

**EURASIAN FUND FOR  
STABILIZATION  
AND DEVELOPMENT**

Financial Statements and  
Independent Auditor's Report  
For the Year ended 31 December 2021

# EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

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Deloitte LLP  
36 Al Farabi Avenue  
Almaty, 050059  
Republic of Kazakhstan

Tel.: +7 (727) 258 13 40  
Fax: +7 (727) 258 13 41  
deloitte.kz

## INDEPENDENT AUDITOR'S REPORT

To the Representatives of the Member-states of the Eurasian Fund for Stabilization and Development

### Opinion

We have audited the financial statements of Eurasian Fund for Stabilization and Development (the "Fund"), which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to the Member-states of the Fund and statement of cash flows for the year 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 Fund as at 31 December 2021, and its financial performance and its cash flows for the year 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 Fund 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 the Republic of 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.

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## **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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

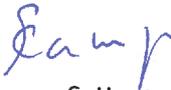
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 skepticism 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 Fund'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 Fund’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 Fund 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.

  
 Roman Sattarov  
 Engagement Partner  
 Qualified auditor  
 of the Republic of Kazakhstan  
 Qualification certificate  
 No.MF-0000149  
 dated 31 May 2013



  
 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

28 March 2022  
 Almaty, Kazakhstan

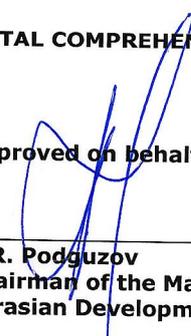
# EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars)

	Note	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Interest income calculated using the effective interest method	4	94,558	102,643	130,505
<b>Net interest income</b>		<b>94,558</b>	<b>102,643</b>	<b>130,505</b>
Net realised gain on financial assets at fair value through other comprehensive income		9	-	-
Net loss on transactions in foreign currencies		-	(1)	-
Fee and commission income		43	409	1,336
Fee and commission expense		(60)	(59)	(57)
Other income		(1)	-	62
<b>Operating income before provision for expected credit losses</b>		<b>94,549</b>	<b>102,992</b>	<b>131,846</b>
Recovery of/(provision for) expected credit losses on interest bearing assets	5	4,670	(3,676)	10,972
<b>Net operating income</b>		<b>99,219</b>	<b>99,316</b>	<b>142,818</b>
Operating expenses		(10,520)	(8,107)	(7,312)
<b>NET PROFIT</b>		<b>88,699</b>	<b>91,209</b>	<b>135,506</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME:</b>				
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Net unrealised (loss)/ gain on revaluation of financial assets at fair value through other comprehensive income		(95)	(85)	44
Net realised gain on financial assets at fair value through other comprehensive income transferred to profit or loss		(9)	-	-
<b>Total items that are or may be reclassified subsequently to profit or loss</b>		<b>(104)</b>	<b>(85)</b>	<b>44</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		<b>(104)</b>	<b>(85)</b>	<b>44</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>88,595</b>	<b>91,124</b>	<b>135,550</b>

Approved on behalf of the Asset Manager of the Fund, as appointed by the Member-states of the Fund:

  
N.R. Podguzov  
Chairman of the Management Board  
Eurasian Development Bank

28 March 2022  
Almaty, Kazakhstan



  
B.K. Mukhambetzhonov  
Deputy Chairman of the Management Board  
Eurasian Development Bank

28 March 2022  
Almaty, Kazakhstan

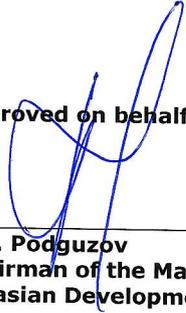
# EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(in thousands of US dollars)

