastructure projects could be adversely affected by any renewed volatility, by any further decline in oil and other commodity prices, by any sustained fall in such prices or by the frustration or delay of any infrastructure projects caused by political or economic instability in countries involved in such projects.

Given the Issuer's customer base, the operations and earnings of its customers may be indirectly affected by changes in oil, gas and petrochemical prices. Oil, gas and petrochemical prices are volatile and depend on local, regional and global events and conditions that are beyond the control of the Issuer.

If a number of the Issuer's borrowers were to experience poor financial performance due to a downturn in the Member States' economies generally, or in the sectors in which such borrowers operate specifically, or volatility in certain sectors thereof, this could potentially have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Actions of Member States may adversely affect the Issuer

Although the Issuer is an international organisation having a legal personality separate from its Member States, the Issuer and its business operations may be affected by decisions of the Member States in their relations with other nations. These decisions may result in adverse effects on the Issuer and the business environment in which the Issuer and its counterparties operate, including the reduction or cessation of commercial activity by private counterparties as the result of perceived increases in operational risk, or more formal actions by countries or

international organisations to limit or preclude business activity by their nationals or organisational participants with the Issuer or in the areas in which the Issuer operates. No assurance can be given that such circumstances in the future will not adversely affect the creditworthiness of borrowers and increase the Issuer's funding costs, and accordingly, adversely affect the Issuer's business, prospects, financial condition, cash flows and results of operations.

Under the Issuer's Charter, the Member States are required to refrain from attempts to influence any employee or governing body of the Issuer. However, the Council is the primary governing body of the Issuer, and its members are all government officials appointed by each of the Member States. Although the Issuer has not experienced any pressure from the Member States to deviate from its credit and lending policies and procedures or take decisions absent mutual agreement of the Member States, there is no guarantee that the Issuer may not experience this type of pressure in the future. Any deviation from its credit and lending policies and procedures as a result of such pressure could have a material adverse effect on the Issuer's business, financial condition and results of operations. In addition, if any political disagreement arises between the governments of any of the Member States this could also adversely affect the Issuer's business, prospects, financial condition, cash flows and results of operations.

In addition, the Issuer's Charter provides that any Member State may withdraw its membership by giving the Issuer written notice to that effect. Upon receipt of such notice, all rights accorded to such Member State terminate, except the right to withdraw, and such Member State may not vote on any resolutions being adopted by the Management Board or the Council. Such Member State continues to bear all its direct and contingent obligations to the Issuer for as long as any part of loans, investments in the authorised capital or guarantees provided prior to withdrawal remains outstanding. Prior to withdrawal, the Issuer and such Member State may agree upon the repurchase of shares held by such Member State in the authorised capital of the Issuer on mutually beneficial terms, failing which the repurchase price shall be set based on the value of net assets of the Issuer (as of the date that the withdrawal notice was received by the Issuer) and the shares in the authorised capital paid up by such a Member State. As a result, the withdrawal of a Member State may adversely affect the Issuer's share capital and financial condition, as well as its business, prospects and results of operations.

Political uncertainty in Member States could have an adverse effect on the Issuer's business and financial condition

The Member States became independent sovereign states as a result of the dissolution of the former Soviet Union in the early 1990s. Since then, these countries have experienced significant changes as they moved from single party political systems and centrally controlled command economies to more market oriented economies. These transitions were marked in the earlier years by political uncertainty and economic recession (together with high inflation and an unstable local currency) and rapid changes in the legal environment.

These Member States' political systems are developing. In particular, the course of political and economic reforms in the Russian Federation during the 1990s was uneven in some respects and the composition of the government of the Russian Federation (in particular, the prime minister and the other heads of federal ministries) was at times unstable. Although political stability improved significantly after Mr. Putin's election as President in 2000 and his further re-elections to this post, the various government institutions and the relations among them, as well as the Russian government's policies and the political leaders who formulate and implement them, have been subject to unexpected change. While the Russian political system and the relationship between the Russian president, the Russian government and the State Duma currently appears to be stable, future instability could result either from an economic downturn, a decrease in standards of living, political disagreements or unrest, a change in government policy or otherwise. In January 2020, a series of political reforms were proposed purporting to re-allocate powers and responsibilities among the Russian governmental authorities, including those of the State Duma and the Government. The reforms would have to be administered and changes to the Constitution and other laws would be necessary for the political decisions to become effective. The proposed amendments to the Constitution were approved in a nation-wide vote held from 25 June 2020 to 1 July 2020 and became effective on 4 July 2020. The implementation of the amendments to the Constitution are expected to take some time and eventually may

result in changes to the political and constitutional structure of the Russian Federation, subject to completion of the relevant implementation procedures. Future changes in the Government, the State Duma or the presidency, major policy shifts or eventual lack of consensus between the president, the Government, Russia's parliament and powerful economic groups could lead to political instability, which could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations. In addition, political instability in the Member States, including recent civil disorder in Russia and Belarus, may have a negative impact on the development of their economies which are already affected by the global economic impact of the COVID-19 pandemic.

In Kazakhstan, the first President of Kazakhstan, Nursultan Nazarbayev, began his term in 1991 when Kazakhstan became an independent sovereign state. Under president Nazarbayev's leadership, Kazakhstan enjoyed greater stability and prosperity than many other countries of the former Soviet Union. In March 2019, President Nazarbayev announced his retirement as President. Mr. Kassym-Jomart Tokayev, who was at the time the Senate speaker, succeeded as the acting President for the remainder of the President Nazarbayev's term in line with the Constitution. In June 2019, Mr. Tokayev was elected as the new President of Kazakhstan in early presidential elections with 70.96% of the votes. (Even though president Nazarbayev resigned, he has retained key political positions, bears the honorary title of the "First President," continues to be the leader of the dominant political party "Nur Otan" and serves as the life-long chairperson of the Security Council.) If the new President of Kazakhstan fails to have sufficient support or fails to govern effectively, or if the new President's administration has a different political outlook than that of Mr. Nazarbayev, Kazakhstan's political situation and economy could become unstable. Political instability in Kazakhstan or changes to its property, tax or regulatory regimes or other changes could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Although the Member States' have pursued programmes of economic reform designed to establish a free market economy, as with any economies in transition, there can be no assurance that such reforms and other reforms described elsewhere in this Base Prospectus will continue or that such reforms will achieve all or any of their intended aims. Additionally, state authorities within the Member States have a high degree of discretion and their actions have, at times, been perceived as arbitrary and shifts in government policy and regulation may be less predictable than in many Western democracies and could disrupt or reverse such reforms.

Social and labour unrest has arisen in the past, and may arise in the future, in the Member States due to a failure of the Member States' governments and private enterprises to pay full salaries on a regular basis and the failure of such salaries and benefits generally to keep pace with the rapidly increasing cost of living and the elimination of many subsidised services. These conditions have already led to a certain amount of labour and social unrest that may continue or escalate in the future. Such social and labour unrest may cause other significant political, social and economic consequences, such as increased violence and support for renewed centralisation of authority, re-nationalisation or expropriation of property, or restrictions on foreign involvement in the economy of the Member States. Any of these consequences, in particular those which would disrupt the operations of the Issuer could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

The Issuer's legal status, business, prospects, financial condition, cash flows and results of operations, including the value of the Notes, could be materially adversely affected and the value of investments of the Issuer in the Member States could be reduced, if governmental instability occurs, arbitrary actions by state authorities are taken or if reforms are reversed.

The legislative and judicial framework within Member States is still developing, which could create uncertainty for the Issuer's business or continued growth

Although a large volume of legislation has come into force in Belarus, Kazakhstan, Russia and the other Member States since their independence, including laws relating to investments, taxation, additional regulation of the banking sector and other legislation covering matters such as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation, the legal framework in these countries is at a relatively early

stage of development compared to countries with established market economies. In addition, the judicial systems in Belarus, Kazakhstan, Russia and the other Member States may not be regarded as fully independent of outside social, economic and political forces. For example, there have been instances of improper payments being made to public officials in Belarus, Russia and Kazakhstan. Therefore, court decisions be difficult to predict and can be inconsistent. Further, Belarus, Kazakhstan and Russia are civil-law jurisdictions and as a result, court precedents have no binding effect on subsequent decisions. The governments of Belarus, Kazakhstan and Russia have indicated a commitment to continued reform of corporate governance processes and a desire to improve discipline and transparency in the corporate sector to promote growth and stability. However, there can be no assurance that the governments of these countries will continue such policies, or that such policies, if continued, will ultimately prove to be successful. Therefore, it is not possible to predict the effect of future legislative developments on the Issuer's business, prospects, financial condition, cash flows or results of operations.

Member States have previously experienced high rates of inflation, which could increase the Issuer's costs

Each Member State's economy has historically experienced high rates of inflation. For example, the inflation rate of the Republic of Belarus increased from 9.9% in 2010 to 108.7% in 2011 in connection with the depreciation of the Belarusian Rouble; however, inflation stabilised in the following years, reaching 5.6% in 2018, 4.7% in 2019 and 7.4% in 2020.

Although inflation rates in the Member States have generally been in decline in recent years, they remain high compared to the current inflation rates in Europe and the United States. According to the Federal Service for State Statistics of Russia, the annual inflation rate in the Russian Federation (based on the consumer price index) was, 4.3% in 2018, 3.0% in 2019 and 4.9% in 2020. According to the NBK, the annual inflation rate in the Republic of Kazakhstan based on the consumer price index was 5.3% in 2018, 5.4% in 2019 and 7.5% in 2020.

Certain of the Issuer's costs, including salaries, rent and utilities, are sensitive to inflation in the Member States. Due to competitive pressures, regulatory constraints or other factors, the Issuer may not be able to reflect rising costs caused by the growth in inflation, sufficiently and in a timely manner, in the interest rates on its loans to customers and banks and the fees it charges in connection with such loans, which could have a negative impact on its margins. As a result, to the extent an increase in inflation in any of the Member States leads to an increase in the Issuer's costs, there can be no assurance that the Issuer will be able to maintain or increase its margins, which could have a material adverse effect on the Issuer's business, prospects, financial condition, cash flows and results of operations.

Enforcement of foreign judgments or arbitration awards in the Member States may be subject to uncertainty

As at 31 December 2020, 62.6% of the Issuer's total assets were located in the Russian Federation and the Republic of Kazakhstan combined (36.0% were in the Russian Federation and 26.6% were in the Republic of Kazakhstan), 12.3% of the Issuer's total assets were located in the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic, while the significant majority of the remaining 25.1% of the Issuer's total financial assets comprised bonds issued by banks and financial institutions of non-member states and U.S. Treasury securities. In addition, substantially all of the members of the Issuer's Council and Management Board reside in the Member States. As a result, it may not be possible for the Noteholders to effect service of process within the United Kingdom or the United States upon members of the Issuer's Council or Management Board, or enforce, in the English or U.S. courts, judgments obtained outside English or U.S. courts against the Issuer or any of the members of its Council or Management Board in any action.

The courts of a Member State will not enforce any judgment obtained in a court established in a country other than that Member State unless there is in effect a treaty between such country and such Member State providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between any of the Member States and the United Kingdom or the United States. For example, in Kazakhstan and Russia, a foreign court judgment also can be enforced on the basis of the principle of "reciprocity." However, such principle has not been properly tested in Kazakhstani courts in practice.

The Notes will be governed by English law and will provide for any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding their existence, termination or validity, and further including any dispute relating to any non-contractual obligations arising out of or in connection with the Notes) to be referred to and finally settled by arbitration in accordance with the Arbitration Rules (the "**Rules of the LCIA**") of the London Court of International Arbitration ("**LCIA Court**") (such arbitration to also be administered by the LCIA Court in accordance with the Rules of the LCIA). Each of the Member States, the United States and the United Kingdom is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**Convention**"), and, accordingly, an award by an arbitration tribunal should be recognised and enforceable in a Member State provided the conditions to enforcement set out in the Convention are met and such Member State's procedures and laws relating to enforcement of arbitral awards are satisfied. See "*Legal Personality; Enforceability of Judgments*". However, in certain circumstances described under "*The Issuer's waiver of immunity in relation to the enforcement of judgments or arbitration awards may not be recognized by courts in the Russian Federation and the Kyrgyz Republic*", the enforcement in the Russian Federation and the Kyrgyz Republic of an arbitral award obtained under the Convention cannot be assured.

The Issuer's waiver of immunity in relation to the enforcement of judgments or arbitration awards may not be recognized by courts in the Russian Federation and the Kyrgyz Republic

The Establishing Agreement and the Charter permit the Issuer to waive any immunity provided therein, and, pursuant to the Decision of the Council dated 25 September 2006 and the Decision of the Management Board dated 25 February 2021 (the "**Waiver of Immunity Decisions**"), the Issuer has in the Trust Deed and the Terms and Conditions of the Notes waived such immunities to the fullest extent permitted by applicable law. See "*The Issuer—Legal Status, Privileges and Immunities*". However, the terms of stay agreement with the government of the Russian Federation entered into by the Issuer and the Russian Federation in 2008 (the "**Russian Terms of Stay Agreement**") contains a provision that may limit the enforcement of claims in Russia, in that the Issuer may not waive immunities as to enforcement procedures. This limitation may be negated by provisions in the Establishing Agreement and the Charter to which the Russian Federation is a party since neither the Establishing Agreement nor the Charter envisages a similar limitation on the extent to which the immunities may be waived by the Issuer. Given that the Establishing Agreement and the Charter should constitute a part of Russian law and laws of other Member States, the Issuer believes that it has the right to waive immunities as set forth in the Trust Deed and the Terms and Conditions of the Notes. However, due to the conflicting provisions, in assessing the merits and risks of a purchase of Notes, investors should bear in mind that there is a risk that, based on the Russian Terms of Stay Agreement, the Issuer's assets in the Russian Federation may be treated by a Russian court as immune from enforcement actions and should carefully consider the consequences of this risk in making their investment decision. As at 31 December 2020, 41.6% of the Issuer's gross loans to customers and gross loans and advances to financial institutions were to borrowers based in Russia.

Similar to the situation in the Russian Federation described above, the terms of stay agreement with the government of the Kyrgyz Republic entered into by the Issuer and the Kyrgyz Republic in 2011 (the "**Kyrgyz Terms of Stay Agreement**") contains a provision that may limit the enforcement of claims in the Kyrgyz Republic and there is a risk that a Kyrgyz court may not recognise the effectiveness of the Issuer's waiver of immunities as to enforcement procedures in the Kyrgyz Republic. As a result, no assurance can be given that an arbitral award obtained under the Convention would be enforced in the Kyrgyz Republic. As at 31 December 2020, lending projects in the Kyrgyz Republic represent 1.5% of the Issuer's current investment portfolio and the Issuer does not anticipate that a substantial part of its assets will be located in the Kyrgyz Republic in the future.

Risks related to the Notes

Risks related to the Notes generally

The Notes do not limit incurrence of additional indebtedness

The Terms and Conditions of the Notes do not restrict the ability of the Issuer to incur additional indebtedness or require the Issuer to maintain financial ratios or specified levels of net worth or liquidity. The incurrence or guaranteeing of any such indebtedness may reduce the amount recoverable by investors in respect of any such Notes in case of the Issuer's termination or winding-up. If the Issuer incurs additional indebtedness in the future, these higher levels of indebtedness may adversely affect the Issuer's creditworthiness generally and its ability to pay principal of and interest on the Notes.

Because the Global Notes are held by or on behalf of Euroclear, Clearstream or DTC, investors will have to rely on their procedures for transfers, payments and communications with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository for Euroclear and Clearstream or, as the case may be, a custodian for DTC. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. Each of Euroclear, Clearstream and DTC and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes held through it. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear, Clearstream and DTC.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the order of a common depository for Euroclear and Clearstream or, as the case may be, a custodian for DTC for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear, Clearstream or DTC to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream or DTC to appoint appropriate proxies.

The Noteholders are, therefore, reliant on the clearing system(s) and any intermediaries for any transfers, payments and communications and the Noteholders may not have any recourse against them in the event of any defaults or delays in respect thereof.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions stipulate defined majorities required to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree with the Issuer to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as specified in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Notes or the Trust Deed that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders, or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in "*Terms and Conditions of the Notes—Condition 12 (Meetings of Noteholders, Modification, Waiver and Substitution)*".

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a benchmark event occurs, including an original reference rate becoming unavailable, or if the Issuer, the Calculation Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the applicable Final Terms) are no longer permitted lawfully to calculate interest on any Notes by reference to such an Original Reference Rate under the Benchmark Regulation or otherwise (see "*Terms and Conditions of the Notes—Condition 6(c) (Benchmark Discontinuation)*"). Such fallback arrangements will (in the absence of manifest error) be final and binding, and no consent of the Noteholders shall be required in connection with effecting any successor rate or an alternative rate, any other related adjustments and/or amendments to the terms and conditions of such Floating Rate Notes (or any other document) which are made in order to effect such replacement rate.

If a decision is adopted by a majority of Noteholders and such modifications were to impair or limit the rights of the Noteholders, this may have a negative impact on the market value of the Notes.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the effect of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes. Any such decision or change could be unfavourable to creditors' rights, including those of the Noteholders. If any such change in law turns out to be unfavourable to the Issuer and/or the Noteholders, it could have a negative impact on the market value of the Notes.

Notes where denominations involve integral multiples: Definitive Notes

In relation to any issue of Notes that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Noteholder who, as a result of trading such amount of Notes, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If Definitive Notes are issued, holders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

U.S. Holders of the Notes may be required to pay U.S. federal income tax on certain amounts of interest received without the corresponding receipt of cash

Some Series of the Notes may be issued with original issue discount for U.S. federal income tax purposes, and, therefore, a U.S. Holder would be required to include the original issue discount ("**OID**") in gross income on a constant yield to maturity basis without the corresponding receipt of cash to which such original issue discount is attributable. See "*Taxation—U.S. Federal Income Taxation*".

Additional Notes issued in further offerings by the Issuer may not be fungible for U.S. federal income tax purposes with the Notes issued in an existing offering.

Additional Notes that are treated for non-tax purposes as a single series with previously issued Notes may not be treated as fungible with previously outstanding Notes of that series for U.S. federal income tax purposes. In such case, the additional Notes may be considered to have been issued with OID for U.S. federal income tax purposes. The market value of the previously outstanding Notes of a series may be adversely affected if additional Notes are issued with a greater amount of OID than the OID with which the originally issued Notes were issued, if

any, unless the additional Notes can be distinguished from the originally issued Notes (for example by use of a different Common Code and International Securities Identification Number ("ISIN") and, where applicable, CUSIP number). See "*Taxation—United States Federal Income Taxation—Additional Notes*".

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features that contain particular risks for potential investors. Set out below is a description of certain of those features.

The Notes may be redeemed early by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

In particular, the Final Terms for a particular issue of Notes may provide for early redemption at the option of the Issuer, including a Call Option at the option of the Issuer, a Make-Whole Redemption at the option of the Issuer and a Clean-Up Call at the option of the Issuer (as described in Conditions 7(d) (*Redemption at the Option of the Issuer and Exercise of Issuer's Options*), 7(f) (*Make-whole Redemption at the option of the Issuer*) and 7(h) (*Redemption at the Option of the Issuer (Clean-Up Call)*), respectively). Such right of redemption is often provided for securities in periods of high interest rates. If the market interest rates decrease, the risk to Noteholders that the Issuer will exercise its right of redemption increases. The redemption amount payable in respect of the Notes shall be (i) the amount specified in the applicable Final Terms in the case of a Call Option, (ii) the principal amount together with accrued interest in the case of a redemption pursuant to the Clean-Up Call and (iii) the Make-Whole Redemption Amount in the case of a redemption pursuant to the Make-Whole Redemption as determined in accordance with Condition 7(f) (*Make-Whole Redemption at the option of the Issuer*) (which shall not be lower than their principal amount) together with any interest accrued to the date fixed for redemption.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on such Notes. As a consequence of early redemption, the yields received upon redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the Noteholder. Part of the capital invested by the Noteholder may be lost, so that the Noteholder in such case would not receive the total amount of the capital invested. In addition, investors that choose to reinvest moneys they receive through an early redemption may only be able to reinvest such proceeds at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at the relevant time. Please refer to "*Terms and Conditions of the Notes—Condition 7 (Redemption, Purchase and Options)*" for further details.

The Issuer may have a right to convert Notes from a fixed to a floating rate of interest, which may affect the market value of such Notes

Fixed or Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when doing so is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed or Floating Rate Notes may be less favourable than spreads then prevailing on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

The regulation and reform of "benchmarks" may adversely affect the market value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including the London interbank offered rate ("**LIBOR**") and the Euro interbank offered rate ("**EURIBOR**"), and such interest rates which may be applicable

to Floating Rate Notes issued under Condition 6(b) (*Interest on Floating Rate Notes*) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the liquidity and market value of any Notes linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") was published in the Official Journal of the EU on 29 June 2016 and has been in force since 1 January 2018. The Benchmark Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of "benchmarks" (or, if non EU based, to be subject to equivalent requirements) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmark Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmark Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark. In addition, such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

The potential elimination of LIBOR as a benchmark (or any other benchmark), the establishment of alternative reference rates or changes in the manner of administration of LIBOR (or any other benchmark) as a benchmark could also require adjustments to the terms of any Notes which pay a floating rate on interest. In particular, to the extent LIBOR is discontinued or is no longer quoted, the reference rate of such Notes may thereafter be determined in relation to a different benchmark. The replacement benchmark may perform differently from the discontinued LIBOR and may result in other consequences, such as interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on such Notes if LIBOR as a benchmark was available in its current form. This could in turn impact the trading value of the affected Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

This may cause these benchmarks to perform differently than they have done in the past, and may have other consequences which cannot be predicted.

Risks related to fallbacks to a successor rate or an alternative rate

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a benchmark event occurs, including an original reference rate becoming unavailable, or if the Issuer, the Calculation Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the applicable Final Terms) are no longer permitted lawfully to calculate interest on any Notes by reference to such an Original Reference

Rate under the Benchmark Regulation or otherwise (see "*Terms and Conditions of the Notes—Condition 6(c) (Benchmark Discontinuation)*").

Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a successor rate or an alternative rate, with or without the application of an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark which may be set out by an Independent Advisor. The use of a successor rate or alternative rate (including with the application of an adjustment spread) would still result in any Notes linked to or referencing an original reference rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original reference rate were to continue to apply in its current form. This could in turn impact the rate of interest on, and market value of, the affected Notes. Moreover, any holders of such Notes that enter into hedging instruments based on the Relevant Screen Page may find their hedges to be ineffective, and they may incur costs replacing such hedges with instruments tied to the successor rate or alternative rate.

The successor rates or alternative rates may have no or very limited trading history and accordingly their general evolution and/or interaction with other relevant market forces or elements may be difficult to determine or measure. This could significantly affect the performance of an alternative rate compared to the historical and expected performance the relevant benchmark.

If, following the occurrence of a benchmark event, no successor rate or alternative rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used or, if none is available, the last reference rate observed on the Relevant Screen Page being applied. This may result in the effective application of a fixed rate for Floating Rate Notes. Due to the uncertainty concerning the availability of successor rates and alternative rates, the involvement of an independent adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Risks relating to the Russian Rouble Notes and KZT Notes

For investors (a) holding Russian Rouble Notes or KZT Notes, as applicable, through (i) DTC who have not made an irrevocable election to receive payment in Russian Roubles or KZT Notes, as applicable, and (ii) Euroclear and/or Clearstream who have made an irrevocable election to receive payment in U.S. Dollars or (b) whose Russian Rouble Notes or KZT Notes, as applicable, are represented by Definitive Notes (as defined in "*Summary of the Provisions Relating to the Notes in Global Form*") and who have made an irrevocable election to receive a forthcoming payment of principal or interest on the Notes in U.S. Dollars, the Principal Paying Agent will subject to its having received the Exchange Amount (as defined in the Terms and Conditions of the Notes), pursuant to and subject to Condition 8(c) (*Currency Exchange Option for the Notes for which the Specified Currency is Roubles ("Russian Rouble Notes") or KZT Notes*), purchase the required U.S. Dollars, using the Exchange Amount received in accordance with the Terms and Conditions of the Notes, at a purchase price calculated on the basis of the Applicable Exchange Rate (as defined in Terms and Conditions of the Notes) and transfer the purchased amount in U.S. Dollars to the Noteholder's U.S. dollar account. If for any reason, the Principal Paying Agent cannot purchase U.S. Dollars, the relevant payment of interest or principal will be made to the relevant Noteholder in Russian Roubles or Tenge, as applicable, as more fully described in Condition 8(c) (*Currency Exchange Option for the Notes for which the Specified Currency is Roubles ("Russian Rouble Notes") or KZT Notes*). The Applicable Exchange Rate that the Principal Paying Agent has agreed to exchange Russian Roubles or Tenge, as applicable, into U.S. Dollars shall be the internal foreign exchange conversion rate for settlement on the business day prior to the relevant due date for payment which the Principal Paying Agent acting in a commercially reasonable manner uses to convert Russian Roubles or Tenge, as applicable, into U.S. Dollars at the request of its other customers.

No assurance can be given that the amount of U.S. Dollars received by an investor who elects to receive a payment of principal or interest in respect of the Notes in U.S. Dollars will be equal to the amount of U.S. Dollars that the investor could have realised in the foreign exchange market if the interest or principal payment made on the

investor's Notes were instead paid directly to the investor in Russian Roubles or Tenge, as applicable, and the investor had converted the Russian Roubles or Tenge, as applicable, into U.S. Dollars. The Principal Paying Agent will not be liable to any person for any losses resulting from application by the Principal Paying Agent of the Applicable Exchange Rate. In addition, even if Noteholders make an irrevocable election to receive a payment on the Notes in U.S. Dollars, if the Principal Paying Agent cannot, for any reason, purchase U.S. Dollars with the Russian Roubles or Tenge, as applicable, that have been paid by the Issuer in respect of any payment of principal or interest, Noteholders will receive Russian Roubles or Tenge, as applicable, in respect of such payment of principal or interest. Due to the relative lack of experience of Euroclear and Clearstream with settling, clearing and trading Rouble-denominated or Tenge-denominated debt instruments, there can be no assurance that the clearing, settlement and trading of the Notes held through Euroclear or Clearstream will be effected in the same manner as the clearing, settlement and trading of U.S. Dollar or Euro-denominated instruments. Holders of Russian Rouble Notes or KZT Notes held through Euroclear and Clearstream who have not elected to receive payments in U.S. Dollars pursuant to the Terms and Conditions of the Notes will be required to open and maintain a Rouble-denominated bank account or Tenge-denominated bank account, as applicable. There are significant practical difficulties associated with opening Rouble-denominated bank accounts outside the Russian Federation and Tenge-denominated bank accounts outside Kazakhstan, and no assurance can be given that holders will be able either to open or maintain an offshore Rouble-denominated bank account or Tenge-denominated bank account, as applicable. Such holders of Notes who do not open and maintain a Rouble-denominated bank account or Tenge-denominated bank account, as applicable, will be unable to transfer from their accounts at Euroclear and Clearstream the Russian Rouble or the Tenge payments made on the Notes or any Russian Rouble or Tenge proceeds realised from the sale of their Notes. Furthermore, Noteholders whose interests in the Russian Rouble Notes or the KZT Notes, as applicable, are represented by the Rule 144A Global Notes and who hold their Notes through a sub-account in Euroclear or Clearstream may not have the option to elect to receive payments on the Notes in Russian Roubles or Tenge, as applicable, as Euroclear or Clearstream may not provide such option in practice in such circumstances.

Risks relating to the KZT Notes: depreciation of the Tenge against the U.S. Dollar

As principal, interest and other amounts payable on the KZT Notes (as defined in the Terms and Conditions of the Notes) are payable in U.S. Dollars pursuant to Condition 8(b) (*Payments in relation to the Notes where Specified Currency is Tenge ("KZT Notes")*) or, if so specified in the relevant Final Terms, a Currency Exchange Option applies with respect to the KZT Notes such that the Noteholders can select to receive principal, interest and other amounts in U.S. Dollars pursuant to Condition 8(c) (*Currency Exchange Option for the Notes for which the Specified Currency is Roubles ("Russian Rouble Notes") or KZT Notes*), and while the KZT Notes are denominated in Tenge, the risk of a depreciation of the Tenge against the U.S. Dollar is one of the most significant risks that prospective purchasers of KZT Notes are assuming. If the Tenge depreciates against the U.S. Dollar, the effective yield on the KZT Notes (in U.S. Dollar terms) may decrease below the interest rate on the KZT Notes, and the amount payable on an interest payment date, at maturity or upon acceleration may be less than an investor's original investment, resulting in a loss to investors. Depreciation of the Tenge against the U.S. Dollar may also adversely affect the market value of the KZT Notes.

Although the Tenge is a fully convertible currency, generally, there is no market outside Kazakhstan for the exchange of amounts denominated in Tenge with amounts denominated in other currencies (such as U.S. Dollars) and the market for doing so in Kazakhstan is of a limited size. The ability of prospective purchasers of KZT Notes to rely on the forward market for foreign exchange of Tenge to hedge their exposure to a devaluation of the Tenge relative to the U.S. Dollar may also be limited.

Pursuant to Condition 8(b) (*Payments in relation to the Notes where Specified Currency is Tenge ("KZT Notes")*), all amounts due in respect of the KZT Notes, including principal, interest and other amounts (if any), shall be calculated by the Calculation Agent for payment in U.S. Dollars by dividing the relevant Tenge amounts by the Average Representative Market Rate on the applicable Rate Calculation Date. The Average Representative Market Rate shall be determined by the Calculation Agent based on the arithmetic mean of the Representative Market Rates

for the last five business days on which commercial banks and foreign exchange markets are open in Nur-Sultan, Kazakhstan immediately before (and including) any Rate Calculation Date, whereas a Rate Calculation Date is defined in the Terms and Conditions of the Notes as the third such business day preceding any Interest Payment Date, the Maturity Date or any other date on which principal, interest or any other amount shall become payable pursuant to the Terms and Conditions of the Notes, all as more fully set out in the Terms and Conditions of the Notes. The Representative Market Rate shall be determined based on the Tenge/U.S. Dollar official daily exchange rate for the previous such business day as reported by the NBK and published on its website. In the event that such rate is not available, the Calculation Agent shall poll reference the KZT Reference Banks on the immediately following such business day to determine the applicable Representative Market Rate, all as more fully described in the Terms and Conditions of the Notes. Absent manifest error, any calculation by the Calculation Agent shall be binding on all Noteholders and the Issuer's payment obligations with respect to the KZT Notes will be fully satisfied by paying amounts notified to it by the Calculation Agent.

Risks Related to the Market for Notes Generally

Set out below is a brief description of market risks that will be applicable to holders of the Notes, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

There is no public market for the Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Investors in the Notes may be subject to exchange rate risks and exchange controls in respect of the Notes they hold

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease the Investor's Currency equivalent yield on the Notes, the Investor's Currency equivalent value of the principal payable on the Notes and the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Notes are subject to interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes. For example, the market price of Fixed Rate Notes will generally decrease as market interest rates rise and accordingly is subject to volatility. Therefore, the price of the Notes at any particular time may be lower than the purchase price for the Notes paid by the Noteholder. As a consequence, part of the capital invested by the Noteholder may be lost upon any transfer of the Notes, so that the Noteholder in such case would not receive the total amount of the capital invested.

Investment in Floating Rate Notes involves the risk that the interest rate payable on the Notes declines. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the Terms and Conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Credit ratings do not reflect all risks that may affect the value of the Notes

One or more independent credit rating agencies may assign credit ratings to the Notes, as described elsewhere in this Base Prospectus. The ratings do not reflect the potential effect of all risks related to the structure, the market, other additional risk factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. In the event of a ratings downgrade in relation to one of the Member States, the Issuer's borrowing costs may increase and this may negatively affect its profitability and long-term competitiveness.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances). Other than pursuant to Article 23 of the EU Prospectus Regulation, the Issuer has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to the Issuer may adversely affect the market price of the Notes.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus. Unless otherwise indicated, terms used in this overview shall be deemed to have the meanings given to them in the Terms and Conditions of the Notes.

Issuer:	Eurasian Development Bank.
Description:	Euro Medium Term Note Programme.
Size:	Up to U.S.\$3,500,000,000 (or the equivalent amount in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger and Permanent Dealer:	VTB Capital plc.
Dealers:	The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to the " Permanent Dealers " are to VTB Capital plc and to such additional persons that are appointed as Dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to " Dealers " are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Citicorp Trustee Company Limited.
Principal Paying Agent, Calculation Agent and Transfer Agent:	Citibank, N.A., London Branch.
Registrar:	Citigroup Global Markets Europe AG.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a " Series ") having one or more issue dates and the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest and/or issue price) are identical in all respects (including as to listing) and are expressed to be consolidated and form a single Series, the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a " Tranche ") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, the date for the first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

Issue Price: Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

Form of Notes: Each Series of Notes will be issued in registered form only. The Regulation S Notes and the Rule 144A Notes will be represented by the Regulation S Global Note and the Rule 144A Global Note, respectively. The Global Notes will be exchangeable for Definitive Notes in the limited circumstances specified in the relevant Global Note.

Clearing Systems: Unless otherwise provided for in the applicable Final Terms or the Pricing Supplement, DTC or Clearstream and Euroclear, as the case may be (in the case of Rule 144A Notes) and Clearstream and Euroclear (in the case of Regulation S Notes), and such other clearing system(s) as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer(s).

Initial Delivery of Notes: On or before the issue date for each Tranche, unless otherwise provided for in the applicable Final Terms or the Pricing Supplement, the Rule 144A Global Note will be deposited with a custodian for DTC or with a common depositary for Euroclear and Clearstream, as applicable, and the Regulation S Global Note will be deposited with a common depositary for Euroclear and Clearstream. Unless otherwise provided for in the applicable Final Terms or the Pricing Supplement, the Rule 144A Global Note will be registered in the name of a nominee of DTC or of a common depositary for Euroclear and Clearstream, as applicable, and the Regulation S Global Note will be registered in the name of a nominee of a common depositary for Euroclear and Clearstream. Global Notes relating to Notes that are not listed on the Regulated Market may also be deposited with any other clearing system(s) or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer(s). From time to time, the Issuer may agree with the Principal Paying Agent, the Trustee and the relevant Dealer(s) that Noteholders holding a particular Series of Notes which are denominated in Kazakhstan Tenge shall be entitled to hold their interest in the relevant Global Note through an account with the JSC Central Securities Depository.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).

In particular, in relation to the Notes denominated in Tenge, conditions described in "*Terms and Conditions of the Notes—Condition 8(b) (Payments in relation to the Notes where Specified Currency is Tenge ("KZT Notes"))*" would apply unless otherwise

provided for in the applicable Final Terms or the Pricing Supplement.

Currency Exchange Option:

Each Noteholder of a Note issued in Russian Roubles (a "**Russian Rouble Note**") or Tenge in respect of which, pursuant to "*Terms and Conditions of the Notes—Condition 8(c) (Currency Exchange Option for the Notes for which the Specified Currency is Roubles ("Russian Rouble Notes") or KZT Notes*)", a Currency Exchange Option has been specified has the option to make an irrevocable election, pursuant to "*Terms and Conditions of the Notes—Condition 8(c) (Currency Exchange Option for the Notes for which the Specified Currency is Roubles ("Russian Rouble Notes"))*", to receive a forthcoming payment of principal or interest in U.S. Dollars. In respect of any Russian Rouble Notes or any KZT Notes, as applicable, for which a Noteholder has made such an irrevocable election to receive a payment in U.S. Dollars, the Principal Paying Agent will, subject to its having received the Exchange Amount (as defined in the Terms and Conditions of the Notes) pursuant to and subject to "*Terms and Conditions of the Notes—Condition 8(c) (Currency Exchange Option for the Notes for which the Specified Currency is Roubles ("Russian Rouble Notes") or KZT Notes*", purchase the required U.S. Dollars, using the Exchange Amount received in accordance with the Terms and Conditions of the Notes, at a purchase price calculated on the basis of the Applicable Exchange Rate (as defined in the Terms and Conditions of the Notes) and make payments of interest and principal in U.S. Dollars. The Principal Paying Agent will not be liable to any person for any losses resulting from application by the Principal Paying Agent of the Applicable Exchange Rate. See "*Terms and Conditions of the Notes—Condition 8(c) (Currency Exchange Option for the Notes for which the Specified Currency is Roubles ("Russian Rouble Notes") or KZT Notes*".

Maturities:

Subject to compliance with all relevant laws, regulations and directives, Notes may have any maturity between one month and 30 years. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) that have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the UK Financial Services and Markets Act of 2000, as amended (the "**FSMA**"), must be issued to a limited class of professional investors and have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Denomination:

Notes will be issued in such denominations as may be specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement (the "**Specified Denomination**"), provided that (i) the Specified Denomination(s) shall not be less

than EUR100,000 or its equivalent in another currency, (ii) with respect to (a) Notes which are not admitted to trading on a regulated market within the European Economic Area and/or the United Kingdom or offered to the public in an EEA Member State (as defined herein) and/or the United Kingdom in circumstances which require the publication of a prospectus under the EU Prospectus Regulation or Regulation (EU) 2017/1129 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"), respectively, and (b) Notes with a maturity of less than 365 days, a lower Specified Denomination may apply as more fully set out in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, and (iii) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies.

Fixed Rate Notes:

Interest at a fixed rate will be payable in arrear on the date or dates in each year specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

Floating Rate Notes:

Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating either the 2000 ISDA Definitions or the 2006 ISDA Definitions (as specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement), each as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series, or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each series of Floating Rate Notes. Interest on Floating Rate Notes in respect of each Interest Period will be payable on the first business day of the next Interest Period and on redemption or repayment, and will be calculated using the Day Count Fraction (as specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement).

Benchmark Discontinuation:

In the event that a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms, or, in the case of Exempt Notes, the applicable Pricing Supplement then the Independent Adviser may be permitted to substitute such benchmark and/or

screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an Adjustment Spread (which could be positive or negative)).

Exempt Notes:

The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement, which will replace, modify or supplement those Terms and Conditions.

Interest Periods and Interest Rates:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period.

Redemption:

The applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable.

Optional Redemption:

Any issue of Notes may be redeemed at the option of the holders on the occurrence of a change of control put event, as described in "*Terms and Conditions of the Notes—Condition 7(e) (Redemption at the Option of Noteholders and Exercise of Noteholders' Options)*", or at the option of the Issuer, either in whole or in part, at their Optional Redemption Amount as described in "*Terms and Conditions of the Notes—Condition 7(d) (Redemption at the Option of the Issuer and Exercise of Issuer's Options)*", in whole but not in part, at their Make-Whole Redemption Amount as described in "*Terms and Conditions of the Notes—Condition 7(f) (Make-Whole Redemption at the Option of the Issuer)*" and, either in whole or in part, at their principal amount as described in "*Terms and Conditions of the Notes—Condition 7(g) (Redemption at the Option of the Issuer (Residual Maturity Par Call))*", in each case if so specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement for an issue of Notes. In addition, any issue of Notes may be redeemed at the option of the Issuer, in whole but not in part, at their principal amount as described in "*Terms and Conditions of the Notes—Condition 7(h) (Redemption at the Option of the Issuer (Clean-Up Call))*".

Status of Notes:

The Notes will constitute direct, general, unconditional, unsubordinated and (subject to the terms of the Negative Pledge) unsecured obligations of the Issuer, all as described in "*Terms and Conditions of the Notes—Condition 3 (Status of the Notes)*".

Negative Pledge:

See "*Terms and Conditions of the Notes—Condition 4 (Negative Pledge)*".

Cross Acceleration:

See "*Terms and Conditions of the Notes—Condition 11 (Events of Default)*".

Issue Ratings:

Notes to be issued under the Programme may be rated or unrated, and where an issue of Notes under the Programme is rated, its rating will not necessarily be the same as the rating applicable to the Programme. Ratings assigned to the Notes do not mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of securities do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Organisation Ratings:

The Issuer has been assigned long-term foreign currency ratings of "BBB" (outlook - negative) by Standard & Poor's, "Baa1" (outlook - stable) by Moody's and "BBB+" (outlook - stable) by Fitch.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused or the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Neither of Moody's or Fitch is established in the European Union. The rating issued by Moody's has been endorsed by Moody's Deutschland GmbH and the rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited, in each case in

accordance with the CRA Regulation. Each of Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such each of Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

Early Redemption:

Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes—Condition 7 (Redemption, Purchase and Options)*".

Withholding Tax:

All payments by the Issuer in respect of the Notes will be made without deduction for or on account of any withholding taxes imposed by the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia or the Kyrgyz Republic (together, the "**Member States**"), subject as provided in "*Terms and Conditions of the Notes—Condition 9 (Taxation)*". In the event that any such deduction is required by law, the Issuer will, save in certain circumstances provided by Condition 9, be required to pay additional amount to cover the amounts so deducted.

Governing Law:

The Notes and the Trust Deed, including any non-contractual obligations arising out of or in connection therewith, will be governed by, and shall be construed in accordance with, English law.

Listing:

Applications have been made to list Notes issued under the Programme on the Official List and to be traded on the Regulated Market of Euronext Dublin. Exempt Notes may also be listed on such further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s) or may be issued on an unlisted basis.

The applicable Final Terms relating to each Tranche of Notes (other than Exempt Notes) will state when the relevant Notes are to be listed and admitted to trading.

The applicable Pricing Supplement (in the case of Exempt Notes) relating to each Tranche of Exempt Notes will state whether or not the relevant Notes are to be admitted to trading and, if so, on which stock exchanges and/or markets (provided that such exchange or market is not a regulated market for the purposes of MiFID II).

Selling Restrictions:

The offering and sale of Notes is subject to all applicable selling restrictions, including, without limitation, those of the United States, the European Economic Area, the United Kingdom, the

Russian Federation, the Republic of Kazakhstan, Japan and Singapore. See "*Subscription and Sale*".

Further Issues:

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having in all respects the same terms and conditions as a Series of Notes that was previously issued (or in all respects except for the issue date, the issue price and the date for the first payment of interest on them) and so that such further issue shall be consolidated and form a single Series with the outstanding securities of any Series (including such Notes) or upon such terms as the Issuer may determine at the time of their issue.

See "*Taxation—United States Federal Income Taxation—Additional Notes*".

IMPORTANT INFORMATION

Third Party Information

Statistical data and other market information appearing in this Base Prospectus relating to the economies of the Republic of Kazakhstan and the Russian Federation have, unless otherwise stated, been extracted from documents and other publications released by the National Statistics Bureau of the Republic of Kazakhstan (the "NSB"), the Federal Service for State Statistics of the Russian Federation ("Rosstat"), the National Bank of Kazakhstan (the "NBK"), the Central Bank of the Russian Federation (the "CBR"), the World Bank and other public sources, including reports of the United Nations Economic Commission for Europe, the International Monetary Fund (the "IMF") and the European Bank for Reconstruction and Development (the "EBRD"). See "*Management's Discussion and Analysis of Results of Operations and Financial Condition*". The information described in this paragraph has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no fact has been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Base Prospectus, the source of such information has been identified.

In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Any discussion of matters relating to the Republic of Kazakhstan or the Russian Federation in this Base Prospectus may be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

Presentation of Financial Information

The financial information of the Issuer set forth herein has, unless otherwise indicated, been extracted without material adjustment from its audited annual financial statements as at and for the years ended 31 December 2020, 2019 and 2018 prepared in accordance with IFRS (the "**Financial Statements**"). In this Base Prospectus, unless otherwise specified, references to "**U.S.\$**" and "**U.S. Dollar**" are to the lawful currency of the United States of America; references to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom; references to "**EUR**" and "**Euro**" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as further amended by the Treaty of Amsterdam; references to "**RUB**" or "**Roubles**" are to Russian Roubles, the lawful currency of the Russian Federation; and references to "**KZT**" or "**Tenge**" are to Kazakh Tenge, the lawful currency of the Republic of Kazakhstan.

Alternative Performance Measures

To supplement the Issuer's Financial Statements presented in accordance with IFRS, the Issuer uses certain ratios and measures included in this Base Prospectus that might be considered to be "alternative performance measures" (each an "**APM**") as described in the ESMA Guidelines on Alternative Performance Measures (the "**ESMA Guidelines**") published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework." The ESMA Guidelines also note that they do not apply to APMs "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures."

These include average balance sheet data, average interest rate data, return on average assets, return on average equity, adjusted cost-to-income ratio, net interest margin, non-performing loans (NPLs), NPL ratio and provisioning level.

The APM measures disclosed in this Base Prospectus are unaudited supplementary measures of the Issuer's performance and liquidity that are not required by, or presented in accordance with, IFRS. Although the APM measures disclosed in this Base Prospectus are not measures of operating income, operating performance or liquidity derived in accordance with IFRS, the Issuer has presented these measures in this Base Prospectus because the Issuer's management believes that this information, when considered in conjunction with measures reported under IFRS, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors' overall understanding of the Issuer's financial performance. In addition, these measures are used in internal management of the Issuer, along with financial measures reported under IFRS, in measuring the Issuer's performance and comparing it to the performance of its competitors. In addition, the Issuer understands that similarly titled measures may be used by some investors and analysts.

The APM measures disclosed in this Base Prospectus should not, however, be considered as an alternative to, in isolation from or as substitutes for financial information reported under IFRS. The APM measures disclosed in this Base Prospectus are not measures specifically defined by IFRS and the Issuer's use of these measures may vary from other credit institutions due to differences in accounting policies or differences in the calculation methodology of similar measures by other credit institutions.

For the Issuer, measures that may be considered to be APM measures in this Base Prospectus (and that are not defined or specified by IFRS or any other legislation applicable to the Issuer) include, without limitation, the following (such terms being used in this Base Prospectus as defined below):

APM measures	Definition, method of calculation and reconciliation to financial statement line item
Return on average assets	Calculated as net profit for the period divided by average period total assets (based on average daily balances for the period).
Return on average equity	Calculated as net profit for the period divided by average equity (based on average daily balances for the period).
Net interest margin	Calculated as net interest income before provision for expected credit losses on interest bearing assets as a percentage of average interest bearing assets.
Operating expenses as a percentage of net interest income before provision for expected credit losses on interest bearing assets	Calculated as operating expenses divided by net interest income before provision for expected credit losses on interest bearing assets.
Operating expenses as a percentage of average total assets	Calculated as operating expenses divided by average period total assets. Average period total assets are based on average daily balances for the period.
Loans to customers as a percentage of total assets	Calculated as loans to customers divided by total assets.
Total equity as a percentage of total assets	Calculated as total equity divided by total assets.

Financial leverage ratio	Calculated as nominal value of the Issuer's borrowings divided by total equity. Nominal value of the Issuer's borrowings is calculated as sum of nominal value of debt securities issued and nominal value of long-term loans from banks.
Provisioning level	Calculated as the sum of expected credit losses provisions on loans to customers and loans and advances to financial institutions as at the end of the year divided by the sum of gross loans to customers and loans and advances to financial institutions.
NPL ratio	Calculated as gross loans to customers and gross loans and advances to financial institutions which are overdue more than 90 days divided by the sum of gross loans to customers and gross loans and advances to financial institutions.

Foreign Currency Translation and Rates of Exchange

The Financial Statements are presented in U.S. Dollars, the Issuer's functional currency. In preparing the Financial Statements, monetary assets and liabilities denominated in currencies other than U.S. Dollars (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the reporting date. Transactions in currencies other than U.S. Dollars are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net (loss)/gain on foreign exchange operations.

The exchange rates used by the Issuer in the preparation of the Financial Statements as at the end of the respective periods were as follows:

	As at 31 December		
	2020	2019	2018
U.S. Dollar/1 Tenge.....	0.0024	0.0026	0.0026
U.S. Dollar/1 Rouble.....	0.0135	0.0161	0.0144
U.S. Dollar/1 Sterling.....	1.3651	1.3263	1.2746
U.S. Dollar/1 Euro.....	1.2225	1.1229	1.1452

Rounding

Certain amounts which appear in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be the sum of the figures which precede them.

Certain Defined Terms

A glossary defining certain terms used in this Base Prospectus, which are not defined in the Terms and Conditions of the Notes, is contained in the Appendix to this Base Prospectus.

Supplemental Base Prospectus

The Issuer will, in connection with the listing of the Notes on the Official List and admission to trading on the Regulated Market, in the event of any material change in the condition of the Issuer which is not reflected in this Base Prospectus or if there arises or is noted a significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Official List and admitted to trading on the Regulated Market.

The Issuer may agree with any Dealer that a Series of Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, if appropriate, a supplemental Base Prospectus that will describe the effect of the agreement reached in relation to such Series of Notes will be published.

Additional Information

The Issuer is not required to file periodic reports under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For so long as the Issuer is not a reporting company under Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer will, upon request, furnish to each holder or beneficial owner of Rule 144A Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Rule 144A Notes under the Securities Act, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Legal Personality; Enforceability of Judgments

The Issuer is an international organisation established by the Establishing Agreement. As at the date of this Base Prospectus, the Issuer has six Member States: the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic. The Issuer's presence and legal status in the Republic of Kazakhstan are governed by the agreement between the government of the Republic of Kazakhstan and the Issuer on the terms of the Issuer's stay in the Republic of Kazakhstan dated 17 June 2006 and ratified on 11 January 2007 (the "**Kazakhstan Terms of Stay Agreement**"). On 7 October 2008, the Issuer entered into a similar agreement with the government of the Russian Federation, the Russian Terms of Stay Agreement, which agreement was ratified by the Russian Federation on 27 December 2009. On 4 January 2010, the Republic of Tajikistan ratified the agreement between the government of the Republic of Tajikistan and the Issuer on the terms of the Issuer's stay in the Republic of Tajikistan dated 21 October 2009 (the "**Tajikistan Terms of Stay Agreement**"). The Issuer entered into a terms of stay agreement with the government of the Republic of Armenia on 27 April 2010 (the "**Armenia Terms of Stay Agreement**"), which agreement was ratified by the Republic of Armenia on 25 October 2010. The Issuer entered into a terms of stay agreement with the government of the Republic of Belarus on 17 June 2010 (the "**Belarus Terms of Stay Agreement**"), which agreement was ratified by the Republic of Belarus on 3 June 2011. The Issuer entered into a terms of stay agreement with the government of the Kyrgyz Republic on 14 September 2011, the Kyrgyz Terms of Stay Agreement, which was ratified by the Kyrgyz Republic on 18 October 2011.

As an international organisation, the Issuer is not incorporated under the laws of any state and it is a creature of, and subject to, public international law. In a situation where the United Kingdom is not a party to the agreement establishing an international organisation and no Order in Council has been made under the International Organisations Act 1968 of the United Kingdom in relation to the relevant organisation (as is currently the case for the Issuer), the English courts have held that an international organisation will be recognised as an entity with separate legal personality that can sue and be sued before the English courts where the organisation concerned has been incorporated in, or has separate legal personality otherwise conferred upon it by the laws of, at least one state which is recognised by the United Kingdom. In addition, each of the Establishing Agreement, the Kazakhstan Terms of Stay Agreement, the Russian Terms of Stay Agreement, the Tajikistan Terms of Stay Agreement, the Armenia Terms of Stay Agreement, the Belarus Terms of Stay Agreement and the Kyrgyz Terms of Stay Agreement provide that the Issuer is an international institution with international legal capacity including the right to enter into international agreements within its competence and that the Issuer is recognised as a separate legal entity in its Member States, all of which are, as at the date of this Base Prospectus, sovereign states recognised by the United Kingdom.