	Note	31 December 2021	31 December 2020	31 December 2019
<b>ASSETS</b>				
Cash and cash equivalents	6	371,122	300,103	143,595
Loans to Member-states	7	2,609,125	2,892,318	2,703,762
Financial assets at fair value through other comprehensive income	8	1,102,965	726,068	982,722
Other assets		4,360	851	322
<b>TOTAL ASSETS</b>		<b>4,087,572</b>	<b>3,919,340</b>	<b>3,830,401</b>
<b>LIABILITIES</b>				
Payables to Eurasian Development Bank		6,309	3,508	8,749
Amounts of donators	9	80,000	3,000	-
Other liabilities		2,636	2,800	2,744
<b>Total liabilities</b>		<b>88,945</b>	<b>9,308</b>	<b>11,493</b>
<b>NET ASSETS ATTRIBUTABLE TO THE MEMBER-STATES OF THE FUND</b>		<b>3,998,627</b>	<b>3,910,032</b>	<b>3,818,908</b>
<b>Net assets attributable to the Member-states of the Fund represented by:</b>				
Contributions by the Member-states of the Fund paid in cash	10	3,058,985	3,058,985	3,058,985
Revaluation reserve for financial assets at fair value through other comprehensive income		(88)	16	101
Increase in net assets attributable to the Member-states of the Fund		939,730	851,031	759,822
		<b>3,998,627</b>	<b>3,910,032</b>	<b>3,818,908</b>

Approved on behalf of the Asset Manager of the Fund, as appointed by the Member-states of the Fund:

  
N.R. Podguzov  
Chairman of the Management Board  
Eurasian Development Bank

28 March 2022  
Almaty, Kazakhstan



  
B.K. Mukhambetzhonov  
Deputy Chairman of the Management Board  
Eurasian Development Bank

28 March 2022  
Almaty, Kazakhstan

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE MEMBER-STATES OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of US dollars)

	Contributions by the Member- states of the Fund paid in cash	Revaluation reserve for financial assets at fair value through other comprehensive income	Change in net assets attributable to the Member-states of the Fund	Total
<b>Balance at 31 December 2018</b>	<b>3,058,985</b>	<b>57</b>	<b>624,316</b>	<b>3,683,358</b>
Net profit	-	-	135,506	135,506
Other comprehensive income	-	44	-	44
<b>Total comprehensive income</b>	<b>-</b>	<b>44</b>	<b>135,506</b>	<b>135,550</b>
<b>Balance at 31 December 2019</b>	<b>3,058,985</b>	<b>101</b>	<b>759,822</b>	<b>3,818,908</b>
Net profit	-	-	91,209	91,209
Other comprehensive loss	-	(85)	-	(85)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>(85)</b>	<b>91,209</b>	<b>91,124</b>
<b>Balance at 31 December 2020</b>	<b>3,058,985</b>	<b>16</b>	<b>851,031</b>	<b>3,910,032</b>
Net profit	-	-	88,699	88,699
Other comprehensive loss	-	(104)	-	(104)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>(104)</b>	<b>88,699</b>	<b>88,595</b>
<b>Balance at 31 December 2021</b>	<b>3,058,985</b>	<b>(88)</b>	<b>939,730</b>	<b>3,998,627</b>

Approved on behalf of the Asset Manager of the Fund, as appointed by the Member-states of the Fund:

  
N.R. Podguzov  
Chairman of the Management Board  
Eurasian Development Bank

28 March 2022  
Almaty, Kazakhstan



  
B.K. Mukhambetzhonov  
Deputy Chairman of the Management Board  
Eurasian Development Bank

28 March 2022  
Almaty, Kazakhstan

# EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021 (in thousands of US dollars)

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received on loans to Member-states	92,557	93,810	112,555
Interest received on financial assets at fair value through other comprehensive income	379	-	-
Interest received on cash and cash equivalents	248	478	1,729
Fee and commission received	47	540	1,178
Fee and commission paid	(64)	(61)	(52)
Operating expenses paid	(8,267)	(13,348)	-
<b>Cash inflow from operating activities before changes in operating assets and liabilities</b>	<b>84,900</b>	<b>81,419</b>	<b>115,410</b>
<b>Changes in operating assets and liabilities</b>			
Decrease/(increase) in loans to Member-states	288,220	(190,283)	350,295
Decrease/(increase) in other assets	(3,014)	(660)	-
Increase in other liabilities	57	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>370,163</b>	<b>(109,524)</b>	<b>465,705</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale and redemption of financial assets at fair value through other comprehensive income	3,001,184	7,587,597	7,866,400
Purchase of financial assets at fair value through other comprehensive income	(3,377,328)	(7,324,565)	(8,324,149)
Donations received	77,000	3,000	-
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(299,144)</b>	<b>266,032</b>	<b>(457,749)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>71,019</b>	<b>156,508</b>	<b>7,956</b>
CASH AND CASH EQUIVALENTS, at beginning of the year	300,103	143,595	135,639
<b>CASH AND CASH EQUIVALENTS, at end of the year (Note 6)</b>	<b>371,122</b>	<b>300,103</b>	<b>143,595</b>