The Notes and the Trust Deed are governed by the laws of England, and the Issuer has agreed in the Trust Deed that disputes arising thereunder or in respect of the Notes are subject to arbitration in London, England. The courts of a

Member State will not enforce any judgment obtained in a court established in a country other than that Member State unless there is in effect a treaty between such country and such Member State providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between any of the Member States and the United Kingdom or the United States. Accordingly, should a holder of the Notes be successful in obtaining a judgment against the Issuer in any jurisdiction other than a Member State, no assurance can be given that such judgment will be enforced against the Issuer in such Member State. However, each of the Member States, the United States and the United Kingdom is a party to the Convention and, accordingly, an award by an arbitration tribunal should be recognised and enforceable in a Member State provided the conditions to enforcement set out in the Convention are met and such Member State's procedures and laws relating to enforcement of arbitral awards are satisfied. In the circumstances described in the following paragraph, however, the enforcement in the Russian Federation and the Kyrgyz Republic of an arbitral award obtained under the Convention cannot be assured. Provided any new Member State which accedes to the Establishing Agreement in the future is a party to the Convention, an award by an arbitration tribunal should be recognised and enforced in the new Member State provided the conditions to enforcement set out in the Convention are met and such new Member State's procedures and laws relating to enforcement of arbitral awards are satisfied. If a Member State ceases to be a party to the Convention, an arbitration award may not be enforceable in that new Member State.

The Establishing Agreement and the charter of the Issuer, as appended to the Establishing Agreement (the "**Charter**"), permit the Issuer to waive any immunity provided therein. In accordance with the Waiver of Immunity Decisions, the Issuer has in the Trust Deed and the Terms and Conditions of the Notes waived such immunities to the fullest extent permitted by applicable law. See "*The Issuer—Legal Status, Privileges and Immunities*". However, the Russian Terms of Stay Agreement and the Kyrgyz Terms of Stay Agreement each contain a provision that may limit the enforcement of claims in the Russian Federation and the Kyrgyz Republic, respectively, by limiting the Issuer's ability to waive immunities as to enforcement procedures. There is no comparable limitation in the Establishing Agreement, the Charter, the Kazakhstan Terms of Stay Agreement, the Belarus Terms of Stay Agreement, the Tajikistan Terms of Stay Agreement or the Armenia Terms of Stay Agreement. The Russian Federation is a party to the Establishing Agreement (the Charter being an integral part thereof), which should be superior under both international and Russian law to the terms of the Russian Terms of Stay Agreement. Given that the Establishing Agreement and the Charter should be superior under both international and Russian law to the Russian Terms of Stay Agreement, the Issuer believes that it has the right to waive immunities as set forth in the Trust Deed and the Terms and Conditions of the Notes. However, due to the conflicting provisions, there is a risk that, based on the Russian Terms of Stay Agreement provision as to the waiver of immunities, a Russian court may not recognise the effectiveness of the Issuer's waiver of immunities as to enforcement procedures in Russia. In these circumstances, no assurance can be given that an arbitral award obtained under the Convention would be enforced in Russia. In assessing the merits of a purchase of Notes investors should bear in mind that there is a risk that, based on the Russian Terms of Stay Agreement, the Issuer's assets in the Russian Federation may be treated by a Russian court as immune from enforcement actions and should carefully consider the consequences of this risk in making their investment decision. As at 31 December 2020, the Issuer's lending projects in the Kyrgyz Republic represent approximately 1.5% of the Issuer's current investment portfolio and it does not anticipate that a substantial part of its assets will be located in the Kyrgyz Republic in the future. However, similar to the situation in the Russian Federation described above, there is a risk that a Kyrgyz court may not recognise the effectiveness of the Issuer's waiver of immunities as to enforcement procedures in the Kyrgyz Republic, and no assurance can be given that an arbitral award obtained under the Convention would be enforced in the Kyrgyz Republic.

Most of the members of the Council and Management Board are residents of a Member State. A substantial portion of the assets of the Issuer and most of such persons are located in the Russian Federation or the Republic of Kazakhstan. As a result, it may not be possible to effect service of process upon the Issuer or any such person outside the Russian Federation or the Republic of Kazakhstan, to enforce against any of them, in courts of jurisdictions other than the Russian Federation or the Republic of Kazakhstan, judgments obtained in such courts that are predicated upon the laws of such other jurisdictions or to enforce against any of them, in the courts of the Russian Federation or the Republic of Kazakhstan, judgments obtained in jurisdictions other than the Russian Federation or the Republic of Kazakhstan, including judgments obtained on the Trust Deed in the courts of England.

The Notes may not be a suitable investment for all investors

Investors in emerging markets, such as the Republic of Kazakhstan or the Russian Federation, being the respective jurisdictions of the Issuer's founding Member States in which a significant part of its business is undertaken and its customers and assets are located, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should be aware that these risks may be applicable to the Issuer notwithstanding that its status as an international organisation affords it certain privileges, immunities and political protection. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment in the Notes is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. Each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its own particular financial situation, an investment in the relevant Notes and the effect such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including the Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- thoroughly understand the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes to be issued pursuant to this Base Prospectus may be complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield by an understood, measured, appropriate addition of risk to an investor's overall portfolio. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effect on the value of such Notes and the effect this investment will have on the potential investor's overall investment portfolio.

USE OF PROCEEDS

The net proceeds of each Tranche of Notes will be applied by the Issuer for its general corporate purposes and for providing financing for its projects.

CAPITALISATION OF THE ISSUER

The following table presents the capitalisation (total equity and total liabilities) of the Issuer as at the date indicated and should be read in conjunction with "Selected Financial and Other Information", "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Financial Statements and the related notes thereto.

	As at 31 December 2020
	(in thousands of U.S. Dollars)
Liabilities	
Loans and deposits from banks	1,560,112
Financial liabilities at fair value through profit or loss	5,001
Deposits from customers	391,598
Debt securities issued	1,719,552
Other liabilities	41,274
Total liabilities	3,717,537
Equity	
Share capital ⁽¹⁾	
<i>Authorised share capital</i>	7,000,000
<i>Less: callable share capital</i>	(5,484,300)
Paid-in share capital	1,515,700
Reserve fund ⁽²⁾	146,220
Technical assistance fund reserve ⁽³⁾	23,685
Digital initiative fund reserve ⁽⁴⁾	10,000
Revaluation reserve for financial assets through other comprehensive income	30,650
Retained earnings	155,883
Total equity	1,882,138
Total capitalisation	5,599,675

- (1) As at the date of this Base Prospectus the authorised share capital of the Issuer consists of 7,000,000 ordinary shares with a nominal value of US\$1,000 each.
- (2) The Issuer established the reserve fund for the accumulation of a portion of its retained earnings. According to the resolution of the Council, the Issuer is prohibited from making distributions to the owners until the value of the reserve fund reaches 15% of the total share capital. In 2018 and 2020, the Issuer made transfers to the reserve fund in the amount of US\$20,860 thousand and US\$34,488 thousand, respectively.
- (3) The technical assistance fund reserve (the "TAF") is earmarked for the Issuer's expenses on (a) pre-investment research; (b) programs of regional integration; (c) other research that supports economic growth and development; and (d) expansion of trade between the Member States.
- (4) The digital initiative fund reserve (the "DIF") is earmarked for funding projects in digital transformation across the Member States. Currently, the DIF is searching for projects and initiatives scalable on the Eurasian market. The DIF was established on 30 June 2020.

On 8 February 2021, the Issuer redeemed a bilateral loan in the amount of U.S.\$60.2 million.

On 17 February 2021, the Issuer drew EUR10.8 million under existing credit facility.

On 18 February 2021, the Issuer drew RUB1.0 billion under existing credit facility.

Since 31 December 2020, there have been no material changes to the capitalisation of the Issuer except as set out above.

SELECTED FINANCIAL AND OTHER INFORMATION

The following selected historical financial information as at 31 December 2020, 2019 and 2018 and for the years ended 31 December 2020, 2019 and 2018 has been derived from the Financial Statements included in this Base Prospectus and is presented in U.S. Dollars.

Prospective investors should read the following selected financial and other information in conjunction with the information contained in "Risk Factors", "Capitalisation of the Issuer", "Management's Discussion and Analysis of Results of Operations and Financial Condition", "The Issuer", the Financial Statements and the related notes thereto appearing elsewhere in this Base Prospectus.

Profit or Loss and Other Comprehensive Income Data

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

	For the year ended 31 December		
	2020	2019	2018
OTHER COMPREHENSIVE INCOME:			
Net unrealised gain/(loss) on revaluation of financial assets at fair value through other comprehensive income.....	10,021	42,858	(24,245)
Net realised (gain)/loss on financial assets at fair value through other comprehensive income transferred to profit or loss...	(4,619)	(546)	1,916
Net unrealized (loss)/gain on revaluation of hedge instruments..	(292)	727	(435)
OTHER COMPREHENSIVE INCOME/(LOSS).....	5,110	43,039	(22,764)
TOTAL COMPREHENSIVE INCOME.....	37,692	112,016	43,681

Financial Position Data

	As at 31 December		
	2020	2019	2018
(in thousands of U.S. Dollars)			
ASSETS			
Cash and cash equivalents.....	663,840	765,144	641,170
Financial assets at fair value through profit or loss.....	51,561	10,017	17,169
Loans and advances to financial institutions.....	185,475	266,298	245,510
Loans to customers.....	2,098,698	1,960,004	1,650,290
Financial assets at fair value through other comprehensive income.....	2,261,050	2,106,299	1,139,341
Debt securities at amortised cost.....	294,497	-	-
Investments in associates.....	17,260	20,131	-
Hedging instruments.....	-	-	86
Property and equipment.....	10,492	11,046	11,156
Intangible assets.....	762	1,011	1,148
Other assets.....	16,040	20,814	4,596
TOTAL ASSETS.....	5,599,675	5,160,764	3,710,466
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and deposits from banks.....	1,560,112	740,475	242,931
Financial liabilities at fair value through profit or loss.....	5,001	26,955	3,329
Deposits from customers.....	391,598	297,344	177,145
Hedging instruments.....	-	1,616	521
Debt securities issued.....	1,719,552	2,209,328	1,525,786
Other liabilities.....	41,274	35,050	22,774
Total liabilities.....	3,717,537	3,310,768	1,972,486
EQUITY:			
Share capital			
Authorised share capital.....	7,000,000	7,000,000	7,000,000
Less: callable share capital.....	(5,484,300)	(5,484,300)	(5,484,300)

Paid-in share capital.....	1,515,700	1,515,700	1,515,700
Reserve fund.....	146,220	111,732	111,732
Technical assistance fund reserve.....	23,685	19,133	-
Digital initiative fund reserve.....	10,000	-	-
Revaluation reserve/(deficit) for financial assets at fair value through other comprehensive income.....	30,650	25,248	(17,064)
Revaluation reserve/(deficit) of hedging instruments.....	-	292	(435)
Retained earnings.....	155,883	177,891	128,047
Total equity	1,882,138	1,849,996	1,737,980
TOTAL LIABILITIES AND EQUITY	5,599,675	5,160,764	3,710,466

Selected Financial Ratios and Other Data

The following table sets forth key financial ratios used by the Issuer's management in assessing the Issuer's performance and other relevant information.

	As at and for the year ended 31 December		
	2020	2019	2018
	<i>(% unless otherwise indicated)</i>		
Key Ratios			
Return on average assets ⁽¹⁾⁽²⁾	0.63%	1.61%	1.93%
Return on average equity ⁽¹⁾⁽³⁾	1.76%	3.91%	3.96%
Profitability Ratios:			
Net interest margin ⁽⁴⁾	1.33%	2.22%	2.75%
Operating expenses as a percentage of net interest income before provision for expected credit losses on interest bearing assets.....	63.00%	44.66%	33.31%
Operating expenses as a percentage of average total assets.....	0.85%	1.00%	0.93%
Statement of Financial Position/Ratios:			
Loans to customers as a percentage of total assets.....	37.48%	37.98%	44.48%
Total equity as a percentage of total assets.....	33.61%	35.85%	46.84%
Internal Regulations⁽⁵⁾:			
Capital adequacy ratio ⁽⁶⁾	42.77%	43.29%	49.83%
Tier I capital adequacy ratio ⁽⁷⁾	40.54%	40.60%	48.47%
Single borrower (or a group of related borrowers) limit ⁽⁸⁾	23.04%	22.11%	20.59%
Open foreign currency position limit: ⁽⁹⁾			
-per currency.....	1.16%	0.78%	0.25%
-consolidated.....	1.34%	0.94%	0.56%
Ratios set by the Council of the Issuer⁽¹⁰⁾:			
Minimum level of liquid assets in the treasury portfolio ⁽¹¹⁾			
- required (U.S.\$ thousand).....	729,024	893,910	852,321
- fact (U.S.\$ thousand).....	1,292,552	1,729,498	1,265,592
Financial leverage ratio ⁽¹²⁾	123.25%	141.40%	92.98%
Loan portfolio:			
Loans to customers (gross, U.S.\$ thousand).....	2,171,589	2,022,762	1,716,492
Loans to financial institutions (gross, U.S.\$ thousand).....	187,866	233,739	225,180
Total loan portfolio⁽¹³⁾(gross, U.S.\$ thousand).....	2,359,455	2,256,501	1,941,672

	As at and for the year ended 31 December		
	2020	2019	2018
Impaired loans ⁽¹⁴⁾ (gross, U.S.\$ thousand).....	118,897	238,014	351,898
Impaired loans ratio ⁽¹⁵⁾	5.5%	11.8%	20.5%
NPL loans ⁽¹⁶⁾ (gross, U.S.\$ thousand).....	24,864	29,093	23,169
NPL ratio⁽¹⁷⁾	1.1%	1.4%	1.3%
Expected credit losses on loans to customers ⁽¹⁷⁾ (U.S.\$ thousand).....	72,891	62,758	66,202
Expected credit losses on loans and advances to financial institutions (U.S.\$ thousand) ⁽¹⁷⁾	2,391	2,126	2,670
Expected credit losses on loan portfolio^{(18) (19)} (U.S.\$ thousand).....	75,282	64,884	68,872
Provisioning level ⁽²⁰⁾	3.2%	2.8%	3.5%
Other data:			
Period-end U.S. Dollar to Tenge exchange rate (in KZT per U.S.\$1.0) ⁽²¹⁾	420.71	381.18	384.2
Period-end U.S. Dollar to Rouble exchange rate (in RUB per U.S.\$1.0) ⁽²²⁾	73.88	61.91	69.47

- (1) Averages are based upon the average of daily balances for the period.
- (2) Return on average assets is net profit as a percentage of total average assets.
- (3) Return on average equity is net profit as a percentage of total average equity.
- (4) Net interest margin is net interest income before provision for expected credit losses assets as a percentage of average interest bearing assets.
- (5) As an international organisation, the Issuer is not subject to any bank regulatory authority. However, on 20 May 2008, the Issuer adopted internal regulations, as amended (the "**Internal Regulations**"), which establish minimum requirements for the Issuer's capital and other ratios.
- (6) The ratio represents the proportion of the sum of credit risk, market risk and operational risk to total regulatory (Basel II) capital of the Issuer. The ratio's limit is set at 16% by the Internal Regulations.
- (7) The ratio represents the proportion of sum of credit risk, market risk and operational risk to Basel II Tier I capital of the Issuer. The ratio's limit is set at 8% by the Internal Regulations.
- (8) The limit is calculated as the proportion of the total amount of the credit obligations of the borrower or a group of related borrowers to the total regulatory Basel II capital. The ratio's limit is set at 25% by the Internal Regulations.
- (9) The limit is calculated as proportion of open position to the Issuer's equity capital and shall not exceed 10% according to the Internal Regulations.
- (10) The Council ratios first came into force in 2012.
- (11) The minimum level of liquid assets in the treasury portfolio is calculated as the sum of Issuer's interest expenses, debt repayments and estimated net loan disbursements for the period of the next twelve months.
- (12) The ratio is calculated as the nominal value of the Issuer's borrowings to its total equity under IFRS. The ratio's limit is set at 300% in accordance with the Internal Regulations.
- (13) Total loan portfolio is calculated as the sum of gross loans to customers and gross loans and advances to financial institutions.
- (14) Impaired loans are Stage 3 loans under IFRS 9.
- (15) Impaired loans ratio is calculated as gross amount of impaired loans as a percentage of total gross loans as at the end of each year.
- (16) NPL loans are more than 90 days overdue.
- (17) NPL ratio is calculated as gross amount of NPL loans divided by a gross total loan portfolio.
- (18) As at the end of the year.
- (19) Expected credit losses on loan portfolio is calculated as the sum of expected credit losses on loans to customers and on loans and advances to financial institutions.
- (20) Provisioning level is calculated as expected credit losses on the Issuer's loan portfolio as a percentage of the Issuer's gross loan portfolio.
- (21) Source: NBK.
- (22) Source: CBR.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Issuer's results of operations and financial condition. Historical results may not indicate future performance. This discussion is based on the Financial Statements and should be read in conjunction with the Financial Statements, the notes thereto, and other information appearing elsewhere in this Base Prospectus. The discussion in relation to the Financial Statements, insofar as it refers to average amounts, has been based upon daily balances unless otherwise stated. This discussion includes forward-looking statements that involve risks and uncertainties. The Issuer's actual results could differ materially from those discussed in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those described under "Risk Factors" and "Forward Looking Statements".

Introduction

The Issuer, an international development bank established by the Russian Federation and the Republic of Kazakhstan on 12 January 2006 under the Establishing Agreement, commenced its operations on 16 June 2006. The Issuer was established with the strategic goal of promoting the development of a market economy in the Member States, facilitating regional economic development, and promoting cooperation and economic integration among its Member States.

As at the date of this Base Prospectus, the Issuer has six Member States: the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic. Any interested states and international organisations sharing the Issuer's objectives may apply to become a member of the Issuer. The Issuer encourages all states and international organisations to apply for membership. New members are accepted pursuant to the Issuer's regulation under the resolution of the Council. All Member States have equal status. Although the Issuer's obligations, including those arising in connection with the Notes, are not guaranteed by any Member State, the Issuer believes that its constitutive status affords it strong political support from the governments of the Member States. Prior to joining the Issuer, senior managers of the Issuer often occupied leading positions in the governments and major financial institutions of the Member States. The Council comprises current ministers of the Member States and their deputies or other authorised representatives of the Member States.

One of the Issuer's primary functions is to provide financing for large infrastructure projects in the Member States, which it implements through the provision of loans and debt financing to private and public entities, guarantees, trade finance, participation in public-private partnership projects, providing investment consulting, and providing other financial instruments. The Issuer seeks to ensure that all of the projects that it funds are financially viable. The Issuer does not engage in providing loans which have lower interest rates and/or longer repayment periods than standard market loans (concessional lending).

In order to promote the development of international trade between the Member States, beginning in 2018 the Issuer established correspondent relations with the central banks of the Member States and started processing customer payments and providing clearing services in the currencies of Member States, U.S. Dollars and Euros. This new business line has allowed the Issuer to expand its customer base and obtain funding in the form of current accounts and customer deposits, which can be used as additional sources of liquidity and funding for the Issuer's current operations. As of 31 December 2020 and 2019, the Issuer had total deposits from customers in the amount of US\$391.6 million and US\$297.3 million, respectively.

The Issuer cooperates with various international organisations, including participating as an observer at the General Assembly of the United Nations, the United Nations Conference on Trade and Development Board, the International Investment Bank and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), the status of which allows the Issuer to participate in plenary meetings without having the right to vote. The Issuer has executed a memorandum with the EEU. The Issuer develops cooperation with regional integration unions (in addition

to the EEU, the Issuer cooperates with the CIS and Shanghai Cooperation Organisation), UN institutions (such as the United Nations Development Programme, the United Nations Industrial Development Organisation, the Food and Agricultural Organisation, the United Nations Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific and United Nations Environmental Programme) and international development institutions (such as the World Bank, the International Financial Corporation, the Asian Development Bank, the Asian Infrastructure Investment Bank, the New Development Bank, the Black Sea Trade and Development Bank, the International Investment Bank, the Russian-Kyrgyz Development Fund, the European Bank for Reconstruction and Development and the European Investment Bank) through the joint financing of projects, information exchange and the implementation of best practices of corporate governance. The Issuer is also cooperating with the Global Infrastructure Facility, the Global Infrastructure Hub and the Global Infrastructure Connectivity Alliance. The Issuer has also been engaged to administer the Eurasian Fund for Stabilisation and Development. See "*—Management and Consulting Services—Eurasian Fund for Stabilisation and Development*". An important input to development investment in the Member States has become the linking of the Belt and Road Initiative, which was announced in 2015 and envisages a framework for enhancing connectivity and cooperation along major economic corridors and infrastructure networks in Eurasia and the EEU. This, in turn, may provide a platform for developing intraregional and interregional investment projects and joint initiatives of various scale that the Issuer may be in a position to consider in accordance with an established investment mandate and guidelines, also in co-financing initiatives that may include private and public entities, multilateral banks and other development partners. Between 2017 and 2020, the Issuer financed a number of infrastructure projects connecting Eurasian countries, thereby enhancing their transport networks. See "*—Principal Projects*" for more detail. In 2020, the OECD recognised the Issuer as a multilateral financial institution and assigned it Risk Category 4 and Buyer Risk Category SOV/CC0, affirming relatively low credit risk of the Issuer for export credit. Risk categories assigned by OECD are used for setting interest rates on export credits.

The Issuer is a non-political organisation, and its Charter provides that the Issuer should neither intervene in political events within the Member States, nor make lending decisions based upon recommendations of the Member States.

The Issuer has full legal personality as an international organisation, is subject to international law and has the capacity to contract, acquire and dispose of property and to institute judicial and arbitral proceedings. The Member States of the Issuer are not responsible for its liabilities, including those under the Trust Deed and the Notes. The Issuer's formation documents contain provisions that establish the Issuer's legal status and provide certain immunities and privileges in the territories of its Member States. See "*Legal Personality; Enforceability of Judgments*" and "*The Issuer—Legal Status, Privileges and Immunities*". Pursuant to the Waiver of Immunity Decisions, the Issuer has in the Trust Deed and the Terms and Conditions of the Notes waived such immunities to the fullest extent permitted by applicable law. The Issuer has adopted the Immunity Waiver in respect of the Notes.

As at 31 December 2020, the Issuer had total assets of U.S.\$5,599.7 million. For the year ended 31 December 2020, the Issuer had a net profit of U.S.\$32.6 million, compared with a net profit of U.S.\$69.0 million for the year ended 31 December 2019. As at 31 December 2020, the Issuer had, in aggregate, U.S.\$2,284.2 million in net loans and advances to financial institutions and loans to customers.

Significant Factors Affecting the Issuer's Financial Condition and Results of Operations

Economic landscape of the Member States

The Issuer's mission is to promote the development of a market economy, sustainable economic growth and the expansion of trade and other economic ties in the Member States through investment. Any interested states and international organisations sharing the Issuer's objectives may apply to become a member of the Issuer. The Issuer's six Member States (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russian and Tajikistan) together form the hub of the region's economic development and its main market, with a combined population of approximately 187 million. The

Russian Federation and Kazakhstan are the two largest economies among the Member States and account for most of the Issuer's activities.

In 2020, the COVID-19 pandemic caused significant global social and economic disruption. Countries experienced a decline in economic activity and trade, a decrease in real disposable income, and growth in unemployment. According to the Issuer's estimates, the aggregate GDP of the Member States declined by 3.0% in 2020. See "*Issuer - Effect of COVID-19 on the Issuer's Portfolio in 2020*".

Russia's Economy

Interest income on loans and other instruments issued to finance projects in the Russian Federation accounted for 35.3%, 43.5% and 42.8% of the Issuer's interest income for the year ended 31 December 2020, 2019 and 2018, respectively. As at 31 December 2020, 2019 and 2018, loans and other financial instruments issued to finance projects in the Russian Federation represented 36.0%, 38.1% and 50.4% of the Issuer's total assets, respectively. Accordingly, the Issuer's results of operations and financial condition are and will continue to be significantly affected by Russian political, regulatory and macroeconomic factors. The Russian economy, being the largest among the Member States, has a significant influence on economies of other Member States, including Kazakhstan, Belarus and Armenia (in descending order with respect to the influence on the Issuer's results). Any decline in the Russian economy tends to negatively affect the economic environment in the other Member States. Conversely, growth in the Russian economy tends to serve as a driver for growth in the other Member States' economies for the same reason.

In 2020, as a result of the COVID-19 pandemic and the disruptions to the global economy, Russian GDP decreased by 3.1% according to Rosstat. In 2019 and 2018, Russian GDP increased by 2.0% and 2.8%, respectively.

According to the preliminary estimate of the Russian Ministry of Finance ("**MinFin**"), Russia's federal budget had a deficit of 3.9% of GDP in 2020. In 2019 and 2018, Russia had federal budget surplus of 1.8% and 2.6%, respectively.

According to Rosstat, Russian unemployment levels remained relatively low (5.9%, 4.6% and 4.8%) as at 31 December 2020, 2019 and 2018, respectively. According to the CBR, Russia's current account surplus amounted to 2.2%, 3.8% and 7.0% of GDP in 2020, 2019 and 2018, respectively, underpinned by a large surplus in the trade balance due to increases in prices for raw materials in 2018 and 2019, followed by a decline in 2020. In 2020, 2019, and 2018, the inflation rate was 4.9%, 3.0% and 4.3%, respectively.

The Russian economy continues to exhibit a number of major weaknesses. In 2020, the World Bank noted that diversification of Russia's exports has been progressing slowly as the economy remains structurally highly dependent on hydrocarbons. Potential growth in Russia has been on a declining trend even prior to the economic downturn, caused by the COVID-19 pandemic, and Russian banks could face a significant deterioration in asset quality, profitability and capitalisation, including from an overheated mortgage market. In addition, new sanctions could worsen Russia's outlook.

Key Macroeconomic Indicators

The table below shows Russia's GDP and other key macroeconomic data for the periods indicated:

	For the year ended 31 December		
	2020	2019	2018
Nominal GDP (RUB billions) ⁽¹⁾	106,606.6	109,193.2	103,861.7
Real GDP (percentage change) ⁽¹⁾	(3.1)%	2.0%	2.8%
Nominal GDP per capita (RUB thousand) ⁽²⁾	727.7	744.0	707.4
Population (millions at the beginning of the year) ⁽¹⁾	146.7	146.8	146.9
Unemployment level ⁽¹⁾	5.9%	4.6%	4.8%
Federal budget (deficit) / surplus (percentage of GDP) ⁽³⁾	(3.9%)	1.8%	2.6%
Current account surplus (percentage of GDP) ⁽⁴⁾	2.2%	3.8%	7.0%
Consumer Prices ⁽¹⁾	104.91	103.04	104.26
Producer Prices ⁽¹⁾	103.56	95.74	111.71

(1) Source: Rosstat.

(2) Source: own calculations based on information from Rosstat.

(3) Source: own calculations based on information from MinFin and Rosstat.

(4) Source: own calculations based on information from CBR and Rosstat.

When compiling macroeconomic indicators, Rosstat makes adjustments based on estimates of production from the non-observed economy (known as the grey market). These are activities that are legal but are not fully recorded in economic statistics, either because of understatement by the producers or because of the informal nature of production. Currently, illegal economic activity is not accounted for in GDP statistics.

Employment in Russia

According to statistics published by Rosstat, as at 31 December 2020, 70.8 million people were employed in the Russian Federation (representing 94.1% of the eligible work force), compared to 72.4 million people as at 31 December 2019 (representing 95.4% of the eligible work force) and 72.6 million people as at 31 December 2018 (representing 95.2% of the eligible work force).

Changes in credit ratings of the Russian Federation

The Issuer's credit has certain linkage to the ratings of its Member States. In the event of a ratings downgrade, the Issuer's borrowing costs may increase and this may negatively affect its profitability and long-term competitiveness. Stabilisation of the Russian economy after the COVID-19 related slowdown and any upgrade of the Russian Federation's sovereign rating would be likely to have a positive impact on the Issuer's credit ratings from Moody's and Standard & Poor's, which are currently Baa1 ("stable") and BBB ("stable"), respectively, as at the date of Base Prospectus.

Kazakhstan's Economy

Interest income on loans and other instruments issued to finance projects in Kazakhstan accounted for 51.1%, 40.0% and 43.7% of the Issuer's interest income for the years ended 31 December 2020, 2019 and 2018, respectively. As at the end of 2020, loans and other instruments issued to finance projects in Kazakhstan represented 26.6% of the Issuer's total assets. Accordingly, the Issuer's results of operations and financial condition are and will continue to be significantly affected by political, regulatory and macro-economic factors in Kazakhstan.

According to the NSB, Kazakhstan's real GDP growth was 4.1% and 4.5% in 2018 and 2019, respectively. Kazakhstan's GDP contracted by 2.6% in the January-September 2020 period due to the effects of the COVID-19 pandemic and the adverse effects of the lockdowns introduced from mid-March to mid-May and again from early July to mid-August 2020.

According to the NSB, Kazakhstan's economy continues to be highly dependent on global natural resource markets. This dependence upon the extractive industries makes Kazakhstan's economy vulnerable to external shocks and global trends. Downside risks stem from volatile international prices for oil and metals, a tightening of global financial conditions and the vulnerability of the region of Central Asia to geopolitical shocks, in particular but not only in the context of the international sanctions against Russia (a major trading and financial partner to Kazakhstan).

Key macroeconomic indicators

The table below shows Kazakhstan's GDP and other key macroeconomic data for the periods indicated based on the information from the NSB:

	For the year ended 31 December		
	2020	2019	2018
Nominal GDP (billion Tenge).....	70,134	69,532	61,819
Real GDP (percentage change).....	(2.6)%	4.5%	4.1%
Nominal GDP per capita (U.S. Dollars).....	9,005.8	9,812.5	9,812.5
Population (millions average annual).....	18.9	18.6	18.4
Unemployment level.....	4.9%	4.8%	4.9%
Consumer Prices.....	7.5	5.4	5.3
Producer Prices.....	(4.2)	1.4	12.4

The non-observed sector (grey market) constitutes a significant portion of Kazakhstan's economy and the NSB makes adjustments to its GDP data in accordance with practices approved by the IMF in order to adjust for the existence of the grey market. According to the NSB, the size of the non-observed economy was 23.7% of Kazakhstan's GDP in 2019.

Employment in Kazakhstan

According to the statistical data published by the NSB, as at 31 December 2020, approximately 8.7 million people were employed in the Republic of Kazakhstan (representing 95.1% of the eligible workforce), compared to approximately 8.8 million people as at 31 December 2019 (representing 95.2% of the eligible workforce) and approximately 8.7 million people as at 31 December 2018 (representing 95.1% of the eligible workforce).

Growth of the Issuer's Loan Portfolio

The primary driver of the increase in the Issuer's interest income is the expansion of its loan portfolio. The Issuer's gross loans to customers increased by 7.4%, 17.8% and 22.7% for the years ended 31 December 2020, December 2019 and 2018, respectively.

The increase in the size of the Issuer's loan portfolio in 2020, as compared to 2019, and in 2019, as compared to 2018, was primarily driven by the financing of several major infrastructure and investment projects and, to a lesser extent, by fluctuations in the RUB to U.S. dollar and KZT to U.S. dollar exchange rates. In 2018- 2020, a substantial number of borrowers opted for funding in local currencies in order to decrease currency risks. The Issuer intends to continue to expand its lending operations in the Member States and countries that become Member States, financing projects that are consistent with the Issuer's objectives and purpose. See "*The Issuer—Lending and Investments*".

Interest Rates and Narrowing Net Interest Margin

Fluctuations in interest rates can affect the Issuer's results in several respects. Changes in prevailing interest rates, both in the Member States and internationally, can affect the market value of such assets and, as a result, the Issuer's profits. Market fluctuations in interest rates reflect, to a certain degree, inflation, expectations regarding

inflation, shifts in short-term interest rates set by central banks, and movements in long-term real interest rates. For a discussion of sensitivity analysis, see "*Risk Management*".

As a general matter, because the Issuer has both interest bearing assets and interest bearing liabilities, changes in interest rates can lead to higher or lower interest margins, depending on the proportion and terms of the Issuer's interest bearing assets and interest bearing liabilities. Net interest margin was 1.3%, 2.2% and 2.8% for the years ended 31 December 2020, 2019 and 2018, respectively. The decrease in net interest margin for the year ended 31 December 2020, as compared to the year ended 31 December 2019, was principally due to a decrease in average interest rates on the Issuer's portfolio. The Issuer's lending rates are often linked to common benchmark rates, which generally decreased during 2020. In addition, in 2020 and 2019, certain loans bearing higher interest rates were repaid before their stated maturity date, as borrowers sought to benefit from the low interest rate environment. The decrease in net interest margin for the year ended 31 December 2019, as compared to the year ended 31 December 2018, was principally due to an increase in interest expense caused by an increase in the Issuer's debt securities denominated in KZT and RUB, which bear higher interest rates.

Trends in international interest rates and interest rates in Member States affect the Issuer as it borrows internationally and in Member States. Currently, the Issuer has loans with international banks and debt securities outstanding. See "*Liquidity*". Borrowers of the Issuer are located in the Member States and usually prefer funding in local currencies, in particular in RUB and KZT. Aiming to match the borrower's needs, the Issuer borrows funds in Russia and Kazakhstan at substantially higher interest rates compared to Europe and the United States. During 2018-2020, interest rates in Russia and Kazakhstan generally decreased. The CBR key rate decreased from 7.75% as of 1 January 2018 to 4.25% as of 31 December 2020. The NBK refinancing rate decreased from 10.25% as of 1 January 2018 to 9.0% as of 31 December 2020. The Issuer primarily finances long-term projects and may be unable to pass on increasing borrowing costs on to its borrowers. Increases in interest rates may increase its borrowing costs without a commensurate increase in its interest income, thus reducing the Issuer's profitability. Additionally, although rising interest rates would, over time, increase the Issuer's income from its securities portfolio, rising interest rates may at the same time reduce the market value of the Issuer's fixed income investment portfolio.

Foreign Currency Exchange Rate Fluctuations

The Issuer's functional and presentation currency is the U.S. Dollar. However, it has significant amounts of RUB, KZT and other foreign currency-denominated assets and liabilities (59.2% of total assets and 74.7% of total liabilities as at 31 December 2020, 53.6% of total assets and 66.7% of total liabilities as at 31 December 2019, as compared to 42.7% and 62.4% as at 31 December 2018, respectively, were denominated in currencies other than the U.S. Dollar). The Issuer believes that further enhancement of the clearing and settlement platform in the currencies of the Member States will lead to a decrease in balances denominated in currencies other than those of the Member States, which could reduce the significance of this issue in the future. See "*Issuer --Settlement and Clearing Services*"

The Issuer translates its non-U.S. Dollar-denominated assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains or losses realised upon the sale of such assets, to U.S. Dollars when preparing its financial statements. As a result, the Issuer's reported income is affected by changes in the value of the U.S. Dollar with respect to other currencies. The overall effect of exchange rate movements on the Issuer's results of operations depends upon the successful implementation of the Issuer's hedging strategies as well as upon the rate of depreciation or appreciation of the U.S. Dollar against its principal trading and financing currencies. The Issuer generally seeks to have no open positions in terms of foreign exchange exposures; however, depending upon market conditions, it may choose to carry certain open positions through spot or derivative foreign exchange transactions. In such cases, exposures are managed with hedges subject to the limits set by the management of the Issuer and applicable limits set by the Internal Regulations; for example, in 2017 the Issuer obtained cheaper funding in RUB and KZT through repurchase agreements and currency swaps. However, in 2018-2020, the Issuer resumed issuance of KZT and RUB-denominated bonds. According to the Issuer's policy, the maximum amount of any currency position may not exceed 10.0% of the Issuer's regulatory capital in any currency or 20.0% of the Issuer's regulatory capital in all currencies.

The Issuer had a net gain on transactions in foreign currencies of U.S.\$8,301 thousand for the year ended 31 December 2020 and U.S.\$53,074 thousand for the year ended 31 December 2019, as compared to a net loss on transactions in foreign currencies of U.S.\$20,622 thousand for the year ended 31 December 2018. These gains and losses mitigated the financial results of the Issuer's swap transactions (operations with financial assets and liabilities at fair value through profit or loss): a net gain of U.S.\$6,453 thousand for the year ended 31 December 2020, a net loss of U.S.\$35,617 thousand for the year ended 31 December 2019 and a net gain of U.S.\$31,402 thousand for the year ended 31 December 2018. Generally, the Issuer enters into derivative financial contracts to hedge potential loss from fluctuations in foreign exchange rates. The result of operations with financial assets and liabilities at fair value through profit or loss should be considered in conjunction with net gains and losses on transactions in foreign currencies.

Exchange rate movements also affect the U.S. Dollar-equivalent value of the Issuer's non-U.S. Dollar-denominated assets and capital, which can affect capital adequacy either positively (for example, if the U.S. Dollar appreciates, then assets in other currencies convert into fewer U.S. Dollars in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the U.S. Dollar depreciates, then assets in other currencies revalued into more U.S. Dollars in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

Provision for Expected Credit Losses on Loans to Customers

The Issuer's project portfolio (or investment portfolio) primarily comprises loans provided to large corporate borrowers and securities issued to fund relevant projects. As at 31 December 2020, 2019 and 2018, the Issuer's project portfolio comprised 86, 98 and 85 projects, respectively. Default or the deterioration of the financial condition of one or several borrowers tends to increase the Issuer's provision for expected credit losses on loans to customers. As at 31 December 2020, the Issuer created a provision for expected credit losses on loans to customers in the amount of U.S.\$72,891 thousand, as compared to U.S.\$62,758 thousand as at 31 December 2019 and U.S.\$66,202 thousand as at 31 December 2018.

As at 31 December 2020, 2019 and 2018, the Issuer's provision for expected credit losses on loans to customers represented 3.4%, 3.1% and 3.9%, respectively, of the Issuer's gross loans to customers as at those dates. The Issuer believes that it has established a sufficient level of provisions to cover its losses.

An increase in provision for expected credit losses on interest bearing assets leads to a decrease in the Issuer's profit before tax, while a decrease in provision for expected credit losses on interest bearing assets leads to an increase in the Issuer's profit before tax.

Fair Value of Financial Instruments

The Issuer's financial instruments are classified as either debt securities at amortised cost, financial assets at fair value through profit or loss (trading securities) or at fair value through other comprehensive income. The Issuer's financial assets at fair value through profit or loss and at fair value through other comprehensive income, which represented 41.3% of the Issuer's total assets as at 31 December 2020, are recorded at fair value, with changes in fair value being recorded in income (financial assets at fair value through profit or loss) or other comprehensive income, respectively. The increase in the Issuer's treasury portfolio created for liquidity purposes was the major driver for the increase in fair value instruments on the Issuer's balance sheet in the years ended 31 December 2020, 2019 and 2018. See "-- *Selected Financial Ratios and Other Data*".

The following table sets out the distribution of the Issuer's financial assets recorded at fair value as at each of the indicated dates:

	As at 31 December		
	2020	2019	2018
	(in thousands of U.S. Dollars)		
Financial assets at fair value through profit or loss.....	51,561	10,017	17,169
Financial assets at fair value through other comprehensive income	2,261,050	2,106,299	1,139,341
Total	2,312,611	2,116,316	1,156,510

The following table sets out the principal components of the Issuer's treasury portfolio as at each indicated dates.

	As at 31 December		
	2020	2019	2018
	(in thousands of U.S. Dollars)		
Financial assets at fair value through other comprehensive income....	1,629,142	1,513,960	912,498
Cash and cash equivalents.....	663,840	765,144	641,170
Debt securities at amortised cost.....	294,497	-	-
Financial assets at fair value through profit or loss.....	46,743	3,450	291
Loans and advances to financial institutions.....	-	34,685	23,000
Hedge instrument.....	-	-	86
Total	2,634,222	2,317,239	1,577,045

Financial assets at fair value through other comprehensive income have been the most significant part of the Issuer's treasury portfolio. Fair value of these instruments depends on a variety of factors, including interest rates and currency fluctuations. The Issuer manages the composition of the treasury portfolio and the duration of debt instruments to limit revaluations caused by external factors. See "*Risk Management--Market Risk*".

When available, the Issuer measures the fair value of an instrument using quoted prices in an active market for that instrument. If a market for a financial instrument is not active, the Issuer establishes fair value using a valuation technique as discussed in "*Significant Accounting Policies*" below.

Results of Operations for the Years Ended 31 December 2020 and 2019

Net Interest Income

The following table sets out the principal components of the Issuer's net interest income for the periods indicated:

	For the year ended 31 December	
	2020	2019
	(in thousands of U.S. Dollars)	
Interest income.....	268,569	265,028
Interest expense.....	(198,195)	(168,697)
Net interest income before provision for expected credit losses on interest bearing assets	70,374	96,331
Net interest margin	1.3%	2.2%

Net interest income decreased by 26.9%, from U.S.\$96,331 thousand for the year ended 31 December 2019 to U.S.\$70,374 thousand for the year ended 31 December 2020. The decrease was mainly caused by an increase in interest

expense by 17.5%, from U.S.\$168,697 thousand for the year ended 31 December 2019 to U.S.\$198,195 thousand in the year ended 31 December 2020, while interest income remained relatively flat in 2020, as compared to 2019.

The Issuer's net interest margin decreased for the year ended 31 December 2020, as compared to the year ended 31 December 2019, primarily due to a decrease in average interest rates on the Issuer's loans which are often linked to key benchmark rates. The key benchmark rates decreased in 2020 compared to 2019.

The Issuer's return on average assets and return on average equity decreased in the year ended 31 December 2020, as compared to the year ended 31 December 2019, primarily due to an increase in the Issuer's average assets without a proportionate increase in the Issuer's net profit.

Interest Income

The following table sets out the principal components of the Issuer's interest income for the periods indicated:

	For the year ended 31 December	
	2020	2019
	(in thousands of U.S. Dollars)	
Loans to customers.....	141,465	147,753
Financial assets at fair value through other comprehensive income.....	93,459	77,964
Loans and advances to financial institutions.....	13,935	18,106
Cash and cash equivalents.....	10,785	17,095
Financial assets at fair value through profit or loss.....	7,075	4,110
Debt securities at amortised cost.....	1,850	-
Total interest income	268,569	265,028

Total interest income remained relatively flat for the year ended 31 December 2020, as compared to the year ended 31 December 2019.

Interest income on loans to customers for the year ended 31 December 2020 decreased by 4.3%, from U.S.\$147,753 thousand for the year ended 31 December 2019, to U.S.\$141,465 thousand for the year ended 31 December 2020, driven by a decrease in key benchmark rates to which the Issuer's lending rates are often linked to. The benchmark rates decreased primarily as a result of the central banks' policies. See "-- *Significant Factors Affecting the Issuer's Financial Condition and Results of Operations -- Interest rates*".

For the year ended 31 December 2020, interest income on financial assets at fair value through other comprehensive income increased by 19.9%, from U.S.\$77,964 thousand for the year ended 31 December 2019, to U.S.\$93,459 thousand for the year ended 31 December 2020. The increase was primarily caused by an increase in the financial assets at fair value through other comprehensive income, which increased from U.S.\$2,106,299 thousand as at 31 December 2019 to U.S.\$ 2,261,050 thousand as at 31 December 2020.

Interest Expense

The following table sets out the principal components of the Issuer's interest expense for the periods indicated:

	For the year ended 31 December	
	2020	2019
	(in thousands of U.S. Dollars)	
Debt securities issued.....	133,018	132,433
Loans and deposits from banks.....	29,540	14,214
Financial liabilities at fair value through profit or loss.....	20,260	7,118
Deposits from customers.....	15,377	14,932
Total interest expense	198,195	168,697

Interest expense for the year ended 31 December 2020 increased by 17.5%, from U.S.\$168,697 thousand for the year ended 31 December 2019 to U.S.\$198,195 thousand for the year ended 31 December 2020, mainly driven by an increase in interest expense on loans and deposits from banks and on financial liabilities at fair value through profit or loss.

Interest expense on debt securities issued remained relatively flat in the year ended 31 December 2020, as compared to the year ended 31 December 2019. See "-- *Total Liabilities -- Debt securities issued*".

Interest expense on loans and deposits from banks for the year ended 31 December 2020 increased by 107.8%, from U.S.\$14,214 thousand for the year ended 31 December 2019 to U.S.\$29,540 thousand for the year ended 31 December 2020. The increase was primarily due to new loans received by the Issuer from international banks, including the loan from the Export-Import Bank of China in the amount of 1.5 billion Yuan (approximately U.S.\$230 million), and an increase in the volume of repo operations with banks in the year ended 31 December 2020. In 2020, the Issuer signed several loan agreements to receive financing from different international banks to fund the investment projects. Under the terms of the loan agreements, the Issuer must comply with certain financial covenants. The Issuer regularly enters into repurchase agreements to hedge against fluctuations in currency rates.

Interest expense on financial liabilities at fair value through profit or loss for the year ended 31 December 2020 increased by 184.6%, from U.S.\$7,118 thousand for the year ended 31 December 2019 to U.S.\$20,260 thousand for the year ended 31 December 2020. The increase was primarily due to an increase in interest expenses under currency and interest rate swap. In August 2019, the Issuer entered into a three-year currency and interest rate swap contract with a view to hedge against currency and interest rate risks. The swap agreement provides for fixed interest to be paid by the Issuer. In 2019, the instrument was on the balance sheet of the Issuer for several months, as compared to a full year in 2020.

Net Interest Margin

The Issuer's net interest margin decreased from 2.2% for the year ended 31 December 2019 to 1.3% for the year ended 31 December 2020. The decrease was primarily due to a decrease in the Issuer's lending interest rates and an increase in interest expense for the year ended 31 December 2020, as compared to the year ended 31 December 2019. In addition, due to economic uncertainties caused by the COVID-19 pandemic and related restrictive measures, the Issuer had to reconsider some of the projects in the pipeline and decrease or postpone their funding. In 2020, that led to an increase in the carrying value of securities and other financial instruments on the balance sheet of the Issuer which generally bear less interest than loans.

Expected Credit Losses on Loans to Customers

The Issuer's provision for expected credit losses on interest bearing assets increased by 156.8% from U.S.\$6,194 thousand in the year ended 31 December 2019 to U.S.\$15,909 thousand in the year ended 31 December 2020. The Issuer's expected credit loss provisions on loans to customers increased by 16.1%, from U.S.\$62,758 thousand as at 31 December 2019 to U.S.\$72,891 thousand as at 31 December 2020. The increase in provision on loans to customers was primarily attributed to a particular loan provided by the Issuer to a hotel operator in Nur-

Sultan. During 2020, the quality of the loan significantly deteriorated as a result of the COVID-19 pandemic. See "The Issuer -- Effect of COVID-19 on the Issuer's Portfolio in 2020".

Net Non-Interest Income

The following table sets out the principal components of the Issuer's net non-interest income for the periods indicated:

	For the year ended 31 December	
	2020	2019
	(in thousands of U.S. Dollars)	
Losses from investments in associates.....	(2,908)	-
Recovery of/(provision for) expected credit losses on contingent liabilities and other assets.....	156	(602)
Net gain/ (loss) from modification and recognition of new financial instruments.....	193	(3,436)
Net gain /(loss) on financial assets and liabilities at fair value through profit or loss.....	1,948	(35,814)
Net realised gain on financial assets at fair value through other comprehensive income.....	4,619	546
Net gain on transactions in foreign currencies.....	8,301	53,074
Fee and commission income.....	11,359	8,725
Fee and commission expense.....	(1,043)	(455)
Net (loss) /gain on trading with debt securities issued.....	(295)	24
Other income.....	129	46
Total net non-interest income.....	22,459	22,108

Net non-interest income remained relatively flat for the year ended 31 December 2020, as compared to the year ended 31 December 2019.

Losses from Investments in Associates

For the year ended 31 December 2020, the Issuer recognised U.S.\$2,908 thousand in losses from investments in associates, as compared to nil in the year ended 31 December 2019. In December 2019, the Issuer acquired 18.68% of shares of JSCB "NRBank" (JSC), a Russian bank. The purchase price was calculated based on the assessment of an external appraiser. In the year ended 31 December 2020, the Issuer assessed the fair value of purchased shares and recognised the difference as losses from investments in associates. The negative reassessment was primarily caused by a depreciation of RUB (the primary functional currency of JSCB "NRBank" (JSC)) against the U.S. dollar (the reporting currency of the Issuer) in the year ended 31 December 2020.

Net Gain/(Loss) from Modification and Recognition of New Financial Instruments

For the year ended 31 December 2020, the Issuer recognised a U.S.\$193 thousand net gain from modification and recognition of new financial instruments, as compared to a U.S.\$3,436 thousand loss in the year ended 31 December 2019. From time to time, the Issuer revises contractual cash flows on certain financial assets. Depending on the nature of changes and their materiality, a new financial asset with different carrying value should be recognised under IFRS. The difference between carrying values of "old" and "new" assets is recognised as net gain or loss from modification and recognition of new financial instruments. In the year ended 31 December 2019, the Issuer renegotiated terms and conditions under several projects. In particular, at the request of the borrowers, the Issuer amended maturity dates, reduced interest rate and/or converted outstanding indebtedness into other currency under several loans. As a result, the Issuer recognised a U.S.\$3,436 thousand loss in the year ended 31 December 2019. Generally, amendments to existing loans are not common for the Issuer. Both in 2018 and 2020, there have been fewer renegotiations.

Net Gain/(Loss) on Financial Assets and Liabilities at Fair Value Through Profit or Loss

For the year ended 31 December 2020, the Issuer recognised a U.S.\$1,948 thousand net gain on financial assets and liabilities at fair value through profit or loss, as compared to a U.S.\$35,814 thousand net loss in the year ended 31 December 2019. The key driver for changes is net gain (or loss) on financial assets and liabilities at fair value through profit or loss is the forward side of currency swaps. Generally, the Issuer enters into currency swaps to hedge against potential losses from fluctuations in foreign exchange rates. The net gains and losses on financial assets and liabilities at fair value through profit or loss should be considered in conjunction with net gains and losses on transactions in foreign currencies. See "--- Significant Factors Affecting the Issuer's Financial Condition and Results of Operations -- Foreign Currency Exchange Rate Fluctuations".

Net Gain on Transactions in Foreign Currencies

The following table sets out the principal components of the Issuer's net (loss)/gain on transactions in foreign currencies:

	For the year ended 31 December	
	2020	2019
	(in thousands of U.S. Dollars)	
Translation differences, net.....	8,314	52,929
Dealing, net.....	(13)	145
Total net gain on transactions in foreign currencies.....	8,301	53,074

A net gain on transactions in foreign currencies of U.S.\$8,301 thousand was recorded for the year ended 31 December 2020, and of U.S.\$53,074 thousand was recorded for the year ended 31 December 2019. The key driver for changes in net gain (or loss) on transactions in foreign currencies is net translation differences which should be considered in conjunction with net gains and losses on financial assets and liabilities at fair value through profit or loss.

Net Fee and Commission Income

The following table sets out the principal components of the Issuer's fee and commission income:

	For the year ended 31 December	
	2020	2019
	(in thousands of U.S. Dollars)	
Eurasian Fund for Stabilisation and Development management fee.....	8,057	7,312
Credit related fees.....	3,184	1,101
Other fee.....	118	312
Total fee and commission income.....	11,359	8,725
Total fee and commission expense.....	(1,043)	(455)
Net fee and commission expense.....	10,316	8,270

The Issuer's commission income mainly reflects fees it receives when acting as an investment manager of the Eurasian Fund for Stabilisation and Development (the "EFSD"). The EFSD is a separate entity not consolidated in the Issuer's Financial Statements. The Issuer is not liable for recovery of funds used by the EFSD. For details, see "*The Issuer -- Management and Consulting Services -- Eurasian Fund for Stabilisation and Development (EFSD)*"

For the year ended 31 December 2020, total fee and commission income increased by 30.2%, from U.S.\$8,725 thousand for the year ended 31 December 2019 to U.S.\$11,359 thousand for the year ended 31 December 2020. The increase was primarily due to an increase in management fees from the EFSD primarily due to more active use of EFSD funds during the COVID-19 pandemic. An increase in credit related fees from U.S.\$1,101 thousand in

the year ended 31 December 2019 to U.S.\$3,184 thousand in the year ended 31 December 2020 was due to an increase in restructurings, change of payment schedules, and other similar Issuer interactions with borrowers.

For the year ended 31 December 2020, fee and commission expense increased by 129.2%, from U.S.\$455 thousand for the year ended 31 December 2019 to U.S.\$1,043 thousand for the year ended 31 December 2020. The increase is primarily attributable to an increase in the Issuer's expenses related to operations of EFSD which are reimbursed by EFSD to the Issuer. When incurred, these expenses are recognised as fee and commission expenses by the Issuer. Reimbursement of these expenses is recognised as fee and commission income.

Operating Expenses

The following table sets out the principal components of the Issuer's operating expenses for the periods indicated:

	For the year ended 31 December	
	2020	2019
	(in thousands of U.S. Dollars)	
Staff costs and other payments to employees.....	35,495	31,396
Premises expenses.....	2,403	2,508
Depreciation and amortisation.....	1,481	1,278
Professional services.....	1,057	929
Communication expenses.....	746	755
Maintenance of acquired systems and programs.....	684	692
Business trip expenses.....	595	2,163
Business development expenses.....	499	1,210
Security.....	482	511
Other expenses ⁽¹⁾	893	1,581
Total operating expenses.....	44,335	43,023

(1) Other expenses include transportation expenses, training, office, postal and printing expenses and other expenses

Operating expenses remained relatively flat for the year ended 31 December 2020, as compared to the year ended 31 December 2019.

Staff costs and other payments to employees for the year ended 31 December 2020 increased by 13.1%, from U.S.\$31,396 thousand in the year ended 31 December 2019 to U.S.\$35,495 thousand in the year ended 31 December 2020. The increase was primarily driven by an increase in the number of the Issuer's employees from 309 as at 31 December 2019 to 331 as at 31 December 2020. The increase was primarily caused by the launch of the DIF and growth of the Issuer's portfolio.

Other Comprehensive Income

The following table sets out the principal components of the Issuer's other comprehensive income for the periods indicated:

	For the year ended 31 December	
	2020	2019
	(in thousands of U.S. Dollars)	
Net unrealised gain on revaluation of financial assets at fair value through other comprehensive income.....	10,021	42,858
Net realised gain on financial assets at fair value through other comprehensive income transferred to profit or loss.....	(4,619)	(546)
Net realised (gain)/loss on revaluation of hedge instruments.....	(292)	727
Other comprehensive income.....	5,110	43,039

The Issuer's other comprehensive income decreased by 88.1% from U.S.\$ 43,039 thousand for the year ended 31 December 2019 to U.S.\$5,110 thousand for the year ended 31 December 2020. The decrease was primarily attributable to a decrease in net unrealised gain on revaluation of financial assets at fair value through other comprehensive income.

The Issuer's net unrealised gain on revaluation of financial assets at fair value through other comprehensive income decreased by 76.6%, from U.S.\$42,858 thousand for the year ended 31 December 2019 to U.S.\$10,021 thousand for the year ended 31 December 2020. In 2020, the gain was primarily driven by a decrease in the prevailing interest rates which generally leads to an increase in valuations of debt instruments at fair value. Higher gain in 2019 was primarily driven by other external factors. See "-- Results of Operations for the Years Ended 31 December 2019 and 2018 -- Other comprehensive income"

Results of Operations for the Years Ended 31 December 2019 and 2018

Net Interest Income

The following table sets out the principal components of the Issuer's net interest income for the periods indicated:

	For the year ended 31 December	
	2019	2018
	(in thousands of U.S. Dollars)	
Interest income.....	265,028	211,038
Interest expense.....	(168,697)	(114,879)
Net interest income before provision for expected credit losses on interest bearing assets.....	96,331	96,159
Net interest margin.....	2.2%	2.8%

Net interest income before provision for expected credit losses remained relatively flat for the year ended 31 December 2019, as compared to the year ended 31 December 2018.

The Issuer's net interest margin decreased for the year ended 31 December 2019, as compared to the year ended 31 December 2018, primarily due to an increase in interest expense for the year ended 31 December 2019 caused by an increase in the Issuer's debt securities denominated in KZT and RUB, which bear higher interest rates.

The Issuer's return on average assets and return on average equity decreased in the year ended 31 December 2019, as compared to the year ended 31 December 2018, primarily due to an increase in the Issuer's average assets without a proportionate increase in the Issuer's net profit.

Interest Income

The following table sets out the principal components of the Issuer's interest income for the periods indicated:

	For the year ended 31 December	
	2019	2018
	(in thousands of U.S. Dollars)	
Loans to customers.....	147,753	139,824
Financial assets at fair value through other comprehensive income	77,964	41,673
Loans and advances to financial institutions.....	18,106	18,824
Cash and cash equivalents.....	17,095	10,717
Financial assets at fair value through profit or loss.....	4,110	-
Total interest income	265,028	211,038

Interest income increased for the year ended 31 December 2019 by 25.6%, from U.S.\$211,038 thousand for the year ended 31 December 2018 to U.S.\$265,028 thousand for the year ended 31 December 2019.

Interest income on loans to customers increased by 5.7%, from U.S.\$139,824 thousand for the year ended 31 December 2018 to U.S.\$147,753 thousand for the year ended 31 December 2019. The increase was primarily caused by an increase in the Issuer's loan portfolio for the year ended 31 December 2019, which led to an increase in average balances of loans to customers during the year ended 31 December 2019, and was partially offset by a decrease in average interest rate on loans to customers in the year ended 31 December 2019, as compared to the year ended 31 December 2018.

Interest income on financial assets at fair value through other comprehensive income increased by 87.1%, from U.S.\$41,673 thousand for the year ended 31 December 2018 to U.S.\$77,964 thousand for the year ended 31 December 2019. The increase was primarily due to an increase in the balance sheet value of financial assets at fair value through other comprehensive income by 84.9%, from U.S.\$1,139,341 thousand as of 31 December 2018 to U.S.\$2,106,299 thousand as of 31 December 2019. The increase in financial assets at fair value through other comprehensive income was primarily attributable to proceeds from the issuance of debt securities denominated in RUB and KZT in the year ended 31 December 2019. The funds were earmarked for financing projects in the pipeline and were temporary converted into securities as of 31 December 2019.

Interest Expense

The following table sets out the principal components of the Issuer's interest expense for the periods indicated:

	For the year ended 31 December	
	2019	2018
	(in thousands of U.S. Dollars)	
Debt securities issued.....	132,433	92,070
Deposits from customers.....	14,932	1,326
Loans and deposits from banks.....	14,214	21,483
Financial liabilities at fair value through profit or loss.....	7,118	-
Total interest expense	168,697	114,879

Interest expense increased by 46.8%, from U.S.\$114,879 thousand for the year ended 31 December 2018 to U.S.\$168,697 thousand for the year ended 31 December 2019. The increase was mainly caused by an increase in the interest expense on debt securities issued due to higher average balances of issued debt securities for the year ended 31 December 2019. See " -- Total Liabilities -- Debt securities issued".

For the year ended 31 December 2019, interest expense on deposits from customers increased by more than 11 times, from U.S.\$1,326 thousand for the year ended 31 December 2018 to U.S.\$14,932 thousand for the year ended 31 December 2019. The increase was primarily caused by the expansion of the Issuer's deposit base in the year ended

31 December 2019, driven by growth in deposits from customers resulting from the Issuer's launch in 2018 of clearing and settlement services. See "*The Issuer- Settlement and Clearing Services*".

Net Interest Margin

The Issuer's net interest margin decreased from 2.8% for the year ended 31 December 2018 to 2.2% for the year ended 31 December 2019, primarily due to an increase in interest expense for the year ended 31 December 2019 caused by an increase in the Issuer's debt securities denominated in KZT and RUB, which bear higher interest rates.

Expected Credit Losses on Loans to Customers

For the year ended 31 December 2019, the Issuer's expected credit loss provisions decreased by 5.2%, from U.S.\$66,202 thousand as at 31 December 2018 to U.S.\$62,758 thousand as at 31 December 2019. The decrease was primarily attributable to a write-off of loans to four defaulted customers in the amount of U.S.\$9,178 thousand. All four loans were in default as at 31 December 2018.

See "*Risk Management—Credit Risk—Lending Policies and Procedures—Portfolio Supervision and Provisioning Policy*" for a discussion of the Issuer's internal loan categorisation policies.

Net Non-Interest Income

The following table sets out the principal components of the Issuer's net non-interest income for the periods indicated:

	For the year ended 31 December	
	2019	2018
	(in thousands of U.S. Dollars)	
Provision for expected credit losses on contingent liabilities and other assets....	(602)	(79)
Net loss from modification and recognition of new financial instruments.....	(3,436)	(479)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss.....	(35,814)	28,099
Net realised gain/(loss) on financial assets at fair value through other comprehensive income	546	(1,916)
Net gain/(loss) on transactions in foreign currencies.....	53,074	(20,622)
Fee and commission income.....	8,725	4,350
Fee and commission expense.....	(455)	(584)
Net gain/(loss) on trading with debt securities issued.....	24	(8)
Other income.....	46	531
Total net non-interest income/(loss).....	22,108	9,292

Net non-interest income increased from U.S.\$9,292 thousand for the year ended 31 December 2018 to U.S.\$22,108 thousand for the year ended 31 December 2019. The increase was primarily caused by net gain on transactions in foreign currencies for the year ended 31 December 2019, partially offset by a net loss on financial assets and liabilities at fair value through profit or loss.

Net Gain/(Loss) on Financial Assets and Liabilities at Fair Value Through Profit or Loss

For the year ended 31 December 2019, the Issuer recognised a U.S.\$35,814 thousand net loss on financial assets and liabilities at fair value through profit or loss, as compared to a U.S.\$28,099 thousand net gain in the year ended 31 December 2018. Generally, the Issuer enters into derivative financial contracts to hedge potential losses from fluctuations in foreign exchange rates. The net gains and losses on financial assets and liabilities at fair value through profit or loss should be considered in conjunction with net gains and losses on transactions in foreign currencies. See "--- Significant Factors Affecting the Issuer's Financial Condition and Results of Operations -- Foreign Currency Exchange Rate Fluctuations".

Net Gain/(Loss) from Modification and Recognition of New Financial Instruments

For the year ended 31 December 2019, the Issuer recognised a U.S.\$3,436 thousand loss, as compared to U.S.\$479 thousand loss in the year ended 31 December 2018. Please see "-- Results of Operations for the Years Ended 31 December 2020 and 2019 -- Net Gain/(Loss) from Modification and Recognition of New Financial Instruments "

Net Gain/(Loss) on Transactions in Foreign Currencies

The following table sets out the principal components of the Issuer's net (loss)/gain on transactions in foreign currencies:

	For the year ended 31 December	
	2019	2018
	(in thousands of U.S. Dollars)	
Translation differences, net.....	52,929	(20,652)
Dealing, net.....	145	30
Total net gain/(loss) on transactions in foreign currencies.....	53,074	(20,622)

A net gain on transactions in foreign currencies of U.S.\$53,074 thousand was recorded for the year ended 31 December 2019, while a net loss on transactions in foreign currencies of U.S.\$20,622 thousand was recorded for the year ended 31 December 2018. The key driver for changes in net gain (or loss) on transactions in foreign currencies is net translation differences which should be considered in conjunction with net gains and losses on financial assets and liabilities at fair value through profit or loss.

Net Fee and Commission Income

The following table sets out the principal components of the Issuer's fee and commission income:

	For the year ended 31 December	
	2019	2018
	(in thousands of U.S. Dollars)	
Eurasian Fund for Stabilisation and Development management fee.....	7,312	3,993
Credit related fees.....	1,101	229
Other fee.....	312	128
Total fee and commission income.....	8,725	4,350
Total fee and commission expense.....	(455)	(584)
Net fee and commission income.....	8,270	3,766

Fee and commission income for the year ended 31 December 2019 increased by 100.6%, from U.S.\$4,350 thousand for the year ended 31 December 2018 to U.S.\$8,725 thousand for the year ended 31 December 2019. The increase was primarily due to a U.S.\$3,319 thousand increase in management fees for the EFSD due to higher activity of EFSD for the year ended 31 December 2019, as compared to the year ended 31 December 2018, and a U.S.\$872 thousand increase in credit related fees, which in turn were caused by an increase in investment activities of the Issuer for the year ended 31 December 2019.

Fee and commission expense for the year ended 31 December 2019 decreased by 22.1%, from U.S.\$584 thousand for the year ended 31 December 2018 to U.S.\$455 thousand for the year ended 31 December 2019. The decrease was primarily due to the incurrence of external advisers' fees in connection with an update to the Programme in the year ended 31 December 2018, while no similar fees were incurred in the year ended 31 December 2019.

Operating Expenses

The following table sets out the principal components of the Issuer's operating expenses for the periods indicated:

	For the year ended 31 December	
	2019	2018
	(in thousands of U.S. Dollars)	
Staff costs and other payments to employees.....	31,396	22,051
Premises expenses.....	2,508	2,361
Business trip expenses.....	2,163	1,131
Depreciation and amortisation.....	1,278	1,193
Business development expenses.....	1,210	898
Professional services.....	929	1,334
Communication expenses.....	755	743
Maintenance of acquired systems and programs.....	692	751
Security.....	511	552
Other expenses ⁽¹⁾	1,581	1,012
Total operating expenses	43,023	32,026

(1) Other expenses include transportation expenses, training, office, postal and printing expenses and other expenses

Operating expenses increased by 34.3%, from U.S.\$32,026 thousand for the year ended 31 December 2018 to U.S.\$43,023 thousand for the year ended 31 December 2019. This increase was primarily due to a U.S.\$9,345 thousand increase in staff costs and other payments to employees. Staff costs and other payments to employees increased due to the accrual of bonuses for the year ended 31 December 2019 for the results of the year ended 31 December 2018, as compared to 2018 when accrued bonuses for the year ended 31 December 2017 were partially cancelled.

Other Comprehensive Income

The following table sets out the principal components of the Issuer's other comprehensive income for the periods indicated:

	For the year ended 31 December	
	2019	2018
	(in thousands of U.S. Dollars)	
Net unrealised gain/(loss) on revaluation of financial assets at fair value through other comprehensive income.....	42,858	(24,245)
Net realised (gain)/loss on financial assets at fair value through other comprehensive income transferred to profit or loss.....	(546)	1,916
Net realised (gain)/loss on revaluation of hedge instruments.....	727	(435)
Other comprehensive income	43,039	(22,764)

The Issuer had other comprehensive income of U.S.\$43,039 thousand for the year ended 31 December 2019, as compared to other comprehensive loss of U.S.\$22,764 thousand for the year ended 31 December 2018. The gain was primarily attributable to a net unrealised gain on revaluation of financial assets at fair value through other comprehensive income.

The Issuer had a net unrealised gain on revaluation of financial assets at fair value through other comprehensive income of U.S.\$42,858 thousand for the year ended 31 December 2019, as compared to a net unrealised loss on revaluation of financial assets at fair value through other comprehensive income of U.S.\$24,245 thousand for the year ended 31 December 2018. The difference was primarily attributable to gains on revaluation of securities issued by Russian and Kazakhstani companies. The revaluation was primarily driven by a recovery of market

prices for these securities after a decline in 2018, when new OFAC sanctions were imposed on certain Russian entities and individuals. In addition, a decrease in key benchmark rates in U.S. dollars in the year ended 31 December 2019 contributed to the gains on revaluations, as a decrease in interest rates generally leads to an increase in valuations of debt instruments.

Financial Condition as at 31 December 2020, 2019 and 2018

The following selected balance sheet information as at 31 December 2020, 2019 and 2018 has been derived from the Financial Statements which are included elsewhere in this Base Prospectus.

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

As at 31 December 2020, the Issuer's total assets were U.S.\$5,599,675 thousand, an increase of 8.5%, as compared to U.S.\$5,160,764 thousand as at 31 December 2019.

The U.S.\$438,911 thousand increase in total assets as at 31 December 2020, as compared to 31 December 2019, was primarily attributable to a U.S.\$294,497 thousand increase in debt securities at amortised cost and U.S.\$154,751 thousand increase in financial assets at fair value through other comprehensive income. Both increases were primarily driven by an increase in the Issuer's treasury portfolio.

The U.S.\$1,450,298 thousand increase in total assets as at 31 December 2019, as compared to 31 December 2018, was primarily attributable to a U.S.\$966,958 thousand increase in financial assets at fair value through other comprehensive income and a U.S.\$309,714 thousand increase in loans to customers. The increase in loans to customers for the year ended 31 December 2019 was caused by an increase in the Issuer's loan portfolio.

Cash and Cash Equivalents

The Issuer's cash and cash equivalents were U.S.\$663,840 thousand, U.S.\$765,144 thousand and U.S.\$641,170 thousand as at 31 December 2020, 2019 and 2018, respectively. The U.S.\$101,304 thousand decrease in cash and cash equivalents as at 31 December 2020, as compared to 31 December 2019, was primarily driven by the Issuer's decision to allocate more cash and cash equivalents to financial assets generating higher interest. A U.S.\$123,974 thousand increase in cash and cash equivalents as at 31 December 2019, as compared to 31 December 2018, was primarily driven by the Issuer's sale of treasury Eurobonds in December 2019.

Financial Assets at Fair Value Through Profit or Loss

The Issuer's financial assets at fair value through profit or loss were U.S.\$51,561 thousand, U.S.\$10,017 thousand and U.S.\$17,169 thousand as at 31 December 2020, 2019 and 2018, respectively. A U.S.\$41,544 thousand increase in the carrying value of financial assets at fair value through profit or loss as at 31 December 2020, as compared to 31 December 2019 was primarily caused by a positive revaluation of currency swaps and acquisition of shares of a major Russian state-owned company in the year ended 31 December 2020. A decrease in the carrying value of financial assets at fair value through profit or loss in the year ended 31 December 2019, as compared to the year ended 31 December 2018 was primarily driven by a negative revaluation of the Issuer's investment in MRIF. See "*--Results of operations for the years ended 31 December 2019 and 2018 -- Losses less gains from equity securities at fair value through profit or loss*" and "*The Issuer -- Private Equity Funds*".

Loans and Advances to Financial Institutions

The Issuer's loans and advances to financial institutions were U.S.\$185,475 thousand, U.S.\$266,298 thousand and U.S.\$245,510 thousand as at 31 December 2020, 2019 and 2018, respectively. The decrease of U.S.\$80,823 thousand in loans and advances to financial institutions as at 31 December 2020, as compared to 31 December 2019, was primarily caused by a scheduled redemption of certain loans and the maturing of several repo transactions. Loans and advances to financial institutions as at 31 December 2019 comprised U.S.\$233,739 thousand of loans to banks and U.S.\$34,685 thousand of loans under reverse repurchase agreements. The increase of U.S.\$20,244 thousand as at 31 December 2019, as compared to 31 December 2018, was attributable to the U.S.\$11,685 thousand increase in loans under reverse repurchase agreements and the U.S.\$8,559 thousand increase in loans to banks.

Loans to Customers

The Issuer's net loans to customers were U.S.\$2,098,698 thousand, U.S.\$1,960,004 thousand and U.S.\$1,650,290 thousand as at 31 December 2020, 2019 and 2018, respectively. See "*The Issuer—Lending and Investments—Lending—Loans to Customers*".

The increase in net loans to customers for the years ended 31 December 2020 and 2019 was primarily attributable to the growth of the Issuer's portfolio and financing of major industry and infrastructure projects.

Loans to customers as a percentage of total assets remained relatively flat as at 31 December 2020, as compared to 31 December 2019. Loans to customers as a percentage of total assets decreased from 44.5% as at 31 December 2018 to 38.0% as at 31 December 2019, primarily due to a substantial increase in the balance value of financial instruments at fair value through other comprehensive income for the year ended 31 December 2019.

Financial Assets at Fair Value through Other Comprehensive Income

The Issuer's investment policy establishes types of investment instruments and minimum level of credit ratings for inclusion of financial instruments in the treasury portfolio. See "*Risk Management -- Liquidity Risk Management*".

The Issuer maintains a sufficient level of liquid assets in its treasury portfolio to finance its activities for 12 months without reliance on third parties. The level of liquid assets in the treasury portfolio shall not be less than 12 months projected net loan disbursements plus the annual cost of servicing of financial debt. The level is revised on a quarterly basis. As of 31 December 2020, the minimum level of liquid assets in the treasury portfolio (FN1) was U.S.\$729 million and the carrying value of the treasury portfolio was U.S.\$1,293 million.

The treasury department oversees compliance with the abovementioned guidelines and makes decisions on the size and term of investments, thus maintaining portfolio flow with regards of currency, maturity and other periodical payments or project investments.

As at 31 December 2020, financial assets at fair value through other comprehensive income comprised U.S.\$631,908 thousand in debt instruments in the investment portfolio and U.S.\$1,606,548 thousand in debt instruments in the treasury portfolio. As at 31 December 2020, the investment portfolio comprised U.S.\$551,590 thousand in bonds issued by non-financial organisations, U.S.\$40,930 thousand Eurobonds issued by the Republic of Kazakhstan, U.S.\$31,958 thousand issued by the Republic of Belarus, and U.S.\$7,430 thousand bonds issued by a financial organisation. As at 31 December 2020, the treasury portfolio comprised U.S.\$877,557 thousand in bonds issued by Japan, Belgium and the United States of America, U.S.\$228,397 thousand bonds issued by non-financial organisations, U.S.\$195,283 thousand in bonds issued by the Russian Federation, U.S.\$143,166 thousand discount notes issued by the NBK, U.S.\$127,924 thousand in bonds issued by banks and financial institutions of countries other than the Member States, U.S.\$23,116 thousand in Eurobonds issued by the Republic of Kazakhstan and U.S.\$11,105 thousand in bonds issued by banks and financial institutions of the Republic of Kazakhstan. The increase in balances of financial assets at fair value through other comprehensive income as at 31 December 2020, as compared to 31 December 2019, was primarily due to an increase in loans and deposits received from banks in the year ended 31 December 2020. In addition, in the year ended 31 December 2020, certain loans and securities were redeemed before their stated maturity dates. The Issuer invested received funds in financial assets at fair value through other comprehensive income.

As at 31 December 2019, financial assets at fair value through other comprehensive income comprised U.S.\$592,339 thousand in debt instruments in investment portfolio and U.S.\$1,513,960 thousand in debt instruments in the investment portfolio. As at 31 December 2019, the investment portfolio comprised U.S.\$556,965 thousand in bonds issued by non-financial organisations, U.S.\$15,872 thousand Eurobonds issued by the Republic of Belarus and U.S.\$19,502 thousand bonds issued by various financial organisations. As at 31 December 2019, the treasury portfolio comprised U.S.\$470,137 thousand in bonds issued by Japan, Belgium and U.S. treasury securities, U.S.\$213,595 thousand in bonds issued by non-financial organisations, U.S.\$140,428 thousand in bonds issued by the Russian Federation, U.S.\$139,961 thousand in discount notes issued by the NBK and U.S.\$549,839 thousand in bonds issued by banks and financial institutions of countries other than the Member States. The increase in balances of financial assets at fair value through other comprehensive income as at 31 December 2019, as compared to 31 December 2018, was primarily due to an increase in debt securities in KZT and issued by the Issuer to fund projects in the pipeline. In addition, in December 2019, the Issuer sold its treasury Eurobonds. The Issuer invested received funds in financial assets at fair value through other comprehensive income.

As at 31 December 2020, debt securities at amortised cost comprised U.S.\$294,497 thousand, as compared to nil as at 31 December 2019 and 2018. In 2020, the Issuer created a separate portfolio for debt securities purchased and held until their maturity. Under IFRS, such securities are accounted as a separate line item.

Total Liabilities

The Issuer's total liabilities were U.S.\$3,717,537 thousand, U.S.\$3,310,768 thousand and U.S.\$1,972,486 thousand as at 31 December 2020, 2019 and 2018, respectively. The increase of U.S.\$406,769 thousand as at 31 December 2020, as compared to 31 December 2019, was primarily due to an increase in loans and deposits from banks and deposits from customers, partially offset by a decrease in debt securities issued.

The increase of U.S.\$1,338,282 thousand as at 31 December 2019, as compared to 31 December 2018, was due to increase in all components of total liabilities, in particular growth of debt securities issued, loans and deposits from banks and deposits from customers.

Loans and Deposits from Banks

The Issuer's loans and deposits from banks were U.S.\$1,560,112 thousand, U.S.\$740,475 thousand, and U.S.\$242,931 thousand as at 31 December 2020, 2019 and 2018, respectively. The growth in loans and deposits from banks was primarily caused by the Issuer's decision to diversify sources of funding and implement the new product deposits for banks in 2018.

Financial Liabilities at Fair Value Through Profit or Loss

The Issuer's financial liabilities at fair value through profit or loss were U.S.\$5,001 thousand, U.S.\$26,955 thousand and U.S.\$3,329 thousand as at 31 December 2020, 2019 and 2018, respectively.

The decrease of U.S.\$21,954 thousand as at 31 December 2020, as compared to 31 December 2019, was primarily the result of, as well as the increase of U.S.\$23,626 thousand as at 31 December 2019, as compared to 31 December 2018, was primarily the result of revaluation of currency swaps.

Debt Securities Issued

As at 31 December 2020, 2019 and 2018, the Issuer's debt securities issued were U.S.\$1,719,552 thousand, U.S.\$2,209,328 thousand and U.S.\$1,525,786 thousand, respectively. See "*Capitalisation of the Issuer*". The decrease of U.S.\$489,776 thousand as at 31 December 2020, as compared to 31 December 2019, was primarily caused by the Issuer's decision to diversify of sources of funding by from debt securities to loans and deposits from banks.

As at the date of this Base Prospectus, the Issuer had the following debt securities issued and borrowings from banks:

- On 20 September 2012, the Issuer issued international Eurobonds listed on the London Stock Exchange under its EMTN Programme in an aggregate nominal amount of U.S.\$500 million due 20 September 2022 (series 03). The Eurobonds bear a fixed interest rate of 4.767% per annum. During 2015 and 2016, the Issuer repurchased U.S.\$201,031 thousand in nominal amount of bonds resulting in a net gain of U.S.\$3,195 thousand. In April 2018, the Issuer registered its EMTN Programme on Euronext Dublin. On 12 December 2019, the Issuer made a secondary placement of repurchased bonds for a price equal to 104.65% of the bonds' nominal value.
- On 2 June 2014, the Issuer issued Russian rouble bonds (series 09) listed on the Moscow Exchange in an aggregate nominal amount of RUB5.0 billion due 24 May 2021. The bonds bear interest at a fixed rate of 9.65% per annum until 27 November 2017. After 27 November 2017 the Issuer reset

the interest rate to 7.8% per annum valid until 26 November 2018. After 26 November 2018 the Issuer reset the interest rate to 8.9% per annum.

- On 19 January 2016, the Issuer issued Russian rouble bonds (series 10) on the Moscow Exchange in an aggregate nominal amount of RUB2.0 billion due 10 January 2023. The bonds bear a fixed interest rate of 12.25% per annum.
- On 2 February 2018, the Issuer issued Russian rouble bonds (series 11) on the Moscow Exchange in an aggregate nominal amount of RUB5.0 billion due on 24 January 2025. The bonds bear a fixed interest rate of 7.75% per annum until 30 July 2021. As from this date the Issuer may reset the interest rate. The bondholders are entitled to redeem the bonds on 4 August 2021.
- On 24 July 2018, the Issuer issued Russian rouble bonds (series 001P-01) on the Moscow Exchange in an aggregate nominal amount of RUB10 billion due 11 July 2028. After 21 January 2020 the Issuer reset the interest rate to 5.95% per annum valid until 17 January 2023, and as a result of put option exercise, the aggregate outstanding nominal amount of bonds decreased to RUB 560 million. After 17 January 2023 the Issuer may reset the interest rate. The bondholders are entitled to redeem the bonds on 20 January 2023.
- On 9 November 2018, the Issuer issued Russian rouble bonds (series 001P-02) on the Moscow Exchange in an aggregate nominal amount of RUB5 billion due 7 May 2021. The bonds bear a fixed interest rate of 8.9% per annum valid until 7 May 2021.
- On 12 March 2019, the Issuer issued Russian rouble bonds (series 001P-03) on the Moscow Exchange in an aggregate nominal amount of RUB5 billion due 9 March 2021. The bonds bear a fixed interest rate of 8.6% per annum until their maturity date.
- On 16 July 2019, the Issuer issued Russian rouble bonds (series 001P-04) in an aggregate nominal amount of RUB5 billion and listed them on the Moscow Exchange. The bonds are due on 10 January 2023 and bear an interest rate of 8.0% per annum valid until their maturity date.
- On 13 December 2019, the Issuer issued Russian rouble bonds (series 001P-05) in an aggregate nominal amount of RUB8.0 billion on the Moscow Exchange due on 9 June 2023. The bonds bear a fixed interest rate of 6.8% per annum until their maturity date.
- On 21 April 2020, the Issuer issued Russian rouble bonds (series 001P-06) on the Moscow Exchange in an aggregate nominal amount of RUB5 billion due on 18 April 2023. The bonds bear a fixed interest rate of 7.6% per annum until their maturity date.
- On 28 May 2020, the Issuer issued Russian rouble bonds (series 001P-07) on the Moscow Exchange in an aggregate nominal amount of RUB10 billion due on 23 May 2024. The bonds bear a fixed interest rate of 5.9% per annum until their maturity date.
- On 12 June 2018, the Issuer issued tenge bonds on the Kazakhstan Stock Exchange in an aggregate amount of KZT20 billion due 12 June 2021 (programme 2 series 01). The bonds bear a fixed interest rate of 9.1% per annum.
- On 12 June 2018, the Issuer issued tenge bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT20 billion due 12 June 2021 (programme 2 series 02). The bonds bear a fixed interest rate of 9.1% per annum.

- On 12 June 2018, the Issuer issued tenge bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT10 billion due 12 June 2021 (programme 2 series 07). The bonds bear a fixed interest rate of 9.1% per annum.
- On 11 October 2018, the Issuer issued tenge bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT20 billion due 11 October 2023 (programme 2 series 06). The bonds bear a fixed interest rate of 9.5% per annum.
- On 6 November 2018, the Issuer issued tenge bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT20 billion due 6 November 2022 (programme 2 series 03). The bonds bear a fixed interest rate of 9.7% per annum.
- On 22 February 2019, the Issuer issued tenge bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT20 billion due 22 February 2022 (programme 1 series 05). The bonds bear a fixed interest rate of 9.7% per annum.
- On 27 May 2019, the Issuer issued KZT bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT20 billion due 27 May 2024 (programme 2 series 05). The bonds bear a fixed interest rate of 9.5% per annum.
- On 27 May 2019, the Issuer issued tenge bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT20 billion due 27 May 2024 (programme 2 series 09). The bonds bear a fixed interest rate of 9.5% per annum.
- On 27 May 2019, the Issuer issued tenge bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT10 billion due 27 May 2024 (programme 2 series 11). The bonds bear a fixed interest rate of 9.5% per annum.
- On 28 August 2020, the Issuer issued KZT bonds on the Kazakhstan Stock Exchange in an aggregate nominal amount of KZT40 billion due 28 August 2022 (programme 3 series 01). The bonds bear a fixed interest rate of 11% per annum.
- On 4 December 2020, the Issuer issued U.S. dollar-denominated bonds on the Astana International Exchange in an aggregate nominal amount of USD100 million due 14 December 2021. The bonds bear a fixed interest rate of 0.75% per annum until their maturity date.

As at 31 December 2020, the outstanding principal amount of debt securities issued, including bond issues listed above, amounted to U.S.\$1,719,552 thousand.

Deposits from Customers

As at 31 December 2020, 2019 and 2018, the Issuer's deposits from customers were U.S.\$391,598 thousand, U.S.\$297,344 thousand and U.S.\$177,145 thousand, respectively. The increase in 2020 and 2019 was primarily driven by the Issuer's diversification of funds and the offering of clearing and settlement services which lead to an increase in the amount of deposits from customers.

Other Liabilities

The Issuer's other liabilities were U.S.\$41,274 thousand, U.S.\$35,050 thousand and U.S.\$22,774 thousand as at 31 December 2020, 2019 and 2018, respectively. Other liabilities comprise employee benefits plan, accrued staff bonuses, liabilities under lease contracts, various reserves, prepayments and accruals. An increase in other liabilities for the year ended 31 December 2020, as compared to the year ended 31 December 2019, was primarily caused by an increase in defined contribution plans (retirement savings plan) and the provision for TAF future costs.

The Issuer is exempt from payments of obligatory pension contributions in the Member States and provides private retirement benefits in accordance with its internal regulations. An increase of U.S.\$3,967 thousand as at 31 December 2020, as compared to 31 December 2019, was primarily caused by an increase in the number of Issuer's employees in 2020, as compared to 2019.

For the year ended 31 December 2020, U.S.\$5,550 thousand were allocated to TAF expenses, of which U.S.\$1,607 thousand were expensed on research projects and the first Eurasian Congress in December 2020. The remainder of the allocated future expenses (U.S.\$3,943 thousand) was recorded as other liabilities as at 31 December 2020.

An increase in other liabilities for the year ended 31 December 2019, as compared to the year ended 31 December 2018, was primarily caused by recognition of lease liabilities in the amount of U.S.\$6,967 thousand as at 31 December 2019 as a result of adoption of IFRS 16 starting from 1 January 2019.

Equity

The Issuer's total shareholders' equity was U.S.\$1,882,138 thousand, U.S.\$ 1,849,996 thousand and U.S.\$1,737,980 thousand as at 31 December 2020, 2019 and 2018, respectively.

The increase in equity for the years ended 31 December 2020, 2019 and 2018 was attributable to (i) the accrual of net profit of the Issuer in the amount of U.S.\$32,582 thousand for the year ended 31 December 2020, U.S.\$68,977 thousand for the year ended 31 December 2019 and U.S.\$66,445 thousand for the year ended 31 December 2018; and (ii) accrual in other comprehensive income which amounted to U.S.\$5,110 thousand for the year ended 31 December 2020, U.S.\$43,039 thousand for the year ended 31 December 2019 and other comprehensive loss of U.S.\$22,764 thousand for the year ended 31 December 2018.

Total equity as a percentage of total assets is primarily affected by the amount of bonds issued by the Issuer. Total equity as a percentage of total assets decreased for the years ended 31 December 2020, 2019 and 2018 from 46.8% for the year ended 31 December 2018 to 33.6% for the year ended 31 December 2020, primarily due to the issuance of RUB and KZT denominated bonds, an increase in loans and deposits from banks and the acceptance of customers' deposits beginning in 2018.

The Internal Regulations requires that the Issuer maintain the Financial Leverage Ratio of not more than 300.0% and maintain its minimum total capital adequacy ratio calculated on the basis of Basel II standardised approach at 16.0%. As at 31 December 2020, the financial leverage ratio was 123.25% and the capital adequacy ratio was 42.77%.

Liquidity

Liquidity is the measurement of the Issuer's ability to meet its cash requirements. The Issuer's objective in managing its liquidity is to maintain the ability to meet loan commitments, purchase investments and pay other liabilities in accordance with their terms, without an adverse impact on the Issuer's current or future earnings. The Issuer's liquidity management is guided by policies developed and monitored by the ALMC (as defined herein) and the Assets and Liabilities Management Division. See "*Risk Management—Liquidity Risk Management*".

As at 31 December 2020, the Issuer has approved non-binding commitments in respect of five projects that have been approved by the Credit Committee, the Management Board and, where necessary, the Council, representing financing by the Issuer in the aggregate amount of U.S.\$562.5 million. These projects remain subject to further diligence and negotiations. See "*The Issuer—Lending and Investments—Lending—Loans to Customers—Project Pipeline—Approved Projects*". These commitments, investments and liabilities are expected to be financed predominately through borrowing from banks and the issuance of securities on the international capital markets, including issues under the Programme.

Off-Balance Sheet Arrangements

In the normal course of business, the Issuer is a party to various financial instruments described below with off-balance sheet risk in order to meet the needs of its customers. These instruments, which involve varying degrees of credit risk, are not reflected in the statement of financial position.

The Issuer's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of a counterparty's default and in event when all counterclaims, collateral or security prove insufficient to cover any liabilities, is represented by the contractual amounts of those instruments. The Issuer plans to fund these commitments primarily with the debt securities issued.

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

The following table shows the nominal (or contractual) amounts of the Issuer's off-balance sheet arrangements as at the dates indicated:

	As at 31 December		
	2020	2019	2018
	<i>(in thousands U.S. Dollars)</i>		
Guarantees and letters of credit issued.....	22,121	50,877	1,021
Contingent liabilities			
Commitments on loans and unused credit lines.....	1,186,735	1,275,796	1,244,532
Guarantees and letters of credit issued.....	246,342	134,727	-
Commitments to join private equity funds.....	3,995	3,995	15,724
Less expected credit loss provisions ⁽¹⁾	(488)	(720)	(8)
Total contingent liabilities and credit commitments.....	1,458,705	1,464,675	1,261,269

(1) The expected credit loss provisions are created for the Issuer's contingent liabilities and are not reflected in the Issuer's statement of profit and loss and other comprehensive income.

Commitments on loans and unused credit lines remained relatively flat during the year ended 31 December 2020, as compared to the year 31 December 2019.

As at 31 December 2020, 2019 and 2018, the Issuer had no commitments for capital expenditures.

Related Party Transactions

Note 27 of the Notes to the Financial Statements as at and for the years ended 31 December 2020, 2019 and 2018 summarise certain related party transactions entered into by the Issuer regarding compensation of key management personnel and some of the state-owned entities of its Member States.

Market Risk Management

See "Risk Management".

Significant Accounting Policies

Certain of the Issuer's significant accounting policies are described below. The Issuer's significant accounting policies are discussed in Note 3 of the Notes to the Financial Statements that are included elsewhere in this Base Prospectus.

Financial instruments

Classification

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

The business model reflects how the Issuer manages the assets in order to generate cash flows – whether the Issuer's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at fair value through profit or loss. The business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Issuer undertakes to achieve the objective set out or the portfolio available at the date of the assessment. An assessment of business models for managing financial assets was performed at the date of initial application of IFRS 9 (1 January 2018) to determine the classification of a financial asset.

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

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

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

Initial Recognition

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

Credit loss allowance for expected credit loss

The Issuer assesses, on a forward-looking basis, the expected credit loss for debt instruments measured at amortised cost and fair value through other comprehensive income and for the exposures arising from loan commitments and financial guarantee contracts. The Issuer measures expected credit loss and recognises credit loss

provision at each reporting date. The measurement of expected credit loss reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. Debt instruments measured at amortised cost are presented in the statement of financial position net of the provision for expected credit loss. For loan commitments and financial guarantees, a separate provision for expected credit loss is recognised as a liability in the statement of financial position. For debt instruments at fair value through other comprehensive income, changes in amortised cost, net of provision for expected credit loss, are recognised in profit or loss and other changes in carrying value are recognised in other comprehensive income as gains less losses on debt instruments at fair value through other comprehensive income. The Issuer applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Issuer identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its expected credit loss is measured based on expected credit loss on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any. If the Issuer determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its expected credit loss is measured as a lifetime expected credit loss. For financial assets that are purchased or originated credit-impaired, the expected credit loss is always measured as a lifetime expected credit loss.

Derecognition

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

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

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("**repo agreements**"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The corresponding liability is presented within loans and deposits from banks. Securities purchased under agreements to resell ("**reverse repo agreements**"), which effectively provide a lender's return to the Issuer, are recorded as cash and cash equivalents or advances to banks, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures and spot transactions. Derivatives may be embedded in another contractual arrangement (a "**host contract**"). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument

is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Offsetting

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

Income and expense recognition

Interest income and expense are recorded for all debt instruments, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability; for example, fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Issuer to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Issuer will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Issuer does not designate loan commitments as financial liabilities at fair value through profit or loss. For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows to the fair value on initial recognition. As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortised cost. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Issuer. Other fee and commission income is recognised at a point in time when the Issuer satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations.

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

RISK MANAGEMENT

The Issuer's operations are subject to a variety of risks, many of which are beyond its control, including risks relating to changes in equity or commodity prices, interest rates, foreign exchange rates, declines in liquidity and deterioration in the credit quality of its loan and treasury portfolios. See *"Risk Factors - The Issuer is exposed to foreign currency risks"*, *"Risk Factors - The Issuer's loan portfolio is concentrated in certain industry sectors and in certain Member States and is subject to credit risk due to high lending concentration"*, *"Risk Factors - The Issuer faces risks associated with the level of, and changes in, interest rates"*. The Issuer monitors and manages the maturities of its loans, its interest rate and exchange rate exposures, its liquidity position and the credit quality of each individual financial asset in the investment portfolio to minimise the effects of changes in them relative to the Issuer's financial and liquidity position.

To manage risks the Issuer uses (i) the Council, (ii) the Management Board, (iii) the Assets and Liabilities Management Committee (the "**ALMC**"), (iv) the Credit Committee, (v) the Credit and Risk Management Department and (vi) the Assets and Liabilities Management Division, which together are responsible for devising and implementing the Issuer's risk management policies, including financial, credit and market risks. The basic credit policy of the Issuer is set out in, and governed by, the Charter. The Issuer's current regulations concerning its investment activities were adopted in 2013 (the "**Investment Regulations**"), a key policy and strategic document of the Issuer, which defines key metrics for managing its credit risks. Certain additional prudential risk policies and other internal regulations to manage risks are contained in the Internal Regulations, the Issuer's investment declaration dated 2016 (the "**Investment Declaration**") and the Issuer's Risk Management Policy dated 2019.

The Council

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

- determining the strategy of the Issuer and its lending policy;
- approving the Issuer's investment projects in accordance with the Investment Regulations; and
- approving the annual budget.

The Management Board

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

- approving risk management rules, regulations and other underlying procedures for managing risk and interaction of the Issuer's internal departments; and
- approving loans and investment projects within established limits. See *"The Issuer—Lending and Investments—General"*.
- implementing the Issuer's strategy and ensuring that the level of risks that are deemed to be acceptable comply with the Issuer's strategy;

Assets and Liabilities Management Committee

The overall asset and liability position of the Issuer is monitored and managed by the ALMC, which is a permanent collective body reporting to the Management Board. The ALMC monitors and manages the Issuer's liquidity position, maturity gaps and interest income and expense in light of the current market developments. The ALMC is responsible for setting the Issuer's lending rates in U.S. Dollars and other currencies, and establishing the range of margins to be charged to counterparties on Treasury activities. The ALMC currently has ten members. It is headed by the Deputy Chairman of the Management Board and also comprises three Deputy Chairmen of the

Management Board, the Advisor to the Chairman of the Management Board, the Head of Credit and Risk Management Department, the Deputy Head of Credit and Risk Management Department, the Head of Accounting and Reporting Department, the Head of Planning and Accounting Division, the Head of the Assets and Liabilities Management Division. The ALMC meets regularly and at least monthly.

Credit Committee

The Credit Committee monitors and manages overall risk concentration by reference to borrower and reviews each individual loan and equity investment proposal made by the project units involved in corporate lending activity (the "**Project Units**"). The Credit Committee has, as one of its major functions, responsibility for minimising insofar as practicable the credit risk presented by each individual loan and equity investment proposal by carrying out a critical analysis of each such individual proposal. It is also a permanent collective body reporting to the Management Board. The Credit Committee currently has 14 members and consists of representatives of the Project Units, the Credit and Risk Management Department, the Assets and Liabilities Management Division, the Strategic Development Direction, the Legal Department and the Security and Compliance Control Department and the Accounting and Reporting Department. The Credit Committee is headed by the Deputy Chairman of the Management Board.

Investment Activity Committee

The Investment Activity Committee is a permanent collective body reporting to the Management Board. The Investment Activity Committee monitors and advises on the general management of the Issuer's investment portfolio.

Credit and Risk Management Department

The Credit and Risk Management Department is responsible for proposing risk management policies for approval by the Management Board. In addition, the Credit and Risk Management Department monitors the implementation of the Issuer's risk management techniques, policies and guidelines and is also responsible for:

- analysing the credit risk of each individual investment proposal on projects and preparing recommendations to the Credit Committee on mitigation of associated credit risks;
- monitoring and administrating each investment project;
- analysing counterparty risk for Treasury operations and monitoring compliance with applicable internal limits;
- classifying loans and other financial assets by categories and preparing provisions for expected credit losses;
- conducting stress-tests of the Issuer's positions;
- preparing information and presenting data on risk management to the management of the Issuer.

Assets and Liabilities Management Division

The Assets and Liabilities Management Division is responsible for the evaluation and monitoring of interest rate and liquidity risk, as well as for improving methodologies for assessing and managing these types of risks. The Assets and Liabilities Management Division conducts gap analysis of the Issuer's balance sheet structure in terms of liquidity risk and interest rate risk and prepares management reports and recommendations.

Credit Risk

General

The Issuer is exposed to credit risk which is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Issuer to incur a financial loss.

The Issuer is generally exposed to credit risk through its financial assets, derivative instruments and contingent liabilities. At present, credit risk exposure of the Issuer is predominately concentrated within its major Member States – the Russian Federation and the Republic of Kazakhstan. The Management Board set the overall credit risk limits by determining the maximum risk exposure to a single borrower or group of borrowers. Within these limits, the Management Board and the Assets and Liabilities Management Committee set limits in relation to individual counterparties and determine the amount and structure of risk bearing assets. The exposure is monitored on a regular basis by the Credit and Risk Management Department to ensure compliance with these limits.

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

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

The following tables detail the credit ratings of financial assets held by the Issuer as at the dates indicated:

As at 31 December 2020						
	AA- and above	From A+ to A-	From BBB+ to BBB-	Below BBB-	Not rated	Total
	<i>(US\$ '000)</i>					
Cash and cash equivalents	27,919	352,747	270,336	11,869	969	663,840
Financial assets at fair value through profit or loss	-	24,096	13	22,634	4,818	51,561
Loans and advances to financial institutions	-	-	346	176,047	9,082	185,475
Financial assets at fair value through other comprehensive income	810,696	194,785	630,892	542,606	82,071	2,261,050
Debt securities at amortised cost	-	-	272,742	21,755	-	294,497
Other financial assets	-	-	-	-	9,098	9,098
	As at 31 December 2019					
	AA- and above	From A+ to A-	From BBB+ to BBB-	Below BBB-	Not rated	Total
	<i>(US\$ '000)</i>					
Cash and cash equivalents	140,145	220,353	331,457	68,406	4,783	765,144
Financial assets at fair value through profit or loss	-	661	2,759	30	6,567	10,017
Loans and advances to financial institutions	34,685	-	-	231,319	294	266,298

Financial assets at fair value through other comprehensive income	590,841	429,135	493,984	482,843	109,496	2,106,299
Other financial assets	-	-	-	-	10,868	10,868

As at 31 December 2018

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

Lending Policies and Procedures

General

The Management Board makes all decisions regarding the Issuer's lending activities except where the approval of the Council is explicitly required by the Investment Regulations as described below. In making its decision on whether or not to finance a particular project and, if so, on what terms, the Investment Regulations require the Management Board to take into account the following financial and economic factors:

- **Investment risk limits.** Total exposure to any single borrower or a group of related borrowers may not exceed the equivalent of U.S.\$100 million. Projects with exposure in excess of this threshold should be approved by the Council.
- **Minimum levels of investment.** The total exposure to an investment project generally may not be less than U.S.\$30 million. The Management Board may accept an investment project that is less than U.S.\$30 million if the project meets all other requirements of the Investment Regulations.
- **Term of investment.** The period for return on investment reaching 100% of the original investment may not exceed 15 years for any project.
- **Minimum share of borrower's participation in the project.** Generally, the Issuer may finance only a maximum of 80% of any investment project, with the borrower assuming, as a rule, a minimum exposure of 20% of the project's overall costs.

In addition, each proposed project must comply with and not be in contravention of the Issuer's mission and strategic goals, such compliance being determined pursuant to methodology approved from time to time by the Management Board. See "*Issuer-- Strategy*". Additionally, projects must conform to the Issuer's principles of investment, present acceptable credit, market and other risks and offer an acceptable return.

Approval of the Council is required where a proposed investment project falls within one of the following categories:

- **Maximum exposure risk.** The total exposure to any single borrower or group of related borrowers exceeds the equivalent of U.S.\$100 million.
- **Material investment risk.** The Issuer's total exposure to material investment risks exceeds 300% of the Issuer's regulatory capital. An investment risk is considered material if the value of investments and guarantees provided in favour of a single borrower or a group of related borrowers exceeds 10% of the Issuer's regulatory capital.
- **Non-member jurisdiction.** The project is to be implemented in a jurisdiction outside of a Member State.
- **Maximum Tenor.** The period for return on investment reaching 100% of the original investment exceeds 15 years.

Loan Application Process

At the initial stage of the Issuer's loan application process, the Project Units and the Strategic Development Direction make a preliminary analysis of the proposed project and prepare their conclusions as to whether or not it complies with the Issuer's mission and strategic objectives. The Security and Compliance-control Department conducts preliminary compliance control procedures and assesses the business reputation of the potential borrowers or sponsors. Further, the project concept is to be approved by one of the top managers overseeing the project. After preliminary clearance of a proposed project, the Project Unit submits a credit proposal to the Credit Committee, at which stage various divisions involved in the loan application process, including, the Legal Department, the Credit and Risk Management Department, the Security and Compliance-control Department, the Strategic Development Direction and the Assets and Liabilities Management Division, prepare credit, legal and other opinions on the proposed project (independently from the opinions of the Project Units). At this stage for each project the Issuer prepares a sensitivity analysis to macro economical and other parameters, analysis of borrowers' industries to identify if there could be any risks due to current or possible negative market trends. The Issuer may require confirmation of key project risk drivers by an independent external consulting company (such as market forecasts or technical feasibility). Taking into account identified risks, the Issuer evaluates financial condition of borrowers and their debt servicing abilities. The Credit Committee then discusses the proposed project and decides whether to pre-approve or decline that project. If pre-approved, the Credit Committee's decision is then submitted to the Management Board for final approval, unless the final approval is to be made by the Council. The Council approves projects in cases specified in the Investment Regulations. See "*General*". This decision making process is the same for all borrowers, irrespective of their industry, geographical location or type of ownership.

Loan Terms

Loans are approved with either fixed or variable rates of interest, depending on negotiations with the prospective borrowers. In addition to the interest rate, the Issuer may charge a commitment fee on any undisbursed amount of the approved and signed loan and a one-off, front-end fee calculated by reference to the principal amount of the loan. In almost all cases, depending on the expected cash flow of the project and its overall structure, the Issuer requires acceptable security with a discounted value covering not less than 100% of the loan amount. Typically, loans will be secured by a variety of collateral. See "*Collateral Policy*".

Portfolio Supervision and Provisioning Policy

The Credit and Risk Management Department evaluates the level of risk in connection with a loan (or project) both as part of the loan application process and, thereafter, pursuant to its ongoing monitoring procedures.

From 1 January 2018, the Issuer evaluates the quality of its loans and assigns provisions in accordance with the IFRS 9 standard. In accordance with the requirements of IFRS 9, the Issuer applies the model of expected credit losses (ECL) for the purpose of creating allowance for financial assets. The key principle of ECL model is the timely reflection of the deterioration or improvement in the credit quality of financial assets, taking into account past performance, current conditions and reasonable outlook for future economic conditions.