Approved on behalf of the Asset Manager of the Fund, as appointed by the Member-states of the Fund:

  
N.R. Podguzov  
Chairman of the Management Board  
Eurasian Development Bank

28 March 2022  
Almaty, Kazakhstan



  
B.K. Mukhambetzhano  
Deputy Chairman of the Management Board  
Eurasian Development Bank

28 March 2022  
Almaty, Kazakhstan

# EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *(in thousands of US dollars)*

### 1. BACKGROUND

#### (a) Principal activities

The Eurasian Fund for Stabilization and Development (formerly "Anti-Crisis Fund of the Eurasian Economic Community", hereinafter - "the Fund") was established by the Member-states of the Fund: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan in accordance with a Treaty of Establishment of the Anti-crisis Fund of the Eurasian Economic Community signed in Moscow on 9 June 2009.

The Fund's main goals are to assist Member-states in overcoming the consequences of the global financial crisis, to ensure their long-run economic stability and to foster economic integration. The Fund's main instrument is financial credits. Also the Fund provides investment loans to support state and interstate investment projects and Grants to support state and interstate projects in social spheres.

The Fund's activities are not subject to the national legislations of the Member-states of the Fund (hereinafter - "the Member-states"). The Fund's activities are under regulation of international agreements and decisions of governing bodies and applicable regulations and decisions of Asset Manager of the Fund.

The Fund's net assets are attributable to the Member-states.

The Member-states of the Fund have appointed Eurasian Development Bank ("the Bank") as an Asset Manager of the Fund (hereinafter - "the Asset Manager of the Fund" or "the Asset Manager"). The Asset Manager's function is performed by the Bank under the Agreement on asset management of the Fund between Member-states and the Bank which was signed in Moscow on 9 June 2009. The Bank undertakes the Asset Manager's function for the Fund and manages the Fund's assets according to terms and conditions stipulated by this Agreement.

As at 31 December 2021, 2020 and 2019, the breakdown of the contributions by the Member-states paid in cash of the Fund is distributed as follows:

	%	<b>Contributions by the Member- states paid in cash</b>
The Russian Federation	83.62	2,558,000
The Republic of Kazakhstan	16.24	496,785
The Republic of Belarus	0.07	2,000
The Republic of Armenia	0.03	1,000
The Republic of Tajikistan	0.03	1,000
The Kyrgyz Republic	0.01	200
<b>Total</b>	<b>100.00</b>	<b>3,058,985</b>

# EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

### 1. BACKGROUND, CONTINUED

#### (a) Principal activities, continued

According to the Treaty of Establishment of the Fund, Member-states provided ordinary, irreversible and non-interest bills for committed contributions to be paid in cash. As at 31 December 2021, 2020 and 2019 these amounts are as follows:

	<b>Contributions committed</b>
The Russian Federation	4,942,000
The Republic of Kazakhstan	503,215
The Republic of Belarus	8,000
The Kyrgyz Republic	800
The Republic of Tajikistan	-
The Republic of Armenia	-
<b>Total</b>	<b>5,454,015</b>

These financial statements were authorised for issue on 28 March 2022 by the Asset Manager of the Fund, as appointed by the Member-states.

#### (b) Business environment

The Fund's operations are located in the Member states. Consequently, the Fund 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 and Republic of Belarus by particular countries and the introduction of responsive sanctions against particular countries by the Russian Federation and Republic of Belarus, creates risks for operations conducted by the Fund. The financial statements reflect management's assessment of the impact of the Member states' business environment on the operations and financial position of the Fund. The future business environment may differ from management's assessment.