Within the general approach, the ECL allowance is formed on the basis of: (i) twelve months expected credit losses - for financial assets without evidence of significant increase in credit risk since the initial recognition; and (ii) lifetime expected credit losses - for financial assets with an evidence of a significant increase in credit risk from the time of initial recognition (also, credit-impaired assets).

The Credit and Risk Management Department evaluates the Issuer's loans and assigns provisions thereto on a quarterly basis (or more often when needed). Each loan is classified and provisioned on an individual basis.

The Issuer has adopted an internal loan quality classification policy. Each loan is classified into one of five categories: 1st category (High quality loans); 2nd category (Good quality loans); 3rd category (Satisfactory quality); 4th category (Loans under supervision); or 5th category (Loss loans).

Classification of loans to corporate clients

As the majority of loans to corporate clients are secured, the Issuer classifies the quality of such loans according to two criteria: (i) the rating of the relevant borrower; and (ii) the rating of the relevant collateral.

The Issuer uses its own system to allocate ratings to borrowers and collateral on an individual basis. The Issuer calculates a borrower's rating on the basis of numerous criteria, including the following: the key terms of the loan (or project); the credit and business reputation of a borrower/project sponsor; investment phase related risks; specifics of the borrower's business; industry-related risks and marketing risks; the financial performance of the borrower; and country and environmental risks associated with the project, etc. The Issuer allocates a score for each of the aforementioned criteria and, based on the total score, assigns an appropriate rating to the borrower.

The Issuer calculates the rating of collateral primarily based on the type of collateral, the liquidity of the collateral and the existence of any risks associated with the collateral. As with the borrower's rating system, the Issuer allocates different scores for various types of collateral and its liquidity and applies coefficients to reflect the risks associated with such collateral. Based on the resulting score, the Issuer assigns an appropriate rating to the collateral.

Based on a combination of the relevant borrower's rating and the rating of the associated collateral, all loans to corporate clients are classified into one of the five categories described above (see "*Portfolio Supervision and Provisioning Policy*" above).

Classification of loans to banking and financial institutions

Loans to banking and financial institutions are classified depending on the level of risk associated with a loan on the basis of the borrower's financial condition. A number of quantitative and qualitative factors relating to the borrower are taken into account, including asset quality, liquidity position, funding structure, capital adequacy, profitability, industry and country risks, and other. Based on assessment of the risk profile, loans to banking and financial institutions are then put into one of five categories, which are the same categories as for loans to corporate clients (see, "*Classification of loans to corporate clients*" above).

Provisioning for expected losses

A loan is classified into one of three stages according to IFRS 9:

- Stage 1 for loans without evidence of a significant increase in credit risk since the initial recognition;

- Stage 2 for loans with evidence of a significant increase in credit risk since the initial recognition or credit-impaired financial assets; or
- Stage 3 for credit impaired loans.

A number of factors are used for classification into one of the three stages, in particular overdue loan payments, a change in the loan quality category, a change in the external and/or internal credit rating of the borrower, a request for loan restructuring, cross-default, litigation and bankruptcy.

To estimate expected credit loss, the Issuer multiplies its exposure by the probability of default and loss given default (the opposite of recovery rate). According to a particular stage, provisions/expected credit losses are calculated as:

- 12 months expected credit losses for a Stage 1 loan;
- lifetime expected credit losses for a Stage 2 loan; or
- lifetime expected credit losses with a probability of default equal to 100% for a Stage 3 loan.

As the primary basis of assessment, the Issuer uses an external credit rating of the borrower/issuer. Both the probability of default and the recovery rate are set according to data from Moody's.

In the absence of external credit rating data for the borrower/issuer, the probability of default and loss given default are estimated according to historical data collected by the Issuer since 2012 and using the borrower's internal ratings classification transition matrices. Matrices are based on the results of monitoring the internal ratings of each loan at the beginning and end of each quarter. An average and average-weighted matrices of loan movement between quality stages are determined based on annual matrices. Probability of default and loss given default are estimated using a Markov chain process to the average-weighted matrix of loan movement between quality stages. Exposure at default can be reduced by the sum of collateral if the value of collateral is not expected to change in case of a default of the borrower/issuer and can be sold independently.

Collateral Policy

Each loan or guarantee provided by the Issuer must be adequately secured unless an exception is granted by the Management Board.

The Issuer's collateral policy generally allows for the use of the following types of collateral:

- pledge of assets or property rights;
- third party suretyships or guarantees;
- guarantee deposits; and
- insurance against non-payment by a borrower.

In accordance with the Issuer's collateral policy, collateral is categorised as either highly liquid, liquid, acceptably liquid, or low liquid. In certain cases, the Issuer may accept future assets that may be generated during the term of the loan (or project) and pledged as collateral.

As a general rule, the Issuer obtains appraisals on collateral from independent licensed appraisers that are approved by the Issuer. Based on the internal appraisal procedures, the Issuer re-evaluates pledged inventories on a quarterly basis and other types of pledged properties on an annual basis. In addition, the borrower must insure pledged collateral with an approved insurance company for the benefit of the Issuer. The Issuer performs on-site inspections of collateral at least once every twelve months.

The Issuer may also accept third party guarantees or suretyships as security for a loan (or project), having considered the financial condition of the guarantor.

The Issuer may also have a recourse to the federal or regional budgets of the Member States within public private partnerships. In certain projects, the Member States guarantee a certain level of revenue of a project company (through setting tariffs on the market or compensation of revenue shortfalls) or minimum internal rate of return on investments made by the Issuer. These risk mitigating structures are considered as part of risk assessment procedures.

Risks of treasury operations

The Issuer manages its treasury portfolio in accordance with its Investment Declaration and the market and liquidity risks management rules dated 18 November 2020 (the "**Market and Liquidity Risks Management Rules**"). The Investment Declaration and the Market and Liquidity Risks Management Rules together with the other Internal Regulations, set forth the structure and principles of the formation of the treasury portfolio. The main goals in managing the treasury portfolio are:

- preserving value of the Issuer's capital;
- maintaining an adequate level of the Issuers' liquidity; and
- proper diversification of investments in the treasury portfolio.

In order to form the treasury portfolio, the Issuer may invest in securities, make reverse repurchase transactions with approved securities, place deposits, enter into derivative contracts and perform other transactions.

The Issuer is generally restricted from investments in securities rated below BB-\Ba3\BB- or the equivalent assigned by Fitch, Moody's or Standard & Poor's, respectively, or under guaranteed by guarantors with respective ratings. Upon the resolution of the Management Board, the Issuer may invest in sovereign securities issued by the Member States with credit rating not less than B-\B3\B- assigned by Fitch Ratings, Moody's Investors Service or S&P Global Ratings, respectively.

The Issuer is generally restricted from investments in securities rated below BB-\Ba3\BB- or the equivalent assigned by Fitch, Moody's or Standard & Poor's, respectively, or under guaranteed by guarantors with respective ratings. Upon the resolution of the Management Board, the Issuer may invest in sovereign securities issued by the Member States with credit rating not less than B-\B3\B- assigned by Fitch, Moody's or Standard & Poor's, respectively.

The maximum term of any one deposit (inter-bank credit) or a reverse repurchase transactions is determined by the ALMC on a case-by-case basis within established limits.

Derivatives (including forwards, currency swaps, interest rate swaps, forward rate agreements, options, futures or any combination of the foregoing) may be used for full or partial hedging, reducing the effect of market risks or open positions (including short positions), subject to the restrictions imposed by the Investment Declaration and other Internal Regulations.

In accordance with the Market and Liquidity Risks Management Rules, specific groups of limits are applied to manage and mitigate treasury portfolio devaluation risks. These groups of limits comprise structural limits, operational limits, indicative limits and limits for individual counterparties]

Structural limits include the following limits approved by the Management Board:

- Limits for the composition of securities portfolio;
- Limits for money market operations;

- Limits for highly liquid portions of the treasury portfolio;
- Limits for transactions involving precious metals;
- Limits for derivatives; and
- Limits for the maximum share of a security in the total issue volume.

Operational limits include the following limits approved by the ALMC:

- Limits for operations with different financial instruments;
- Term limits for different financial instruments (e.g., maturities for reverse repurchase transactions, interbank deposits/loans and debt securities); and

Indicative limits include the following limits approved by the ALMC;

- VaR limits, DV01 limits; and
- EVE limits.

Limits for individual counterparties include limits for the volume of transactions, maximum maturity period and other parameters.

The Issuer implements this broad system of limits to control risks in relation to its operations and revises the limits periodically.

The following table presents the financial assets that comprise the Issuer's treasury portfolio as at the date indicated:

	As at 31 December 2020
	<i>(U.S.\$'000)</i>
Cash and cash equivalents.....	663,840
Financial assets at fair value through profit or loss.....	46,743
Debt securities at amortised cost.....	294,497
Financial assets at fair value through other comprehensive income.....	1,629,142
Total	2,634,222

Liquidity Risk Management

The Issuer defines liquidity risk as the possibility of financial losses caused by an insufficiency of funds to fulfil its obligations in a timely manner.

Liquidity risk arises in the general funding of the Issuer's financing and investment activities and in the management of positions. This risk involves both the risk of unexpected increases in the cost of funding the Issuer's portfolio of assets for given maturities and rates and the risk of being unable to liquidate a position in a timely manner on reasonable terms. Liquidity management seeks to ensure that, even under adverse conditions, the Issuer has access to the funds necessary to satisfy customer needs, maturing liabilities and the capital requirements of its operations.

The Issuer maintains liquid assets at prudential levels to ensure that cash can quickly be made available to honour all of its obligations, even under adverse conditions. The ALMC is primarily responsible for the management of liquidity risk and the liquidity profile of the Issuer.

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

The amount of liquid assets in the treasury portfolio is the sum of assets in the treasury portfolio less: (a) derivative financial assets and liabilities at fair value through profit or loss, (b) hedge instruments, (c) assets that are deemed to be illiquid, (d) treasury liabilities and (e) deposits from customers.

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

The following tables contain an analysis of the Issuer's liquidity and interest rate risks based on the expected re-pricing characteristics of its assets and liabilities as at the dates indicated:

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

As at 31 December 2019

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<i>(US\$ '000 unless otherwise indicated)</i>							
FINANCIAL ASSETS:							
Cash and cash equivalents.....	3.60%	735,092	-	-	-	-	735,092
Loans and advances to financial institutions.....	6.78%	3,822	14,569	141,082	106,825	-	266,298
Loans to customers.....	7.63%	51,704	169,836	222,122	1,227,887	288,455	1,960,004
Financial assets at fair value through other comprehensive income.....	4.94%	476,890	376,475	326,658	333,574	592,702	2,106,299
Total interest bearing financial assets.....		1,267,508	560,880	689,862	1,668,286	881,157	5,067,693
Cash and cash equivalents.....		30,052	-	-	-	-	30,052
Financial assets at fair value through profit or loss.....		30	9,652	335	-	-	10,017
Other financial assets.....		-	-	10,868	-	-	10,868
Total financial assets.....		1,297,590	570,532	701,065	1,668,286	881,157	5,118,630
FINANCIAL LIABILITIES:							
Loans and deposits from banks...	3.71%	245,482	12,771	18,709	334,608	128,905	740,475
Deposits from customers.....	5.00%	216,187	29,251	16,350	25,267	10,289	297,344
Debt securities issued ⁽¹⁾	7.21%	176,177	77,098	588,990	1,367,063	-	2,209,328
Other financial liabilities.....	3.68%	-	-	2,370	4,597	-	6,967
Total interest bearing financial liabilities.....		637,846	119,120	626,419	1,731,535	139,194	3,254,114
Financial liabilities at fair value through profit or loss.....		716	2,053	6,877	17,309	-	26,955
Hedge instruments.....		-	-	1,616	-	-	1,616
Other financial liabilities.....		157	-	2,730	-	-	2,887
Total financial liabilities.....		638,719	121,173	637,642	1,748,844	139,194	3,285,572
Liquidity gap.....		658,871	449,359	63,423	(80,558)	741,963	

(1) The maturity of debt securities issued is taken according to next put option dates (if any).

As at 31 December 2018

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<i>(US\$ '000 unless otherwise indicated)</i>							
FINANCIAL ASSETS:							
Cash and cash equivalents.....	3.10%	602,393	-	-	-	-	602,393
Loans and advances to financial institutions.....	7.15%	3,178	13,341	101,510	127,481	-	245,510
Loans to customers.....	8.59%	37,596	44,107	340,984	967,556	260,047	1,650,290
Financial assets at fair value through other comprehensive income.....	4.62%	234,673	4,273	246,796	321,795	331,804	1,139,341
Total interest bearing financial assets.....		877,840	61,721	689,290	1,416,832	591,851	3,637,534
Cash and cash equivalents.....		38,777	-	-	-	-	38,777
Financial assets at fair value through profit or loss.....		-	-	291	16,878	-	17,169
Hedge instruments.....		-	-	86	-	-	86
Other financial assets.....		-	-	2,842	-	-	2,842
Total financial assets.....		916,617	61,721	692,509	1,433,710	591,851	3,696,408
FINANCIAL LIABILITIES:							
Loans and deposits from banks....	3.64%	67,011	32,686	53,382	66,339	23,513	242,931
Deposits from customers.....	4.62%	106,704	7,877	62,564	-	-	177,145
Debt securities issued.....	7.42%	10,652	13,735	132,331	1,369,068	-	1,525,786
Total interest bearing financial liabilities.....		184,367	54,298	248,277	1,435,407	23,513	1,945,862
Financial liabilities at fair value through profit or loss.....		999	543	1,787	-	-	3,329
Hedge instruments.....		-	-	521	-	-	521
Other financial liabilities.....		47	-	2,720	-	-	2,767
Total financial liabilities.....		185,413	54,841	253,305	1,435,407	23,513	1,952,479
Liquidity gap.....		731,204	6,880	439,204	(1,697)	568,338	

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

As at 31 December 2020

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
<i>(US\$ '000)</i>						

**FINANCIAL
LIABILITIES:**

Loans and deposits from banks.....	173,843	104,689	28,479	1,160,135	229,836	1,696,982
Financial liabilities at fair value through profit or loss...	3,800	1,201	-	-	-	5,001
Deposits from customers.....	197,126	11,591	128,038	68,153	4,540	409,448
Debt securities issued.....	7,163	86,488	433,279	1,398,606	-	1,925,536
Other financial liabilities.....	120	499	4,956	2,032	-	7,607
Total financial liabilities	382,052	204,468	594,752	2,628,926	234,376	4,044,574
Contingent liabilities and credit commitments, gross....	33,923	46,802	152,735	1,173,967	51,766	1,459,193

As at 31 December 2019

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(US\$'000)</i>					
FINANCIAL LIABILITIES:						
Loans and deposits from banks.....	246,689	14,083	22,153	396,020	143,166	822,111
Financial liabilities at fair value through profit or loss....	716	2,053	6,877	17,309	-	26,955
Deposits from customers.....	216,732	29,809	18,183	30,749	11,890	307,363
Debt securities issued.....	176,177	77,098	657,002	1,592,400	-	2,502,677
Hedge instruments.....	-	-	1,616	-	-	1,616
Other financial liabilities.....	157	-	5,100	4,863	-	10,120
Total financial liabilities	640,471	123,043	710,931	2,041,341	155,056	3,670,842
Contingent liabilities and credit commitments, gross....	116,411	199,455	844,570	304,959	-	1,465,395

As at 31 December 2018

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>(US\$'000)</i>					
FINANCIAL LIABILITIES:						
Loans and deposits from banks.....	67,057	34,228	56,039	72,413	26,243	255,980
Financial liabilities at fair value through profit or loss....	999	543	1,787	-	-	3,329
Deposits from customers.....	106,734	7,981	64,259	-	-	178,974
Debt securities issued.....	11,568	23,695	201,201	1,541,310	-	1,777,774
Hedge instruments.....	-	-	521	-	-	521
Other financial liabilities.....	47	-	2,720	-	-	2,767
Total financial liabilities	186,405	66,447	326,527	1,613,723	26,243	2,219,345
Contingent liabilities and credit commitments, gross....	73,395	333,945	595,538	258,399	-	1,261,277

The Issuer plans to manage its net negative maturity position through the issuance of debt securities and other borrowings. As an additional measure of liquidity the Issuer may sell certain financial assets at fair value through profit or other comprehensive income.

Market Risk Management

Market risk covers interest rate risk, currency and pricing risks. The Management Board has approved risk management policies and limits which are used to measure, monitor and control exposure to market risk. The Credit and Risk Management Department and the Assets Liabilities and Management Division ensure compliance with these policies and limits. In order to measure pricing and currency risks, the Issuer uses a Value-at-Risk (VAR) methodology.

The principal instruments for market risk management are based on the general practice of banks and financial institutions and comprise:

- **System of limits.** The Issuer has set certain limits for, among other things, Treasury portfolio structure, open currency positions, deal terms and "haircuts".
- **Value-at-Risk.** The Issuer conducts Value-at-Risk analysis two times per month on the basis of historical data with a confidence level of 99%, a holding period of 10 days and a minimum historic interval of 250 days.
- **Stress Testing.** The Issuer carries out stress testing of different factors to assess the possible impact on its financial position in several scenarios.

Interest Rate Risk Management

The Issuer defines interest rate risk as the possibility of financial losses arising from changes in market interest rates which adversely affect its balance and off-balance positions.

The Issuer's interest rate risk management activities aim to enhance profitability by limiting the effect of adverse interest rate movements and increase net interest income by managing interest rate exposure. The Issuer uses interest rate gap analysis and Economic Value of Equity ("**EVE**") methods to determine its exposure to interest rate risk.

The ALMC manages interest rate risk through the management of the interest-sensitive asset and liability positions of the Issuer, and controls risk from changes in market interest rates through setting limits on the maximum amount of interest rate risk acceptable to the Issuer. The Issuer's Assets and Liabilities Management Division monitors interest rate risk, estimates the sensitivity of the Issuer in relation to changes in interest rates and the influence of changes in interest rates on the net profit of the Issuer.

The following table presents a sensitivity analysis in relation to interest rate risk, showing the impact of a plus or minus 3% change, as the case may be, in the average interest rate (applicable to the Issuer's funding and lending rates) on the Issuer's net profit, based on asset accounting values as at the dates indicated:

	As at 31 December					
	2020		2019		2018	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
	(US\$'000)					
Assets:						
Loans and advances to financial institutions.....	3,926	(3,926)	875	(875)	468	(468)
Loans to customers	42,980	(42,980)	33,245	(33,245)	21,700	(21,700)
Liabilities:						
Loans and deposits from banks.....	(7,269)	7,269	(9,458)	9,458	(3,262)	3,262
Net impact on net profit and equity.....	39,637	(39,637)	24,662	(24,662)	18,906	(18,906)

The following table presents a sensitivity analysis in relation to interest rate risk, showing the impact of a plus or minus 3% change, as the case may be, in the average interest rate (applicable to the Issuer's funding and lending rates) on the Issuer's equity based on asset accounting values as at the dates indicated:

	As at 31 December					
	2020		2019		2018	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
	(US\$'000)					
Assets:						
Financial assets at fair value through other comprehensive income.....	(55,057)	65,777	(152,084)	182,007	(111,315)	122,126
Net impact on equity.....	(55,057)	65,777	(152,084)	182,007	(111,315)	122,126

The computation of prospective effects of hypothetical interest rate changes is based on numerous assumptions, including relative levels of interest rates, asset prepayments and changes in liability pricing as a result of changes in general market rates. Further, the computation does not take into account any actions that the Issuer may undertake in response to changes in interest rates. Accordingly, such computation should not be relied upon as indicative of actual results. In order to assist the Issuer in computing the effects of hypothetical interest rate changes, in 2012 the Issuer introduced two interest rate risk management tools:

- the EVE tool, in order to help the Issuer assess its interest risk by calculating the Issuer's EVE (the difference between the net present value of all of the Issuer's future assets and all of the Issuer's future liabilities); and
- an interest rate gap analysis tool that applies data regarding the distribution of the Issuer's interest rate sensitive assets and liabilities over selected future time periods and estimates the mismatches, if any, between the interest rates earned on the Issuer's assets and the interest rates payable on the Issuer's liabilities during those time periods.

The Issuer has a policy aimed at minimising interest rate mismatches between its assets and liabilities and/or hedges interest rate risk by entering into derivative contracts.

Currency Risk Management

The Issuer defines currency risk as the possibility of financial losses which may arise from adverse changes in foreign exchange rates. The Issuer is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates based on its financial position and cash flows.

The Issuer's risk management policies seek to minimise currency exposures by requiring net liabilities in any one currency to be matched closely with net assets in the same currency. This is achieved primarily by holding or lending the proceeds of its borrowings in the currencies in which they were borrowed. In practice, the Issuer also utilises various types of derivative instruments (such as cross currency swaps, foreign exchange swaps and forwards) to mitigate against its foreign currency risks and in order to avoid currency mismatches between its funding and lending activities. Derivatives may be used for full or partial hedging, reducing the effect of market risks or open positions, subject to the restrictions imposed by the Investment Declaration and other Internal Regulations.

The maximum amount of any currency position of the Issuer is set by the Management Board and may not exceed 10% of the Issuer's regulatory capital (calculated using the Basel II standardised approach which as at 31 December 2020 was U.S.\$1,864 million) in any one currency or 20% in all currencies. The Credit and Risk Management Department reviews compliance with the limits on a daily basis. The Treasury Department manages the currency risk on a daily basis. ALMC conducts general management.

The following table presents the Issuer's exposure to foreign currency exchange rate risk as at the date indicated:

	As at 31 December 2020					Total
	U.S. Dollars	Tenge	Rouble	Euro	Other currencies	
	<i>(U.S.\$'000)</i>					
Financial assets:						
Cash and cash equivalents.....	470,865	31,411	51,722	21,796	88,046	663,840
Financial assets at fair value through profit or loss.....	51,561	-	-	-	-	51,561
Loans and advances to financial institutions.....	63,577	24,820	48,367	48,711	-	185,475
Loans to customers.....	174,484	333,040	622,087	969,087	-	2,098,698
Financial assets at fair value through other comprehensive income.....	1,227,788	583,443	165,584	93,507	190,728	2,261,050
Debt securities at amortised cost.....	259,264	-	-	35,233	-	294,497
Investments in associates.....	17,260	-	-	-	-	17,260
Other financial assets.....	4,260	1,163	131	3,477	67	9,098
Total financial assets.....	2,269,059	973,877	887,891	1,171,811	278,841	5,581,479
Financial liabilities:						
Loans and deposits from banks	177,222	273,073	153,148	728,306	228,363	1,560,112
Financial liabilities at fair value through profit or loss....	4,495	-	506	-	-	5,001
Deposits from customers.....	111,781	211,917	43,235	24,665	-	391,598
Debt securities issued.....	611,968	482,899	624,685	-	-	1,719,552
Other financial liabilities.....	1,351	609	4,975	443	138	7,516
Total financial liabilities.....	906,817	968,498	826,549	753,414	228,501	3,683,779

Open Balance Sheet Position	1,362,242	5,379	61,342	418,397	50,340	1,897,700
Contingent liabilities and credit commitments, gross,....	431,561	79,772	546,297	382,147	19,416	1,459,193

The fair value of derivative financial instruments, spot contracts and hedge instruments (currency swaps and forwards) are included in the currency information presented in the table above. The following table presents a further analysis of currency risk by types of derivative financial instruments and spot contracts as at the date indicated:

	As at 31 December 2020					
	U.S. Dollars	Tenge	Rouble	Euro	Other currencies	Total
	<i>(U.S.\$'000)</i>					
Accounts payable on spot and derivative contracts.....	(2,000)	(95)	(196,339)	(420,755)	(236,816)	(856,005)
Accounts receivable on spot and derivative contracts.....	587,905	-	101,509	-	186,149	875,563
Net spot and derivative financial instruments position	585,905	(95)	(94,830)	(420,755)	(50,667)	19,558
Total Open Position.....	1,948,147	5,284	(33,488)	(2,358)	(327)	

Currency Risk Sensitivity

The following tables indicate the impact of specified plus or minus 15% changes in certain currency exchange rates on net profit and equity based on asset values as at the dates indicated:

	As at 31 December					
	2020		2019		2018	
	U.S.\$/ RUB +15%	U.S.\$/ RUB -15%	U.S.\$/ RUB +15%	U.S.\$/ RUB -15%	U.S.\$/ RUB +15%	U.S.\$/ RUB -15%
	<i>(U.S.\$'000)</i>					
Impact on net profit.....	(5,023)	5,023	751	(751)	311	(311)
Impact on equity.....	(5,023)	5,023	751	(751)	311	(311)

	As at 31 December					
	2020		2019		2018	
	U.S.\$/ KZT +15%	U.S.\$/ KZT -15%	U.S.\$/ KZT +15%	U.S.\$/ KZT -15%	U.S.\$/ KZT +15%	U.S.\$/ KZT -15%
	<i>(U.S.\$'000)</i>					
Impact on net profit.....	793	(793)	(602)	602	379	(379)
Impact on equity.....	793	(793)	(602)	602	379	(379)

	As at 31 December					
	2020		2019		2018	
	U.S.\$/ EUR	U.S.\$/ EUR	U.S.\$/ EUR	U.S.\$/ EUR	U.S.\$/ EUR	U.S.\$/ EUR
	+10%	-10%	+10%	-10%	+10%	-10%
			<i>(U.S.\$ '000)</i>			
Impact on net profit.....	(236)	236	263	(263)	443	(443)
Impact on equity.....	(236)	236	263	(263)	443	(443)

The above analysis has limitations and is based on certain assumptions. In particular, the sensitivity analysis does not take into consideration that the Issuer's assets and liabilities are actively managed. The analysis is devoted solely to a change in the currency exchange rates while there is a correlation between a change in exchange rates and other factors.

Geographic Concentration

The following tables set out certain information relating to the Issuer's assets and liabilities by geographical location. In presenting geographical information, the allocation of the Issuer's loans to customers, loans and advances to financial institutions and the related interest income is based on the geographical location of the relevant customers and banks; the allocation of financial assets at fair value through other comprehensive income and the related interest income is based on the domicile of the respective issuers (for example, the material amount of U.S. Treasury securities are allocated to the United States); the allocation of bonds issued and the related interest expense is based on the geographical location of the stock exchange on which the relevant securities are admitted to trading; the allocation of loans from banks and the related interest expense is based on the domicile of the relevant bank and the allocation of losses or gains on financial assets at fair value through profit or loss and foreign exchange transactions is based on the domicile of the Issuer's counterparties.

	As at 31 December 2020					
	Russia	Kazakhstan	Belarus	Other Member States	Non- member states	Total
			<i>(US\$ '000)</i>			
Cash and cash equivalents....	206,714	84,297	145	378	372,306	663,840
Financial assets at fair value through profit or loss.....	27,465	-	-	-	24,096	51,561
Loans and advances to financial institutions.....	78,501	24,474	42,108	40,392	-	185,475
Loans to customers.....	889,196	651,734	557,768	-	-	2,098,698
Financial assets at fair value through other comprehensive income.....	528,341	682,113	31,958	13,157	1,005,481	2,261,050
Debt securities at amortised cost	258,838	35,659	-	-	-	294,497
Investments in associates.....	17,236	24	-	-	-	17,260
Property, equipment and intangible assets.....	498	10,698	9	49	-	11,254
Other assets.....	9,039	2,027	498	293	4,183	16,040
Total assets.....	2,015,828	1,491,026	632,486	54,269	1,406,066	5,599,675
Total liabilities.....	743,561	1,088,259	769	11,800	1,873,148	3,717,537

As at 31 December 2019						
	Russia	Kazakhstan	Belarus	Other Member States	Non-member states	Total
	<i>(US\$ '000)</i>					
Cash and cash equivalents...	345,908	19,825	13,580	146	385,685	765,144
Financial assets at fair value through profit or loss.....	6,567	2,759	-	30	661	10,017
Loans and advances to financial institutions.....	78,495	60,505	84,204	43,094	-	266,298
Loans to customers.....	1,044,024	704,256	192,589	19,135	-	1,960,004
Financial assets at fair value through other comprehensive income.....	463,513	591,370	15,359	15,567	1,020,490	2,106,299
Investments in associates...	20,131	-	-	-	-	20,131
Property, equipment and intangible assets.....	462	11,518	13	64	-	12,057
Other assets.....	8,072	2,480	124	471	9,667	20,814
Total assets	1,967,172	1,392,713	305,869	78,507	1,416,503	5,160,764
Total liabilities	1,139,959	997,061	174	5,288	1,168,286	3,310,768

As at 31 December 2018						
	Russia	Kazakhstan	Belarus	Other Member States	Non-member states	Total
	<i>(US\$ '000)</i>					
Cash and cash equivalents...	420,943	41,601	128	196	178,302	641,170
Financial assets at fair value through profit or loss.....	17,169	-	-	-	-	17,169
Loans and advances to financial institutions...	67,912	49,212	74,536	53,850	-	245,510
Loans to customers.....	834,539	675,607	138,826	1,318	-	1,650,290
Financial assets at fair value through other comprehensive income.....	525,153	187,405	-	4,111	422,672	1,139,341
Hedge instruments.....	-	-	-	-	86	86
Property, equipment and intangible assets.....	385	11,851	2	66	-	12,304
Other assets.....	2,687	1,667	25	28	189	4,596
Total assets	1,868,788	967,343	213,517	59,569	601,249	3,710,466
Total liabilities	530,192	718,674	11	4,009	719,600	1,972,486

Operational Risk Management

In 2009, the Issuer adopted operational risk management rules which were subsequently amended in 2014. These rules establish procedures for classification, assessment and management of the following operational risks which include:

- risk of illegal activities, wilful misconduct and abuses by the Issuer's personnel;
- risk of fraudulent actions by third parties;
- risk of nonconformity of internal regulations and processes with the medium-term and current goals of the Issuer;
- risk of malfunction or poor performance of the Issuer's information technology systems;
- risk of miscommunication between the Issuer's personnel or misuse of information by the Issuer's personnel;
- risk of interference with the Issuer's activity by factors beyond the Issuer's control;
- risk of security violations of the Issuer's property;
- risk of signing legal agreements which are incomplete, insufficient or otherwise unenforceable; and
- risk of changes to legislation.

In order to assess operational risks, the Issuer uses databases that store the Issuer's statistical data from all departments and contain information on events presenting operational risks that were identified and their cost to the Issuer. This information is gathered, consolidated and assessed on a quarterly basis. Additionally, forward looking questioning of operational risks of all of the Issuer's departments is conducted. The operational risks report is reviewed by the ALMC at least once a year.

The Issuer implements the following procedures to manage operational risks:

- adoption and updating of internal regulations governing the Issuer's activity and establishing allocation of responsibilities, internal compliance procedures and avoidance of conflicts of interest;
- application of a personnel management policy designed to encourage compliance with high ethical and professional standards;
- establishment of limitations on operational powers of employees;
- establishment of communication channels to ensure prompt risk detection and alerts;
- updating the Issuer's business continuity regulation;
- maintenance of external and internal information security;
- maintenance of physical security of the Issuer's property;
- setting of limitations on treasury operations; and
- transfer of risks to third parties through the insurance of its risks and property or the outsourcing of certain operations.

THE ISSUER

Introduction and Overview

The Issuer, an international development bank established by the Russian Federation and the Republic of Kazakhstan on 12 January 2006 under the Establishing Agreement, commenced its operations on 16 June 2006. The Issuer was established with the strategic goal of promoting the development of a market economy in the Member States, facilitating regional economic development, and promoting cooperation and economic integration among its Member States.

As at the date of this Base Prospectus, the Issuer has six Member States: the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic. Any interested states and international organisations sharing the Issuer's objectives may apply to become a member of the Issuer. The Issuer encourages all states and international organisations to apply for membership. New members are accepted pursuant to the Issuer's regulation under the resolution of the Council. All Member States have equal status. Although the Issuer's obligations, including those arising in connection with the Notes, are not guaranteed by any Member State, the Issuer believes that its constitutive status affords it strong political support from the governments of the Member States. Prior to joining the Issuer, senior managers of the Issuer often occupied leading positions in the governments and major financial institutions of the Member States. The Council comprises current ministers of the Member States and their deputies or other authorised representatives of the Member States.

One of the Issuer's primary functions is to provide financing for large infrastructure projects in the Member States, which it implements through the provision of loans and debt financing to private and public entities, guarantees, trade finance, participation in public-private partnership projects, providing investment consulting, and providing other financial instruments. The Issuer seeks to ensure that all of the projects that it funds are financially viable. The Issuer does not engage in providing loans which have lower interest rates and/or longer repayment periods than standard market loans (concessional lending).

In order to promote the development of international trade between the Member States, beginning in 2018 the Issuer established correspondent relations with the central banks of the Member States and started processing customer payments and providing clearing services in the currencies of Member States, U.S. Dollars and Euros. This new business line has allowed the Issuer to expand its customer base and obtain funding in the form of current accounts and customer deposits, which can be used as additional sources of liquidity and funding for the Issuer's current operations. As of 31 December 2020 and 2019, the Issuer had total deposits from customers in the amount of US\$391.6 million and US\$297.3 million, respectively.

The Issuer cooperates with various international organisations, including participating as an observer at the General Assembly of the United Nations, the United Nations Conference on Trade and Development Board, the International Investment Bank and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), the status of which allows the Issuer to participate in plenary meetings without having the right to vote. The Issuer has executed a memorandum with the EEU. The Issuer develops cooperation with regional integration unions (in addition to the EEU, the Issuer cooperates with the CIS and Shanghai Cooperation Organisation), UN institutions (such as the United Nations Development Programme, the United Nations Industrial Development Organisation, the Food and Agricultural Organisation, the United Nations Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific and United Nations Environmental Programme) and international development institutions (such as the World Bank, the International Financial Corporation, the Asian Development Bank, the Asian Infrastructure Investment Bank, the New Development Bank, the Black Sea Trade and Development Bank, the International Investment Bank, the Russian-Kyrgyz Development Fund, the European Bank for Reconstruction and Development and the European Investment Bank) through the joint financing of projects, information exchange and the implementation of best practices of corporate governance. The Issuer is also cooperating with the Global Infrastructure Facility, the Global Infrastructure Hub and the Global Infrastructure Connectivity Alliance. The Issuer has also been engaged to administer

the Eurasian Fund for Stabilisation and Development. See "*Management and Consulting Services—Eurasian Fund for Stabilisation and Development*". An important input to development investment in the Member States has become the linking of the Belt and Road Initiative, which was announced in 2015 and envisages a framework for enhancing connectivity and cooperation along major economic corridors and infrastructure networks in Eurasia and the EEU. This, in turn, may provide a platform for developing intraregional and interregional investment projects and joint initiatives of various scale that the Issuer may be in a position to consider in accordance with an established investment mandate and guidelines, also in co-financing initiatives that may include private and public entities, multilateral banks and other development partners. Between 2017 and 2020, the Issuer financed a number of infrastructure projects connecting Eurasian countries, thereby enhancing their transport networks. See "*Principal Projects*" for more detail. In 2020, the OECD recognised the Issuer as a multilateral financial institution and assigned it Risk Category 4 and Buyer Risk Category SOV/CC0, affirming relatively low credit risk of the Issuer for export credit. Risk categories assigned by OECD are used for setting interest rates on export credits.

The Issuer is a non-political organisation, and its Charter provides that the Issuer should neither intervene in political events within the Member States, nor make lending decisions based upon recommendations of the Member States.

The Issuer has full legal personality as an international organisation, is subject to international law and has the capacity to contract, acquire and dispose of property and to institute judicial and arbitral proceedings. The Member States of the Issuer are not responsible for its liabilities, including those under the Trust Deed and the Notes. The Issuer's formation documents contain provisions that establish the Issuer's legal status and provide certain immunities and privileges in the territories of its Member States. See "*Legal Personality; Enforceability of Judgments*" and "*The Issuer—Legal Status, Privileges and Immunities*". Pursuant to the Waiver of Immunity Decisions, the Issuer has in the Trust Deed and the Terms and Conditions of the Notes waived such immunities to the fullest extent permitted by applicable law. The Issuer has adopted the Immunity Waiver in respect of the Notes.

As at 31 December 2020, the Issuer had total assets of U.S.\$5,599.7 million. For the year ended 31 December 2020, the Issuer had a net profit of U.S.\$32.6 million, compared with a net profit of U.S.\$69.0 million for the year ended 31 December 2019. As at 31 December 2020, the Issuer had, in aggregate, U.S.\$2,284.2 million in net loans and advances to financial institutions and loans to customers.

Purpose

The Issuer's purpose is to contribute to the development of a market economy in the Member States, their sustainable economic growth and the expansion of mutual trade and economic relations through investment activities.

In addition to investing in significant regional development projects, the Issuer is also entitled by its Charter to advise its Member States on issues of economic development, the effective use of resources and the expansion of trade and economic relations and to collect and analyse data on public and international finance. The Issuer also seeks to cooperate with other international organisations and foreign states interested in financing economic development and may carry out other activities that do not conflict with its objectives.

Strategy

According to the Issuer's strategy for 2018-2022 (the "**EDB Strategy**"), the Issuer focuses its activities on financing projects with a strong integration effect and national development projects, building cooperation with "anchor" customers - large companies, which will provide the Issuer with the opportunity to occupy systemically important niches in priority sectors of the economies of the Member States.

The Issuer seeks to reduce adverse impact on the environment and it has made significant progress in introducing new environmentally friendly investment policies. The Issuer's strategy includes a special emphasis on the financing of "green" projects. These include projects with a strong integration effect and a national development

effect which in turn have a positive impact on the environment and climate change. Such projects can be identified in a wide range of economic sectors, including power supply based on renewable resources, transport, state and municipal infrastructure, mining and processing industries and others. One of the Issuer's medium term goals is to increase its "green" project portfolio in order to facilitate sustainable development in the Member States.

The Issuer targets development of the following types of projects:

Integration projects (cross-border infrastructure projects promoting economic ties and trade and national integration infrastructure projects; projects which foster corporate integration between companies in the Member States; trade transactions between counterparties in the Member States; projects with a significant proportion of mutual investment from the Member States). One example includes the construction of the Big Almaty Ring Road as a part of the trans-Eurasian transit corridor "Europe - West China". In 2020, the Issuer launched the Digital Initiatives Fund, which seeks to promote digital transformation practices in the Member States as a whole, in particular, through the integration of their IT-resources.

National development projects (national, regional and municipal infrastructure projects in different sectors, such as transport, utilities, power infrastructure, including energy efficiency and social infrastructure; projects for the development and creation of new products; projects with innovative elements; replicable projects). For example, between 2014 and 2020, the Issuer provided financing for a major leasing programme for the supply of agricultural equipment in the Kyrgyz Republic, which provided substantial momentum to suppliers of equipment and local agricultural companies.

"Green" projects have an integration effect and a positive impact on the environment by counteracting climate change. "Green" projects are among the Issuer's core activities, as set forth in the EDB Strategy. The Issuer is committed to investing in projects that promote renewable energy, energy conservation, energy efficiency, sustainable urban and industrial development, promote the efficient use of natural resources, reduce the greenhouse effect, and promote efficient waste management. The Issuer has financed several projects of Solar Systems, the biggest Russian producer of solar panels.

Despite the challenges presented by the COVID-19 pandemic, the Issuer continued focusing on the EDB Strategy. The Issuer has adapted its existing financing programmes and provides support to existing borrowers and investment projects that have already been approved or are currently being considered for financing. The Issuer aims to provide sustainable long-term financing to prevent delays in the implementation of major infrastructure projects, including construction of the Big Almaty Ring Road, the Turkistan International Airport, the Western High-Speed Diameter and the bond offering by the Kazakhstan Electricity Grid Operating Company (KEGOC). The Issuer continues to support small- and medium-sized businesses ("**SMB**") in the sectors affected by COVID-19.

The Issuer plans to use a portion of TAF to support borrowers from the Member States. TAF is currently running three programmes: Project Preparatory Technical Assistance Programme, Technical Assistance Programme for Investment Activity Expansion, and Subsidising the Interest Rate for Investment Projects.

Current support measures do not require additional funding and the Issuer believes that further support will not have a significant impact on the Issuer's capital and other metrics.

Long-term Strategy for the Issuer in 2022-2026

The Issuer is currently developing an update to the EDB Strategy for the years 2022-2026 (the "**Prospective Strategy**"). The Prospective Strategy aims to reflect organic growth of the Issuer and further expansion of its operations. As of the date of the Base Prospectus, the following key elements of the Prospective Strategy are in development by the Issuer's management:

Expansion Strategy. The Issuer seeks to extend its expertise to the Member States with less developed economies (in particular, Armenia, Tajikistan and Kyrgyzstan) and adjacent territories, as well as to facilitate attracting investment to bridge the development gap of smaller economies in the Issuer's region of operations and leading regional economies (Kazakhstan and Russia) through closer economic and technological cooperation. Expanding reach to less developed Member States and further into EAEU+ (EAEU and the Republic of Tajikistan) will be made through closer cooperation with the EFSD, regional banks and IFIs which could benefit from the Issuer's unique expertise in the region.

Leadership in the largest economies of Russia and Kazakhstan. The Issuer aims to become the leading IFI in Russia and Kazakhstan (according to the Issuer's estimates, it is currently ranked number three among IFIs in terms of size of investment portfolio). Further penetration in the relatively developed markets of Russia and Kazakhstan will require development of new products and expertise in new areas. The Issuer intends to expand its products offering, including trade financing, bank guarantees, co-financing and advisory services. The Issuer aims to become a key financial institution for the implementation of digital products across the Member States. The establishment of the DIF in 2020 was one of the first steps in this direction. The Issuer acting as a leading expert for the Eurasian Economic Committee should also contribute to the development of future digital projects in the EAEU+.

Enhancing of profile with worldwide investors and diversification. The Issuer will aim to further diversify its sources of funding, attract investors with strong ESG preferences and lower costs of funds. Lowering costs of funding may contribute to receiving higher investment credit ratings.

Promotion of sustainable development, green finance and ESG. The Issuer aims to enhance its expertise in green finance and projects with high ESG impact. The Issuer has introduced best practices for PPP initiatives and has significant experience in obtaining green funding from IFIs.

The Prospective Strategy remains subject to amendments, completion and approval by the Council in 2021.

Strengths

The Issuer believes that it has four key competitive advantages over the national, regional and other international development banks as well as large local commercial banks operating within the region with which it competes:

Capitalisation and status. The Issuer is highly capitalised, with a total capitalisation of U.S.\$1.9 billion as at 31 December 2020. Accordingly, it can raise funds to finance large projects. In order to finance significant inter-state infrastructure projects, the Issuer may require additional capital from the Member States. The Issuer believes that the Member States will be able to provide such support in line with the Issuer's mission and objectives. In addition, the Issuer believes that its status as an international organisation with specific privileges, immunities and tax exemptions, which also supports its high rating, places it in a better position than many of its competitors, which allows the Issuer to borrow at lower costs. See "*—Legal Status, Privileges and Immunities*".

Political support. One of the Issuer's purposes is to facilitate the integration process among its Member States and it anticipates that a number of the projects in which it invests will be projects based on bilateral and multilateral treaties. The Issuer believes that this will generate a degree of political support for it within its Member States and, accordingly, will provide it with a competitive advantage over many of its competitors.

Diversified portfolio. The Issuer's portfolio is diversified across the Member States and economic sectors. The Issuer has investment projects in various industries not only within the Russian Federation and the Republic of Kazakhstan, the Issuer's two founding Member States, but also within the Republic of Belarus, the Republic of Tajikistan, the Republic of Armenia and the Kyrgyz Republic. The Issuer anticipates that it will

invest in projects in prospective member states in the future. The Issuer believes that this regional focus will provide it access to information relevant to its target investment area that will facilitate the origination of additional projects. The Issuer is involved in key initiatives of the Eurasian Economic Commission aimed to support the export of goods manufactured in the EAEU countries. Under the auspices of the Eurasian Economic Commission, the Issuer develops a financing programme that would facilitate exports within the EAEU and from the EAEU to other countries. The implementation of the programme would allow the Issuer to further diversify its portfolio across countries and various industries.

Expertise and Experience. The Issuer is a reputable financial institution capable of financing large-scale investment projects. The Issuer maintains relations with all key multilateral and national development banks, as well as with international organisations represented in the region of its operations, allowing it to organise credit syndications and attract additional funding to strategically important projects that the Issuer is funding. Further, the Issuer believes that its unique purpose, regional visibility and competitive compensation allow it to attract and retain high quality personnel with knowledge and experience throughout its target investment region. Since its establishment, the Issuer has managed credit risk prudent and maintained high quality loan portfolio. The provisioning level under IFRS, defined as provision for expected credit losses (impairment losses under IAS 39) divided by total gross loans, remained relatively low peaking at 7.8% as at 31 December 2015. For the last five years, the average provisioning level was 3.7% and the average level of NPLs was 2.5%.

Environmental, Social and Governance (ESG) factors in the Issuer's investment process

The Issuer carefully considers social and environmental factors when making its investment decisions. The Issuer's investment projects aim at improving the environment, living standards, and ultimately, the sustainable development of the economies of the Member States. Approved investment projects must not harm the environment or threaten public health.

The Issuer's ESG principles have been incorporated into its Environmental and Social Responsibility Policy ("**ESG Policy**"). The ESG Policy outlines the rules and procedures that must be adhered to when evaluating and monitoring the environmental and social impact of the Issuer's investment operations. Pursuant to the ESG Policy, the Issuer ranks and places projects into several categories based on their environmental impact and scale. If a project poses significant risk to the environment (category "A"), the relevant borrower will publish a report detailing the environmental impact assessment to ensure that the opinion of the general public is considered.

In 2020, the Issuer became a shareholder of the AIFC Green Finance Centre Ltd (the "**AIFC GFC**") as a part of its long-term goal to establish a centre of green finance in Kazakhstan and increase its market share in the growing green finance business. AIFC GFC is the major organisation within Astana International Finance Centre (the "**AIFC**"), created for promotion of green finance in Kazakhstan and Central Asia. The AIFC GFC assists investors and key market participants on green bond issuances on the AIFC Exchange (Astana International Exchange) and provides second party opinions on green frameworks. See "-- *Cooperation with AIFC Green Finance Centre*". Relative to other market participants, the Issuer has extensive experience raising green and sustainable finance. In 2017, the New Development Bank (the "**NDB**") issued a U.S.\$50 million green loan to the Issuer and, in 2019, a U.S.\$300 million green loan. The first NDB loan was provided for the construction of a hydro power plant in Karelia, Russia, and the second loan was provided to finance renewable energy-generating power stations.

The Issuer sets forth requirements for borrowers to manage their environmental impact and monitors compliance with these requirements during the financing period. Requirements include occupational and industrial safety standards, environmental protection and public safety. Initial assessments of the requirements are conducted at a pre-funding stage. According to the Issuer's estimates, all current projects comply with national environmental regulations and the ESG Policy.

As part of its additional social and environmental responsibility, the Issuer does not finance projects that have an adverse impact on labour conditions, use forced or child labour, relate to socially hazardous activities, such as gambling or the distribution of alcohol or tobacco, involve the manufacturing or distribution of arms and weapons or which pose threats to biodiversity or cultural heritage.

Since 2012, the Issuer has been a member of the Multilateral Financial Institutions' Working Group on Environment and Social Standards — a platform to share expertise and the best practices in environmental and social responsibility. The Issuer's participation helped to establish a shared experience with other development institutions and to enhance cooperation between experts.

During 2020, in association with the Russian Export Center, the Issuer launched a joint lending programme to finance the export of Russian products, especially those in demand during the COVID-19 pandemic, to other Member States. In September 2020, the Issuer extended a KZT 10 billion loan to the Industry Development Fund (a subsidiary of the Development Bank of Kazakhstan) to supply ambulances and supplies for Kazakhstan's healthcare system.

Key Performance Indicators

As an international development bank, the Issuer has a number of specific key performance indicators that it uses to measure its performance against the strategic objectives established by the Council. The Issuer's strategic performance indicators are divided into five groups:

- (a) *Volume of investments* (current investment portfolio and annual volume of operations). These indicators characterise the scale of the Issuer's activities;
- (b) *Integration effect* (share of projects with integration effect) characterises the Issuer's activities in terms of fulfilling its mission of strengthening trade and economic relations between the Member States;
- (c) *Portfolio quality* (share of provision for expected losses in the balance-sheet portfolio). This indicator characterises the Issuer's investment projects in terms of compliance with its risk management principles and procedures aimed at reducing losses and ensuring sustainable operations;
- (d) *Financial performance* (net profit and ROE). These indicators characterise the Issuer's commitment to ensuring loss-free operation and maintaining an appropriate level of profitability; and
- (e) *Credit rating*, a comprehensive and independent assessment of the Issuer's creditworthiness.

EDB's Focus in 2020

In 2020, despite the global disruption caused by COVID-19, the Issuer entered into 14 new agreements totalling U.S.\$1.3 billion, and as a result, the Issuer's total gross loan portfolio reached U.S.\$2,359 million as at 31 December 2020.

In cooperation with other partners, the Issuer provided PPP financing for the construction of the Turkistan International Airport, which is one of the most ambitious infrastructure developments in Kazakhstan. The Issuer and its finance partners expect that the new airport will contribute to the development of Kazakhstan's integrated transport system and enhance the infrastructure between the Member States, which will facilitate the development of tourism in the Turkistan Region.

The Issuer actively promotes its own clearing and settlement platform which facilitates payments in the currencies of the Member States. In 2020, when RUB and KZT exchange rates were volatile, demand for using the platform significantly increased. Further development of the platform may lead to a further increase in the use of the currencies of the Member States which may lead to the gradual substitution of payments between platform participants

in currencies of third countries. One of the platforms' objectives is to disentangle financial transactions between participants from dependency on major world currencies, including the U.S. dollar.

In cooperation with the Russian Export Centre, the Issuer provided funds for the export of Russian ambulances to Kazakhstan during an acute phase of the COVID-19 pandemic.

In December 2020, the Issuer arranged the Eurasian Congress. The Congress summoned high-level officials from the Member States and other major Eurasian countries. Key points on the agenda included the new growth strategy in Eurasian region, issues of economic integration and a common financial market. The Congress considered leading role of the Issuer in funding of the biggest infrastructure project in Eurasia.

Digital Transformation Fund

On 30 June 2020, the Council approved the establishment of the Digital Initiatives Fund (the "**DIF**"). One of the DIF's key objectives is the digital transformation and integration of the IT systems of the Member States, which will allow Member State governments to efficiently counteract the spread of COVID-19 and tackle COVID-19 related ramifications. The Digital Fund leads in the development of the mobile application "Travel without COVID-19" that will help to facilitate the migration of labourers between the Member States during the COVID-19 pandemic.

The DIF uses resources provided by the Issuer or sponsors of particular projects. The DIF has no separate legal structure and is managed by the Issuer. The DIF's expenses are reflected as expenses of the Issuer. Once the Council approves allocations to the DIF, relevant amounts are transferred from reserves to other liabilities on the Issuer's balance sheet.

Effect of COVID-19 on the Issuer's Portfolio in 2020

The Issuer's treasury portfolio was not materially affected by the impact of the COVID-19 related restrictions enacted by regional governments. The limited effect was primarily a result of the high credit quality of the securities held in the Issuer's portfolio and their relatively short duration. According to the Issuer's Investment Declaration, the minimum credit rating of securities eligible for inclusion in the treasury portfolio is "BB-", "Ba3" and "BB-" by Fitch, Moody's and S&P, respectively. Securities issued by the governments of the Member States and rated at least "B-", "B3" or "B-" by Fitch, Moody's and S&P, respectively, may be included in the treasury portfolio upon resolution of the Management Board. Usually the credit quality of the Issuer's treasury portfolio substantially exceeds the minimum requirements. As at 31 December 2020, 52% of the securities in treasury portfolio were rated above "A-" and remaining 48% were rated between "BB-" and "BBB+". The minimum eligible counterparty rating for the placing of deposits is "B" by Fitch and S&P and "B2" by Moody'. The Issuer generally places deposits and transacts with large multinational banks and systematically important Russian and Kazakhstani banks, which were less affected by COVID-19 compared to retail and smaller SMB banks.