Member states has successfully adapted to pandemic conditions. Economic activity in the Fund's region of operations has returned to pre-pandemic level, and the aggregate annual growth of Member states GDP is projected to reach 4.6% as per Bank's expectations. Economic recovery of Member states in 2021 was supported by easing of fiscal and monetary policies since 2020, adaptation of population and businesses to pandemic conditions, growth of world demand and rise in prices for key export goods. During 2021 the economic recovery was uneven among Member states, as GDP's of the Republic of Belarus, of the Republic of Kazakhstan, of the Russian Federation and of the Republic of Tajikistan has exceeded pre-pandemic levels and GDP's of the Republic of Armenia and of the Kyrgyz Republic are still below than pre-pandemic levels.

# EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

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### 1. BACKGROUND, CONTINUED

#### **(b) Business environment, continued**

The rapid growth of prices on energy and raw materials, increased delivery time, structured changes in labor market led to increase of global consumer inflation. This problem has also affected Member states as inflation in the Fund's region of operation, as per Bank's assessment, has grown to 8.5% from 5.6% on an annual comparison. The target levels of consumer price indices were exceeded in all Member states except for the Republic of Tajikistan, where it just held at the top of target level.

In 2021 central/national banks of Member states have increased key policy rates to slow down inflation as part of their monetary policies. The Central Bank of the Russian Federation has increased its key rate from 4.25% as of end of 2020 to 8.50% as of end of 2021. During the same period, the National Bank of the Republic of Kazakhstan has increased base rate for tenge from 9.00% to 9.75% for the same period. Growth of prices on commodities and increase of key policy rates in Member states has supported exchange rates of their national currencies. As at the end of 2021 the exchange rate of Russian ruble was 74.3 rubles per US dollar compared to 73.9 rubles per US dollar as at the end of 2020. Respective exchange rates of Kazakhstani tenge were 431.7 and 420.7 tenge per US dollar.

Sanctions against the Russian Federation will have a negative impact on the economies and the population of all countries which receive loans from the Fund. Expected reduction in customers' income and investments, decrease in external demand and limitations in international trade may significantly slow down the economic activity or even lead to recession. Low economic activity and devaluation of local currencies may result in deterioration of budget and debt sustainability, and further lead to budget gap and balance of payments' gap in 2022-2024. At the same time, it is expected that high levels of inflation and devaluation will retain and require further tightening of monetary policy and use of reserve assets to maintain stability of national currencies of countries-borrowers of the Fund. Moreover, sanctions against the Republic of Belarus will have an additional negative impact for its economy and for budget and debt sustainability of the country.

In order to analyse and project the economic situation in Member states, the Fund uses an integrated model system comprising interrelated models of six states and the external sector. The tool allows the Fund to come up with consistent sets of forecasts of key macroeconomic indicators (GDP, inflation rate, foreign currency exchange rate, interest rate, budget deficit, money transfers) with projections being made on a quarterly basis.

The Fund plans to further refine macroeconomic forecasts and update models to assess the macroeconomic effect on financial results of the Fund.

## **EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED**

*(in thousands of US dollars)*

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## **2. BASIS OF PREPARATION**

### **(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 of financial instruments categorised at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below.

### **(c) Functional and presentation currency**

Contributions by the Member-states could be done in US dollars and/or Euro.

The functional currency of the Fund is the US dollar as contributions by the Member-states were made in US dollars, and most of operations of the Fund are conducted in US dollars.

The US dollar is also the presentation currency for the purposes of these financial statements.

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 IFRS requires management to make judgments, 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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in Note 7 "Loans to Member-states".

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

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#### 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 Asset Manager of the Fund during preparation of the financial statements.

##### (a) 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. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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, (ii) level two measurements are valuations techniques with all material inputs observable for the asset, 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.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### (a) 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 for financial assets at fair value through other comprehensive income, resulting in an immediate accounting loss.

##### (iii) *Financial assets – classification and subsequent measurement – measurement categories*

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

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### (a) Financial instruments, continued

##### ***(iv) Financial assets – classification and subsequent measurement – business model***

The business model reflects how the assets are managed in order to generate cash flows – whether the 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.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that were undertaken to achieve the objective set out for the portfolio available at the date of the assessment.