The Issuer's project portfolio is well diversified and borrowers from economic sectors significantly affected by COVID-19 have not caused material damage to the credit quality of the overall portfolio. The Issuer believes that the impact of COVID-19 will be limited. In 2020, the Issuer conducted several stress tests of its project portfolio. According to the base case scenario, expected credit losses are estimated at 3.5-4 per cent. of the Issuer's exposure. Under a more pessimistic scenario expected credit losses would comprise approximately 5.5-6 per cent. of the Issuer's exposure. A substantial portion of the Issuer's loans are provided under the PPP, projects with state guarantees (typical for PPP agreements in financing of renewable energy) and other projects that provide unique competitive advantages with a relatively strong position on the cost curve.

As of the date of the Base Prospectus, the Issuer is restructuring the debt of a loan in the amount of U.S.\$21 million. The borrower, Astanapromstroy, operates a five-star hotel under an international brand and an office building in the city of Nur-Sultan, Kazakhstan. The credit quality of Astanapromstroy deteriorated as a result of the COVID-

19 pandemic. An additional grace period was granted to Astanapromstroy. The loan is secured by real estate with market value exceeding the amount of the outstanding borrowings.

The Issuer believes the quality of the project portfolio will further improve. The Issuer's exposure to Stage 3 loans decreased in 2020 primarily due to a loan repayment by Ekibastuz GRES-2 (in the amount of U.S.\$172 million in August 2020).

Lending and Investments

General

The Issuer, as an international development bank, provides long-term financing for investment projects, primarily in its Member States. The financing activities of the Issuer must conform with the Investment Regulations, which set out the main principles that guide the Issuer when considering investment projects. These principles are as follows:

Conformity with the Issuer's mission and strategic goals. Any investment project being implemented by the Issuer must comply with its mission and strategic goals pursuant to a methodology approved by the Management Board.

Compliance with international banking standards. The Issuer finances projects in accordance with the principles of international banking practice, including those pertaining to loan maturity, conditions, interest rate, repayment and security.

Transparent investments. The Issuer endeavours to manage its investments in a transparent manner and follow the best corporate management practices of international development banks.

Avoidance of direct competition with commercial banks. The Issuer endeavours to finance investment projects where such financing cannot be obtained by a borrower in commercial markets on acceptable terms.

Diversification of funding sources. The Issuer seeks opportunities to obtain funding on the capital markets, including local capital markets in the Russian Federation and the Republic of Kazakhstan, as well as through bilateral loans, green loans, credit lines provided by central banks, corporate deposits, repo transactions, trade and export credit financing. The Issuer may also provide financing jointly with international financial institutions, commercial banks or other organisations.

High credit ratings. The Issuer endeavours to maintain high credit ratings in order to have access to the most favourable terms of financing.

Social and environmental responsibility. The Issuer endeavours to finance projects that minimise harm to the environment or the social, working or living conditions of the populations in the Member States. Investments undertaken by the Issuer are intended to raise living standards and increase employment and social welfare in the local populations.

Prohibited areas of investment. The Issuer is prohibited from financing alcohol, tobacco or gambling businesses, or businesses that use forced or child labour or that involve activities prohibited by the laws of its Member States or international conventions pertaining to the protection of biological diversity of resources or cultural heritage.

Diversification of investments. The Issuer endeavours to reasonably diversify its investments and avoid favouring any particular Member State or project.

Liquidity. The Issuer endeavours to maintain a sufficient level of liquidity cushion to meet its funding commitments, invest in securities and perform its obligations without affecting current and future yield on investments.

Adequacy of investment profitability and risk. When financing projects, the Issuer endeavours to ensure that profitability is commensurate with the level of risks involved.

Forms of Investments

The Investment Regulations provide that investments made by the Issuer may take a number of forms, including lending, equity participation, investments via private equity funds, and other financial instruments, including leasing, guarantees and letters of credit. The Issuer primarily provides investments in the form of lending, including direct loans. Loans and debt financing must be provided on sound and commercially viable terms. The Issuer endeavours to exercise proper control over the use of funds by its borrowers. The Issuer approves the rate of interest to be paid by borrowers on a case-by-case basis following an analysis of the project's risks, its cost and its conformity with the purpose and strategic objectives of the Issuer. See "*Risk Management— Lending Policies and Procedures*".

As at 31 December 2020, the Issuer's investment portfolio comprised U.S.\$2,984 million in gross loans and financial assets and U.S.\$1,437 million in gross contingent liabilities and credit commitments.

Lending

One of the ways in which the Issuer provides financing for large infrastructure projects in the Member States is through the provision of loans and debt financing to corporate customers ("**loans to customers**") and to banks and financial institutions ("**loans to banks**").

Loans to Customers

The Issuer provides loan facilities to certain corporate customers in the Member States for the purpose of financing specific projects which meet the following criteria established by the Issuer:

- the project will be implemented in one or more of the Member States;
- the project complies with the Issuer's mission and its strategic goals and objectives with respect to the facilitation of the sustainable economic growth of one or more of the Member States and the development of mutual investments and trade between such states;
- the project serves the social and economic interests of the national economies of one or more of the Member States, their growth and enhanced competitiveness; and
- the project complies with certain environmental standards.

Corporate businesses are generally eligible for loans between U.S.\$30 million and 20% of the Issuer's equity capital. The average size of a project in the Issuer's outstanding investment portfolio in the non-financial sector is currently U.S.\$58 million.

The Issuer is also expanding its cooperation with other international financial institutions and development banks in order to share the risks associated with project finance. With this objective in mind, on 15 February 2018 and 31 October 2018, the Issuer signed memoranda of understanding with The Black Sea Trade and Development Bank and the Asian Infrastructure Investment Bank (AIIB), respectively. In November 2018, the Issuer finalised a memorandum of understanding with The Asian Infrastructure Investment Bank for cooperation with respect to joint economic research activities and the parties' aim to provide joint financing for transport and infrastructure projects in Eurasia. In December 2019, the Issuer and the New Development Bank signed a facility agreement providing U.S.\$300 million to the Issuer for financing of green projects in Russia.

The table below sets forth total loans to customers as at the dates indicated:

	As at 31 December		
	2020	2019	2018
	<i>(U.S.\$'000)</i>		
Loans to customers.....	2,171,589	2,022,762	1,716,492
Less allowance for expected credit losses.....	(72,891)	(62,758)	(66,202)
Total loans to customers.....	2,098,698	1,960,004	1,650,290

As at 31 December 2020, 2019 and 2018, all loans to customers were secured.

The table below summarises the total loans to customers, as at the dates indicated, secured by type of collateral, rather than the fair value of the collateral itself:

	As at 31 December		
	2020	2019	2018
	<i>(U.S.\$'000)</i>		
Loans collateralised by real estate, equipment and inventories.....	822,295	955,107	891,565
<i>Loans collateralised by guarantees from:</i>			
- State entities.....	116,460	319,083	381,888
- Governments of the Member States.....	100,465	94,554	153,165
- Financial and commercial organisations.....	579,588	455,324	176,028
Loans collateralised by future cash inflows from clients' contracts:.....	522,781	198,694	113,846
	2,171,589	2,022,762	1,716,492
Less allowance for expected credit losses.....	(72,891)	(62,758)	(66,202)
Total loans to customers.....	2,098,698	1,960,004	1,650,290

The following table sets forth the Issuer's exposure to borrowers by sector as at the dates indicated:

	As at 31 December		
	2020	2019	2018
	<i>(U.S.\$'000)</i>		
Analysis by sector:			
Transport.....	732,151	657,389	596,419
Chemical industry.....	464,436	112,431	14,722
Energy.....	440,698	490,302	349,254
Mining.....	213,719	282,153	224,757
Infrastructure.....	109,031	212,876	219,245
Machinery.....	98,699	73,650	68,299
Metallurgy.....	50,168	114,899	145,083
Agriculture.....	24,865	29,093	57,520
Other.....	37,822	49,969	41,193
Total.....	2,171,589	2,022,762	1,716,492
Less allowance for expected credit losses.....	(72,891)	(62,758)	(66,202)
Total loans to customers.....	2,098,698	1,960,004	1,650,290

The significant increase in loans to customers in chemical industry in 2020 is primarily attributable to loans issued to a major producer of potash fertilizers in Belarus. See "-- *Principal Projects -- Belaruskali Facility*".

For information regarding the geographic concentration of loans to customers, see "Risk Management—Geographic Concentration" and for information regarding the currency of loans to customers, see "Risk Management—Foreign Currency Risk Management".

Top Ten Loans

As at 31 December 2020, the Issuer's current investment portfolio consisted of 86 committed projects with total funding approximately U.S.\$4.4 billion. The following table sets forth the Issuer's top 10 projects by amount committed by the Issuer to customers from the non-financial sector:

Investment project ⁽¹⁾	Location of project	Total expected cost by the Issuer	Amount committed by the Issuer	Outstanding amount committed by the Issuer as of 31 December 2020	Percent of total amount committed by the Issuer in top 10 projects as at 31 December 2020	Sector
			<i>(U.S.\$'000)</i>			
Belaruskali project	Republic of Belarus	549,176	439,027	420,205	27%	Chemical
Western High Speed Diameter toll road in St Petersburg	Russian Federation	1,744,627	417,462	380,665	24%	Transport
Bogatyr Coal project	Republic of Kazakhstan	294,500	220,434	113,700	7%	Mining
Central Ring Road toll road in Moscow region (3 and 4 sections)	Russian Federation	2,283,377	186,466	122,845	8%	Transport
Solar power plants (248 MW) construction projects	Republic of Kazakhstan / Russian Federation	255,044	179,472	124,592	8%	Energy
Turkistan International Airport construction project	Republic of Kazakhstan	172,095	137,676	141,213	9%	Transport
Wind power plant (90 MW) construction project (Enel Russia)	Russian Federation	167,814	135,769	130,085	8%	Energy
BAKAD toll road in Almaty region	Republic of Kazakhstan	751,978	135,000	28,320	2%	Transport
Kuzbass project	Russian Federation	216,383	134,475	--	0%	Energy
SSGPO's PXF project (ERG)	Republic of Kazakhstan	95,000	95,000	96,179	6%	Mining
Total		6,529,994	2 080,781	1,557,802	100%	

(1) Loans to a group of connected borrowers are added up if they relate to one project.
Source: Management accounts data.

Principal Projects

The Issuer provides long-term funding for major infrastructure projects with high integral value for the Member States. The following list of selected major investment projects illustrates the Issuer's expertise in assessing investments across a variety of sectors.

Belaruskali Facility

Belaruskali is one of the largest exporters of potash fertilisers, with a global market share exceeding 20%. A significant share of Belaruskali's customers are spread among Europe. As at 31 December 2020, Belaruskali was the

Issuer's largest recipient of funding. The funds borrowed pursuant to Belaruskali's facility agreements are earmarked for the construction of Petrikovskiy GOK and the renewal and upgrade of the company's fixed assets.

Belaruskali utilises high-quality production equipment which adheres to the highest industry standards and is uniquely positioned on the first quartile of the global cost curve. In addition, Belaruskali is one of the largest taxpayers in Belarus and its revenue is essential for the financing of social programmes and the performance of the Belarussian government's statutory obligations.

In 2020, despite negative economic conditions and a decline in global trade, Belaruskali increased sales of potash fertilizers by 2.2%, compared to 2019. This increase, however, was offset by a decrease in the average global prices for potash fertilizers. However, the Issuer expects that Belaruskali's debt to EBITDA ratio will be in the vicinity of 3.0 by the end of 2020. As at 31 December 2020, a gross loan of U.S.\$420,205 thousand remained outstanding under the facility agreements with Belaruskali.

Western High Speed Diameter Toll Road

The Western High Speed Diameter toll road (the "WHSD") in St. Petersburg is the first in-city toll road constructed in Russia. The construction was notable for its sophisticated technical solutions and complex architectural design. Using the WHSD allows travellers to cross the second largest Russian city—with a population of five million people—in approximately 20 minutes. The WHSD is operated by a management company and has a yield on investment guaranteed by the city of St. Petersburg. In the event of a revenue shortfall, the deficit will be paid for by the city of St. Petersburg. The city authorities expect that the WHSD will become profitable in 2021. As at 31 December 2020, a gross loan of U.S.\$380,665 thousand remained outstanding under the WHSD facility agreements.

Kazakhstan Solar Power Station

The Issuer provided a loan to one of the largest manufacturers of solar panels in Russia and a major supplier of solar power on the wholesale market. The Issuer financed construction of a solar power station in Kazakhstan by the manufacturer's Kazakhstani subsidiary. In 2019, the Issuer provided a multi-currency credit line totalling EUR 56.2 million. According to the borrower's estimates, the construction of the solar power station will allow it to reduce the emission of greenhouse gasses by 85 thousand tonnes annually. The project will encourage production of high-level technologies in Russia and other Member States. As at 31 December 2020, a gross loan of U.S.\$124,592 thousand was outstanding under facility agreements with the borrower's group.

Big Almaty Ring Road (BAKAD)

The Issuer has provided long-term funding for the construction of a ring road around Kazakhstan's largest city, Almaty. To date, it is the largest public-private partnership transaction in Central Asia. BAKAD represents the largest investment in Kazakhstan outside of the oil and gas sector. Once completed, BAKAD will comprise a ring road of 66 kilometres around Almaty, a city with two million residents, and is expected to be a core part of the Europe-West China trans-Eurasian transport corridor. The syndicate of banks financing the construction of BAKAD includes the Issuer, the EBRD and the Islamic Development Bank.

In addition to its economic value, the project provides a significant positive environmental and social impact. The Issuer expects that BAKAD will (i) direct traffic away from Almaty, reducing the city's pollution levels; (ii) reduce traffic congestion and road accidents; and (3) improve the competitiveness of trans-Kazakhstan travel routes. Beyond its infrastructural importance, BAKAD may provide a benchmark for future infrastructure projects in Central Asia to be built via public-private partnerships ("PPP") deals.

In 2020, despite the restrictive measures enacted as a result of the COVID-19 pandemic, construction of BAKAD continued, in particular as a result of continuous funding provided by the Issuer. BAKAD is scheduled for

completion in 2023. As of 31 December 2020, the outstanding gross loan amount for BAKAD was U.S.\$23,320 thousand.

Other Projects

The Issuer finances borrowers and issuers in the Member States' developed industry sectors (such as the energy sector) which provide a high integration effect connecting producers and consumers in different Member States. In 2019, the Issuer financed the construction of the main gas pipeline for Astana Gas KMG in the amount of U.S.\$240 million. The funds were provided through purchase of bonds. In 2018, the Issuer began financing the Electric Networks of Armenia by providing U.S.\$21 million facility for general operational purposes. In 2017, the Issuer began financing the construction of the solar plant by Solar System in Russia, with project costs estimated at U.S.\$110 million.

Project Pipeline

Approved Projects

In addition to the above, as at 31 December 2020 the Issuer had signed non-binding commitments in respect of five projects which have been approved by the Credit Committee, the Management Board and, where necessary, the Council, representing financing by the Issuer in the aggregate amount of U.S.\$562.5 million. Each of these projects is still subject to further due diligence and negotiation of contractual terms and no assurance can be given that the Issuer will agree to final contractual terms with the relevant borrower or that the projects will be completed.

Potential Projects

As at 31 December 2020, the Issuer was considering 20 further projects (concept stage), the estimated total financing cost of which was approximately U.S.\$1,708.5 million. According to the Issuer's estimates, in 2021 approximately 30% of these projects will commence and the initial financing will be provided by the Issuer. However, the amount of funding and the timeline of each project remain subject to various factors, including market conditions. See "*The Issuer—Lending and Investments—Lending—Loans to Customers—Project Pipeline—Approved Projects*".

Loans to Banks

The Issuer provides various types of financing to banks and non-financial institutions in the Member States, including: (i) SMB Financing, (ii) Micro-business Financing; (iii) Energy Efficiency Financing; (iv) Lease Financing; (v) Agribusiness Financing; (vi) Trade Financing; and (vii) Documentary Operations. The Issuer may also provide loans to banks for the purpose of subordinated and syndicated financing. The banks and financial institutions then use the financing they receive from the Issuer to provide loan facilities, at their own risk, to borrowers that meet certain criteria.

The table below sets forth total loans to banks as at the dates indicated:

	As at 31 December		
	2020	2019	2018
	<i>(U.S.\$'000)</i>		
Loans to financial institutions (including repo transactions).....	187,866	268,424	248,180
Less allowance for expected credit losses	(2,391)	(2,126)	(2,670)
Total loans to banks	185,475	266,298	245,510

For information regarding the geographic concentration of loans to banks, see "*Risk Management—Geographic Concentration*" and for information regarding the currency of loans to banks, see "*Risk Management—Foreign Currency Risk Management*".

SMB Financing

The Issuer provides loan facilities to banks and financial institutions in the Member States to enable those banks and financial institutions to finance the projects of their SMB clients. These banks and financial institutions select SMB borrowers to provide loans to at their own risk and discretion, provided that such SMB borrowers satisfy certain criteria set out by the Issuer. These banks and financial institutions can use the financing they receive from the Issuer to provide loans to SMB borrowers who are looking to:

- acquire and/or upgrade fixed assets;
- expand and diversify their business;
- introduce new technologies;
- develop innovative activities;
- produce export and import substitutes that support the development of new technologies in the Member States;
- produce high value added competitive goods in non-resource sectors;
- expand mutual trade and investments between businesses in the Member States in exports, supply of equipment, raw materials, spare parts, other goods and services; and
- finance working capital.

The Issuer frequently invests in asset-backed securities secured by pools of SMB loans. For example, in 2018, the Issuer invested RUB700 million in asset-backed securitisations originated by MSP-Bank (a state-owned Russian bank which is primarily engaged in providing banking services to small and medium enterprises). The Issuer invests in senior tranches only and considers such investments as a contribution to the development of the regional capital markets and to support SMB lending.

Micro-business Financing

The Issuer operates a Microfinance Support Programme, which is aimed at establishing favourable conditions for the development of micro-businesses in the Member States. The aim of the programme is to promote the establishment, expansion, modernisation and diversification of micro-business in the Member States, to maintain and promote existing micro-businesses and to develop trade and small-scale commodity production. In the same way that the Issuer supports SMB clients, under the Microfinance Support Programme, the Issuer provides loan facilities to banks and financial institutions in the Member States who then provide loans, at their own risk and discretion, to micro-businesses in the Member States.

Energy Efficiency Financing

The Issuer operates a Programme for Energy Efficiency Improvements in the Member States. This programme aims to decrease overall energy consumption, optimise the use of energy resources and implement renewable energy projects in the Member States. Pursuant to this programme, the Issuer provides specific-purpose credit facilities to banks and financial institutions, who then use these credit facilities to grant loans to their corporate clients in order to finance projects which reduce or optimise energy consumption.

Lease Financing

The Issuer operates a Programme for the Financing of Lease Operations among the Member States. This programme aims to develop the economies of the Member States by helping businesses based therein increase their competitiveness, efficiency and production volumes by modernising and upgrading their equipment and facilities. Pursuant to this programme, the Issuer provides specific-purpose credit facilities to banks and their subsidiary leasing companies, who then use these credit facilities to finance the purchase of facilities and equipment to be leased to companies in the Member States.

Trade Financing

The Issuer operates a Programme for the Development of Trade Finance Instruments and Expansion of Mutual Trade among the Member States. This programme aims to expand the sources of funding in each of the Member States for corporates involved in international trade, thereby enhancing mutual trade between, and further integration of, the Member States. Pursuant to this programme, the Issuer provides specific-purpose credit facilities to banks and financial institutions, who then use these credit facilities to provide trade-related credit facilities to their corporate clients, exporters and importers.

Documentary Operations

In 2019, the Issuer started offering documentary services, such as issuing letters of credits and guarantees, to facilitate trade across the Member States and export operations. The Issuer provides a full range of letters of credit based on UCP 600 rules. Letters of credit can be covered (a purchase price is pre-funded and held on the purchaser's account with the Issuer) or uncovered (the Issuer funds the purchase price). The uncovered letters of credit usually bear higher commission, as well as certain amount of credit risk.

The Issuer provides the following types of guarantees: tender guarantees, advance payment guarantees, performance guarantees, stand-by letters of credit and counter-guarantees. All letters of credits, except covered letters of credit, and guarantees are subject to approval by the Credit Committee.

Settlement and Clearing Services

Since 2018, the Issuer has offered settlement and clearing services to its customers in the currencies of the Member States, U.S. dollars and Euros. The Issuer is a member of national payment systems of Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia, and has direct access to the relevant currencies through accounts with the central banks. The Issuer has direct access to exchanges and interbank markets of these countries. The Issuer promotes clearing services within the EAEU in local currencies and frequently acts as a market-maker in these currencies. One of the Issuer's advantages is its ability to connect local payment systems and infrastructure for cross-border settlements within the EAEU in national currencies. The Issuer is a member of SWIFT and the Financial Messaging System of the Bank of Russia (SPFS). The Issuer benefits from its investment grade ratings from international rating agencies which are higher than the ratings of the Member States.

The Issuer's platform is scalable and was growing in terms of the volume of payments during each of the years ended 31 December 2020, 2019 and 2018. The new business line has allowed the Issuer to expand its customer base and obtain funding in the form of current accounts and customer deposits, which can be used as additional sources of liquidity and funding in the Issuer's current operations. As of 31 December 2020 and 2019, the Issuer had total deposits from customers in the amount of U.S.\$391.6 million and U.S.\$297.3 million, respectively.

"Green" Economy Financing Programme

The Issuer has developed a programme to finance projects in the "green" economy (the "**Green Finance Programme**") which aims to expand the Issuer's "green" portfolio investments and support corporates of Member States in the implementation of "green" projects. Under the Green Finance Programme the Issuer will support finance projects in the following areas:

- renewable energy;
- low-carbon and efficient energy production;
- improvement of energy efficiency;
- agriculture, forestry and land-use;
- reduction of non-greenhouse gases;
- waste and waste water management; and
- transport and infrastructure.

According to the Green Finance Programme, the Issuer will seek opportunities to establish syndicates with credit institutions of the Member States and multilateral development banks.

The Green Programme provides the following possible forms of the Issuer's contribution: project finance with limited-recourse, equity investments, guarantees, letters of credit and assistance with the preparation and evaluation of potential projects.

Key Eligibility Criteria for Projects Financed under the Programme

Potential projects must comply with the Issuer's mission and strategic goals, ESG policy and also meet requirements as to the structure of security and certain conditions pursuant to the Issuer's current internal regulatory requirements. The contemplated project must be in one of the areas detailed in the Green Finance Programme and related to climate change mitigation. A project will be classified as related to climate change mitigation if it promotes efforts to reduce or limit greenhouse gas ("GHS") emissions or enhance GHS sequestration. The Issuer generally follows the guidelines set by the WorldBank when assessing climate change mitigation¹.

In order to determine whether projects meet required criteria the Issuer may request a second party review, including review by the AIFC Green Finance Centre Ltd (the "AIFC GFC") or other independent certified experts in "green" financing. It is expected that at least two independent reviews will be carried out every year with respect to prospective investments.

The Issuer monitors the implementation of the projects under the Green Finance Programme and continuously assesses their credit quality in accordance with its internal procedures.

Aims of the Green Finance Programme

The Issuer believes that the implementation of the Green Finance Programme will allow it to reach the strategic goals defined in the EDB Strategy: diversification of the economies of the Member States to ensure sustainable growth, modernisation, integration and development of infrastructures and improving efficiency of national development projects.

Additionally, the Issuer expects that the Green Finance Programme will allow it to:

- enhance its capabilities in the international capital markets based on the expanding base of investors with ESG preferences;
- create a positive image of the Issuer as an active participant in the green economy, which will support the Issuer's perception, and as a result, reduce its cost of borrowing; and
- strengthen its cooperation with other international development financial institutions.

The Management Board reports to the Council on the results of the Green Finance Programme on an annual basis.

The terms of the Notes themselves can only be amended as set out in the Terms and Conditions of the Notes included in the Base Prospectus. The Issuer may update its Green Finance Programme or the ESG Policy from time to time, and such updates would be made publicly available on the Issuer's website.

Cooperation with AIFC Green Finance Centre

In order to expand its activities in "green" finance, in July 2020, the Issuer became a shareholder of the AIFC GFC. The AIFC GFC provides initial assistance to potential issuers, investors and market participants with the preparation process leading up to the issuance of green bonds on the AIFC Exchange (Astana International Exchange), and also specialises in the verification of "green" finance instruments. The AIFC GFC has extensive expertise in

¹ <https://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf>

providing external review, including second party opinions, for green financing, verification and monitoring of ongoing investment projects. Cooperation between the Issuer and the AIFC GFC is intended to contribute to the Issuer's activities in building "green" finance market in Central Asia and help to introduce new financial products and instruments.

According to the Issuer's assessment, the amount of projects in its current investment portfolio that could be classified as "green" projects as of 31 August 2020 is US\$545 million, or 13% of the total amount of the Issuer's current investment portfolio, including two major infrastructure projects in the amount of U.S.\$97 million and eight renewable energy projects in the amount of U.S.\$448 million.

Private Equity Funds

In addition to supporting infrastructure projects in the Member States, the Issuer's objective in participating in, or establishing, private equity funds is principally to create high yield opportunities. For example, in December 2010, the Issuer committed U.S.\$100.0 million to the Macquarie Russia and CIS Infrastructure Fund LP (the "MRIF"). Other investors in the MRIF include VEB.RF (formerly Vnesheconombank), Kazyna Capital Management, Macquarie Capital Group Limited, the European Bank for Reconstruction and Development and IFC. The Issuer's commitment represented 15.87% of total capital commitments to MRIF. The primary investment objective of the MRIF is to establish a diversified portfolio of equity and equity-related investments in infrastructure projects. In the year ended 31 December 2019, the Issuer released its part of its commitments and redeemed part of its investments in MRIF. As at 31 December 2020, the remaining commitments and investments amounted to U.S.\$4.0 million and U.S.\$ 4.8 million, respectively.

Management and Consulting Services

Eurasian Fund for Stabilisation and Development (EFSD)

The EFSD (the former EurAsEC Anti-Crisis Fund) is a regional financing arrangement between the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan. The EFSD was established on 9 June 2009, and as of 31 December 2020 comprises U.S.\$9.4 billion of contributions from the EFSD member countries, interest income on financial assets and income from its operations. The EFSD Council is the ultimate decision-making body. It consists of finance ministers of the member countries. Anton Siluanov, the Russian minister of finance, chairs the EFSD Council.

The EFSD provides two types of funding to sovereign member-countries: (i) policy-based lending in the form of credit facilities to support the governments' anti-crisis measures and stabilisation programmes; and (ii) project financing in the form of investment loans and grants to finance integration projects. EFSD does not raise money on capital or money markets.

Since 2009, the Issuer has managed the EFSD's resources (in such capacity, the "**EFSD Resources Manager**"), subject to the supervision and oversight of the governing council of the EFSD. EFSD is a separate entity from the Issuer, and neither the results of EFSD's operations nor its assets or liabilities are included in the Financial Statements.

In accordance with the management agreement with the EFSD, the Issuer, as the EFSD Resources Manager, *inter alia*, appraises applications for financing by the EFSD, organises and operates financing from the EFSD's funds in accordance with signed financing agreements, monitors the performance of obligations under EFSD financing agreements, assesses the efficiency of projects and operations financed by the EFSD, keeps records on the borrowers' indebtedness, recovers overdue debts and other amounts owed, opens and maintains EFSD accounts and credit money to such accounts, invests excessive cash balances of the EFSD, administers promissory notes issued by the EFSD members and carries out other actions necessary for the administration of EFSD's resources. In accordance with EFSD regulations, the Issuer is not allowed to borrow from the EFSD and use borrowed funds for investment projects.

The EFSD started receiving applications for financing in 2009 and began disbursing funds in 2010. As at 31 December 2020, total outstanding loans to members of the EFSD amounted to U.S.\$2,933.9 million. For example, in 2020, EFSD provided stabilisation loans to Belarus, Kyrgyzstan and Tajikistan in the amount of U.S.\$500 million, U.S.\$100 million and U.S.\$50 million, respectively.

The EFSD is not consolidated in the Issuer's Financial Statements and the Issuer is not liable for recovery of EFSD's investments. The Issuer is reimbursed for budgeted expenses incurred by it and approved by the governing council of the EFSD in connection with its activities as the EFSD Resources Manager. In the year ended 31 December 2020, the Issuer earned U.S.\$8.1 million in management fees and was reimbursed U.S.\$13.4 million of expenses. The Issuer can unilaterally stop acting as EFSD Resources Manager upon written notification to the EFSD, whereupon it will transfer the management of all of the EFSD's assets to a new EFSD Resources Manager designated by the EFSD.

Investment Consultation

The Issuer may act as an investment consultant when implementing investment projects that correspond to the primary sectors of the Issuer's investment activity, including the structuring of financing. The Issuer may receive commissions based on the results of investment activity.

The Issuer has signed memoranda of understanding with, among others, the World Bank, the Kazakhstani Kazyna Fund for Sustainable Development (subsequently merged with Samruk Kazakhstan Holding for State Assets Management into JSC Sovereign Wealth Fund "Samruk-Kazyna"), Kazyna Capital Management, National Holding KazAgro, the Japan Bank for International Cooperation, the Islamic Development Bank, the China Development Bank, National Company SaryArka Social-Enterprise Corporation, the Department CAREC of the Asian Development Bank, the Food and Agriculture Organization of United Nations, the Office of the Permanent Coordinator of the United Nations in Kazakhstan, Renaissance Capital Holdings Limited, Macquarie Capital Group Limited, National Reserve Bank, Interbank Association "Shanghai Cooperation Organisation", the International Bank of Reconstruction and Development, the Interstate Bank, the World Customs Organization, European Bank for Reconstruction and Development, New Development Bank, Black Sea Trade and Development Bank, International Investment Bank, Russian-Kyrgyz Development Fund, Bank for Development and Foreign Economic Affairs (VEB.RF), Far East Investment and Export Agency, Russian Federal Corporation for the Development of Small and Medium Business, Russian Export Center and Global Infrastructure Hub. The Issuer has also signed similar memoranda with certain governments of constituent parts of the Russian Federation, such as the government of the Republic of Tatarstan and the governments of the Khanty-Mansiysk autonomous district and the Novosibirsk and Astrakhan regions of the Russian Federation. The memoranda state that the parties intend to actively exchange experience and information on potential investment projects and other information in order to facilitate the expansion of bilateral economic relations and allow for the participation of another party as a co-investor and/or arranger of financial projects.

The Issuer has "Recognized Non-AIFC Member" (RNAM) status in the newly created Astana International Financial Center (the "AIFC") in Kazakhstan. In this capacity the Issuer is entitled to operate and deal in the securities market and may act as a principal and/or agent, or underwriter on the AIFC Stock Exchange, the Astana International Exchange ("AIX"). Trading on AIX commenced in December 2017, with the goal to provide international and Kazakhstani investors with access to Kazakhstani companies in a familiar environment based on the principles of common law. AIX is intended to serve as a platform for Kazakhstan's large scale privatisation program for certain of Kazakhstan's major state companies, including the national oil and gas company, railway operator and airline.

Information and Research Activity

The Issuer established the Research Department, consisting of two departments: Centre for Country Analysis and the Centre for Integration Studies. The Research Department provides substantial analytical support to the Issuer's other departments. The Issuer's research activity supports its investment activities and aims at providing a deeper understanding of market integration in the Eurasian economic space.

The Centre for Country Analysis conducts its research on a wide range of strategic, development and macroeconomic issues. On the basis of its research, it prepares detailed country analyses, risk assessment frameworks, forecasts of important macroeconomic trends and evaluation of their economic effects. The Centre for Country Analysis regularly publishes reports on macroeconomic issues and other special themes.

The Centre for Integration Studies, tasked with monitoring market integration processes within the Eurasian Economic Union (the "EAEU"), has been in operation since 2011. The Centre for Integration Studies is active in conducting numerous research projects and comprehensive studies, including annual reports on Eurasian Economic Integration, a series on the reports on key integration trends within the EAEU and its Member States, as well as public and internal reports on important economic trends, such as digitalisation or "green" economy. The Centre for Integration Studies focuses its research on trade, investments and cross-border infrastructure across the EAEU, databases, economic and corporate integration and its perspective development directions, public opinion polls, effects of a common economic space including the common labour and sectoral markets, harmonisation of legislation and opportunities for fiscal, monetary and financial integration.

In addition to research and analytics, the Research Department administers the Issuer's Technical Assistance Fund. The Issuer created its Technical Assistance Fund to finance pre-investment work such as feasibility studies, market analysis and financial modelling, and to support regional integration projects and conduct research aimed at the analysis of growth potential, the development of market economies in the Member States and opportunities for forging economic and trade relations between them. Currently, the Fund's principal activities have been expanded to include research projects aimed at developing investment opportunities for the Issuer.

Capital Adequacy

Due to its status as an international organisation, the Issuer is not subject to any external formal minimum capital adequacy requirement. However, the Issuer's Management Board has adopted the Internal Regulations which stipulates, among other things, that the Issuer should maintain its minimum capital adequacy ratio calculated on the basis of Basel II principles at no less than 16.0%. As at 31 December 2020, 2019 and 2018, the Issuer's total capital adequacy ratio calculated on the basis described above was 42.8%, 43.3% and 49.8%, respectively.

Share Capital, Shareholders and Dividends

As at 31 December 2020, the total authorised share capital of the Issuer was U.S.\$7,000,000,000 divided into 7,000,000 shares, each with a nominal value of U.S.\$1,000, of which U.S.\$1,515,700 thousand was the total paid capital and U.S.\$ 5,484,300,000 was the callable capital.

As initial subscribers to the Issuer's shares, the Russian Federation and the Republic of Kazakhstan subscribed for 1,000,000 and 500,000 shares, respectively, paying-up U.S.\$1.0 billion and U.S.\$500.0 million, respectively. Subsequently, the Republics of Belarus, Tajikistan, Armenia and the Kyrgyz Republic have subscribed for 15,000, 500, 100 and 100 shares, respectively, contributing U.S.\$15.0 million, U.S.\$0.5 million, U.S.\$0.1 million and U.S.\$0.1 million, respectively. In July 2014, the Council approved an increase in the Issuer's share capital by U.S.\$5,484.3 million to be paid upon the Issuer's request, distributing the additional shares between the Member States proportionally to their existing holding. See *"Management's Discussion and Analysis of Results of Operations and Financial Condition—Equity"*. At the Council's meetings, each paid share entitles the Member State shareholder to one vote. See *"Management—The Council"*.

The Issuer may pay dividends approved by a resolution of the Council provided that the Issuer's Reserve Fund amounts to at least 15.0% of the authorised equity capital of the Issuer. The Issuer has not declared or paid any dividends, as the Issuer's Reserve Fund currently amounts to approximately 9.6% of the paid-in share capital. The Issuer does not plan to pay dividends in the near term.

The authorised equity capital of the Issuer may be increased by a decision of the Council. Upon any increase in equity, current participants are entitled, but not required, to acquire new shares on a pre-emptive basis.

The Charter provides that further interested states or international organisations may become members of the Issuer. Such participation will require a resolution of the Council, accession to the Establishing Agreement and the acquisition of shares in the Issuer. See "*—Introduction and Overview*".

Competition

The Issuer operates in a relatively competitive market for the provision of financing to development projects. The Issuer's principal competitors are national, regional and other international development banks as well as large local commercial and state-owned banks operating within the region (including the EEU markets), although the Issuer attempts to avoid direct competition with such banks where possible. In addition to local commercial and development banks, foreign commercial banks, especially those located in the Russian Federation, play an important role in providing financing to corporate customers. The Issuer does not, however, believe that it competes with the smaller-sized commercial banks also active in the region. Such commercial banks tend to provide shorter-term funding, have target industries that are different from those of the Issuer and, as a rule, are less competitive than the Issuer in terms of interest charged. Additionally, other development banks have their own lending criteria and focus and these do not generally overlap with the Issuer's business. In certain cases, the Issuer and other development banks cooperate in the provision of loan facilities to borrowers.

Legal Status, Privileges and Immunities

The property and assets of the Issuer that are located in the territories of its Member States are immune from all forms of seizure, attachment, execution, search, requisition, arrest, confiscation or expropriation before the delivery of a final judgment against the Issuer. The archives, property and information belonging to the Issuer are inviolable in the territories of its Member States. The members of the Council, the Chairman of the Management Board, all Deputy Chairmen of the Management Board, members of the Management Board and all employees of the Issuer are granted immunity from most judicial or administrative prosecutions in the Member States against actions carried out by them whilst performing their official duties to the Issuer.

To the extent required by the Issuer in order to achieve its objectives or perform its duties, all of the Issuer's property and assets are free from all restrictions, seizure, injunctions and moratoria. However, the Charter allows the Council to waive any immunity, privilege or benefit granted by the Charter (either with or without conditions attached to such waiver) if it is in the interests of the Issuer to do so. The Chairman of the Management Board is obliged to waive any immunity or privilege concerning any employee of the Issuer (except members of the Management Board) when, in his or her opinion, such immunity or privilege would be detrimental to justice, and when such a waiver would not cause any harm to the Issuer. In similar circumstances and under the same conditions, the Council is obliged to waive any immunity or privilege concerning the members of the Management Board.

The Issuer, its income, property and other assets, as well as all of the operations and transactions carried out by it in accordance with the Charter within the territory of its Member States are exempt from all taxes, levies, duties and other payments except for certain fees for services rendered. All obligations under securities issued by the Issuer, including the Notes issued under the Programme, together with all interest or dividends payable thereon are paid by the Issuer free of tax in the Member States.

The Issuer is exempt from licensing, supervision and regulation, including by the central banking authorities of the Member States.

Disputes between the Issuer and the government of any Member State under agreements between the Issuer and a Member State are to be resolved first by negotiation and, if those negotiations fail, by the Council, and, to the extent remain unresolved, by arbitration.

Technology

The Issuer uses information technology from well-known market leaders. Information technology infrastructure and data processing are centralised at the head office, which connects other offices to all the data and applications through specialised facilities featuring automatic user identification and encryption.

The main information systems currently in place include corporate electronic mail and facilities for collateral data processing based on Microsoft technologies, a system of electronic document circulation also used under Microsoft DBMS, a banking account system based on Oracle DBMS, a data warehouse system based on Oracle OFSA technology and a remote access system to the Issuer's data and applications from Citrix technology.

To mitigate the effects of technological failures on the Issuer's business, the Issuer maintains standby and spare data servers in Almaty and a spare data centre in Moscow. Additionally, the Issuer maintains alternative SWIFT and Internet connection providers. The Issuer alternates its SWIFT communication between the channels of two different providers every month. The Issuer anticipates that, if necessary, the Issuer's Internet connection would be switched to another of the Issuer's providers if the connection of the provider then in use is not working. The Issuer also has alternative power sources available to it, including an electric generator. See *"Risk Factors—Risk Factors Relating to the Issuer—Operational risk"*.

In 2020, during the COVID-19 pandemic, a special emergency commission was created which focused on monitoring the spread of COVID-19 and the implementation of necessary measures to curtail its impact on the Issuer's business operations. The Issuer reviewed critical IT components in its spare data centre in Moscow. Due to the pandemic, most of the Issuer's employees began working remotely, and regular sanitisation treatment of offices was provided. No material technological disruptions have been identified in the Issuer's IT systems in 2020. All of the Issuer's employees continue to have remote access to the Issuer's IT infrastructure.

Location of Offices

The headquarters of the Issuer are located at 220 Dostyk Avenue, 050051, Almaty, the Republic of Kazakhstan and the Issuer's telephone number is +7 (727) 244 40 44. The Issuer has a branch office in St. Petersburg, Russian Federation and has representative offices in Moscow, Russian Federation, Nur-Sultan, Republic of Kazakhstan, Dushanbe, Republic of Tajikistan, Yerevan, Republic of Armenia, Minsk, Republic of Belarus and Bishkek, Kyrgyz Republic.

Employees

As at 31 December 2020, the Issuer had 331 employees.

Litigation

As at the date of the Base Prospectus, the Issuer is not involved in any governmental, legal or arbitration proceedings which might have a material adverse effect on its business, financial condition and results of operations.

MANAGEMENT

General

The Charter provides that the Issuer is governed by the following:

- the Council, which is the supreme management body of the Issuer and carries out the strategic and general management of the Issuer's activities;
- the Management Board, which is regulated by, and accountable to, the Council and oversees the day-to-day administration of the Issuer; and
- the Chairman of the Management Board, who manages the Issuer and the Management Board with powers vested in him by the Charter and the Council.

The Council

The Council is the supreme management body of the Issuer and is responsible for the overall supervision of its activities. Each Member State appoints, in its sole discretion, one plenipotentiary representative and one alternate plenipotentiary representative, both of whom are members of the Council. Each Member State has appointed two members to the Council. As at the date of this Base Prospectus, the Council consists of ten members.

The Member States do not have equal votes at Council meetings. Rather, each Member State is allocated the equivalent number of votes in the Council as are allocated to it by the amount of its shares in the Issuer's charter capital. Unless otherwise specified in the Charter, matters are decided at Council meetings by the affirmative vote of the holders of a majority of the share capital. The affirmative vote of the holders of three-fourths of the share capital is required to (i) determine the Issuer's major lines of business, (ii) admit new shareholders, (iii) make decisions with respect to increasing or decreasing the Issuer's equity capital or redistribution of paid-in equity capital among shareholders, (iv) make decisions with respect to opening branches and establishing subsidiaries, (v) suspend a Member State's rights as a shareholder of the Issuer, (vi) amend the Charter and (vii) make decisions to suspend operations and dissolve the Issuer. While the Russian Federation holds the majority of the votes in the Council as it holds 66.0% of the issued and outstanding shares of the Issuer, in practice, mutual agreement of all the Member States is sought in order to pass a decision. In addition, the Issuer has established its corporate governance policies, which allow the Issuer to ensure the required balance of interests among its Member States, protect minority shareholders and maintain its credit ratings at a level not less than the respective credit ratings of its founding Member States.

The Chairman of the Council is elected on an annual basis and is currently Mr. Mamin, the Prime Minister of the Republic of Kazakhstan. The Chairman of the Management Board may participate in meetings of the Council as a non-voting member.

The Council may delegate powers to the Management Board, except for certain matters reserved for the Council, including the acceptance of new members, increasing or decreasing the Issuer's capital, redistributing the Issuer's equity capital between members, nominating and dismissing the Chairman of the Management Board, establishing branches and subsidiaries, suspending membership of a member, suspending the Issuer's operations and amending the Charter.

The Council meets at least twice a year but is also required to meet at the request of the Management Board, the Chairman of the Management Board or any Member State or group of Member States holding not less than one-quarter of the Issuer's paid in equity capital.

As at the date of this Base Prospectus, the following persons have been appointed as members of the Council:

Name	Title	Appointed By
Mher Grigoryan	Deputy Prime Minister of the Republic of Armenia	Republic of Armenia
Armen Hayrapetyan	Deputy Finance Minister of the Republic of Armenia	Republic of Armenia
Yury Seliverstov	Minister of Finance of the Republic of Belarus	Republic of Belarus
Dmitry Yaroshevich	Deputy Minister of Economy of the Republic of Belarus	Republic of Belarus
Askar Mamin	Prime Minister of the Republic of Kazakhstan, the Chairman of the Council	Republic of Kazakhstan
Alikhan Smailov	Deputy Prime Minister of the Republic of Kazakhstan	Republic of Kazakhstan
Anton Siluanov	Minister of Finance of the Russian Federation	Russian Federation
Sergey Storchak	Adviser to the Minister of Finance of the Russian Federation	Russian Federation
Faiziddin Qahhorzoda	Minister of Finance of the Republic of Tajikistan	Republic of Tajikistan
Zavqi Zavqizoda	Minister of Economic Development and Trade of the Republic of Tajikistan	Republic of Tajikistan

As of the date of the Base Prospectus, members of the Council from the Republic of Kyrgyzstan have not been appointed.

The business address of the Council is 220 Dostyk Avenue, 050051, Almaty, the Republic of Kazakhstan.

Management Board

The Management Board is responsible for the conduct of all of the day-to-day administration of the Issuer that is not specifically reserved for the Council and exercises all powers delegated to it by the Council.

The Council determines the number of members of the Management Board and appoints and dismisses members of the Management Board. Any person who is a member of the Council may not simultaneously be a member of the Management Board and vice versa. The Charter requires that meetings of the Management Board be held at least once every two months; however, the Management Board has historically met more frequently. Meetings are quorate if not less than two-thirds of the total members of the Management Board are present. Each member of the Management Board has one vote and a resolution is passed by a simple majority of votes at a meeting that is quorate. The Chairman of the Management Board has the authority to cast the deciding vote in the case of an equal split of votes.

As at the date of this Base Prospectus, the Management Board comprises ten members. Certain biographical information regarding members of the Management Board and the Chairman of the Management Board is provided below:

Name and position	Background and principal outside activities and duties
<p>Nikolai Podguzov Chairman of the Management Board</p>	<p>Nikolai Podguzov graduated from Saint-Petersburg State Institute of Technology with a degree in applied mathematics and physics and from MGIMO University (Moscow State Institute of International Relations) with a degree in world economy. Between 2000 and 2003, Mr. Podguzov held various positions at the Ministry of Finance of Russia. From 2003 to 2006, he was appointed vice president of Trust Investment Bank. Between 2006 and 2010, Mr. Podguzov was appointed vice president and director of department at Renaissance Capital. Between 2010 and 2012, Mr. Podguzov served as director at VTB Capital. In 2012, he became deputy director of the Department of Economy and Finance within the Russian government. Between 2013 and 2017, Mr. Podguzov was Deputy Minister of Economic Development. Between July 2017 and June 2020, Mr. Podguzov was the general director and head of strategic development at Russian Post. On 29 June 2020, Mr. Podguzov was appointed the Chairman of the Management Board.</p>
<p>Sergey Vasiliev Deputy Chairman of the Management Board</p>	<p>Sergey Vasiliev graduated from the Saint-Petersburg State University of Economics (former name Leningrad Institute of Finance and Economics) with a degree in economical cybernetics. Mr. Vasiliev is a professor holding a PhD in economics. Between 1991 and 1994, he was the head of the Centre for Economic Reforms under the Government of the Russian Federation. From 1994 to 1997, he became deputy Minister of Economy of the Russian Federation. Between 1997 and 1998, Mr. Vasiliev held the position of the first deputy head of administration of the Russian government. From 1998 to 1999, he was the chairman of the management board of the International Investment Bank. From 1999 to 2001, he was appointed president of the Leontief International Centre for Social and Economic Research. Between 2001 and 2007, Mr. Vasiliev was a member of the Federation Council for the Federal Assembly of the Russian Federation, a chairman of the Committee for Financial Markets and Monetary Circulation, and also a representative of the Federation Council to the National Banking Council. Between 2007 and 2019, he was the deputy chairman of VEB.RF. Mr. Vasiliev was appointed Deputy Chairman of the Management Board on 14 July 2020.</p>

<p>Leonid Grachkov Deputy Chairman of the Management Board</p>	<p>Leonid Grachkov received a degree in ship armament from the Leninsky Komsomol Higher Naval School for Submarine Navigation, a degree in finance from the St. Petersburg State University of Economics and Finance and a degree in law from the Civil Aviation Academy. From 1988 to 1993, Mr. Grachkov served as a military officer in the Russian Ministry of Defence. From 1993 to 2003, he served in the tax police. From 2003 to 2007, Mr. Grachkov was the head of the Novgorod department of the Federal Drug Control Service of the Russian Federation (police major general). From 2007 to 2010, he worked as the head of Kaliningrad operational customs. Between 2010 and 2012, he served in the Federal Customs Service as first deputy head of the regional operational search department. From 2012 to 2017, Mr. Grachkov was the head of the regional customs department for the radio-electronic security of the customs infrastructure (lieutenant general of the customs service). Between 2017 and 2018, he served as deputy head of the Central Customs Department and head of operational customs. From 2018 to 2020, Mr. Grachkov was a member of the management board and deputy CEO for corporate security at Russian Post. Between August 2020 and February 2021, he held the position of Senior Managing Director of the Issuer, and on 1 February 2021, Mr. Grachkov was appointed Deputy Chairman of the Management Board.</p>
<p>Ruslan Dalenov Deputy Chairman of the Management Board</p>	<p>Ruslan Dalenov graduated from the Marmara University (Istanbul) with a degree in economics and from the Financial Academy under the Government of the Russian Federation with a master's degree in economics and business. From 1999 to 2002, Mr. Dalenov was a staff member, then served as the head of the Oil, Gas and Energy Department and then Head of the Revenue Analysis and Forecasting Department of the Ministry of State Revenue of the Republic of Kazakhstan. Between 2002 and 2003, he was the head of the Current Revenue Department of the Revenue, Convention and Contracts Service of Kazakhstan's Ministry of Finance. Between 2003 and 2005, Mr. Dalenov was appointed Director of the Revenue Analysis Department of the Ministry of Finance of the Republic of Kazakhstan. From 2005 to 2008, Mr. Dalenov headed a private company and was appointed general manager of the Agency on Research on Profitability of Investments. Between 2008 and 2017, he was appointed Vice-Minister of Finance of the Republic of Kazakhstan. From 2017 to 2019, Mr. Dalenov served as first Vice-Minister of the National Economy of the Republic of Kazakhstan and from 2019 to 2021 as the Minister of National Economy of the Republic of Kazakhstan. On 8 February 2021, Ruslan Dalenov was appointed Deputy Chairman of the Management Board.</p>

<p>Denis Ilyin Deputy Chairman of the Management Board</p>	<p>Denis Ilyin graduated from Lomonosov Moscow State University with a degree in applied mathematics and English philology. He also received an MBA from the London Business School. From 1996 to 2006, Mr. Ilyin held the positions of deputy general director, managing director and manufacturing director at Volga-Dnepr Airlines. Between 2006 and 2008, he served as senior vice president for strategy and commerce and general director at AirBridgeCargo Airlines. From 2008 to 2013, Mr. Ilyin worked at Basic Element Company as managing director of the aviation directorate. Between 2013 and 2016, he served as executive president at AirBridgeCargo Airlines, and was a member of the board of directors of the Volga-Dnepr Group. From 2018 to 2020, Mr. Ilyin was a member of the management board and deputy CEO for international business at Russian Post. Between September 2020 and February 2021, Mr. Ilyin held the position of Senior Managing Director of the Issuer, and on 1 February 2021, he was appointed Deputy Chairman of the Management Board.</p>
<p>Amangeldy Issenov Deputy Chairman of the Management Board</p>	<p>Amangeldy Issenov graduated from the Karaganda Metallurgical Institute with a degree in economics and management of iron and steel works in 2000 and from the Almaty Management Institute in 2017 with an MBA. Between 2000 and 2002, he worked in the Ministry of Finance as a chief specialist, then between 2002 and 2003 as a treasurer in the CJSC "Fund for Small Business Development". From 2004 to 2008, he served as financial director in a number of private companies. From 2008 to 2017, he headed the Budget Lending Department of Kazakhstan's Ministry of Finance. In July 2017, Mr. Issenov was appointed the Managing Director for Business Development of the Projects Department. On 19 February 2018, Mr. Issenov was appointed Member of the Management Board, and in June 2018, Mr. Issenov was appointed Deputy Chairman of the Management Board.</p>
<p>Daniyar Imangaliyev Deputy Chairman of the Management Board</p>	<p>Daniyar Imangaliyev graduated from the Abai Almaty State University with a degree in finance and from the Kazakhstan Institute of Management, Economics and Strategic Research with an MBA. From 2006 to 2007, Mr. Imangaliyev worked at the ATF Bank Treasury as a specialist at the division of conversion transactions of dealing department. Between 2007 and 2008, he worked as a dealer in the brokerage services sector in Kazkommertsbank. From August 2008 to January 2021, Mr. Imangaliyev held various positions at the Issuer, namely, Chief Specialist of Financial Market Transactions Division, Deputy Head of Financial Market Transactions Divisions, Head of Money Market Division and Director of Treasury at the Issuer. On 1 February 2021, Mr. Imangaliyev was appointed Deputy Chairman of the Management Board.</p>

<p>Yelena Kubanova Deputy Chairman of the Management Board</p>	<p>Yelena Kubanova graduated from Moscow State Linguistic University with a degree in translation and translation studies, and from Nottingham Trent University's Business School with an international qualification from the Chartered Institute of Personnel and Development (CIPD). From 2003 to 2006, Ms. Kubanova worked in MONEX TRADING as a human resources manager. Between 2006 and 2016, she served as HR director in a number of companies, and from 2017 to 2018, Ms. Kubanova held the position of vice president for human resources in SoftLine Trade. From 2018 to 2020, Ms. Kubanova served as advisor to the first deputy general director for financial, legal and administrative matters; as advisor to the general director for HR management; and as deputy general director for personnel and social matters at Russian Post, and in October 2019, she was appointed member of the management board of Russian Post. From July 2020 to January 2021, she held the position of Senior Managing Director and Advisor on Organisational Development to the Issuer Advisor Office, and on 1 February 2021, Ms. Kubanova was appointed Deputy Chair of the Management Board of the Issuer.</p>
<p>Yaroslav Mandron Deputy Chairman of the Management Board</p>	<p>Yaroslav Mandron graduated from the State University of Management with a degree in public and municipal administration and a law degree. From 2005 to 2007, he worked in the Federal Agency for Federal Property Management as a specialist. Between 2007 and 2017, Mr. Mandron worked as a specialist and then director at the Department for the State Regulation of Tariffs, Infrastructure Reforms and Energy Efficiency of the Ministry of Economic Development of the Russian Federation. From 2017 to 2020, Mr. Mandron held the post of Deputy CEO for strategy and government regulation and deputy CEO for postal business and social services at Russian Post. In October 2019, Mr. Mandron was appointed member of the management board of Russian Post. From September 2020 to January 2021, he held the position of Senior Managing Director of the Issuer, and on 1 February 2021, Mr. Mandron was appointed Deputy Chairman of the Management Board.</p>
<p>Berik Mukhambetzhonov Deputy Chairman of the Management Board</p>	<p>Berik Mukhambetzhonov graduated from the Kazakh State Academy of Management. Between 1993 and 1997, he worked at the National Bank of Kazakhstan. From 1997 to 1998, he worked at Bank TuranAlem. From 1998 to 2006, he worked at HSBC Kazakhstan, initially as the deputy financial controller and from 2003 as the financial controller and a member of the management board. In 2006, he was the director of the internal audit department at Samruk Holding. In 2007, he started working at the Issuer as the Head of Planning and Reporting Department and from September 2010 to January 2021 he was the Managing Director for Finance. In December 2010, Mr. Mukhambetzhonov was appointed to the Management Board, and on 1 February 2021, he was appointed Deputy Chairman of the Management Board.</p>

<p>Tigran Sargsyan Deputy Chairman of the Management Board</p>	<p>Tigran Sargsyan graduated from the Saint-Petersburg State University of Economics (former name Leningrad Institute of Finance and Economics) with a diploma cum laude. In 1987, Mr. Sargsyan received a PhD in economics from the same university. Between 1987 and 1990, Mr. Sargsyan was a senior researcher and the head of international economic relations at the Institute of Economics and Planning. From 1990 to 1995, he was a member of the Supreme Council of Armenia, chairman of the committee for financial, credit and budget issues at the Supreme Council of Armenia, and a member of the Presidium of the Supreme Council. From 1995 to 1998, he was President of Armenia's Banking Association, and from 1998 to 2008, served as the chairman of the Central Bank of Armenia. Mr. Sargsyan served as Prime Minister of Armenia from 2008 to 2014 and was appointed Armenia's Ambassador to the United States between 2014 and 2016. Between 2016 and 2020, he was the chairman of the Board of the Eurasian Economic Commission. Mr. Sargsyan was appointed Deputy Chairman of the Management Board on 17 March 2020.</p> <p>Tigran Sargsyan was awarded the first-class Medal for Services to the Fatherland by a decree of the President of Armenia. The Government of the Russian Federation awarded him the first-class Stolypin Medal. He was also awarded the Medal of Anania Shirakatsi. In October 2019, the President of Kazakhstan, Kassym-Jomart Tokayev, awarded him the Order of Friendship. In December 2019, the President of Russia, Vladimir Putin, awarded Tigran Sargsyan with the Order of Friendship and the president of the Kyrgyz Republic awarded him the Dank Medal. Tigran Sargsyan holds honorary doctorates from the Armenian State University of Economics, St. Petersburg State University of Economics, Gumilyov Eurasian National University (Kazakhstan), and an honorary professorship from the Kyrgyz-Russian Slavic University.</p>
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The business address of each Member of the Management Board is 220 Dostyk Avenue, 050051, Almaty, the Republic of Kazakhstan.

Chairman of the Management Board

The Chairman of the Management Board is the official representative of the Issuer and is responsible for supervising the activities of the Issuer, provided that he acts within the framework of the rights given to him under the Charter and by resolution of the Council.

The Chairman of the Management Board is elected by the Council upon the nomination of the founding Member States for a period of four years with the right to be re-elected for one further term of four years. The Chairman is entitled to represent the Issuer and enter into contracts and transactions on its behalf. The Council has the power to terminate the appointment of the Chairman of the Management Board prior to the expiration of that person's current term of office. Any resolution of the Council to terminate the appointment of the Chairman of the Management Board must be adopted by a qualified majority (3/4) of votes available to the members of the Council in order to become effective.

Advisors to the Chairman of the Management Board.

The Chairman of the Management Board regularly consults with its advisors specialising in different areas of the Issuer's business.

One of the advisors, Mr. Grigory Marchenko, has served as the head of the NBK between 1999 and 2004, and again between 2009 and 2013. Mr. Marchenko won Euromoney magazine's 2003 Central Bank Governor of the year award. Between terms as the head of the NBK he served as the head of Halyk Savings Bank of Kazakhstan, the largest bank in Kazakhstan by market share. Mr. Marchenko was appointed advisor to the Chairman of the Management Board in October 2020. He regularly speaks at public conferences and communicates with investors and the broader public on behalf of the Issuer.

Conflicts of Interest

No member of either the Council or the Management Board has any actual or potential conflict of interest between their duties to the Issuer and their private interests and/or other duties.

Internal Audit Service

The Internal Audit Service reports directly to the Council and is responsible for the internal control of the financial and administrative activities of the Issuer. The main functions of the Internal Audit Service are to establish risk controls as well as acceptable levels of credit and market risks to which the Issuer is exposed.

Committees and Commissions

Committees and Commissions of the Council

The Council has established the following committees and commissions that report directly to the Council:

- The Budget Committee is responsible mainly for the preparation of an expert opinion with respect to the draft budget for the subsequent financial year as provided by the Management Board and review of proposals to amend the approved budget for the current financial year. The committee consists of seven members, including representatives of the Council; representatives of the Management Board; representatives of the Ministry of Finance of the Republic of Kazakhstan; and representatives of the Ministry of Finance of the Russian Federation.
- The Strategy Committee is a standing collegiate advisory body of the Council responsible for the preliminary consideration and coordination of decisions on priority directions of the Issuer's investment activity, activity aimed at achievement of the Issuer's strategic aims and coordinating proposals on formation of the strategic directions of the Issuer's investment activity. The Committee must have no less than seven members. Each Member State has the right to be represented on the Committee. The Chairman of the Committee is a member of the Board of the Issuer. The Committee consists of members of the Council; members of the Board; employees of the Issuer; and officials of Member States possessing the required qualifications.
- The Revision Commission reviews financial reports of the Issuer, monitors decisions made by the Council and ensures that they are implemented by the Management Board. The Revision Commission is also responsible for ensuring that all procedures and policies of the Issuer are observed and carried out. In addition, the Revision Commission has certain responsibilities in relation to issues concerning the financial condition of the Issuer, risk management, lending and other business and operational activities; and
- The Staff Committee prepares recommendations for the Council regarding staff management, human resources policies and compensation and benefits. Each Member State appoints one representative to the Staff Committee. The Staff Committee also includes members of the Management Board; employees of the Issuer; and officials of Member States possessing the required qualifications.

Committees and Commissions of the Management Board

The Management Board has established the following committees and commissions that report directly to the Management Board:

- The Assets and Liabilities Management Committee. See "*Risk Management—Assets and Liabilities Management Committee*".
- The Credit Committee. See "*Risk Management—Credit Committee*".
- The Personnel Issues Committee establishes the Issuer's general policy on human resources and determines and develops systems for manpower management and motivation. It also creates policies and procedures relating to the Issuer's corporate culture, corporate rules and regulations and all other issues relating to the Issuer's employees. It consists of Deputy Chairman of the Management Board, managing director, Human Resource Service, Planning and Accounting Division and other employees.
- The Procurement Committee controls the Issuer's procurement procedures and requirements regarding products or services to be purchased, contractors and other terms and conditions of contracts. It consists of six members and reports directly to the Chairman of the Management Board.
- The Committee on the Technical Assistance Fund assesses the terms of financing to be provided by the Technical Assistance Fund that are subject to final approval by the Management Board. It consists of the Head of Advisors Group, Deputy Chairman of the Management Board, representatives of the Project Groups, Credit and Risk Department, Analytics Department, the Legal Department and other employees.
- The Ethics Commission investigates violations of business ethics and provides the results to the Chairman of such investigations, the Management Board and the Head of the Internal Audit Service. The Commission consists of representatives of the Security and Compliance Control Department, the Human Resource Service, the Legal Department and other employees.
- The Committee on Project Activities assesses prospective projects at the concept stage, evaluates the current status of the investment portfolio, analyses the influence of microeconomic risks on projects and decides on the activities of Project Groups. The Committee consists of the Chairman of the Management Board, senior managing director, Deputy Chairman of the Management Board, the representatives of the Project Groups, the Strategic Development Direction, the Legal Department, the Security and Compliance Control Department, the Credit and Risk Department, the Planning and Accounting Division, directors in Armenia, Belarus, Kyrgyzstan, Tajikistan, and other employees.
- The Committee on Information Security Management was established to organise and coordinate activities related to information security and to make relevant strategic decisions. The Committee on Information Security Management consists of nine members. The Chairman of the Management Board chairs the Committee on Information Security Management.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions (the "Conditions") that, subject to completion and as completed by the provisions of Part A of the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Notes in definitive form and the Global Notes. In relation to any Tranche of Exempt Notes only, the applicable Pricing Supplement may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following terms and conditions for the purpose of such Exempt Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed or Part A of the applicable Final Terms or, in relation to Exempt Notes, the applicable Pricing Supplement. Those definitions will be endorsed on the Notes in definitive form or Global Notes, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme and references in the Conditions to "applicable Final Terms" shall be deemed to be a reference to "applicable Pricing Supplement" in the case of Exempt Notes. Where used in the Final Terms or the Pricing Supplement, references to the "Issue Price" refer to the price at which the Notes will be offered.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**"), dated on or about 26 February 2021 between the Eurasian Development Bank (the "**Issuer**") and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated on 26 February 2021 has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank, N.A., London Branch as calculation agent (the "**Calculation Agent**"), principal paying agent (the "**Principal Paying Agent**" and a "**Paying Agent**") and transfer agent (a "**Transfer Agent**"), and Citigroup Global Markets Europe AG as registrar (the "**Registrar**"). Copies of the Trust Deed and the Agency Agreement are available for inspection upon a reasonable request during usual business hours at the principal office of the Trustee (presently at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "Tranche" means Notes which are identical in all respects. Certain terms used in these Conditions are defined in Condition 20 (*Definitions*).

1. Form, Denomination and Title

The Notes are issued in registered form in the Specified Denomination(s) shown in the applicable Final Terms or integral multiples thereof, *provided that* (i) the Specified Denomination(s) shall not be less than EUR100,000 or its equivalent in another currency, (ii) with respect to (a) Notes which are not admitted to trading on a regulated market within the European Economic Area and/or the United Kingdom or offered to the public in a member state of the European Economic Area and/or the United Kingdom in circumstances

which require the publication of a prospectus under the EU Prospectus Regulation or the UK Prospectus Regulation, as applicable, and (b) Notes with a maturity of less than 365 days, a lower Specified Denomination specified in the applicable Final Terms may apply and (iii) interests in the Rule 144A Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies.

This Note may be a Fixed Rate Note or a Floating Rate Note.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the person in whose name a Note is registered, "holder" shall be read accordingly and capitalised terms have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **Transfers of Notes**

- (a) **Transfer of Notes:** One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (b) **Exercise of Options or Partial Redemption in Respect of Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Notes, a new Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Notes shall be issued in respect of those Notes of that holding that have the same terms. New Notes shall only be issued against surrender of the existing Notes to the Registrar or any Transfer Agent. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Note representing the enlarged holding shall only be issued against surrender of the Note representing the existing holding.
- (c) **Delivery of New Notes:** Each new Note to be issued pursuant to Conditions 2(a) or (b) shall be available for delivery within five business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 7(e)) and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Note shall have been

made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (d) **Transfer Free of Charge:** Transfer of Notes on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (e) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any interest amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(d), 7(f), 7(g) or 7(h) or (iii) after any such Note has been called for redemption.

3. **Status of the Notes**

The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer which rank and will rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of any applicable law.

4. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, except for any Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness without at the same time or prior thereto securing the Notes equally and rateably therewith (to the satisfaction of the Trustee) or providing such other arrangement as may be approved by an Extraordinary Resolution or as the Trustee in its discretion shall deem to be not materially less beneficial to the Noteholders.

5. **Information**

So long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) therefore, provide to any Noteholder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such Noteholder or beneficial owner or to the Trustee for delivery to such Noteholder, beneficial owner or prospective purchaser, in each case upon the request of such Noteholder, beneficial owner, prospective purchaser or Trustee, the information satisfying the requirements of Rule 144(d)(4) under the Securities Act.

6. Interest and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the Final Terms.

- (b) **Interest on Floating Rate Notes**

- (i) **Interest Payment Dates:** Each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

Such Interest Payment Date(s) is/are either shown in the Final Terms as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) **Rate of Interest for Floating Rate Notes:** The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be specified in the Final Terms as either ISDA Determination or Screen Rate Determination and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Final Terms.

- (A) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the Final Terms
- (y) the Designated Maturity is a period specified in the Final Terms and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Final Terms.

For the purposes of this sub paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (x) if a Relevant Screen Page is specified on the Final Terms, subject as provided below, the Rate of Interest shall be:
 - (I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
 - (II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page, in each case appearing on such Page at the Relevant Time on the Interest Determination Date;
- (y) if Reference Banks are specified on the Final Terms or if sub paragraph (x)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

- (z) if paragraph (y) above applies and the Calculation Agent (in consultation with the Issuer) determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent (in consultation with the Issuer) determines to be the rates (being the nearest equivalent to the Benchmark (specified in the applicable Final Terms)) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent (in consultation with the Issuer) in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in Europe (the "**Principal Financial Centre**") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period). If the provisions of this sub-paragraph fail to provide a means of determining the Rate of Interest, Condition 6(c) below shall apply.

(c) **Benchmark discontinuation**

If (i) a Benchmark Event occurs in relation to an Original Reference Rate at any time or (ii) the fallback provisions provided in Condition 6(b)(iii)(B) fail to provide means of determining the Original Reference Rate, when the Terms and Conditions of any Notes provide for any remaining rate of interest (or any component part thereof) to be determined by reference to such Original Reference Rate, then the following provisions shall apply and shall prevail over other fallbacks specified in Condition 6(b)(iii)(B).

(i) *Independent Adviser*

The Issuer shall use reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine and notify the Calculation Agent and the Principal Paying Agent no later than ten London business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(c)(ii)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 6(c)(iii)) and any Benchmark Amendments (in accordance with Condition 6(c)(iv)).

An Independent Adviser appointed pursuant to this Condition 6(c)(i) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to

the Issuer, the Trustee, the Paying Agents, the Calculation Agent or any other party responsible for determining the Rate of Interest specified in the applicable Final Terms or the Noteholders for any determination made by it pursuant to this Condition 6(c)(iv).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser determines in good faith that:

- (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 6(c)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 6(c)); or
- (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 6(c)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 6(c)).

(iii) Adjustment Spread

If the Independent Adviser, determines in good faith (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(iv) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(c) and the Independent Adviser determines in good faith (i) that amendments to the Terms and Conditions of the Notes (including, without limitation, amendments to the definitions of Day Count Fraction, Business Days, or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6(c)(v), with the consent of the Trustee, but without any requirement for the consent or approval of Noteholders, vary the Terms and Conditions of the Notes to give effect to such Benchmark Amendments with effect from the date specified in such notice. The Trustee shall consent to such Benchmark Amendments, without any requirement for the consent or approval of Noteholders and irrespective of the effect thereof on affected Noteholders and without any liability thereto, provided that (i) each change which the Issuer requires the Trustee to make pursuant to Condition 6(c) is a Benchmark Amendment and that the effect of the required drafting of such change is solely to implement a Benchmark Amendment; and (ii) the Trustee shall not be obliged to consent

to any Benchmark Amendments which, in its sole opinion, would have the effect of (A) exposing the Trustee to any liabilities in respect of which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (B) increasing the obligations or duties, or decreasing the rights or protections of the Trustee under the Trust Deed, the Agency Agreement and/or these Conditions (as applicable). In signing such Benchmark Amendments the Trustee shall rely, and shall be fully protected in relying upon, an officer's certificate signed by an authorised signatory of the Issuer confirming that the Issuer or the Independent Adviser has made the relevant determinations in accordance with this Condition 6(c)(i).

In connection with any such variation in accordance with this Condition 6(c), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) Notices, etc.

The Issuer shall, after receiving such information from the Independent Adviser, notify the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 17, the Noteholders, promptly of any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 6(c). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such notice will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding on the Issuer, the Trustee, the party responsible for determining the Rate of Interest (being the Calculation Agent or such other party specified in the applicable Final Terms, as applicable), the Paying Agents and the Noteholders.

(vi) Fallbacks

If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest on the immediately following Interest Determination Date, no Successor Rate or Alternative Rate (as applicable) is determined pursuant to this provision, the fallback provisions will continue to apply to such determination and the Issuer shall give notice thereof to the Trustee, the Paying Agent, the Calculation Agent and, in accordance with Condition 17, the Noteholders by no later than 3 (three) London business days prior to the relevant Interest Determination Date.

In such circumstances, the Issuer will be entitled (but not obliged), at any time thereafter, to elect to re-apply the provisions of this Condition 6(c), *mutatis mutandis*, on one or more occasions until a Successor Rate or Alternative Rate (and, if applicable, any associated Adjustment Spread and/or Benchmark Amendments) has been determined and notified in accordance with this Condition 6(c) (and, until such determination and notification (if any), the fallback provisions specified in Condition 6(b)(iii)(B), will continue to apply in accordance with their terms).

- (d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 9).
- (e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**
- (i) In relation to Floating Rate Notes, if any Margin is specified in the Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries (as applicable) of such currency.
- (f) **Calculations:** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding principal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.
- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation (in consultation with the Issuer) or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to

the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange (or listing agent as the case may be) or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Issuer otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

7. Redemption, Purchase and Options

- (a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 7(d), 7(e), 7(f), 7(g) or 7(h), each Note shall be finally redeemed on the Maturity Date specified in the Final Terms at its Final Redemption Amount (which, unless otherwise provided in the Final Terms, is its principal amount).
- (b) **Early Redemption:** The Early Redemption Amount payable in respect of any Note, upon redemption of such Note pursuant to Condition 7(c) or upon it becoming due and payable as provided in Condition 11, shall be the Final Redemption Amount unless otherwise specified in the Final Terms.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified in the Final Terms, at any time, on giving not less than 30 nor more than 60 calendar days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 7(b) above) (together with interest accrued to the date fixed for redemption), if, immediately before giving such notice, the Issuer satisfies the Trustee that (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of any Member State or any political subdivision or any authority thereof having power to tax therein, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; *provided, however, that* no such notice of redemption shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Before the

publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (1) a certificate signed by two members of the Management Board of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and (2) an opinion of independent legal advisers of recognised standing in form and substance satisfactory to the Trustee to the effect that the Issuer has or will become obliged to pay such additional amounts and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Noteholders.

- (d) **Redemption at the Option of the Issuer and Exercise of Issuer's Options:** If a Call Option is specified in the Final Terms, the Issuer may, on giving not less than 15 nor more than 30 calendar days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms) redeem, or exercise any Issuer's option (as may be described in the Final Terms) in relation to, all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall specify the principal amount of Notes drawn and the holder(s) of such Notes, to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. So long as the Notes are listed on the Official List of the Central Bank of Ireland and admitted to trading on the Main Market of Euronext Dublin or any other stock exchange and the rules of the relevant stock exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published on the website of such stock exchange or as specified by such other stock exchange, a notice specifying the aggregate principal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

- (e) **Redemption at the Option of Noteholders and Exercise of Noteholders' Options**

The Issuer shall, on the occurrence of a Put Event, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 calendar days' notice to the Issuer (or such other notice period as may be specified in the Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit the relevant Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer

Agent (as applicable) within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Make-Whole Redemption at the Option of the Issuer**

If a Make-Whole Redemption Option is specified in the Final Terms, the Issuer may at any time, on giving not less than 15 nor more than 30 calendar days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms) redeem the outstanding Notes in whole, but not in part, at their Make-Whole Redemption Amount (as defined below) on the Make-Whole Redemption Date specified in such notice. The Issuer shall, not less than 15 calendar days before the giving of any notice referred to above, notify the Trustee, the Principal Paying Agent and the Make-Whole Calculation Agent of its decision to exercise the Make-Whole Redemption Option. No later than the Business Day immediately following the Calculation Date, the Make-Whole Calculation Agent shall notify the Issuer, the Trustee, the Principal Paying Agent and the Noteholders of the Make-Whole Redemption Amount. All Notes shall be redeemed on the relevant Make-Whole Redemption Date in accordance with this Condition 7(f). If "Residual Maturity Par Call" is specified in the relevant Final Terms as being applicable and the Issuer decides to redeem the Notes pursuant to the Make-Whole Redemption Option before the date falling three months before the relevant Maturity Date of the relevant Notes (the "**Residual Maturity Redemption Date**"), the Make-Whole Redemption Amount will be calculated taking into account the Residual Maturity Redemption Date and not the Maturity Date.

For the purposes of this Condition 7(f):

"**Calculation Date**" means the third Business Day preceding the Make-Whole Redemption Date.

"**Make-Whole Calculation Agent**" means (i) the international credit institution or financial services institution appointed by the Issuer in relation to a series of Notes or (ii) the Issuer, in each case as specified in the applicable Final Terms.

"**Make-Whole Redemption Amount**" means an amount calculated by the Make-Whole Calculation Agent and equal to the greater of (x) 100 per cent. of the principal amount of the Notes so redeemed and (y) the sum of the then present values of the remaining scheduled payments of principal and interest on such Notes (excluding any interest accrued on the Notes to, but excluding, the relevant Make-Whole Redemption Date) discounted to the relevant Make-Whole Redemption Date on a semi-annual or an annual basis (as specified in the applicable Final Terms) at the Make-Whole Redemption Rate plus a Make-Whole Redemption Margin, plus in each case, any interest accrued on the Notes to, but excluding, the Make-Whole Redemption Date.

"**Make-Whole Redemption Margin**" means the margin as specified in the applicable Final Terms.

"**Make-Whole Redemption Rate**" means either (i) the average of the four quotations given by the Reference Dealers of the mid-market annual yield to maturity of the Reference Security at the Quotation Time on the Calculation Date or if the Make-Whole Calculation Agent obtains fewer than four such Reference Dealer quotations, the arithmetic average of all such quotations, provided to the Make-Whole Calculation Agent no later than 12.00 p.m. (London time) on the Calculation Date (the "**Cut-off Time**"); or (ii) the Reference Screen Rate published at the Quotation Time on the Calculation Date, as specified in the applicable Final Terms. If the Reference Dealers do not provide their quotations to the Make-Whole Calculation Agent by the Cut-off Time or the Reference Screen Rate is not available at the Quotation Time on the Calculation Date, the Issuer shall determine the

Make-Whole Redemption Rate in its absolute discretion and notify the Make-Whole Calculation Agent no later than close of business (London time) on the Calculation Date. The Make-Whole Redemption Rate will be published by the Issuer in accordance with Condition 17.

"Quotation Time" shall be as set out in the applicable Final Terms.

"Reference Dealers" means each of the four banks selected by the Issuer which are primary government security dealers, and their respective successors, or market makers in pricing corporate bond issues, or such other banks or method of selection of such banks as specified in the applicable Final Terms.

"Reference Screen Rate" means the screen rate as specified in the applicable Final Terms.

"Reference Security" means the security as specified in the applicable Final Terms. If the Reference Security is no longer outstanding, a Similar Security will be chosen by the Make-Whole Calculation Agent or, if the Make-Whole Calculation Agent is Citibank, N.A., London Branch (or the Principal Paying Agent), the Issuer, at the Quotation Time on the Calculation Date, quoted in writing by the Make-Whole Calculation Agent to the Issuer or, if the Make-Whole Calculation Agent is Citibank, N.A., London Branch (or the Principal Paying Agent), the Issuer itself and notified to the Reference Dealers no later than 10:00 a.m. (London time) on the Calculation Date and published in accordance with Condition 17.

"Similar Security" means a reference bond or reference bonds issued by the same issuer as the Reference Security having an actual or interpolated maturity comparable with the remaining term of the Notes that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Make-Whole Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties. In connection with the foregoing, the Make-Whole Calculation Agent will be entitled to conclusively rely on any determinations made by the Issuer and/or the Reference Dealers and will have no liability for such actions taken at the direction of the Issuer and/or the Reference Dealers.

(g) **Redemption at the Option of the Issuer (Residual Maturity Par Call)**

If Residual Maturity Par Call is specified in the Final Terms, the Issuer may, on giving not less than 15 nor more than 30 calendar days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Final Terms) (which notice shall specify the date fixed for redemption), redeem all, or some only, of the Notes at any time from and including the Residual Maturity Redemption Date to but excluding such Maturity Date, at their principal amount, together with interest accrued to but excluding the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 7(g).

(h) **Redemption at the Option of the Issuer (Clean-Up Call)**

If 80 per cent. or more of the initial aggregate principal amount of the Notes (including for the avoidance of doubt the initial aggregate principal amount of any further Notes issued pursuant to

Condition 16) have been redeemed or purchased by the Issuer or any of its Subsidiaries as a result of one or several redemptions or purchases, the Issuer may, on giving not less than 15 nor more than 30 calendar days' irrevocable notice to the Noteholders (which notice shall specify the date fixed for redemption), redeem, at its option, the remaining Notes, in whole but not in part, at their principal amount, together with interest accrued to but excluding the date fixed for redemption.

(i) **Purchases**

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

(j) **Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be held, resold or, at the option of the Issuer, surrendered for cancellation by surrendering the Notes to the Registrar and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8. Payments

(a) **Payments of Principal and Interest**

(i) Payments of principal in respect of Notes shall be made against presentation and surrender of the relevant Notes at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in the paragraph below.

(ii) Interest on Notes shall be paid to the person shown on the Register at the close of business on (A) in relation to Notes other than Notes represented by a Global Note and Notes represented by a Global Note where Currency Exchange Option is specified in the Final Terms as being applicable pursuant to Condition 8(c) below, the fifteenth day before the due date for payment thereof or (B) in relation to Notes represented by a Global Note (other than Notes represented by a Global Note where Currency Exchange Option is specified in the Final Terms as being applicable pursuant to Condition 8(c) below), the Clearing System Business Day before the due date for payment thereof. Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register (the "**Record Date**"). The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

(b) **Payments in relation to the Notes where Specified Currency is Tenge ("KZT Notes")**

The following Conditions will, unless otherwise specified in the applicable Final Terms, apply in relation to the KZT Notes:

- (i) Payments of principal shall be made in U.S. Dollars and in the amounts calculated in accordance with paragraph (iii) below, only against presentation and surrender of the relevant KZT Notes at the specified office of any of the Paying Agents or of the Registrar by U.S. Dollar cheque drawn on, or by transfer to a U.S. Dollar account maintained by the payee with a bank.
 - (ii) Payments of interest shall be made to the person shown on the Register at the close of business on (A) the Record Date or (B) in relation to KZT Notes represented by a Global Note, the Clearing System Business Day before the due date for payment thereof. Payments of interest on each KZT Note shall be made in U.S. Dollars and in the amounts calculated in accordance with paragraph (iii) below, by (i) transfer to a U.S. Dollar account maintained by the payee with a bank or (ii) U.S. Dollar cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such KZT Note at its address appearing in the Register. The holder of such KZT Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such KZT Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post.
 - (iii) Amounts of interest and principal due in respect of the KZT Notes will be calculated by the Calculation Agent for payment in U.S. Dollars by dividing the relevant Tenge amounts by the Average Representative Market Rate on the applicable Rate Calculation Date. The Calculation Agent will, on each Rate Calculation Date, notify the Issuer, the Trustee and the Paying Agents of the amounts of interest and principal (stated in both Tenge and U.S. Dollars) payable on any Interest Payment Date, the Maturity Date or any other date on which principal or interest becomes payable under these Conditions, as applicable, as well as the applicable Average Representative Market Rate. In connection with the foregoing, the Calculation Agent will be entitled to conclusively rely, without liability, investigation or verification, on any determinations made by the KZT Reference Banks.
 - (iv) The determination of amounts of interest and principal due in respect of the KZT Notes and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.
- (c) **Currency Exchange Option for the Notes for which the Specified Currency is Roubles ("Russian Rouble Notes") or KZT Notes**
- (i) If Currency Exchange Option is specified in the Final Terms as being applicable in respect of the Russian Rouble Notes or KZT Notes represented by Notes in definitive form then Noteholders may, no later than the fifth business day (which has the meaning given to such term in Condition 8(g)) before the due date for any payment of interest or principal, give an irrevocable notice of election (a "**U.S. Dollar Noteholder Election**") to the Principal Paying Agent to receive such payment of interest or principal, as the case may be, in U.S. Dollars. Upon any such election in accordance with the foregoing, such interest or principal will be converted into U.S. Dollars by the Principal Paying Agent pursuant to this Condition 8(c)(i).

For so long as any Russian Rouble Notes or KZT Notes are represented by a Global Note deposited with a common depositary for, and registered in the name of a nominee for the

common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"), payments of principal and interest in respect of such Russian Rouble Notes or KZT Notes, as applicable, will be made or procured to be made in accordance with Clause 11 of the Agency Agreement pursuant to which any accountholder of Euroclear and/or Clearstream may on or before the fifth business day before the due date for any payment of interest or principal give a U.S. Dollar Noteholder Election to the Principal Paying Agent to receive such payment of interest or principal, as the case may be, in U.S. Dollars through the notification procedures of Euroclear and/or Clearstream.

For so long as any Russian Rouble Notes or KZT Notes are represented by a Rule 144A Global Note deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"), payments of principal and interest in respect of such Russian Rouble Notes or KZT Notes, as applicable, will be made or procured to be made in accordance with Clause 11 of the Agency Agreement pursuant to which any participant shown in any records of DTC (a "**DTC Participant**") as holder of the Notes will receive payments in respect of such Russian Rouble Notes or KZT Notes (i) in Russian Roubles or Tenge, respectively, in the case of a DTC Participant who has irrevocably elected to receive payments on the Russian Rouble Notes or on KZT Notes in Russian Roubles or Tenge, respectively, and has so notified DTC and the Principal Paying Agent on or prior to the time required by DTC for payments on the Russian Rouble Notes or KZT Notes to be made in Russian Roubles or Tenge respectively, by transfer of same day funds to the Russian Rouble or Tenge bank account designated by such DTC Participant, and (ii) in U.S. Dollars, in the case of all other DTC Participants, by crediting the DTC Participant's U.S. Dollar account at DTC with the DTC Participant's pro rata portion of the U.S. Dollars purchased with the applicable Exchange Amount by the Principal Paying Agent pursuant to the Agency Agreement. To the extent the Principal Paying Agent receives notification from or on behalf of the DTC Participants of their election to receive Russian Roubles or Tenge in accordance with the Conditions and the Rule 144A Global Note, the Principal Paying Agent shall arrange for payment in accordance with the wire instructions received from such DTC Participant.

Following receipt of the Exchange Amount, the Principal Paying Agent shall, on the business day prior to each Interest Payment Date or any Maturity Date, as the case may be, (the "**Exchange Date**"), purchase U.S. Dollars (the "**U.S. Dollar Amount**") with the Exchange Amount at a purchase price calculated on the basis of the Applicable Exchange Rate for settlement on the relevant Interest Payment Date or any Maturity Date, as the case may be less any fees, including any spread on foreign exchange transactions, customarily charged by the Principal Paying Agent in connection with such conversion of the Exchange Amount.

Notwithstanding any other provision of this Condition 8(c)(i), if the Russian Rouble Notes or KZT Notes, as applicable, are represented by Notes in definitive form and for any reason on the Exchange Date it is not possible for the Principal Paying Agent to purchase the U.S. Dollar Amount with the Exchange Amount at the Applicable Exchange Rate, the Principal Paying Agent shall notify the Issuer who shall notify the relevant Noteholders in accordance with Condition 17 and the Paying Agents shall make payments on (i) the Russian Rouble Notes in Russian Roubles into a Russian Rouble account maintained by the payee or (ii)

the KZT Notes in Tenge into a Tenge account maintained by the payee, as applicable, and shall incur no liability whatsoever to any person for so doing.

If the Russian Rouble Notes or KZT Notes, as applicable, are represented by a Global Note deposited with a common depositary for, and registered in the name of a nominee for the common depositary for Euroclear and Clearstream and for any reason on the Exchange Date it is not possible for the Principal Paying Agent to purchase the U.S. Dollar Amount with the Exchange Amount at the Applicable Exchange Rate, the Principal Paying Agent shall make payments on the Russian Rouble Notes in Russian Roubles or on the KZT Notes in Tenge, as applicable, to all Noteholders through the facilities of Euroclear and/or Clearstream, and shall incur no liability whatsoever to any person for so doing. If the Russian Rouble Notes or KZT Notes, as applicable, are represented by a Rule 144A Global Note deposited with a custodian for, and registered in the name of a nominee of, DTC and for any reason on the Exchange Date it is not possible for the Principal Paying Agent to purchase the U.S. Dollar Amount with the Exchange Amount at the Applicable Exchange Rate, the Principal Paying Agent will hold the Exchange Amount until the relevant DTC Participants make alternative arrangements for receipt of payment in Russian Roubles or Tenge, as applicable, and shall incur no liability whatsoever to any person for so doing.

- (ii) Payments of principal shall be made, in the case of Notes in definitive form in respect of which a U.S. Dollar Noteholder Election has been made pursuant to Condition 8(c)(i), in U.S. Dollars, by cheque drawn on, or, upon application by a Noteholder to the Principal Paying Agent not later than the fifth day before the due date for any such payment, by transfer to a U.S. Dollar account maintained by the payee with a bank in London upon surrender of the relevant Notes at the specified office of the Principal Paying Agent, and in all other cases, in Russian Rouble or Tenge, as applicable, to be made by cheque drawn or by transfer to the Russian Rouble account or the Tenge account, as applicable, as has been notified by a Noteholder to the Principal Paying Agent not later than the fifth day before the due date for any such payment.
- (iii) Payments of interest shall be made, in the case of Notes in definitive form in respect of which a U.S. Dollar Noteholder Election has been made pursuant to Condition 8(c)(i), in U.S. Dollars, by cheque drawn on, or, upon application by a holder of a Note to the Principal Paying Agent not later than the fifth day before the due date for any such payment, by transfer to a U.S. Dollar account maintained by the payee with a bank in London, and (in the case of interest payable on redemption) upon surrender (or, in the case either of an interest payment prior to redemption or of part payment only, endorsement) of the relevant Notes at the specified office of any Paying Agent and in all other cases, in Russian Rouble or Tenge, as applicable, to be made by cheque drawn or by transfer to the Russian Rouble account or the Tenge account, as applicable, as has been notified by a Noteholder to the Principal Paying Agent not later than the fifth day before the due date for any such payment.
- (iv) In respect of any Currency Exchange Option, on the business day prior to the Interest Payment Date or the Maturity Date, the Principal Paying Agent shall give due notice to the Noteholders in accordance with Condition 17 of (a) the Exchange Amount and the U.S. Dollar Amount applicable to such Interest Payment Date or the Maturity Date, as the case

may be, and (b) the Applicable Exchange Rate at which such U.S. Dollar Amount was purchased by the Principal Paying Agent.

For the purposes of this Condition 8(c), none of the Principal Paying Agent or the Issuer shall be liable to any Noteholder or any other party for any losses whatsoever resulting from application by the Principal Paying Agent of the Applicable Exchange Rate.

The Principal Paying Agent shall be entitled to rely, without further investigation or enquiry, on any notification or irrevocable instructions received by it pursuant to this Condition 8(c) and shall not be liable to any party for any losses whatsoever resulting from acting in accordance with such notifications even though subsequent to its acting it may be found that there was some defect in the notification or the notification was not authentic.

In accordance with the Agency Agreement, any calculation or determination performed or made by the Principal Paying Agent, for the purposes of these Conditions shall (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Noteholders and the other Agents. In making any determination, the Principal Paying Agent is acting exclusively as an agent of the Issuer and in accordance with the Conditions.

Any foreign exchange transaction effected by the Principal Paying Agent will generally be a transaction to buy or sell currency between the Issuer and either the Principal Paying Agent or its affiliate. The Principal Paying Agent or its affiliate will trade the foreign exchange transaction as a principal for its own account, and not as an agent, fiduciary, or broker on behalf of the Issuer. In certain circumstances, the foreign exchange transaction may be transmitted to a sub-custodian. In such cases, the Principal Paying Agent, or its affiliate may not be the foreign exchange counterparty and the foreign exchange transaction may not be processed and priced as described herein. In forwarding certain foreign exchange transactions to the sub-custodian or affiliate for execution, the Principal Paying Agent does not serve as agent, fiduciary, or broker on behalf of the Issuer.

- (d) **Payments subject to Laws:** All payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.
- (e) **Appointment of Agents:** The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and, in certain circumstances, the Trustee and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, *provided that* the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) a Paying Agent and a Transfer Agent having specified

offices in such cities as may be required by any stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Calculation Agent and Reference Banks:** The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the Notes and for so long as any such Note is outstanding (as defined in the Trust Deed). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, within seven calendar days of the date upon which any such amount is due to be calculated, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over the counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Notice of any such change shall promptly be given to the Noteholders.

- (g) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" in the Final Terms and:
- (i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in Euro) which is a TARGET Business Day.

9. Taxation

All payments by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without deduction or withholding for, any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Member State or any political subdivision or any authority thereof or therein having the power to tax (collectively "**Member State Taxes**"), unless such withholding or deduction is required by law and/or by agreement of the Issuer. In such event, the Issuer will

pay such additional amounts to the holder of any Note as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction been required, except that no additional amounts shall be payable with respect to any Note:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such Member State Taxes in respect of such Note by reason of his having some connection with the relevant Member State other than the mere holding of the Note or the receipt of payment thereunder; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Note representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

10. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured to its satisfaction in its sole discretion), but in the case of the happening of any of the events described in subparagraph (b) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders, shall, give notice to the Issuer that the Notes are and they shall become immediately due and repayable at their Early Redemption Amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

- (a) the Issuer fails to pay the principal of any of the Notes or fails to pay any interest or additional amounts with respect to any of the Notes when the same becomes due and payable and such default continues for a period of 14 days; or
- (b) the Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach

elsewhere specified in this Condition 11) and such default or breach is not remedied within 30 days (or such longer period as the Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer by the Trustee; or

- (c) the Issuer or any of its Subsidiaries shall fail to pay any amount in excess of U.S.\$50,000,000 (or the equivalent thereof in any other currency or currencies) in respect of principal of or interest on or premium in respect of any Indebtedness as and when such amount becomes due and payable and such failure continues beyond the expiration of any applicable grace period; or
- (d) any Indebtedness of the Issuer or any of its Subsidiaries with an aggregate principal amount in excess of U.S.\$50,000,000 (or the equivalent thereof in any other currency or currencies) becomes due and payable prior to the due date for payment thereof by reason of default by the Issuer or the relevant Subsidiary.

12. Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown in the Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to take any steps that as specified in the Final Terms may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution or any resolution. Any Extraordinary Resolution duly passed including by Written Resolution or Electronic Consent (each as defined in the Trust Deed), shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed or whether or not they participated in such Written Resolution and/or Electronic Consent).
- (b) **Modification:** The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Notes or the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach

or proposed breach, of any of the provisions of the Notes or the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree with the Issuer, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of the Issuer's successor in business or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed *provided that* such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

13. **Enforcement**

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed or the Notes but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period of time and such failure is continuing.

14. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment, unless indemnified and/or secured to its satisfaction and to be paid its costs and expenses in priority to the claims of Noteholders. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or tax jurisdiction.

15. **Replacement of Notes**

If a Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated

by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes) and otherwise as the Issuer may require.

16. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed or any deed supplemental to it. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

17. Notices

Notices to the Noteholders shall be sent by first class mail or (if posted overseas) by airmail to them (or, in the case of joint holders, to the first named in the Register) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. So long as any Notes are listed on a stock exchange, such notice will be published in a manner which complies with the rules and regulations of such stock exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

19. Governing Law and Arbitration

- (a) **Governing law:** The Trust Deed and the Notes, including any non-contractual obligations arising out of or in connection therewith, are governed by, and shall be construed in accordance with, English law.
- (b) **Arbitration:** The Issuer has in the Trust Deed (i) agreed that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed (including a claim, dispute or difference regarding its existence, termination or validity or regarding any non-contractual obligation arising out of or in connection with the Trust Deed) shall be referred to and finally settled by arbitration in accordance with the Rules of the LCIA as at present in force and as modified by the Trust Deed; (ii) designated Law Debenture Corporate Services at 8th Floor, 100 Bishopsgate, London EC2N 4AG to accept service of any process on its behalf in England; (iii) consented to the enforcement of any judgment; (iv) to the extent that the Issuer or any of its revenues, assets or

properties shall be entitled to any immunity from suit, from the jurisdiction of any court (including arbitration), from attachment prior to judgment or award, from attachment in aid of execution of judgment or award, from execution of a judgment or award or from any other legal (including arbitration) or judicial process or remedy, and to the extent that in any jurisdiction there shall be attributed such an immunity, the Issuer irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction, the Establishing Agreement, the Charter and each Terms of Stay Agreement; and (v) consented generally in respect of any arbitration or Proceedings to the giving of any relief or the issue of any process in connection with such arbitration or Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, judgment or award which may be made or given in such arbitration or Proceedings.

- (c) **Waiver of Immunity:** To the extent that the Issuer or any of its revenues, assets or properties shall be entitled to any immunity from suit, from the jurisdiction of any court (including arbitration), from attachment prior to judgment or award, from attachment in aid of execution of a judgment or award, from execution of a judgment or award or from any other legal (including arbitration) or judicial process or remedy, and to the extent that in any jurisdiction there shall be attributed such an immunity, the Issuer irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction, the Establishing Agreement, the Charter and each Terms of Stay Agreement. The foregoing waiver has been made following the procedures set out in the Charter and each Terms of Stay Agreement on the basis that the Council and the Management Board of the Issuer has determined that such waiver is in the interests of the Issuer.

20. Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Adjustment Spread" means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines in good faith is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (b) in the case of an Alternative Rate or in the case of a Successor Rate where (a) above does not apply, is recognised or acknowledged as being in customary market usage in the international debt capital markets for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate or, as the case may be, the Successor Rate; or
- (c) if no such recommendation or option has been made (or made available) or the Independent Adviser determines in good faith there is no such spread, formula or methodology in customary market usage, the Independent Adviser, in its discretion, and acting in good faith, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which

reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"Agency Agreement" means the amended and restated agency agreement dated 26 February 2021 between the Issuer and the agents named in it relating to the Programme, as amended from time to time.

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 6(c)(ii) and which is customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes or, if the Independent Adviser determines that there is no such alternative benchmark or screen rate, such other rate as the Independent Adviser determines in its discretion (acting in good faith) is most comparable to the relevant Original Reference Rate.

"Applicable Exchange Rate" means the internal foreign exchange conversion rate for settlement, as determined by the Principal Paying Agent, on the business day prior to the relevant Interest Payment Date or the Maturity Date, as the case may be, following receipt by the Principal Paying Agent of the Exchange Amount which the Principal Paying Agent acting in a commercially reasonable manner uses to convert Russian Roubles or Tenge, as applicable, into U.S. Dollars at the request of its other customers.

"Average Representative Market Rate" shall mean the arithmetic mean of the Representative Market Rates for the last five FX Business Days immediately before (and including) the applicable Rate Calculation Date. In the event that the Calculation Agent is unable to make this calculation due to the unavailability of Representative Market Rates necessary for the calculation, then the Calculation Agent shall take the arithmetic mean of the NBK Rate for the last five days that such NBK Rate was published.

"Benchmark Event" means, in the determination of the Issuer, with respect to an Original Reference Rate:

- (a) such Original Reference Rate ceasing to be published for a period of at least five London business days or ceasing to exist;
- (b) a public statement by the administrator of such Original Reference Rate that it has ceased or that it will cease publishing such Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Original Reference Rate);
- (c) a public statement by the supervisor of the administrator of such Original Reference Rate that such Original Reference Rate has been or will be permanently or indefinitely discontinued;
- (d) a public statement by the supervisor of the administrator of such Original Reference Rate that such Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences;
- (e) a public statement or publication of information by the regulatory supervisor of the administrator of the Original Reference Rate, the central bank for the Specified Currency specified in the applicable Final Terms of the Original Reference Rate, an insolvency official with jurisdiction over the administrator of the Original Reference Rate, a resolution authority with jurisdiction over the Original Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Original Reference Rate, which states that the administrator of the Original Reference Rate has ceased or will

cease to publish the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);

- (f) the making of a public statement by the supervisor of the administrator of such Original Reference Rate that such Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (g) it has become unlawful for any Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (i) in the case of sub-paragraphs (b), (c) and (e) above, on the date of the cessation of publication of such Original Reference Rate or the discontinuation of such Original Reference Rate, as the case may be, (ii) in the case of sub-paragraph (d) above, on the date of the prohibition of use of such Original Reference Rate and (iii) in the case of sub-paragraph (f) above, on the date with effect from which such Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

"Business Day" means:

- (a) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (b) in the case of Euro, a day on which the TARGET system is operating (a "TARGET Business Day") and/or
- (c) in the case of a currency and/or one or more Business Centres (specified in the Final Terms) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"Calculation Business Day" shall mean an FX Business Day used to determine the Average Representative Market Rate.

"Charter" means the charter of the Issuer appended to the Establishing Agreement, as amended.

"Contracts" means the Trust Deed and the Agency Agreement.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the **"Calculation Period"**):

- (a) if **"Actual/Actual (ISDA)"** or **"Actual/Actual"** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (b) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (e) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls; "**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (f) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls; "**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

- (g) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls: "Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and in which case D2 will be 30.

"**Determination Date**" means the date specified as such in the Final Terms or, if none is so specified, the Interest Payment Date or if none, the Interest Commencement Date.

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**Establishing Agreement**" means the agreement establishing the Issuer dated 12 January 2006 and made between the Republic of Kazakhstan and the Russian Federation.

"**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

"**Event of Default**" has the meaning assigned to such term in Condition 11.

"**Exchange Amount**" means, in respect of each Interest Payment Date or the Maturity Date, as the case may be, the amount in Russian Roubles or Tenge, as applicable, in aggregate equivalent to the portion of such interest and/or principal in respect of the Russian Rouble Notes or KZT Notes, as applicable, due on the relevant Interest Payment Date or the Maturity Date, as the case may be, which is payable to the Noteholders (if any) which have given an irrevocable election pursuant to Condition 8(c) to receive payment of such

interest and/or principal in U.S. Dollars. The relevant Registrar shall on the fifth business day prior to the Interest Payment Date or the Maturity Date, as the case may be, notify the Principal Paying Agent of the Exchange Amount.

"**Extraordinary Resolution**" has the meaning assigned to such term in the Trust Deed.

"**FX Business Day**" shall mean, solely for the purposes of determining the Representative Market Rate, a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for business in Nur-Sultan, Kazakhstan.

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility or the issue of bonds, notes, debentures, loan stock or similar instruments;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as a balance sheet liability;
- (d) the amount of any liability in respect of all or any part of the purchase price for any Property or services the payment of which is deferred for a period in excess of 60 days;
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement and the sale of receivables or other assets on a "with recourse" basis) having the commercial effect of a borrowing; and
- (f) any Indebtedness Guarantee in relation to Indebtedness of any Person of the type referred to in any of (a) to (e) of this definition.

"**Indebtedness Guarantee**" means in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation) (i) any obligation to purchase such Indebtedness, (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, (iii) any indemnity against the consequences of a default in the payment of such Indebtedness and (iv) any other agreement to be responsible for repayment of such Indebtedness.

"**Independent Adviser**" means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense under Condition 6(c)(i).

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be.

"Interest Commencement Date" means the Issue Date or such other date as may be specified in the Final Terms.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"Interest Period Date" means each Interest Payment Date unless otherwise specified in the Final Terms.

"ISDA Definitions" means, as set out in the Final Terms, either (i) the 2000 ISDA Definitions; or (ii) the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (iii) other ISDA definitions, in each case as specified in the Final Terms.

"Material Subsidiary" means at any time a Subsidiary of the Issuer:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than five per cent. of the consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, *provided that* in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, *provided that* the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case aforesaid, are equal to) not less than five per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, *provided that* the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets represent (or, in the case aforesaid, are equal to) not less than five per cent., of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition, all as more particularly defined in the Trust Deed.

"Member State" means the Republic of Kazakhstan, the Russian Federation, the Republic of Tajikistan, the Republic of Armenia, the Republic of Belarus, the Kyrgyz Republic and such other states that have become participants of the Issuer in accordance with Article 4.3 of the Charter.

"KZT Reference Banks" shall mean ForteBank JSC, JSC Halyk Bank, First Heartland Jusan Bank JSC, Citibank Kazakhstan JSC and JSC VTB Bank (Kazakhstan) or their legal successors.

"Optional Redemption Date" means the date (if any) specified in the applicable Final Terms.

"Optional Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with these Terms and Conditions by reference to amount specified in Paragraph 17(ii) of Part A of the applicable Final Terms.

"Original Reference Rate" means the Relevant Rate, Benchmark or other screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) on the Notes.

"Page" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 ("Reuters") and Telerate ("Telerate")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

"Permitted Security Interest" means:

- (a) Security Interests on the Property of an entity existing at the time such Property was acquired by the Issuer or a Material Subsidiary (whether by merger, consolidation, purchase of assets or otherwise) or existing at the time the entity became a Material Subsidiary; *provided, however; that* such Security Interests (i) are not created, incurred or assumed in connection with, or contemplation of, such Property being acquired by the Issuer or such Material Subsidiary and (ii) do not extend to any other Property of the Issuer or any Material Subsidiary;

- (b) Security Interests arising in relation to any Project Finance Debt;
- (c) any Security Interest to secure the purchase of, or created in connection with the financing of, all or any part of the purchase price or cost of the acquisition, purchase, construction, development, extension or improvement by the Issuer or any of its Material Subsidiaries (in each case, whether alone or in association with others) of, or of any right or interest in or in respect of, any Property, or to secure any Indebtedness incurred prior to, at the time of or within 12 months after the completion of such acquisition, purchase, construction, development, extension or improvement for the purpose of financing or refinancing all or any part of such purchase price or cost; *provided that* (a) the Security Interest relates only to that Property (including without limitation any Property forming part of or connected with the same project or development), or products from that Property, or revenue or profit from that Property or such products or to any right or interest in or in respect of that Property, or products from that Property, or revenue or profit from that Property or such products and (b) the Security Interest secures no more than the purchase price or other consideration (including, without limitation, royalties) paid for, or cost of acquisition, purchase, construction, development, extension or improvement, of that Property or any right or interest in or in respect of that Property, including any financing or refinancing costs associated with such purchase price or cost;
- (d) any Security Interest created or permitted to subsist by either the Issuer or any Material Subsidiary of the Issuer, as the case may be, upon a defined or definable pool of its assets including, but not limited to, receivables (not representing all of the assets of the Issuer or any Material Subsidiary of the Issuer, as the case may be) (the "**Secured Assets**") which is or was created pursuant to any securitisation or like arrangement in accordance with established market practice (whether or not involving itself as the issuer of any issue of asset backed securities) and whereby all payment obligations in respect of the Indebtedness of any other Person, as the case may be, secured on, or on an interest in respect of the Indebtedness of any other Person, as the case may be, secured on, or on an interest in, the Secured Assets are to be discharged solely from the Secured Assets (or solely from (i) the Secured Assets and (ii) assets of a Person other than the Issuer or any Material Subsidiary of the Issuer);
- (e) any Security Interest arising in the ordinary course of banking transactions (including, without limitation, such as sale and repurchase transactions and share, loan and bond lending transactions and any netting or set-off arrangements entered into by the Issuer or any Material Subsidiary for the purpose of netting any debit and credit balances), *provided that* the Security Interest is limited to the assets which are the subject of the relevant transaction;
- (f) Security Interests imposed or required by statute or operation of law (but not through any act or omission to act on the part of the Issuer or any of its Material Subsidiaries); and
- (g) any extension, renewal, refunding or replacement (or successive extensions, renewals, refundings or replacements), as a whole or in part, of any Security Interest referred to in clauses (a) to (d), inclusive, for amounts not exceeding the principal amount of indebtedness secured by such Security Interest so extended, renewed or replaced (plus improvements thereon or additions or accessions thereto).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity.

"Proceedings" means any suit, action or proceedings which may arise out of or in connection with the Programme.

"Programme" means the U.S.\$3,500,000,000 Euro Medium Term Note Programme for the issuance of notes by the Issuer as amended from time to time.

"Project Finance Debt" means any indebtedness incurred in relation to any asset solely for purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to which such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or to such asset (or any derivative asset thereof) or any other similar non-recourse indebtedness which is properly regarded as project finance debt.

"Property" of any Person means all types of real, personal, tangible, intangible or mixed property (including any related contractual rights) owned by such Person whether or not included in the most recent consolidated balance sheet of such Person under International Financial Reporting Standards.

"Put Event" means that combined holdings of the Republic of Kazakhstan and the Russian Federation in the statutory capital of the Issuer fall below 51 per cent. of the Issuer's statutory capital.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified by the Fixed Rate Note Provisions at Paragraph 14(i) of Part A of the Final Terms or calculated in accordance with these Terms and Conditions by reference to amount specified in the Floating Rate Note Provisions at Paragraph 16 of Part A of the Final Terms.

"Rate Calculation Date" shall mean the third FX Business Day preceding each Interest Payment Date, the Maturity Date or any other date on which principal or interest becomes payable under these Conditions.

"Reference Banks" means the institutions specified as such in the Final Terms or, if none, four major banks selected by the Issuer in the interbank market (or, if appropriate, money, swap or over the counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe).

"Relevant Financial Centre" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London.

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over the counter market) and any Indebtedness Guarantee in respect of any such Relevant Indebtedness.

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of
 - (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof.

"Relevant Rate" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

"Relevant Time" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition, "local time" means, with respect to Europe as a Relevant Financial Centre, Brussels time.

"Representative Amount" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, an amount that is representative for a single transaction in the applicable market at the time.

"Representative Market Rate" shall mean, with respect to any Calculation Business Day, the Tenge / U.S. Dollar daily official (market) foreign exchange rate for the previous FX Business Day, expressed as the amount of Tenge per one U.S. Dollar and as reported by the National Bank of Kazakhstan (the "NBK") and published on its website (<http://www.nationalbank.kz/?docid=362&switch=english> or any successor page thereto) (the "NBK Rate"), as determined by the Calculation Agent. In the event that the NBK Rate is unavailable for any Calculation Business Day, then the Calculation Agent shall determine the Representative Market Rate by polling the KZT Reference Banks on the immediately following FX Business Day for the Tenge / U.S. Dollar exchange rate available at noon Nur-Sultan time on such Calculation Business Day for the professional market and taking the arithmetic mean of the polled exchange rates, provided that at least two quotations are obtained.

"Roubles" means the lawful currency of the Russian Federation.

"Security Interest" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of the Issuer or any other type of preferential arrangement having similar effect over any assets or revenues of the Issuer.

"Specified Currency" means the currency specified as such in the Final Terms or, if none is specified, the currency in which the Notes are denominated.

"Specified Duration" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 6(b)(ii).

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at a given time, any other Person (the "**second Person**")

- (a) whose affairs and policies the first Person directly or indirectly controls; or
- (b) as to whom the first Person owns directly or indirectly more than 50 per cent. of the capital, voting stock or other right of ownership. "**Control**", as used in this definition, means the power by the first Person to direct the management and the policies of the second Person, whether through the ownership of share capital, by contract or otherwise.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body. If following a Benchmark Event, two or more successor or replacement rates are recommended by any Relevant Nominating Body, the Issuer, following consultation with the Independent Adviser, shall determine which of those successor or replacement rates is most appropriate, having regard to, *inter alia*, the particular features of the relevant Notes and the nature of the Issuer.

"**TARGET System**" means the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

"**Tenge**" means the lawful currency for the time being of the Republic of Kazakhstan.

"**Terms of Stay Agreement**" means any agreement in effect between the government of a Member State and the Issuer regarding the conduct of the Issuer's business in that Member State and to determine its status, immunities, privileges and preferences.

"**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018.

FORM OF FINAL TERMS

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – [Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.] / [For the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"), the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.]

[UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – [Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.] / [For the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"), the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in UK MiFIR. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook [(the "**UK MiFIR Product Governance Rules**")]) is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue

of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

Final Terms dated [●]

EURASIAN DEVELOPMENT BANK

Legal entity identifier (LEI): 253400Q2AQ3F58BLL187

Issue of [●] under the

U.S.\$3,500,000,000 Euro Medium Term Note Programme

PART A CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 26 February 2021 (the "**Base Prospectus**") [and the supplemental Base Prospectus dated [[●]]] which [together] constitute[s] a Base Prospectus for the purposes of Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein for the purposes of the EU Prospectus Regulation and must be read in conjunction with the Base Prospectus [as so supplemented] in order to obtain all the relevant information. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [website] [and] during normal business hours at [address] and copies may be obtained from [address].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement(s) to it dated [●] which are incorporated by reference in the Base Prospectus dated [current date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement(s) to it dated [●], which [together] constitute[s] a base prospectus for the purposes of the EU Prospectus Regulation (the "**Base Prospectus**") in order to obtain all the relevant information, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement(s) to it dated [●]. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [website] [and] during normal business hours at [address] and copies may be obtained from [address].

(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub- paragraphs. Italics denote guidance for completing the Final Terms.)

1. Issuer: Eurasian Development Bank
2. (i) Series Number: [●]
- (ii) Tranche Number: [●]
- (iii) Date on which the Notes will be consolidated and form a single series: [Not Applicable] [The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [the Issue Date] [●].]
3. Specified Currency: [●]
4. Aggregate Nominal Amount of Notes: [●]
- (i) Series: [●]
- (ii) Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6. (i) Specified Denomination(s): [●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive registered form will be issued with a denomination above [●].]
- (ii) Calculation Amount: [●]
7. (i) Issue Date: [●]
- (ii) Trade Date: [●]
- (iii) Interest Commencement Date: [●][Issue Date] [Not Applicable]
8. Maturity Date: [●] [The Interest Payment Date falling in or nearest to [●]]
9. Interest Basis: [[●] per cent. Fixed Rate] [●] +/- [●] per cent. Floating Rate] [Consumer Prices Inflation Index-Linked Interest] (further particulars specified at paragraph [15]/[16]/[17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption in accordance with the Conditions, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11. Change of Interest Basis: [[●]] [Not Applicable]
12. Put/Call Options: [Noteholder Put]
- [Issuer Call]
- [Issuer Make-Whole Redemption Option]
- [Issuer Residual Maturity Par Call]

[(further particulars specified at paragraph [18] [19] [20] [and 21] below)]

13. Currency Exchange Option: [Applicable/Not Applicable]
- (Only relevant in relation to the Russian Rouble Notes or KZT Notes. If applicable in relation to the KZT Notes, option in paragraph 24 should be disapplied)*
14. (i) Status of the Notes: Senior
- (ii) [Date [Board] approval for [•]]
issuance of Notes obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions: [Applicable] [Not Applicable]
- (i) Rate(s) of Interest: [[•]] per cent. per annum payable [annually] [semi-annually] [quarterly] [monthly] in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] [and [•]] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): [•] per Calculation Amount
- (iv) Broken Amount(s): [[•] per Calculation Amount, payable on the Interest Payment Date falling [in] [on] [•]] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ISDA)] [Actual/Actual]
- (vi) Determination Dates: [[•] in each year] [Not Applicable]
16. Floating Rate Note Provisions [Applicable] [Not Applicable]
- (i) Interest Period Date(s): [•]
- (ii) Specified Interest Payment Date(s): [[•]] in each year[, subject to adjustment in accordance with the Business Day Convention set out in paragraph (iv) below]
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Floating Rate Convention] [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]
- (v) Business Centre(s): [•]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination] [ISDA Determination]

- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent): [●]
- (viii) Screen Rate Determination:
- Relevant Rate [●] month [LIBOR] [EURIBOR]
 - Relevant Screen Page [●]
 - Interest Determination Date(s): [●]
 - Reference Banks [●]
 - Relevant Financial Centre: [●]
 - Relevant Time: [●]
- (ix) ISDA Determination: [●]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - ISDA Definitions: [2000] [2006]
- (x) Margin(s): [+/-][●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [[●]] per cent. per annum
- (xiii) Day Count Fraction: [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
17. Kazakhstan Consumer Prices Inflation Index-Linked Interest Note [Applicable] [Not Applicable]
- (i) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent): [●]
- (ii) Margin: [●]
- (iii) Interest Period(s): [●]
- (iv) Specified Interest Payment Date(s): [●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in paragraph (v) below]

- (v) Business Day Convention: [Floating Rate Convention] [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]
- (vi) Business Centre(s): [●]
- (vii) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (viii) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (ix) Day Count Fraction: [30/360][Actual/Actual] [Actual/365 (Fixed)]
[Actual/365 (Sterling)] [Actual/360] [30/360]
[360/360] [Bond Basis] [30E/360] [Eurobond Basis]
[30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

18. Call Option [Applicable] [Not Applicable]
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]
19. Put Option [Applicable] [Not Applicable]
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
20. Make-Whole Redemption Option [Applicable] [Not Applicable]
- (i) Notice period: [●]
- (ii) Reference Screen Rate: [●]/[Not Applicable]
- (iii) Make-Whole Redemption Margin: [●]
- (iv) Make-Whole Calculation Agent: [●] [(Citibank, N.A., London Branch (or the Principal Paying Agent) is not to be appointed if the Reference Screen Page does not include timestamped retroactively retrievable rates)]

- (v) Reference Security: [●]/[Not Applicable]
- (vi) Quotation Time: [●]/[Not Applicable]
- (vii) Reference Dealers: [[●], [●], [●] and [●]]/[Not Applicable]
- 21. Residual Maturity Par Call [Applicable] [Not Applicable]
 - (i) Redeemable in whole or in part: [●]
 - (ii) Notice period: [●]
- 22. Final Redemption Amount of each Note. [●] per Calculation Amount
- 23. Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [●] per Calculation Amount

PROVISIONS RELATING TO CONVERSION OF PAYMENT AMOUNTS

- 24. Conversion of Payment Amounts: [Not Applicable] [All amounts of interest, principal and other amounts in respect of the Notes will be calculated by the Calculation Agent for payment in U.S. Dollars by dividing the relevant Tenge amounts by the Average Representative Market Rate on the applicable Rate Calculation Date.]

(Only relevant in relation to the KZT Notes; if applicable, paragraph 13 should be disapplied)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25. Form of Notes: [Regulation S Global Note ([●] nominal amount) registered in the name of [a common depository for Euroclear and Clearstream]]

[Rule 144A Global Note ([●] nominal amount) registered in the name of [a nominee for DTC] [a common depository for Euroclear and Clearstream]]
- 26. Financial Centre(s): [Not Applicable] [●]

Signed on behalf of the Issuer:

By:

Duly authorized

FINAL TERMS

PART B OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: Ireland
- (ii) Admission to trading by the Issuer (or on its behalf): [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Dublin]/[specify relevant other regulated market] and this is expected to be effective from [●].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Dublin] / [specify relevant other regulated market] and this is expected to be effective from [●].]
- [Not Applicable]
- (iii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

- Ratings [Not Applicable] The Notes to be issued [have been] [are expected to be] assigned the following ratings: [Standard & Poor's: [●]] [Fitch: [●]] [Moody's: [●]]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER]

[Save [as discussed in "Subscription and Sale" in the Base Prospectus] [for any fees payable to the [Managers] [Dealers]], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. [The [Managers] [Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]

- (i) Reasons for the offer: [●]
- [See "Use of Proceeds" in Base Prospectus/Give details]
(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from what is disclosed in the [Base] Prospectus, give details here.)
- (ii) Estimated net proceeds: [●]

5. [YIELD]

- [Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. OPERATIONAL INFORMATION

- ISIN Code (Regulation S Notes): [●]
- ISIN Code (Rule 144A Notes): [●]
- Common Code (Regulation S Notes): [●]
- Common Code (Rule 144A Notes): [●]
- CUSIP number (Rule 144A Notes): [●]
- Any clearing system(s) other than Euroclear and Clearstream, or DTC and the relevant identification number(s): [Not Applicable] [●]
- Delivery: Delivery [against] [free of] payment
- Names and addresses of initial Paying Agent(s): [●]
- Names and addresses of additional Paying Agent(s) (if any): [●]

7. DISTRIBUTION

- (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager: [Not Applicable/give names]
- (iii) Date of [Subscription] Agreement: [●]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (v) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)
- (vi) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)

FORM OF PRICING SUPPLEMENT FOR EXEMPT NOTES

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – [Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.] / [For the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"), the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.]

[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – [Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.] / [For the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"), the target market in respect of the Notes is expected to be eligible counterparties and professional clients only, each as defined in UK MiFIR. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook [(the "**UK MiFIR Product Governance Rules**")]] is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue

of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

The form of Pricing Supplement that will be issued in respect of each Tranche of Exempt Notes (herein also referred to as the "**Notes**") whatever the denomination of such Notes, subject only to the deletion of non-applicable provisions, is set out below. The Central Bank of Ireland has neither approved or reviewed information contained in this Pricing Supplement.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH REGULATION (EU) 2017/1129, AS AMENDED FOR THE ISSUE OF THE EXEMPT NOTES DESCRIBED BELOW.

Pricing Supplement dated [●]

EURASIAN DEVELOPMENT BANK

Legal entity identifier (LEI): 253400Q2AQ3F58BLL187

Issue of [[●]] under the

U.S.\$3,500,000,000 Euro Medium Term Note Programme

PART A CONTRACTUAL TERMS

This document constitutes the Pricing Supplement of the Exempt Notes described herein. This document must be read in conjunction with the Base Prospectus dated 26 February 2021 [and the supplemental Base Prospectus dated [[●]]] ([together] the "**Base Prospectus**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [website] [and] during normal business hours at [address] and copies may be obtained from [address].

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Terms and Conditions**") as set forth in the Base Prospectus. In respect of the Exempt Notes, references in the Conditions to "applicable Final Terms" shall be deemed to be a reference to this Pricing Supplement.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement(s) to it dated [●] which are incorporated by reference in the Base Prospectus dated [current date]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus dated [current date] [and the supplement(s) to it dated [●], which [together] constitute[s] a base prospectus (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement(s) to it dated [●]. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [website] [and] during normal business hours at [address] and copies may be obtained from [address].

(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub- paragraphs. Italics denote guidance for completing the Pricing Supplement.)

- | | | |
|-----|--|--|
| 1. | Issuer: | Eurasian Development Bank |
| 2. | (i) Series Number: | [●] |
| | (ii) Tranche Number: | [●] |
| | (iii) Date on which the Notes will be consolidated and form a single series: | [Not Applicable] [The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [the Issue Date] [●]. |
| 3. | Specified Currency: | [●] |
| 4. | Aggregate Nominal Amount of Notes: | [●] |
| | (i) Series: | [●] |
| | (ii) Tranche: | [●] |
| 5. | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] |
| 6. | (i) Specified Denomination(s): | [●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive registered form will be issued with a denomination above [●].] |
| | (ii) Calculation Amount: | [●] |
| 7. | (i) Issue Date: | [●] |
| | (ii) Trade Date | [●] |
| | (iii) Interest Commencement Date: | [●][Issue Date] [Not Applicable] |
| 8. | Maturity Date: | [●] [The Interest Payment Date falling in or nearest to [●]] |
| 9. | Interest Basis: | [[●] per cent. Fixed Rate] [●] +/- [●] per cent. Floating Rate] [Kazakhstan Consumer Prices Inflation Index-Linked Interest] (further particulars specified at paragraph [15]/[16]/[17] below) |
| 10. | Redemption/Payment Basis: | Subject to any purchase and cancellation or early redemption in accordance with the Conditions, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount. |
| 11. | Change of Interest Basis: | [[●]] [Not Applicable] |
| 12. | Put/Call Options: | [Noteholder Put]

[Issuer Call] |

[Issuer Make-Whole Redemption Option]

[Issuer Residual Maturity Par Call]

[(further particulars specified at paragraph [18] [19] [20] [and 21] below)]

13. Currency Exchange Option:

[Applicable/Not Applicable]

(Only relevant in relation to the Russian Rouble Notes or KZT Notes. If applicable in relation to the KZT Notes, option in paragraph 24 should be disappplied)

14. (i) Status of the Notes:

Senior

(ii) [Date [Board] approval for issuance of Notes obtained: [●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions:

[Applicable] [Not Applicable]

(i) Rate(s) of Interest:

[[●]] per cent. per annum payable [annually] [semi-annually] [quarterly] [monthly] in arrear on each Interest Payment Date

(ii) Interest Payment Date(s):

[●] [and [●]] in each year up to and including the Maturity Date

(iii) Fixed Coupon Amount(s):

[●] per Calculation Amount

(iv) Broken Amount(s):

[[●] per Calculation Amount, payable on the Interest Payment Date falling [in] [on] [●]] [Not Applicable]

(v) Day Count Fraction:

[30/360] [Actual/Actual (ISDA)] [Actual/Actual]

(vi) Determination Dates:

[[●] in each year] [Not Applicable]

16. Floating Rate Note Provisions

[Applicable] [Not Applicable]

(i) Interest Period(s):

[●]

(ii) Specified Interest Payment Date(s):

[[●]] in each year[, subject to adjustment in accordance with the Business Day Convention set out in paragraph (iv) below]

(iii) First Interest Payment Date:

[●]

(iv) Business Day Convention:

[Floating Rate Convention] [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]

(v) Business Centre(s):

[●]

- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination] [ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent): [•]
- (viii) Screen Rate Determination:
- Relevant Rate [•] month [LIBOR] [EURIBOR]
 - Relevant Screen Page [•]
 - Interest Determination Date(s): [•]
 - Reference Banks [•]
 - Relevant Financial Centre: [•]
 - Relevant Time: [•]
- (ix) ISDA Determination: [•]
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
 - ISDA Definitions: [2000] [2006]
- (x) Margin(s): [+/-][•] per cent. per annum
- (xi) Minimum Rate of Interest: [•] per cent. per annum
- (xii) Maximum Rate of Interest: [[•]] per cent. per annum
- (xiii) Day Count Fraction: [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
17. Kazakhstan Consumer Prices Inflation Index-Linked Interest Note [Applicable] [Not Applicable]
- (i) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent): [•]
- (ii) Margin: [•]
- (iii) Interest Period(s): [•]
- (iv) Specified Interest Payment Date(s): [•] in each year[, subject to adjustment in accordance with the Business Day Convention set out in paragraph (v) below]

- (v) Business Day Convention: [Floating Rate Convention] [Following Business Day Convention] [Modified Following Business Day Convention] [Preceding Business Day Convention]
- (vi) Business Centre(s): [•]
- (vii) Minimum Rate/Amount of Interest: [•] per cent. per annum
- (viii) Maximum Rate/Amount of Interest: [•] per cent. per annum
- (ix) Day Count Fraction: [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

- 18. Call Option [Applicable] [Not Applicable]
 - (i) Optional Redemption Date(s): [•]
 - (ii) Optional Redemption Amount(s) of each Note: [•] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [•] per Calculation Amount
 - (b) Maximum Redemption Amount: [•] per Calculation Amount
 - (iv) Notice period: [•]
- 19. Put Option [Applicable] [Not Applicable]
 - (i) Optional Redemption Date(s): [•]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
 - (iii) Notice period: [•]
- 20. Make-Whole Redemption Option [Applicable] [Not Applicable]
 - (i) Notice period: [•]
 - (ii) Reference Screen Rate: [•]/[Not Applicable]
 - (iii) Make-Whole Redemption Margin: [•]
 - (iv) Make-Whole Calculation Agent: [•] [(Citibank, N.A., London Branch (or the Principal Paying Agent) is not to be appointed if the Reference Screen Page does not include timestamped retroactively retrievable rates)]
 - (v) Reference Security: [•]/[Not Applicable]

- (vi) Quotation Time: [●]/[Not Applicable]
- (vii) Reference Dealers: [[●], [●], [●] and [●]]/[Not Applicable]
- 21. Residual Maturity Par Call [Applicable] [Not Applicable]
 - (i) Redeemable in whole or in part: [●]
 - (ii) Notice period: [●]
- 22. Final Redemption Amount of each Note. [●] per Calculation Amount
- 23. Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [●] per Calculation Amount

PROVISIONS RELATING TO CONVERSION OF PAYMENT AMOUNTS

- 24. Conversion of Payment Amounts: [Not Applicable] [All amounts of interest, principal and other amounts in respect of the Notes will be calculated by the Calculation Agent for payment in U.S. Dollars by dividing the relevant Tenge amounts by the Average Representative Market Rate on the applicable Rate Calculation Date.]

(Only relevant in relation to the KZT Notes; if applicable, paragraph 13 should be disapplied)
- 25. Party responsible for calculating interest, principal and other amounts in respect of the Notes (if not the Calculation Agent): [[●]/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 26. Form of Notes: [Regulation S Global Note ([●] nominal amount) registered in the name of [a common depository for Euroclear and Clearstream]]

[Rule 144A Global Note ([●] nominal amount) registered in the name of [a nominee for DTC] [a common depository for Euroclear and Clearstream]]
- 27. Financial Centre(s): [Not Applicable] [●]

Signed on behalf of the Issuer:

By:

Duly authorised

PRICING SUPPLEMENT FOR EXEMPT NOTES

PART B OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [●] [None]
- (ii) Admission to trading Issuer (or on its: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] and this is expected to be effective from [●].]
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] and this is expected to be effective from [●].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

- Ratings [Not Applicable] The Notes to be issued [have been] [are expected to be] assigned the following ratings: [Standard & Poor's: [●]] [Fitch: [●]] [Moody's: [●]]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER]

[Save [as discussed in "Subscription and Sale" in the Base Prospectus] [for any fees payable to the [Managers] [Dealers]], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. [The [Managers] [Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]

- (i) Reasons for the offer: [●] [See "Use of Proceeds" in Base Prospectus/*Give details*] (*See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from what is disclosed in the [Base] Prospectus, give details here.*)
- (ii) Estimated net proceeds: [●].

5. [YIELD]

- [Indication of yield: [●]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. OPERATIONAL INFORMATION

ISIN Code (Regulation S Notes): [●]

ISIN Code (Rule 144A Notes): [●]

Common Code (Regulation S Notes): [●]

Common Code (Rule 144A Notes): [●]

CUSIP number (Rule 144A Notes): [●]

Any clearing system(s) other than Euroclear and Clearstream, or DTC and the relevant identification number(s): [Not Applicable] [●]

Delivery: Delivery [against] [free of] payment

Names and addresses of initial Paying Agent(s): [●]

Names and addresses of additional Paying Agent(s) (if any): [●]

7. DISTRIBUTION

(i) If syndicated, names of Managers: [Not Applicable/give names]

(ii) Stabilising Manager: [Not Applicable/give name]

(iii) Date of [Subscription] Agreement: [●]

(iv) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]

(v) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)

(vi) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Notes

Unless otherwise indicated in the applicable Final Terms or the applicable Pricing Supplement, each Series of Notes will be evidenced on issue (i) in the case of Regulation S Notes, by a Regulation S Global Note deposited with a common depository and registered in the name of a nominee of the common depository for Euroclear and Clearstream and (ii) in the case of Rule 144A Notes, by a Rule 144A Global Note deposited either with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC or with a common depository, and registered in the name of a nominee of the common depository for Euroclear and Clearstream, as applicable.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream at any time. See "*—Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in the Notes represented by a Regulation S Global Note prior to the expiration of 40 days after completion of the distribution of the Series of which such Notes are a part (the "distribution compliance period"), the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Transfer Restrictions*". See "*—Book Entry Procedures for the Global Notes*". By acquisition of a beneficial interest in the Notes represented by a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to the Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*".

Any beneficial interest in the Notes represented by a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in the Notes represented by a Rule 144A Global Note will, upon transfer, cease to be an interest in the Notes represented by the Regulation S Global Note and become an interest in the Notes represented by the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in the Notes represented by a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in the Notes represented by a Regulation S Global Note will, upon transfer, cease to be an interest in the Notes represented by the Rule 144A Global Note and become an interest in the Notes represented by the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those notified to the relevant Noteholders for such purpose.

Payments. Payments of principal and interest in respect of Notes represented by a Global Note shall be made against presentation and (if no further payment falls to be made on it) surrender thereof to or to the order of the Principal

Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose). A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes.

Notices. So long as any Notes are represented by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes.

Meetings. The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes represented by the relevant Global Note.

Trustee's Powers. In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.

Redemption at the Option of the Issuer. Any Call Option, Issuer Make-Whole Redemption Option or Issuer Residual Maturity Par Call provided for in the Terms and Conditions of the Notes shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes. In the event that any Call Option, Issuer Make-Whole Redemption Option or Issuer Residual Maturity Par Call is exercised by the Issuer in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of the relevant clearing system.

Redemption at the Option of Noteholders. Any Put Option provided for in the Terms and Conditions of the Notes may be exercised by the holder of the Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, the Registrar or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the Global Note with the Registrar or any Transfer Agent at its specified office.

Payment Record Date. Each payment in respect of a Global Note will be made to the person shown as the holder in the Register at (i) in relation to Notes represented by a Global Note where Currency Exchange Option is specified in the Final Terms as being applicable pursuant to Condition 8(c), the fifteenth day before the due date for payment thereof and (ii) in relation to Notes represented by a Global Note (other than Notes represented by a Global Note where Currency Exchange Option is specified in the Final Terms as being applicable pursuant to Condition 8(c)), the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Electronic Consent and Written Resolution. A resolution in writing signed (i) by or on behalf of the holders of all of the Notes who for the time being are entitled to receive notice of a meeting or (ii) if such holders have been given at least 21 days' notice of such resolution (a "**Written Resolution**"), by or on behalf of persons holding 75 per cent. of the aggregate principal amount of the outstanding Notes, shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held. Such resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the relevant Noteholders and the date of such resolution shall be the date of the latest such document.

For so long as the Notes are in the form of a Global Note registered in the name of any depositary or nominee for a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting in respect of which the special quorum provisions specified in the Notes apply) take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to the Global Note and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear, Clearstream, DTC or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Exchange for Definitive Notes

Exchange

Registration of title to Notes initially represented by a Rule 144A Global Note (other than, if applicable, a Rule 144A Global Note deposited with a common depositary, and registered in the name of a nominee of the common depositary for Euroclear and Clearstream) in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted (i) unless such depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the United States Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary and the Registrar has received a notice from the registered holder of a Rule 144 A Global Note requesting an exchange of a specified amount of the Rule 144A Global Note for Definitive Notes or (ii) following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note in circumstances where the Registrar has received a notice from the registered holder (i.e. such depositary) of the relevant Rule 144A Global Note requesting an exchange of the Rule 144A Global Note for Definitive Notes.

Registration of title to Notes initially represented by a Regulation S Global Note or, if applicable, a Rule 144A Global Note in a name other than the nominee of the common depository for Euroclear and Clearstream will only be permitted (i) if Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note and the Registrar has received a notice from the registered holder (i.e. the nominee of the common depository) of the relevant Regulation S Global Note or, if applicable, a Rule 144A Global Note requesting an exchange of the Regulation S Global Note or, if applicable, a Rule 144A Global Note for Definitive Notes.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in Notes represented by a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Definitive Notes issued in exchange for a beneficial interest in the Notes represented by a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Book Entry Procedures for the Global Notes

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note (except when a Rule 144A Global Note is deposited with a common depository, and registered in the name of a nominee of the common depository for Euroclear and Clearstream), custodial and depository links are to be established between DTC, Euroclear and Clearstream to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See "*—Book Entry Ownership—Settlement and Transfer of Notes*".

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect

access to Euroclear and Clearstream is available to other institutions which clear through or maintain a custodial relationship with an account holder of either system. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream if they are account holders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are account holders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Direct Participant or Direct Participants has or have given such direction. However, in the circumstances described under "Exchange for Definitive Notes", DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

Euroclear and Clearstream

The Regulation S Global Note representing Regulation S Notes of any Series and, if applicable, Rule 144A Global Note representing Regulation S Notes of any Series, will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series (other than, if applicable, Rule 144A Note deposited with a common depository, and registered in the name of a nominee of the common depository for Euroclear and Clearstream) will have a CUSIP number and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the relevant clearing system will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in the Notes represented by a Rule 144A Global Note and held within the DTC system to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and/or Clearstream Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional Eurobonds.

Trading Between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in the Notes represented by a Rule 144A Global Note to the account of a Euroclear or Clearstream accountholder wishing to purchase a beneficial interest in the Notes represented by a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream Seller and DTC Purchaser

When book entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Notes represented by a Rule 144A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream participant must send to Euroclear or Clearstream delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and evidenced by a Regulation S Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Notes represented by Global Notes among participants and accountholders of Euroclear, Clearstream and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the closing date thereof, which could be more than two business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until two days prior to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisers.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the dealer agreement dated on or about 26 February 2021, as amended from time to time (the "**Dealer Agreement**") between the Issuer, the Permanent Dealer and the Arranger, the Notes will be offered from time to time by the Issuer to the Permanent Dealer or such other Dealers as may be appointed from time to time in respect of any Series of Notes pursuant to the Dealer Agreement. Any agreement for the sale of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

The Issuer has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States of America

The Notes have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes may only be offered and sold (i) outside the United States, to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act and (ii) within the United States, to QIBs in accordance with Rule 144A.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer or sell any Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution compliance period, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed that, at or prior to confirmation of a sale of Regulation S Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The securities covered hereby have not, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of the Series of which such Notes are a part, except in either case in accordance with Rule 903 of Regulation S or, in the case of Rule 144A Notes, Rule 144A under the Securities Act to a person that the seller reasonably believes is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act). Terms used above which are not otherwise defined have the meanings given to them by Regulation S under the Securities Act."

In addition, until 40 days after the commencement of the offering of any Notes, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Dealer Agreement provides that the Dealers may directly or through their respective U.S. registered broker-dealer affiliates arrange for the offer and re-sale of Notes under the Programme that are designated as Rule 144A eligible under the applicable Final Terms (or, in the case of Exempt Notes, under the applicable Pricing Supplement) within the United States only to persons whom such Dealer reasonably believes are QIBs who can represent that they are QIBs within the meaning of Rule 144A.

Terms used in the preceding paragraphs of this section have the meanings given to them by Regulation S.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Permanent Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each, a "**Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation, provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms

of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129.

Russian Federation

Neither Notes to be issued under the Programme nor this Base Prospectus have been, or are intended to be, registered in the Russian Federation. Each Dealer has represented, warranted and agreed that Notes will not be offered, sold or otherwise transferred and will not offer, sell or otherwise transfer as part of their initial distribution or at any time thereafter any Notes to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian laws or regulations.

Republic of Kazakhstan

Each Dealer has represented, warranted and agreed and each further Dealer will be required to represent, warrant and agree that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Republic of Kazakhstan except in compliance with the laws of the Republic of Kazakhstan.

United Kingdom

Prohibition of sales to UK Retail Investors. Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented, warranted and agreed and each further Dealer will be required to represent, warrant and agree that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law no. 25 of 1948, as amended, the "**FIEL**"). Accordingly, each of the Dealers has represented and agreed and each further Dealer will be required to represent, warrant and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering, resale or otherwise transferring, directly or indirectly, in Japan or to or for the benefit of a resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and other relevant laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms or, in the case of Exempt Notes, the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any set of Final Terms or, in the case of Exempt Notes, the Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any set of Final Terms or, in the case of Exempt Notes, the Pricing Supplement and neither the Issuer, nor any other Dealer shall have responsibility therefor.

TAXATION

United States Federal Income Taxation

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, will contain additional or modified disclosure concerning certain material U.S. federal income tax consequences relevant to such type of Note, as appropriate. This summary only applies to Notes held as capital assets under Section 1221 of the United States Internal Revenue Code of 1986, as amended (the "Code"), and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax-exempt organisations, dealers or traders in securities or currencies, holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes or that have a functional currency other than the U.S. Dollar. It does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at such Notes' initial issue price. This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

This summary is based on the Code, existing and proposed Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. Certain additional or different U.S. federal income tax considerations relevant to a particular issue of the Notes will be described in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States; (ii) a corporation organised in or under the laws of the United States or any State thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that validly elects to be treated as a United States person for U.S. federal income tax purposes or (2) (a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

A Non-U.S. Holder is a beneficial owner of Notes other than a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to its consequences of the partnership's acquisition, ownership, disposition and retirement of Notes.

YOU SHOULD CONSULT YOUR OWN TAX ADVISER WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF NOTES.

INVESTORS ARE HEREBY NOTIFIED THAT: ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN INDEPENDENT TAX ADVISORS.

U.S. Holders

Interest

Except as set forth below, interest paid on a Note, whether payable in U.S. Dollars or a currency other than U.S. Dollars (a "foreign currency"), including any additional amounts, will be includible in a U.S. Holder's gross income as ordinary interest income in accordance with the U.S. Holder's usual method of tax accounting. For entities taxable as "C corporations" interest is generally subject to a 21% U.S. federal tax rate. Subject to applicable limitations, a U.S. Holder may claim a foreign tax credit or deduction only for tax withheld or paid at the appropriate rate. Interest on the Notes should be treated as foreign source income for U.S. federal income tax purposes. For U.S. foreign tax credit limitation purposes, interest on the Notes generally will constitute "passive category income" or, in the case of certain U.S. Holders, "general category income."

Foreign Currency Denominated Interest

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. Dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. Dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. Dollar value using the spot rate of exchange on the date of receipt. An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a single foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year.) Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. Dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service ("IRS").

Original Issue Discount

U.S. Holders of Notes issued with original issue discount ("**OID**") will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notes issued with OID will be referred to as "Original Issue Discount Notes." Notice will be given in the applicable Final Terms when the Issuer determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the U.S. federal income tax consequences of an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, will describe the material U.S. federal income tax consequences thereof.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a single currency other than the U.S. Dollar are described under Foreign Currency Notes below.

For U.S. federal income tax purposes, a Note, other than a Note with a term of one year or less (a "**Short Term Note**"), will be treated as issued as an Original Issue Discount Note if the excess of the Note's stated redemption price at maturity, as defined below, over its issue price is equal to or more than a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as an Original Issue Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. The "**issue price**" of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent, wholesaler or similar persons). The "stated redemption price at maturity" of a Note is the sum of all payments required to be made on such Note other than "qualified stated interest" payments. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Notice will be given in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, if a particular Note will bear interest that is not qualified stated interest. In the case of a Note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income as capital gain as stated principal payments on the Notes are made in proportion to the stated principal amount of the Note.

The amount of OID includible in income by a U.S. Holder of an Original Issue Discount Note is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an Original Issue Discount Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, and should consult their own tax advisers regarding the U.S. federal income tax consequences of the holding and disposition of such Notes. Any amount of *de minimis* OID that has not been included in income will be treated as capital gain upon a disposition of a Note.

Certain of the Notes may be redeemed prior to their maturity at the option of the Issuer and/or at the option of the holder. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement, and should consult their own tax advisers with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method as described for U.S. Holders of Original Issue Discount Notes above. For the purposes of this election, interest includes stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium. A U.S. Holder making this election with respect to a Note acquired at a premium will be deemed to have made the election (discussed below in "*Notes Purchased at a Premium*") to amortise premium currently, which shall apply to all debt instruments (other than debt instruments the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. U.S. Holders are strongly urged to consult their own tax advisers about this election.

Short Term Notes

In the case of Short Term Notes, under the OID Treasury regulations, all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short Term Note, unless the U.S. Holder elects to compute this discount using its tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short Term Note are not required to include accrued discount in their income currently unless they elect to do so (but may be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short Term Notes (as ordinary income) on a straight-line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding of interest. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short Term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or maintained to purchase or carry such Notes.

Foreign Currency Discount Notes

OID for any accrual period on a Discount Note that is denominated in, or determined by reference to, a single foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under "*Foreign Currency Denominated Interest*" above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above in "*Foreign Currency Denominated Interest*."

Notes Purchased at a Premium

A U.S. Holder that purchases a Note at original issue for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a "premium" and will not be required to include any OID in income. A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note on a constant yield method as an offset to interest income

on the Note. In the case of a Note that is denominated in, or determined by reference to, a single foreign currency, bond premium will be computed in units of such foreign currency, and amortisable bond premium will reduce interest income in units of the foreign currency. At the time amortised bond premium offsets interest income, a U.S. Holder may recognise exchange gain or loss (taxable as ordinary income or loss) measured by the difference between exchange rates in effect at that time and at the time of the acquisition of the Notes. Any election to amortise bond premium shall apply to all debt instruments (other than debt instruments the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Special rules limit the amortisation of premium in the case of convertible debt. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note.

Sale, Exchange or Retirement

A U.S. Holder's tax basis in a Note generally will be its U.S. Dollar cost increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The U.S. Dollar cost of a Note purchased with a foreign currency generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date with respect to the purchase. A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement (less any accrued but unpaid interest, which will be taxable as such) and the tax basis of the Note. The amount realised on a sale or retirement for an amount in foreign currency generally will be the U.S. Dollar value of such amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale of such Note. Certain modifications and substitutions of the Issuer with respect to a Note can cause such Note to be considered exchanged for a new Note for United States federal income tax purposes. U.S. Holders should consult their tax advisers as to whether any modifications or substitutions would be considered an exchange of their Notes, and the consequences thereof.

Gain or loss recognised on the sale or retirement of a Note (other than gain or loss that is attributable to OID, or exchange gain or loss which will be treated as ordinary income or loss) will be capital gain or loss and will be long-term capital gain or loss if the Note was held for more than one year. A U.S. Holder will generally recognize exchange gain or loss on disposition of a Note equal to the difference between the U.S. Dollar value of the principal amount of the Note on the date of acquisition and the date of disposition (or, if the Notes are traded on an established securities market and the U.S. Holder is a cash basis or an electing accrual basis holder, the settlement date). For purposes of this determination, the issue price of the Notes in foreign currency will be treated as their principal amount. Exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income or loss. However, any loss realised by a U.S. Holder on such sale or retirement may be allocable to foreign source income by reference to the source of interest income on the Notes. Prospective investors should consult their tax advisers as to the foreign tax credit implications of such sale or retirement of Notes.

Sale, Exchange or Retirement of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. Dollar value at the time such interest is received or at the time of such sale or retirement. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. Dollars) will be U.S. source ordinary income or loss.

Reportable Transaction Reporting Requirements

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (US\$50,000 in a single year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders) and to disclose its investment by filing Form 8886 with the IRS. Substantial penalties can apply for failure to timely file a Form 8886. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

Foreign Financial Asset Reporting Requirements

Certain U.S. Holders that own certain types of foreign financial assets such as a Note have an information reporting obligation when the aggregate value of all such foreign assets exceeds US\$50,000. The reporting requirement applies to U.S. individuals and, if specified by the Internal Revenue Service, domestic entities formed (or availed of) for the purpose of holding, directly or indirectly, specified types of foreign financial assets. Significant penalties and an extended statute of limitations apply for failure to comply with these reporting requirements. U.S. Holders should consult their own tax advisers with respect to this and any other reporting requirement that may apply with respect to their acquisition of a Note.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," payments of interest (including OID) on a Note to a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless the income is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under the caption "U.S. Backup Withholding Tax and Information Reporting," any gain realized by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Additional Notes

Additional Notes issued in further offerings by the Issuer may not be fungible for U.S. federal income tax purposes with Notes of the same series that were issued in the original offering for that series. Additional Notes are not fungible with an earlier issue unless they are issued in a qualified reopening of the original offering. Whether the issuance of additional Notes is a qualified reopening depends on the interval after the original offering, the yield of the original Notes at that time (based on their fair market value), whether the original Notes were issued with OID and whether any original Notes are publicly traded or quoted at the time of the new issuance. If issuance of the additional Notes is not a qualified reopening, the additional Notes may be issued with OID that exceeds the remaining OID, if any, on the originally issued Notes of the series.

The market value of the previously outstanding Notes of a series may be adversely affected if additional Notes are issued with a greater amount of OID than the OID with which the originally issued Notes were issued, if any, unless the additional Notes can be distinguished from the originally issued Notes (for example by use of a different Common Code and International Securities Identification Number ("ISIN") and, where applicable, CUSIP number).

Foreign Account Tax Compliance Act

Pursuant to provisions of U.S. federal income tax law commonly known as the Foreign Account Tax Compliance Act ("**FATCA**"), a non-U.S. financial institution that is not treated as exempt under FATCA generally

will be subject to a 30% withholding tax on passive income (e.g., dividends, interest, rents) from sources within the United States received after 30 June 2014, on gross proceeds of the disposition, exchange, redemption or retirement of assets producing dividends or interest received after 31 December 2018 and on other payments attributable to income from U.S. sources as determined under FATCA ("**foreign pass-thru payments**") received after 31 December 2018 unless such non-U.S. financial institution has entered into an agreement with the IRS pursuant to which it agrees, among other responsibilities, to collect and provide to the IRS information about its direct and indirect U.S. accountholders and investors. Where a non-exempt, non-U.S. financial institution has entered into an agreement with the IRS pursuant to FATCA (a "**Participating FFI**"), such non-U.S. financial institution generally will be required to withhold tax on that portion of any payment it makes that is considered a "foreign pass-thru payment" for purposes of FATCA unless the relevant payee account holder or investor has provided sufficient information for the Participating FFI either: (x) to determine that the account holder or investor is not a U.S. person, U.S. controlled non-financial foreign entity or another Participating FFI or (y) to comply with information reporting obligations under its agreement with the IRS with respect to the payee account holder or investor.

Certain non-U.S. financial institutions are exempted from the above rules, including certain controlled entities and instrumentalities of one or more foreign governments and political subdivisions thereof. The Issuer believes that it satisfies the requirements of FATCA to be treated as a controlled entity or instrumentality of a foreign government or of foreign governments that will be exempt from FATCA withholding on payments it receives. Accordingly, the Issuer does not expect to enter into an agreement with the IRS or otherwise to become a Participating FFI for FATCA purposes. As a result, the Issuer does not expect to withhold any amount in respect of FATCA from any payment it will make on the Notes.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of Notes that are U.S. Holders. Information reporting generally may apply to payments of principal, interest and any OID or premium on a Note, and to proceeds from the sale or redemption of a Note (other than an exempt recipient, including a corporation, a payee that is not a U.S. Holder that provides an appropriate certification and certain other persons). The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a U.S. Holder of a Note, other than an exempt recipient, such as a corporation, if such U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Recent Tax Reform Legislation

On 22 December 2017, the "Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018" (the "**2017 Tax Act**"), which was originally introduced in the United States House of Representatives as the "Tax Cuts and Jobs Act", was enacted into law. The 2017 Tax Act amends the Internal Revenue Code of 1986. Most of the provisions of the 2017 Tax Act take effect in 2018. The 2017 Tax Act made sweeping tax changes (including changes to the tax rates applicable to corporate and non-corporate U.S. Holders) which impact individuals and businesses. In light of the sweeping nature and complexities of the tax changes in the 2017 Tax Act, the IRS continues to issue implementing and clarifying guidance on many of these changes (the "**Implementing Guidance**"). U.S. Holders are strongly encouraged to consult with their tax advisers as to the impact of the 2017 Tax Act and the Implementing Guidance on an investment in the Notes, in light of their particular circumstances.

Certain Benefit Plan and IRA Considerations

The following is a summary of certain considerations associated with the purchase, holding and, to the extent relevant, disposition of the exchange notes by an employee benefit plan subject to Title I of the ERISA, a plan described in Section 4975 of the Code, including an individual retirement account ("IRA") or a Keogh plan, a plan

subject to provisions under applicable federal, state, local, non-U.S. or other laws or regulations that are similar to the provisions of Title I of ERISA or Section 4975 of the Code ("Similar Laws") and any entity whose underlying assets include "plan assets" by reason of any such employee benefit or retirement plan's investment in such entity (each of which we refer to as a "Plan").

General Fiduciary Matters. ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan with its fiduciaries or other interested parties. In general, under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA or Section 4975(g)(3) of the Code) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code (but may be subject to similar prohibitions under Similar Laws).

In considering the purchase, holding and, to the extent relevant, disposition of exchange notes with a portion of the assets of a Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues. Section 406 of ERISA prohibits ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of Section 3(14) of ERISA, and Section 4975 of the Code imposes an excise tax on certain "disqualified persons," within the meaning of Section 4975 of the Code, who engage in similar transactions, in each case unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of an ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. In the case of an IRA, the occurrence of a prohibited transaction could cause the IRA to lose its tax-exempt status.

The purchase and/or holding of exchange notes by an ERISA Plan with respect to which the Issuer, the Initial Purchasers or a Guarantor (or certain of our or their affiliates) is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or "PTCEs," that may apply to the acquisition and holding of the exchange notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code each provide a limited exemption, commonly referred to as the "service provider exemption," from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between an ERISA Plan and a person that is a party in interest and/or a disqualified person (other than a fiduciary or an affiliate that, directly or indirectly, has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any ERISA Plan involved in the transaction) solely by reason of providing services to the Plan or by relationship to a service provider, provided that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied at the time that the exchange notes are acquired by a purchaser, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change.

Because of the foregoing, the exchange notes should not be acquired or held by any person investing "plan assets" of any Plan, unless such acquisition and holding will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or similar violation of any applicable Similar Laws.

Representation. Each purchaser and holder of exchange notes will be deemed to have represented and warranted that either (i) it is not a Plan, such as an IRA, and no portion of the assets used to acquire or hold the exchange notes constitutes assets of any Plan or (ii) the purchase and holding of an exchange note will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws for which there is no applicable statutory, regulatory or administrative exemption.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing exchange notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the exchange notes. The sale of any exchange notes to any Plan is in no respect a representation by the Issuer or any of its affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by such Plans generally or any particular plan, or that such an investment is appropriate for Plans generally or any particular Plan.

The above summary is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisers concerning the tax consequences of their particular situations.

Republic of Kazakhstan Taxation

The following is a general summary of the Republic of Kazakhstan tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes.

Under Kazakhstan law as presently in effect, and in particular on the basis of the international agreements that Kazakhstan has executed in relation to the Issuer, payments of principal and interest on the Notes to an individual who is a non-resident of the Republic of Kazakhstan for tax purposes or to a legal entity that is neither established in accordance with the legislation of the Republic of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, the Republic of Kazakhstan or otherwise has no taxable presence in the Republic of Kazakhstan (together, "**Non-Kazakhstan Holders**") will not be subject to taxation in the Republic of Kazakhstan, and no withholding of any Kazakhstan tax will be required on any such payments. In addition, gains realised by Non-Kazakhstan Holders derived from the disposal, sale, exchange or transfer of the Notes will not be subject to Kazakhstan income or profits tax.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating EU Member States**"). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes is, however, expected to be exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating EU Member State. A financial institution may be, or be deemed to be, "established" in a participating EU Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating EU Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating EU Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Tax Exempt Status of the Issuer in the Member States

Pursuant to the Charter of the Issuer adopted by the Establishing Agreement, the Issuer, its revenues, properties and other assets, as well as its operations and transactions carried out in accordance with the Establishing Agreement, are exempt from any form of taxation or imposition of levies, duties and other similar payments in the territories of the Member States. This provision is implemented by Article 9 of the Establishing Agreement.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale or other transfer of any Note.

Rule 144A Notes

Each purchaser of a Rule 144A Note, by accepting delivery of this Base Prospectus and any such Notes (including the Final Terms or, in case of Exempt Notes, the Pricing Supplement relating thereto), will be deemed to have represented, agreed and acknowledged that:

- (1) It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs for which it acts as a fiduciary or agent, and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
- (2) It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Global Note in a principal amount that is not less than U.S.\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries.
- (3) It understands that such Notes have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or any other jurisdiction, and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs, each of which is purchasing not less than U.S.\$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to any other available exemption from registration under the Securities Act, in each case (x) in accordance with any applicable securities laws of any State of the United States or any other jurisdiction and (y) the conditions set out in paragraph (4) below.
- (4) It understands that the Rule 144A Notes (and any individual Note Certificates issued in respect thereof), unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND, ACCORDINGLY, NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION THEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$200,000 PRINCIPAL AMOUNT OF NOTES, OR (2) TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), OR (3) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE

RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE OR ANY INTEREST OR PARTICIPATION THEREIN.

- (5) It acknowledges that the Issuer, the Trustee, the Registrar, the Dealers and their affiliates, and others will rely upon the trust and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.
- (6) It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (7) Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of a Regulation S Note outside the United States, by accepting delivery of this Base Prospectus and such Notes (including the Final Terms or, in case of Exempt Notes, the Pricing Supplement relating thereto), will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
- (2) It understands that the Regulation S Notes have not been, and will not be, registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs, each of which is purchasing not less than U.S.\$200,000 in principal amount of the Rule 144A Notes or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to any other available exemption from registration under the Securities Act, in each case (x) in accordance with any applicable securities laws of any State of the United States or any other jurisdiction and (y) the conditions set out in paragraph (5) below.
- (3) It understands that Regulation S Notes of a Series will be evidenced by a Regulation S Global Note. Before any interest in a Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

- (4) It acknowledges that the Issuer, the Trustee, the Registrar, the Dealer(s) and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer or the Dealers). If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.
- (5) It understands that the Regulation S Notes (and any individual Note Certificates issued in respect thereof), unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

"THIS NOTE HAS NOT, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION THEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNTIL 40 DAYS AFTER COMPLETION OF THE DISTRIBUTION OF THE SERIES OF WHICH THIS NOTE IS A PART, EXCEPT IN ACCORDANCE WITH RULE 903 OF REGULATION S."

Terms used in the preceding paragraphs of have the meanings given to them by Regulation S or Rule 144A, as applicable.

APPENDIX - CERTAIN DEFINED TERMS

The following terms are used in this Base Prospectus and are not defined in "Terms and Conditions of the *Notes*":

"**ALMC**" means the Assets and Liabilities Management Committee;

"**applicable Final Terms**" means the final terms applicable to each issue of Notes;

"**applicable Pricing Supplement**" means the pricing supplement applicable to each issue of Exempt Notes;

"**Armenia Terms of Stay Agreement**" means an agreement between the government of the Republic of Armenia and the Issuer on the terms of the Issuer's stay in the Republic of Armenia, dated 27 April 2010;

"**Basel II**" means the report titled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" of the Basel Committee on Banking Supervision dated June 2004;

"**Belarus Terms of Stay Agreement**" means an agreement between the government of the Republic of Belarus and the Issuer on the terms of the Issuer's stay in the Republic of Belarus, dated 17 June 2010 and ratified on 3 June 2011;

"**Beneficial Owner**" means the ownership interest of each actual purchaser of each Note;

"**Charter**" means the charter of the Issuer, as appended to the Establishing Agreement;

"**CIS**" means the Commonwealth of Independent States;

"**Clearstream**" means Clearstream Banking, S.A.;

"**Code**" means the United States Internal Revenue Code of 1986, as amended;

"**Collateral Policy**" means the assessment of availability of recourse to the project sponsors and the existence of sufficient collateral in the form of assets or third party guarantees;

"**Council**" means the supreme management body of the Issuer which is responsible for the overall supervision of the Issuer's activities;

"**Convention**" means the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards;

"**CRA Regulation**" means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended;

"**Credit Committee**" means the committee that implements the Issuer's credit policies;

"**Dealer Agreement**" means the dealer agreement dated on or about 26 February 2021;

"**Dealers**" means all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches;

"**Definitive Notes**" means Notes in definitive registered form; "derivatives" means derivative financial instruments;

"**Direct Participants**" means investors who hold their interests in the Global Notes directly through their Euroclear or Clearstream account(s);

"**distribution compliance period**" means 40 days after completion of the distribution of the Series of which the Notes are a part;

"**DTC**" means The Depository Trust Company;

"**EAEU**" means the Eurasian Economic Union;

"**EAEU+**" means member of EAEU and the Republic of Tajikistan;

"**ECP**" means eligible counterparty in accordance with MIFID II;

"**EEA Member State**" refers to a member state of the European Economic Area;

"**EFSD**" refers to the Eurasian Fund for Stabilisation and Development;

"**EFSD Resources Manager**" means the entity designated as the EFSD investment manager by the EFSD council;

"**ERISA**" means the U.S. Employee Retirement Income Security Act of 1974, as amended;

"**Establishing Agreement**" means the Agreement Establishing the Eurasian Development Bank dated 12 January 2006;

"**EU**" means the European Union;

"**EUR**" and "**Euro**" mean the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as further amended by the Treaty of Amsterdam;

"**EEU**" means the Eurasian Economic Union which comprises the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus, the Kyrgyz Republic and the Republic of Armenia;

"**Euroclear**" means Euroclear Bank SA/NV;

"**EU Prospectus Regulation**" means Regulation (EU) 2017/1129;

"**Exchange Act**" means the U.S. Securities and Exchange Act of 1934, as amended;

"**Exchange Date**" means the day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located;

"**Exempt Notes**" means the Notes for which no prospectus is required to be published under the EU Prospectus Regulation and/or the UK Prospectus Regulation, as applicable;

"**FATCA**" means Sections 1471 to 1474 of the Code;

"**FIEL**" means the Financial Instruments and Exchange Law of Japan (Law no. 25 of 1948, as amended);

"**Financial Statements**" means, collectively, the Issuer's audited annual financial statements as at and for the years ended 31 December 2020, 2019 and 2018 all of which were prepared in accordance with IFRS.

"**Fitch**" means Fitch Ratings CIS Limited;

"**FSMA**" means the UK Financial Services and Markets Act 2000, as amended;

"**GDP**" means gross domestic product;

"**Global Notes**" means the Rule 144A Global Note and the Regulation S Global Notes, collectively;

"**IASB**" means the International Accounting Standards Board;

"**IFRIC**" means the International Financial Reporting Interpretations Committee;

"**IFRS**" means International Financial Reporting Standards;

"**IMF**" means the International Monetary Fund;

"**Indirect Participants**" means investors who hold their interests in the Global Notes indirectly through organisations which are Euroclear or Clearstream accountholders;

"**Internal Regulations**" means the prudential risk policies and other internal regulations to manage risks adopted by the Issuer on 20 May 2008 and amended and restated;

"**Investment Declaration**" means the investment declaration approved by the Issuer on 20 November 2007, as amended;

"**Investment Regulations**" mean the regulation adopted by the Issuer on 4 February 2008 concerning its future investment activities;

"**Investor's Currency**" means the currency or currency unit of the investor;

"**issue price**" of each Note means the first price at which a substantial amount of the particular offering is sold (other than to an underwriter, broker, agent or wholesaler);

"**Issuer**" means the Eurasian Development Bank;

"**Kazakhstan**" means the Republic of Kazakhstan;

"**Kazakhstan Terms of Stay Agreement**" means the agreement between the government of the Republic of Kazakhstan and the Issuer on the terms of the Issuer's stay in the Republic of Kazakhstan dated 17 June 2006 and ratified on 11 January 2007;

"**Kyrgyz Terms of Stay Agreement**" means an agreement between the government of the Kyrgyz Republic and the Issuer on the terms of the Issuer's stay in the Kyrgyz Republic, dated 14 September 2011;

"**KZT**" and "**Tenge**" mean Kazakh Tenge, the lawful currency of the Republic of Kazakhstan;

"**Market and Liquidity Risks Management Rules**" means the rules managing market and treasury risks approved by the Issuer on 20 December 2016;

"**Member States**" mean the Republic of Kazakhstan, the Russian Federation, the Republic of Belarus, the Republic of Armenia, the Republic of Tajikistan and the Kyrgyz Republic and any further state and/or international organisation which may be acceded to the Issuer in the future;

"**MiFID II**" means Directive 2014/65/EU, as amended;

"**Moody's**" means Moody's Investors Service Singapore Pte. Ltd.;

"**MRIF**" means Macquarie Renaissance Infrastructure Fund;

"**NBK**" means the National Bank of Kazakhstan;

"**Non-Kazakhstan Holder**" means an individual who is a non-resident of the Republic of Kazakhstan or a legal entity that is neither established in accordance with the legislation of the Republic of Kazakhstan, nor has its actual governing body (place of actual management) in, nor maintains a permanent establishment in, the Republic of Kazakhstan or otherwise has no taxable presence in the Republic of Kazakhstan;

"**Notes**" means Euro medium term notes;

"**NSB**" means the National Statistics Bureau of Kazakhstan;

"**OECD**" means the Organisation for Economic Co-operation and Development;

"**OFAC**" means the U.S. Department of Treasury Office of Foreign Assets Control;

"**Official List**" means the official list of Euronext Dublin;

"**OID**" means original issue discount;

"**Participants**" means Indirect Participants and Direct Participants, collectively;

"**Permanent Dealer**" means VTB Capital plc and such additional persons that are appointed as Dealers in respect of the Programme as a whole (and whose appointment has not been terminated);

"**Programme**" means the U.S.\$3,500,000,000 Euro medium term note programme;

"**Project Groups**" means the seven independent project groups of the Issuer which are involved in corporate lending activity.

"**QIB**" means qualified institutional buyers, as defined in Rule 144A of the Securities Act;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulated Market**" means the regulated securities market of Euronext Dublin;

"**Regulation S Global Note**" means the global unrestricted note in registered form representing Regulation S Notes of each Series to be sold in an "offshore transaction" within the meaning of Regulation S;

"**Regulation S Notes**" means notes offered and sold to non-U.S. persons in offshore transactions in reliance on Regulation S;

"**Rosstat**" means the Federal Service for State Statistics of the Russian Federation;

"**RUB**" and "**Roubles**" mean Russian Roubles, the lawful currency of the Russian Federation;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Note**" means the global unrestricted Note in registered form representing Rule 144A Notes of each Series to be sold to QIBs;

"**Rule 144A Notes**" means notes offered and sold in reliance on the exemption from registration provided in Rule 144A;

"**Russia**" means the Russian Federation;

"**Russian Central Bank**" means the Central Bank of the Russian Federation;

"**Russian Terms of Stay Agreement**" means an agreement between the government of the Russian Federation and the Issuer on the terms of the Issuer's stay in the Russian Federation dated 7 October 2008 and ratified on 27 December 2009;

"**Securities Act**" means the U.S. Securities Act of 1933, as amended;

"**Series**" means series in which Notes may be issued having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series;

"**Short Term Note**" means a Note with a term of one year or less;

"**Specified Denomination**" means the denomination of the Notes as specified in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement;

"**Stabilisation Manager(s)**" means such Dealer(s) as may be designated from time to time in relation to an issue of Notes;

"**Sterling**" and "**£**" mean the lawful currency of the United Kingdom;

"**S&P**" means S&P Global Ratings Europe Limited;

"**Tajikistan Terms of Stay Agreement**" means an agreement between the government of the Republic of Tajikistan and the Issuer on the terms of the Issuer's stay in the Republic of Tajikistan, dated 21 October 2009 and ratified on 4 January 2010;

"**Technical Assistance Fund**" means a fund established by the Issuer in February 2008 dedicated to sponsoring various research programmes which are intended to promote regional economic integration and economic development in the Member States;

"**Terms and Conditions of the Notes**" means the terms and conditions of the Notes as set forth in "*Terms and Conditions of the Notes*";

"**Tranche**" means tranches in which Series of Notes may be issued on the same or different issue dates, the specific terms of which will be set out in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement;

"**Trust Deed**" means the amended and restated trust deed dated 26 February 2021;

"**Trustee**" means Citicorp Trustee Company Limited and any successor trustee or trustees under the Trust Deed;

"**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018;

"**United States**" or "**U.S.**" means the United States of America; and

"**U.S.\$**" and "**U.S. Dollar**" mean the lawful currency of the United States of America.

GENERAL INFORMATION

- (1) The Issuer is not subject to any consents, approvals and authorisations in its Member States in connection with any Series of Notes. The establishment and update of the Programme were authorised by duly adopted resolutions of the Council on 25 September 2006 and 2 August 2007 and by resolutions of the Management Board on 20 November 2007 and 2 February 2021.
- (2) Since 31 December 2020, there has been no significant change in the financial position or financial performance of the Issuer and no material adverse change in the prospects of the Issuer.
- (3) There have not been any recent events particular to the Issuer and which are to a material extent relevant to the evaluation of the Issuer's solvency.
- (4) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) against or affecting the Issuer, during the previous 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.
- (5) The financial statements of the Issuer as of 31 December 2020, 2019 and 2018 and for the years then ended, included in this Base Prospectus, have been audited by Deloitte, LLP (Kazakhstan), independent auditors (acting as an auditor under licence No. 0000015, dated 13 September 2006 issued by the Ministry of Finance of the Republic of Kazakhstan and regulated by the Ministry of Finance of the Republic of Kazakhstan), as stated in their report appearing therein. The business address of Deloitte, LLP (Kazakhstan) is 36 Al Farabi Ave., Almaty, 050059 Republic of Kazakhstan. .
- (6) For so long as any Series of Notes is outstanding, copies (and English translations where the documents in question are not in English, as set out below) of the following documents in physical format may be obtained free of charge upon a reasonable request at the specified offices of the Trustee and the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and on the Issuer's website (<https://eabr.org/en/investors/debt-instruments/>):
 - the annual report and the Financial Statements for the years ended 31 December 2020, 2019 and 2018;
 - copies and English translations of the Charter of the Issuer and the Establishing Agreement, such English translations being direct and accurate translations of the original documents;
 - the Trust Deed in respect of the Notes (including the forms of the Global Notes and Definitive Notes); and
 - each set of Final Terms for Notes that are listed on the Regulated Market or, for Exempt Notes, each Pricing Supplement.Each set of Final Terms for Notes that are listed on the Official List and admitted for trading on the Regulated Market will also be published at Euronext Dublin's website.

In the event that there is a discrepancy between the English translation of the Charter and/or the Establishing Agreement and the original, Russian language version of the Charter and/or Establishing Agreement, as applicable, the original, Russian language version of the Charter and/or Establishing Agreement shall prevail.
- (7) The Issuer does not intend to provide post-issuance information.
- (8) The Notes have been accepted for clearance through Euroclear, Clearstream and DTC. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Final Terms or, in case of Exempt Notes, in the applicable Pricing Supplement.

- (9) Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Regulated Market through Arthur Cox Listing Services Limited. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to Notes issued under the Programme and is not itself seeking admission of Notes issued under Programme to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.
- (10) This Base Prospectus shall be published on Euronext Dublin's website (<http://www.ise.ie/>).
- (11) The Legal Entity Identifier (LEI) of the Issuer is 253400Q2AQ3F58BLL187.
- (12) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and their affiliates in the ordinary course of business. Certain of the Dealers and their respective affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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EURASIAN DEVELOPMENT BANK

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

Eurasian Development Bank

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

The measurement of expected credit loss is a complex calculation that requires a number of inputs and assumptions, such as credit rating, probability of default and loss given default.

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

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

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

How the matter was addressed in the audit

The audit procedures performed in this area, included:

- Obtaining an understanding of the procedures and associated controls to assess and monitor the credit rating of the Bank's borrowers. It included an assessment of relevant controls over the model, including mathematical accuracy;
- Assessment of the methodology with the requirements outlined in IFRS 9;
- Assessment of the reasonableness of management's assumptions and input data used in the model, including the analysis of the forecasted macroeconomic variables with the involvement of our internal specialists against requirements of the accounting standards. We tested the underlying statistical data, represented by the market conditions, overdue days, and borrowers' financial and non-financial information on a sample basis. We tested the completeness and accuracy of data used in the model;
- Consideration of the adequacy and completeness of the Bank's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9, including the impact of COVID-19 on expected credit loss.

We found no material exceptions in these tests.

Other Information

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

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, which constitute the key audit matters included herein. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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



Mark Smith
Engagement partner
Chartered Accountant
Institute of Chartered Accountants
of Scotland Licence № M21857
Glasgow, Scotland

12 February 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

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

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

EURASIAN DEVELOPMENT BANK

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

(in thousands of US Dollars)


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

Approved on behalf of the management of the Bank:


N.R. Podguzov
Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan




B.K. Mukhambetzhano" data-bbox="561 464 890 494"/>
Deputy Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

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


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

Approved on behalf of the management of the Bank:


N.R. Podguzov
Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan




B.K. Mukhambetzhonov
Deputy Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

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

(in thousands of US Dollars)

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

Approved on behalf of the management of the Bank:

N.R.Podguzov
Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan



B.K. Mukhambetzhonov
Deputy Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

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

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

EURASIAN DEVELOPMENT BANK

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


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

Approved on behalf of the management of the Bank:


N.R. Podguzov
Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan




B.K. Mukhambetzhonov
Deputy Chairman of the Management Board

10 February 2021
Almaty, Kazakhstan

1. BACKGROUND

(a) Principal activities

Eurasian Development Bank (“the Bank”) is an international organisation, which was established in accordance with the Agreement Establishing Eurasian Development Bank, entered into between the Russian Federation and the Republic of Kazakhstan on 12 January 2006 (“the Agreement on Incorporation”). The Agreement on Incorporation became effective on 16 June 2006, since its ratification by the Russian Federation and the Republic of Kazakhstan via adoption of relevant laws.

The Bank’s membership is open to new participants such that other states and international organisations that have mutual objectives with the Bank. The strategic objective of the Bank is to promote the development of the market economy in its Member states, including their economic growth and the expansion of mutual trade and economic relations through investment activity. The Bank aims to assist Member states in integrating their economies and developing their infrastructure.

In December 2008, the Council of the Bank approved the accession of the Republic of Armenia, the Republic of Belarus and the Republic of Tajikistan to the Agreement on Incorporation. The Republic of Armenia, the Republic of Tajikistan and the Republic of Belarus have fulfilled their respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation of the Bank, made their contributions to the share capital and became Member states of the Bank on 3 April 2009, on 22 June 2009 and 21 June 2010, respectively.

On 28 June 2011, the Council of the Bank approved the accession of the Kyrgyz Republic to the Agreement on Incorporation of the Bank. The Kyrgyz Republic has fulfilled its respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation, made its contribution to the share capital and became Member state of the Bank on 26 August 2011.

As at 31 December 2020, the following states were members of the Bank: the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Tajikistan, the Republic of Belarus and the Kyrgyz Republic.

The Bank's principal activity is an engagement in investment activities for the benefit of socioeconomic development of the member states. One of the Bank’s primary functions is to provide financing for large infrastructure projects in the Member states, which it implements through the provision of loans and debt financing to private and public entities, investing in the equity of customers, participating in, or establishing, private equity funds, providing investment consulting, and providing other financial instruments. The Bank seeks to insure that all its projects are financially viable.

The headquarters of the Bank is located at: 220, Dostyk Avenue, Almaty, the Republic of Kazakhstan. Also the Bank has a branch office in St. Petersburg and representative offices in Bishkek, Dushanbe, Minsk, Moscow, Nur-Sultan and Yerevan.

1. BACKGROUND, CONTINUED

(a) Principal activities, continued

In accordance with article 31 of the Charter of the Bank, which is an integral part of the Agreement on Incorporation, the Bank possesses immunity against any legal proceedings under the jurisdiction of its Member states, except in cases which do not result from its execution of its powers. Actions may be brought against the Bank only in a court of competent jurisdiction in the territory of a state in which the Bank has its principal or a branch office, a subsidiary bank or a representative office, or has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. Property and assets of the Bank located in member states shall be immune from search, requisition, attachment, confiscation, expropriation or any other form of taking or foreclosure unless and until a final judgment is delivered against the Bank. The Bank, its income, property, assets, and its operations and transactions carried out as per this Charter in the territory of member states shall be exempt from all taxes, duties, levies or fees, except charges for particular services.

As at 31 December 2020, 2019 and 2018, shares of the Bank were owned as follows:

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

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

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

(b) Business environment

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

1. BACKGROUND, CONTINUED**(b) Business environment, continued**

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

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

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

2. BASIS OF PREPARATION

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

(a) Statement of compliance

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

(b) Basis of measurement

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

2. BASIS OF PREPARATION, CONTINUED**(c) Functional and presentation currency**

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

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

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

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

(d) Use of estimates and judgments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at fair value through other comprehensive income unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(a) Foreign currency, continued

Rates of exchange

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

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

(b) Financial instruments

(i) Financial instruments – key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

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

The *effective interest rate* method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

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

(ii) Financial instruments – initial recognition

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

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

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

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

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

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

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

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

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

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

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

(vi) Financial assets – reclassification

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

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

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

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

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

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

(viii) Financial assets – write-off

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

(ix) Financial assets – derecognition

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

(x) Financial assets – modification

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

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

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

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

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

(xi) Financial liabilities – measurement categories

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

(xii) Financial liabilities – derecognition

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

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

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

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

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

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

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

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

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

Investments in debt securities are carried at fair value through profit or loss if they do not meet the criteria for amortised cost or fair value through other comprehensive income. The Bank may also irrevocably designate investments in debt securities at fair value through profit or loss on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

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

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Bank. Investments in equity securities are measured at fair value through profit or loss, except where the Bank elects at initial recognition to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as fair value through other comprehensive income when those investments are held for strategic purposes other than solely to generate investment returns. When the fair value through other comprehensive income election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Bank's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The corresponding liability is presented within loans and deposits from banks. Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as cash and cash equivalents or advances to financial institutions, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

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

Deposits from customers. Customer accounts are non-derivative liabilities to corporate customers and are carried at amortised cost.

Debt securities issued. Debt securities issued consist of bonds issued by the Bank. Debt securities issued are stated at amortised cost. If the Bank purchases its own debt securities, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gain/loss arising from trading with debt securities issued.

Derivative financial instruments include swaps, forwards, futures and spot transactions.

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(b) Financial instruments, continued***(xiv) Financial instruments – hedge accounting*

The Bank is exposed to financial risks arising from many aspects of its business and implements different risk management strategies to eliminate or reduce their risk exposures.

The objective of hedge accounting is to represent, in the financial statements, the effect of risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss or other comprehensive income. Hedge accounting is a technique that modifies the normal basis for recognising gains and losses on associated hedging instruments and hedged items, so that both are recognised in profit or loss or other comprehensive income in the same accounting period.

The risk being hedged in a fair value hedge is a change in the fair value of an asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. Changes in fair value might arise through changes in interest rates (for fixed-rate loans), foreign exchange rates, equity prices or commodity prices.

The carrying value of the hedged item is adjusted for fair value changes attributable to the risk being hedged, and those fair value changes are recognised in profit or loss. The hedging instrument is measured at fair value, with changes in fair value also recognised in profit or loss.

The risk being hedged in a cash flow hedge is the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, an unrecognised firm commitment (currency risk only) or a highly probable forecast transaction, and could affect profit or loss.

Future cash flows might relate to existing assets and liabilities, such as future interest payments or receipts on floating rate debt. Future cash flows can also relate to forecast sales or purchases in a foreign currency. Volatility in future cash flows might result from changes in interest rates, exchange rates, equity prices or commodity prices.

Provided the hedge is effective, changes in the fair value of the hedging instrument are initially recognised in other comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognised directly in profit or loss.

Under IFRS 9, hedge accounting continues to be optional, and Management of the Bank considers the costs and benefits when deciding whether to use it. When the hedge is decided to be used then the Bank cannot discontinue it.

(xv) Financial instruments – Offsetting

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Assets held for sale

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

(d) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

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

(e) Intangible assets

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

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

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

(f) Provisions and contingencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(g) Credit related commitments**

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments and letters of credit. These commitments represent the Bank's credit agreements to enter into a specific project. Loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the remaining unamortised balance of the amount at initial recognition.

Financial guarantees. Financial guarantees require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an expected credit loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

(h) Share capital

Share capital is recognised at cost.

(i) Taxation

The Bank, its income, property and other assets, and also its operations and transactions carried out in accordance with Agreement on Incorporation on the territory of Member states of the Bank, are exempted from any taxes, levies, duties and other payments, except for that which represent payment for certain types of services.

(j) Income and expense recognition

Interest income and expense are recorded for all debt instruments, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows to the fair value on initial recognition. As a result, the effective interest is credit-adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(j) Income and expense recognition, continued**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortised cost.

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

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

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

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

(k) Fiduciary assets

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

(l) Technical Assistance Fund

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

As the Technical Assistance Fund ("TAF") is not an entity/organization and is managed by the Bank employees its operational expenses are accrued in profit or loss of the Bank over the term of the respective services received. After the Council of the Bank approves funding of specific projects and programs, allocated sums are transferred from reserves into liabilities. Any unused amount of TAF is accumulated in equity and liabilities of the Bank and could be used in future periods.

(m) Digital Initiatives Fund

The Digital Initiatives Fund's ("DIF") resources are formed from the Bank's own and Donors' recourses and income received from the replacement of temporarily free funds of the Donors. The purpose of the DIF is to assist the Bank's member states in the formation of tools and practices for digital transformation. It includes the integration of informational resources and, participation in project development and financing, including those adopted under the "Main Directions of Digital Agenda of Eurasian Economic Union".

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

As the DIF is not an entity/organization and is managed by the Bank employees its expenses are accrued in profit or loss of the Bank over the term of the respective services received. After the Council of the Bank approves funding of specific projects and programs, allocated sums are transferred from reserves into liabilities. Any unused amount of DIF is accumulated in equity and liabilities of the Bank and could be used in future periods

(n) Employee benefits

The Bank is exempt from payments of obligatory pension contributions to funds operating in the Member states of the Bank. The Bank provides non-state retirement benefits in accordance with internal regulative documents of the Bank. The retirement savings plans are similar to a defined contribution plan and are recorded as operating expenses in the statement of comprehensive income and as other liabilities in the statement of financial position of the Bank.

The accumulated funds are disbursed to the employee when he/she leaves the Bank or at the date of dismissal (Note 23).

(o) Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing services within a particular economic environment (geographical segment), which is subject to specific risks and rewards. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. The segment operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. The Bank recognises geographical segments that are reported in these financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

- *Former finance leases*

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

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

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

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

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

IFRS 9 Financial Instruments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Valuation of expected credit losses

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

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

In accordance with the requirements of IFRS 9, the Bank applies the model of expected credit losses for the purpose of reserving financial assets, the key principle of which is the timely reflection of the deterioration or improvement in the credit quality of financial assets, taking into account information about past events, current conditions, and reasonable forecasts of future events and economic conditions.

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

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

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

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

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

Financial assets are classified into different stages basing on the results of individual credit risk assessment on a quarterly basis. Credit risk assessment is done via monitoring factors and/or events that may indicate significant increase in credit risk since the initial recognition.

A financial asset is considered impaired at the time of acquisition or provision when one or more events occur that adversely affect the estimated future cash flows of that financial asset. The confirmation of the Stage 3 of credit impairment of loans to customers and other financial assets in Investment portfolio of the Bank is, in particular, based on observed data on one or more of the following events:

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

Definition of default

Defaulted financial assets are those that have the highest credit risk. Default is actual or expected unfulfillment of terms of financial agreement, with zero probability of full repayment within initially agreed terms. A full/partial impairment loss is expected; modification of an asset is forcibly required to reduce the losses.

Due to the specific character of each of the Bank's financial assets in the Investment portfolio, the decision on recognition of default is done after an individual review by the Credit Committee and Management Board of the Bank. Usually this decision is based on the occurrence or 100% expectation of some of the events described above under "Significant increase in credit risk".

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

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

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

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

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

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

Modification of financial assets

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

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

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

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

Derecognition of financial assets, except for cases of modification

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

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

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

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

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

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

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

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**(r) New and revised IFRS in issue, but not yet effective, continued**

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to IFRS 2018-2020 Cycles

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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4. NET INTEREST INCOME

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

5. PROVISION FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS

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

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

EURASIAN DEVELOPMENT BANK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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5. PROVISION FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS, CONTINUED

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

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

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

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

Table with details on stages is presented in Note 15.

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
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6. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The Bank enters into most deals with derivative financial instruments with an aim to minimise possible gain/loss from foreign exchange revaluation of its on-balance sheet financial instruments. Consequently, the result of operations with derivative financial instruments should be considered in conjunction with the gain/loss on foreign currency revaluation (Note 8).

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

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

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

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

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

9. FEE AND COMMISSION INCOME

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

EURASIAN DEVELOPMENT BANK

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

9. FEE AND COMMISSION INCOME, CONTINUED

The Bank provides trust services to Eurasian Fund for Stabilisation and Development (the “Fund”), whereby it manages operational activities of the Fund. The Bank has neither control nor significant influence over decision-making process of the Fund.

As part of the Fund’s resources management, based on the Fund Council’s decisions and consistent with the Fund’s documents, the Bank:

- performs operations with the accounts of the Fund;
- presents bills issued by the member states for payment;
- concludes Agreements on the provision of Fund resources and disburses Fund’s resources in accordance with the terms of such agreements;
- invests temporarily idle resources of the Fund;
- prepares annual Programme of activities, administrative budget, annual and financial reports;
- considers applications for the provision of financing from the Fund’s resources, prepares appropriate appraisals drafts Agreements on the provision of Fund’s resources;
- keeps records of the debts of the recipients of the Fund’s resources; monitors and assesses the fulfillment of obligations under Agreements on the provision of Fund’s resources;
- cooperates with member states, the Expert Council, and the recipients of the Fund resources; and
- performs other necessary actions.

While performing its functions as the Fund Resources’ Manager, the Bank is guided solely by the interests of the member states of the Fund and the goals of its foundation. In order to manage the Fund’s resources and to fulfil the Fund Secretariat functions, the Fund Project Unit (“Unit”) was established within the Bank. In close cooperation with other departments of the Bank, member states and other international development institutes, the Unit is responsible for the preparation and implementation of all Fund projects.

10. OPERATING EXPENSES

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

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

EURASIAN DEVELOPMENT BANK

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

11. CASH AND CASH EQUIVALENTS

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

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

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

As at 31 December 2020, 2019 and 2018, all cash and cash equivalents were classified within stage 1 of credit quality assessment. There were no movements between different stages of credit quality assessment during the years ended 31 December 2020, 2019 and 2018.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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11. CASH AND CASH EQUIVALENTS, CONTINUED

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

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

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

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

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

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

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

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

The table above shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount (as a US dollar equivalent) of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

13. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

The Bank may enter into swap agreements for hedging purposes.

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

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

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

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

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

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

EURASIAN DEVELOPMENT BANK

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

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

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

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

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14. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS, CONTINUED

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

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

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

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

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

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

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

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15. LOANS TO CUSTOMERS

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

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

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

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

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

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15. LOANS TO CUSTOMERS, CONTINUED

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

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

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

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

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15. LOANS TO CUSTOMERS, CONTINUED

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

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

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

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

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

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

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

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15. LOANS TO CUSTOMERS, CONTINUED

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

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

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

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

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

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

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

Concentration of loans to customers

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

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

15. LOANS TO CUSTOMERS, CONTINUED

Stress-testing of expected credit loss provisions

The Bank performs stress-testing of expected credit loss provisions via applying a scenario when all loans that are classified into Stage 1 credit quality category would be reclassified into stage 2 credit quality category. Subsequently a lifetime expected credit loss allowance instead of 12-month portion allowance would be required. According to the result of the test, as at 31 December 2020 an increase of 123,691 thousand US dollars (31 December 2019: 36,936 thousand US dollars; 31 December 2018: 40,841 thousand US dollars) in the amount of expected credit loss provisions would be required.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

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

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

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

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

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

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

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

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

	31 December 2020		31 December 2019		31 December 2018	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt instruments in Treasury portfolio						
Bonds issued by governments of USA, Japan and Belgium	0.00 - 2.50%	877,557	0.00- 1.38%	470,137	0.00- 0.75%	194,584
Bonds issued by non-financial organizations	3.37 - 6.66%	228,397	3.45 - 6.00%	213,595	3.45 - 8.75%	288,290
Eurobonds of the Russian Federation	1.13 – 7.60%	195,283	4.75 – 7.60%	140,428	3.50 – 7.50%	197,423
Discount notes issued by National Bank of the Republic of Kazakhstan	-	143,166	-	139,961	-	-
Bonds issued by banks and financial institutions of non-member states	0.00 – 5.95%	127,924	1.80 - 2.92%	549,839	2.08 - 3.18%	228,088
Eurobonds of the Republic of Kazakhstan	0.00 - 5.50%	23,116	-	-	-	-
Bonds issued by banks and financial institutions of the Republic of Kazakhstan	5.50 - 7.25%	11,105	-	-	-	-
Eurobonds of the Republic of Armenia	-	-	-	-	6.00%	4,113
		1,606,548		1,513,960		912,498

	31 December 2020		31 December 2019		31 December 2018	
	Nominal interest rate	Fair value	Nominal interest Rate	Fair value	Nominal interest rate	Fair value
Debt instruments in Investment portfolio						
Bonds issued by non-financial organisations	4.38 - 11.50%	551,590	4.38 - 11.50%	556,965	8.00 - 11.50%	208,512
Eurobonds of the Republic of Kazakhstan	5.40 - 6.55%	40,930	-	-	-	-
Eurobonds of the Republic of Belarus	8.50 - 8.65%	31,958	8.65%	15,872	-	-
Bonds issued by financial organisations	15.00%	7,430	9.10 - 15.00%	19,502	9.49 - 15.00%	18,331
		631,908		592,339		226,843

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

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

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

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

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

17. DEBT SECURITIES AT AMORTISED COST

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

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

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

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

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

17. DEBT SECURITIES AT AMORTISED COST, CONTINUED

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

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

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

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

18. INVESTMENTS IN ASSOCIATES

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

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

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

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19. OTHER ASSETS

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

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

20. LOANS AND DEPOSITS FROM BANKS

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

The Bank has signed several loan agreements to receive financing from different international banks to fund its investment projects. Due to the terms of such agreements, the Bank shall comply with the covenants such as maintaining financial stability, non-payment clauses, cross-default, encumbrances, court proceedings and some others. As at 31 December 2020, 2019 and 2018, the Bank was in compliance with all covenants.

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

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20. LOANS AND DEPOSITS FROM BANKS, CONTINUED

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

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

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

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

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

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

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

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

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20. LOANS AND DEPOSITS FROM BANKS, CONTINUED

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

21. DEPOSITS FROM CUSTOMERS

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

During 2018, the Council of the Bank has adopted a strategy for the period from 2018 to 2022. In accordance with the strategy, the Bank has started to provide settlement and clearing services to its customers. As at 31 December 2020, 2019 and 2018, all deposits were from corporate customers based in the member-states of the Bank.

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

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

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22. DEBT SECURITIES ISSUED

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

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

22. DEBT SECURITIES ISSUED, CONTINUED

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

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

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

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

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

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

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

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

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

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

22. DEBT SECURITIES ISSUED, CONTINUED

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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22. DEBT SECURITIES ISSUED, CONTINUED

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

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

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

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

23. OTHER LIABILITIES

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

The Bank has developed a retirement savings plan aimed at providing savings that are transferred to employees at the date of retirement or employment termination whichever is earlier. The program was developed as an equivalent to pension plans which are stipulated by legislation of Member states of the Bank. The retirement savings plan consists of three savings plans: obligatory plan and two optional plans. The obligatory plan covers all employees while the optional plans are at the discretion of each employee. The obligatory plan is fully paid by the Bank. A contribution is provided by the Bank on a monthly basis for each member of the plan, and the amount is stipulated by the Bank's internal regulation. The optional plans are jointly financed by the Bank and each employee participating in the respective plan.

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

23. OTHER LIABILITIES, CONTINUED

The Bank's liabilities on retirement savings are estimated using time and interest discount factors. The reconciliation between nominal amount and carrying amount is as follows:

Date	Nominal amount	Time discount factor*	Interest discount factor**	Carrying amount
31 December 2020	20,908	3.45 years	0.269%	20,718
31 December 2019	17,582	3.39 years	1.582%	16,751
31 December 2018	14,584	2.77 years	2.992%	13,471

* Time discount factor is estimated as a half of an average term of employment

** interest discount factor is equal to US dollar mid-swap interest rate at time discount factor.

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

24. SHARE CAPITAL

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

As at 31 December 2020, 2019 and 2018, the authorised share capital consists of 7,000,000 common shares with a nominal value of 1,000 US dollars each. One paid-in share represents one voting right.

On 2 July 2014, the Council of the Bank approved the increase of authorised share capital of the Bank up to 7,000,000 thousand US dollars via issue of 5,484,300 shares, payable on call, with a nominal value of 1,000 US dollars each. In accordance with the terms and conditions for subscription to additional shares, in case of the lack of monetary resources to perform its commitments and obligations, the Bank has the right to request payment of capital, payable on call, after initiating an extraordinary meeting of the Council of the Bank.

Earnings per one paid-in share for years ended 31 December 2020, 2019 and 2018 are as follows:

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

The Bank has established a reserve fund that represents a segregation of a portion of its retained earnings. The Council of the Bank determines annually the amount of the prior year's profit to be transferred to this fund. The Council of the Bank has restricted any distributions to participants until the reserve reaches fifteen percent of the total share capital. After that happens any such distributions could be made to participants proportionately based upon the number of the shares.

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

24. SHARE CAPITAL, CONTINUED

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

25. TECHNICAL ASSISTANCE FUND AND DIGITAL INITIATIVE FUND RESERVES

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

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

DIF was established by the Bank's Council on 30 June 2020. DIF objective is to assist the Bank's Member states in creating digital transformation tools and practices by integrating information resources and participating in the development and financing of projects, including those implemented under the EAEU 2025 Digital Agenda.

The Council of the Bank has decided to separate TAF and DIF reserves as individual parts of the equity of the Bank via transferring funds from retained earnings. After the Council of the Bank approves funding of specific TAF/DIF projects and programs, allocated sums are transferred from the equity reserve into liabilities (see Note 23).

The amount of resources available for the TAF and the DIF programs and allocated for specific projects/programs are set by the Council of the Bank on a regular basis. The unused part of the reserves is accumulated and could be used in future periods.

26. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while improving its performance through the optimisation of debt and equity.

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26. CAPITAL RISK MANAGEMENT, CONTINUED

The objective of the Bank's share capital is to cover potential losses from its operations. In accordance with the Bank's internal policies, the equity should exceed 16% of the sum of credit, market and operational risks, estimated as per the Basel II Standardized approach. As at 31 December 2020, 2019 and 2018, the Bank was in compliance with its internal policy requirements. The Bank is not a subject of local banking regulation in Member-states.

The capital structure of the Bank consists of equity attributable to Member-states, comprising share capital, reserves and retained earnings as disclosed in the statements of changes in equity.

The Assets and Liabilities Management Committee ("ALMC") reviews the capital structure on a monthly basis. As a part of this review, the ALMC considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the ALMC the Management Board of the Bank makes decisions over the issue of new debt or the redemption of existing debt. Changes in the share capital of the Bank are approved by the Council of the Bank.

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

27. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments. The Bank plans to fund these commitments primarily with debt securities issued.

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

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

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

27. COMMITMENTS AND CONTINGENCIES, CONTINUED

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

Capital commitments

As at 31 December 2020, 2019 and 2018, the Bank had no capital commitments.

Fiduciary activities

The Bank provides trust services to Eurasian Fund for Stabilisation and Development (the "Fund"), whereby it holds and manages assets or invests funds received in various financial instruments as a Manager of Fund.

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

The Bank is not answerable with its own property under obligations it has entered into on behalf of Fund Members within the scope of carrying out Fund operations, except in cases when by entering into such obligations the Bank has violated the provisions of Fund Documents.

Insurance

The insurance industry in Member states is in a developing state and many forms of insurance protection are not yet generally available. The Bank does not have full insurance coverage of the risks that may arise for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to the Bank's operations. The Bank bears a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigations

In the ordinary course of business, the Bank is subject to legal actions and complaints, however in accordance with the Agreement on Incorporation the Bank possesses immunity against any legal proceedings in the territories of the Member states, except in cases which do not result from its execution of its powers. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Bank.

28. TRANSACTIONS WITH RELATED PARTIES

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

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28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(a) Transactions with key management

The remuneration of key management personnel included in staff costs and other payments to employees (including accommodation cost of employees) (Note 10) was as follows:

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

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

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

(b) Transactions with other related parties

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

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

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28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

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

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

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28. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

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

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29. SEGMENT REPORTING

Segment performance

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

	Russia	Kazakhstan	Belarus	Other Member states	Non- member states	Total
Interest income	94,721	137,208	20,853	2,827	12,960	268,569
Interest expense	(53,542)	(90,295)	(25)	(9)	(54,324)	(198,195)
(Provision for)/recovery of expected credit losses on interest bearing assets	(7,989)	1,998	(11,308)	1,317	73	(15,909)
Net loss on investments in associates	(2,908)	-	-	-	-	(2,908)
Recovery of/(provision for) expected credit losses on contingent liabilities and other assets	213	-	(57)	-	-	156
Net (loss)/gain from modification and recognition of new financial instruments	(159)	352	-	-	-	193
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(5,984)	(29,932)	16	(28)	37,876	1,948
Net realised gain on financial assets at fair value through other comprehensive income	4,429	3	62	8	117	4,619
Net (loss)/gain on transactions in foreign currencies	(11,734)	(826)	(27)	(8)	20,896	8,301
Fee and commission income	10,537	598	191	-	33	11,359
Fee and commission expense	(546)	(87)	(5)	(9)	(396)	(1,043)
Net (loss)/gain on trading with debt securities issued	(308)	-	-	-	13	(295)
Other income	85	44	-	-	-	129
Net result from financial operations	26,815	19,063	9,700	4,098	17,248	76,924
Cash and cash equivalents	206,714	84,297	145	378	372,306	663,840
Financial assets at fair value through profit or loss	27,465	-	-	-	24,096	51,561
Loans and advances to financial institutions	78,501	24,474	42,108	40,392	-	185,475
Loans to customers	889,196	651,734	557,768	-	-	2,098,698
Financial assets at fair value through other comprehensive income	528,341	682,113	31,958	13,157	1,005,481	2,261,050
Debt securities at amortised cost	258,838	35,659	-	-	-	294,497
Investments in associates	17,236	24	-	-	-	17,260
Property, equipment and intangible assets	498	10,698	9	49	-	11,254
Other assets	9,039	2,027	498	293	4,183	16,040
Total assets	2,015,828	1,491,026	632,486	54,269	1,406,066	5,599,675
Total liabilities	743,561	1,088,259	769	11,800	1,873,148	3,717,537
Contingent liabilities and credit commitments, gross	593,671	476,190	324,858	64,474	-	1,459,193
Capital expenditure	215	455	-	7	-	677
Depreciation and amortisation	223	1231	5	22	-	1,481

Segment performance information is presented to the management of the Bank for decision making in the way it is disclosed above. The Bank believes that more detailed disclosure of segment information will not have significant impact on segment performance of the Bank.

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29. SEGMENT REPORTING, CONTINUED

Segment performance, continued

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

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

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

Segment performance, continued

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

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

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29. SEGMENT REPORTING, CONTINUED

Segment performance, continued

The Bank operates in the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus and other countries. In presenting geographical information the allocation of revenue is based on the geographical location of customers and assets. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The functions of the CODM are performed by the Management Board of the Bank.

External operating income, assets, liabilities and capital expenditure have generally been allocated based on the domicile of the counterparty. Tangible assets (cash on hand, premises and equipment) have been allocated based on the country in which they are physically held.

There are no intersegment revenues. Information on major customers is disclosed in Note 15.

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

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

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

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determining fair values

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

The table below analyses financial instruments measured at fair value at 31 December 2020, 2019 and 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

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

(b) Valuation of financial instruments, continued

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

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

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

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

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

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

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

EURASIAN DEVELOPMENT BANK

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

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

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instrument, continued

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

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

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

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

(i) The Council

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

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

(ii) The Management Board

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

- development and realization of Bank's activity programme, including Investment activity, aimed at achieving strategic goals of the Bank;
- approving risk management rules and regulations of the Bank, including interaction guidelines for different departments of the Bank;
- approving the Bank's investment projects within its limits in accordance with the Investment regulations;
- approving the Bank's investment projects within its limits in accordance with the internal and financial ratios regulations; and
- creation of collective bodies/committees of the Bank and approving their capabilities.

31. RISK MANAGEMENT, CONTINUED**(a) Risk management organisational structure, continued*****(iii) Assets and Liabilities Management Committee***

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

(iv) Credit Committee

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

(v) Investment activity Committee

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

(vi) Credit and risk management department

The credit and risk management department is responsible for:

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

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

(vii) Assets and liabilities management division

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

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk

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

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

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

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

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

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

(i) Credit risk in the investment project financing

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

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

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

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

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

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

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

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

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

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

(ii) Credit risk in the treasury portfolio

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

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

31. RISK MANAGEMENT, CONTINUED

(b) Credit risk, continued

(iii) Assets allocation in portfolios

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

- Assets in the treasury portfolio are intended to protect the share capital of the Bank from the influence of risk factors, and also to maintain a sufficient level of liquidity. Assets in treasury portfolio are managed in accordance with the Investment declaration, the Market and treasury risks management rules and internal guidelines regulation, which set forth strategy, structure and principles for the treasury portfolio. These assets are managed by the Treasury department, overviewed and controlled by the Assets and Liabilities Management Committee. The credit and risk management department supervises compliance with investment limits.
- Assets in the investment portfolio pursue the strategic objectives of the Bank of development of the market economy and integration in its Member states. These assets must conform with the Investment regulations, which set out the main principles that guide the Bank when considering investment projects. Origination and acquisition of these assets must be approved by the Credit Committee, the Management Board and, in certain cases, the Council of the Bank.

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

EURASIAN DEVELOPMENT BANK

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

(b) Credit risk, continued

(iii) Assets allocation in portfolios, continued

Information regarding each portfolio is included below:

	Current investment portfolio	Treasury Portfolio	Unallocated*	31 December 2020 Total
Cash and cash equivalents	-	663,840	-	663,840
Financial assets at fair value through profit or loss	4,818	46,743	-	51,561
Loans and advances to financial institutions	186,329	-	(854)	185,475
Loans to customers	2,171,589	-	(72,891)	2,098,698
Financial assets at fair value through other comprehensive income	603,532	1,629,142	28,376	2,261,050
Debt securities at amortised cost	-	294,497	-	294,497
Investments in associates	17,260	-	-	17,260
Property, equipment and intangible assets	-	-	11,254	11,254
Other assets	-	-	16,040	16,040
Total assets	2,983,528	2,634,222	(18,075)	5,599,675
Total liabilities	-	925,964	2,791,573	3,717,537
Contingent liabilities and credit commitments, gross	1,437,072	-	22,121	1,459,193
Total current investment portfolio	4,420,600			

*According to the internal policies, the Bank allocates balance of current investment portfolio based on the nominal values, excluding allowances for impairment losses, accrued interest and unamortised premiums and discounts.

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

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

(b) Credit risk, continued

(iii) Assets allocation in portfolios, continued

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

(iv) Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position, or
- are subject to an enforceable master arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative agreements and global master repurchase agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Bank's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association ("ISDA") Master Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In the event of an early termination due to a termination event and/or, an event of default, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement transactions.

The Bank's similar financial instruments are covered by global master repurchase agreements with netting terms similar to those of ISDA Master Agreements.

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

(b) Credit risk, continued

(iv) Offsetting financial assets and financial liabilities, continued

The above ISDA and similar master arrangements do not meet the offsetting criteria in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020:

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Net and gross amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amount
			Financial instruments/collateral received	
Derivative assets	24,109	24,109	-	24,109
Loans under reverse repurchase agreements	150,024	150,024	(150,024)	-
Total financial assets	174,133	174,133	(150,024)	24,109
Derivatives liabilities	(5,001)	(5,001)	-	(5,001)
Loans under repurchase agreements	(762,905)	(762,905)	762,905	-
Total financial liabilities	(767,906)	(767,906)	762,905	(5,001)

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

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Net and gross amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amount
			Financial instruments/collateral received	
Derivative assets	3,450	3,450	-	3,450
Loans under reverse repurchase agreements	256,383	256,383	(256,383)	-
Total financial assets	259,833	259,833	(256,383)	3,450
Derivatives liabilities	(26,955)	(26,955)	-	(26,955)
Hedging instruments	(1,616)	(1,616)	-	(1,616)
Loans under repurchase agreements	(242,150)	(242,150)	242,150	-
Total financial liabilities	(270,721)	(270,721)	242,150	(28,571)

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

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

(b) Credit risk, continued

(iv) Offsetting financial assets and financial liabilities, continued

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

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Net and gross amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position Financial instruments/collateral received	Net amount
Derivative assets	291	291	-	291
Hedging instruments	86	86	-	86
Loans under reverse repurchase agreements	436,929	436,929	(436,929)	-
Total financial assets	437,306	437,306	(436,929)	377
Derivatives liabilities	(3,329)	(3,329)	-	(3,329)
Hedging instruments	(521)	(521)	-	(521)
Loans under repurchase agreements	(65,122)	(65,122)	65,122	-
Total financial liabilities	(68,972)	(68,972)	65,122	(3,850)

(v) Maximum exposure

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

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

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

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

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

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

(b) Credit risk, continued

(v) *Maximum exposure, continued*

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

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

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

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

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

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

31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk

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

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

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

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

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

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

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31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

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

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

* For the purpose of liquidity calculations the maturity of debt securities issued is taken according to next put option dates (if any).

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31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

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

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31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

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

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31. RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	649,201	15,014	-	-	-	664,215
Financial assets at fair value through profit or loss	393	27,452	-	23,716	-	51,561
Loans and advances to financial institutions	4,553	15,076	100,524	83,607	-	203,760
Loans to customers	107,580	245,032	290,750	1,588,751	522,768	2,754,881
Financial assets at fair value through other comprehensive income	316,298	626,754	137,840	849,936	670,438	2,601,266
Debt securities at amortised cost	10,917	233	11,834	165,182	130,198	318,364
Other financial assets	-	-	9,098	-	-	9,098
Total financial assets	1,088,942	929,561	550,046	2,711,192	1,323,404	6,603,145
FINANCIAL LIABILITIES:						
Loans and deposits from banks	173,843	104,689	28,479	1,160,135	229,836	1,696,982
Financial liabilities at fair value through profit or loss	3,800	1,201	-	-	-	5,001
Deposits from customers	197,126	11,591	128,038	68,153	4,540	409,448
Debt securities issued	7,163	86,488	433,279	1,398,606	-	1,925,536
Other financial liabilities	120	499	4,956	2,032	-	7,607
Total financial liabilities	382,052	204,468	594,752	2,628,926	234,376	4,044,574
Net position	706,890	725,093	(44,706)	82,266	1,089,028	2,558,571
Contingent liabilities and credit commitments, gross	33,923	46,802	152,735	1,173,967	51,766	1,459,193

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

(c) Liquidity risk, continued

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

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

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

(d) Market risk

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

Interest rate sensitivity

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

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

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

The following table details the Bank's sensitivity to a 3% increase and decrease in the interest rates in 2020, 2019 and 2018. This is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. The sensitivity analysis includes only outstanding financial assets and liabilities with variable interest rates.

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31. RISK MANAGEMENT, CONTINUED

(e) Market risk, continued

Interest rate sensitivity, continued

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

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

An analysis of sensitivity of equity as a result of changes in the financial assets at fair value through other comprehensive income due to changes in the interest rates based on positions existing as at 31 December 2020, 2019 and 2018, and a simplified scenario of a 300 bp symmetrical fall or rise in all yield curves is as follows:

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

(f) Currency risk

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

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

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

31. RISK MANAGEMENT, CONTINUED

(f) Currency risk, continued

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

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

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

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

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31. RISK MANAGEMENT, CONTINUED

(f) Currency risk, continued

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

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

(f) Currency risk, continued

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

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31. RISK MANAGEMENT, CONTINUED

(f) Currency risk, continued

(i) Derivative financial instruments and spot contracts

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

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

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

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

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

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

(f) Currency risk, continued

(i) Derivative financial instruments and spot contracts, continued

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

(ii) Currency risk sensitivity

The following table details the Bank's sensitivity to a 15% increase and decrease in the US Dollar/Russian rouble and US Dollar/Kazakhstani tenge exchange rates as at 31 December 2020, 2019 and 2018, respectively and a 10% increase and decrease in the US Dollar/Euro exchange rate. These sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for respective changes in currency rates as at 31 December 2020, 2019 and 2018.

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

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

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

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

31. RISK MANAGEMENT, CONTINUED

Limitations of sensitivity analysis

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

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

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

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

(g) Presentation of Financial Instruments by Measurement Category

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

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

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

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

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

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

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

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

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2018:

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

As at 31 December 2020, 2019 and 2018, all of the Bank's financial liabilities, except for derivatives and hedge instruments carried at fair value through profit or loss, were carried at amortised cost.

EURASIAN DEVELOPMENT BANK

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

31. RISK MANAGEMENT, CONTINUED

(h) Financial ratios

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

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

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

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

32. EVENTS AFTER THE REPORTING PERIOD

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

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