##### ***(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 Asset Manager of the Fund 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 Asset Manager of the Fund 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. There were no changes its business model during the current and comparative period and no reclassifications.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### (a) Financial instruments, continued

##### *(vii) Financial assets impairment – credit loss allowance for expected credit loss*

The Asset Manager of the Fund assesses, on a forward-looking basis, the expected credit loss for financial assets measured at amortised cost and fair value through other comprehensive income and for the exposures arising from loan commitments and financial guarantee contracts. The Asset Manager of the Fund 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 provisions for expected credit loss. For financial guarantees issued, 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 no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the provision for expected credit losses is included as part of the revaluation amount in the revaluation reserve in equity.

The Asset Manager of the Fund 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 Asset Manager of the Fund 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 Asset Manager of the Fund 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 all practical recovery efforts were exhausted and it was concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Asset Manager of the Fund may write-off financial assets that are still subject to enforcement activity when the Asset Manager of the Fund seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### (a) Financial instruments, continued

##### **(ix) Financial assets – derecognition**

The Asset Manager of the Fund derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the rights to the cash flows from the financial assets has been transferred or the Asset Manager of the Fund has 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.

##### **(x) Financial liabilities – measurement categories**

Financial liabilities are classified as subsequently measured at amortised cost.

##### **(xi) Financial liabilities – derecognition**

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

##### **(xii) 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) held with other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value.

*Loans to Member-states* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Based on the business model and the cash flow characteristics, the Asset Manager of the Fund classifies loans to Member-states at amortised cost: loans that are held for collection of contractual cash flows. Loans to Member-states are subsequently measured at amortised cost using the effective interest method and are carried net of expected credit losses. The Assets Manager of the Fund believes the interest rates on loans to member states are at fair value, as they constitute a separate market.

*Financial assets at fair value through other comprehensive income* 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 financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

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#### **3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **(b) Credit related commitments**

In the normal course of business, the Fund has credit related commitments, comprised of undrawn loan commitments. These commitments represent the Fund'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.

##### **(c) Contributions by the Member-states**

Contributions by the Member-states paid in cash are recognised at cost and upon the confirmation of contribution transfer to the bank accounts specified in the Fund's bylaws.

Contributions in the form of ordinary, irreversible and non-interest bills are accounted as contingent assets of the Fund, these bills can be paid as the need required only by the decision of the Council of the Fund. The decisions of the Council of the Fund are made by simple majority of votes. At least 90% of members of the Fund have to be presented at voting process. When the Council of the Fund takes decision to request a payment of ordinary, irreversible and non-interest bills, contributions paid in cash will be recognised in the statement of financial position of the Fund.

The Council of the Fund reviews the capital structure on a regular basis. As a part of this review, the Council of the Fund approves additional contributions by the Member-states, and terms and conditions of contributions by new members.

##### **(d) Donations to the Fund**

Donations to the Fund can be received from any interested state, international or any other organisation on non-repayable and free of charge basis upon decision of the Council of the Fund, for purposes of the Fund's business. Donor does not become a member of the Fund. Donations received are accounted as liabilities of the Fund, and settled when the Fund meets obligations under donation agreements.

##### **(e) 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 relating to the creation or acquisition of a financial asset. Commitment fees received are integral to the effective interest rate if it is probable that the Fund will enter into a specific lending arrangement. The Asset Manager of the Fund 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 rate is credit-adjusted.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### (e) 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.

##### (f) Critical Accounting Estimates, and Judgements in Applying Accounting Policies

###### *Valuation of expected credit losses*

In accordance with the requirements of IFRS 9, the Asset Manager of the Fund 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, or credit-impaired financial assets at initial recognition.

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:

<b>Change in credit quality since initial recognition</b>		
<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
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, but not credit-impaired and for which lifetime expected credit losses are calculated;
- (3) Stage 3 - financial assets with one or more events of credit-impairment from the date of initial recognition and for which lifetime expected credit losses are calculated.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

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#### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### (f) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued

In order to provision and recognise expected credit losses the Asset Manager of the Fund assesses changes in credit risk during the lifetime of financial instruments on individual basis through monitoring factors that lead to significant increase in credit risk and/or events that may cause credit impairment from the date of 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 Member states, in particular, based on observed data on one or more of the following events:

- payments overdue more than 90 days;
- concessions to the borrower;
- actual or expected downgrade of external credit rating of the borrower to credit rating equal to Moody's «Caa3» since the initial recognition;
- default/cross-default;
- other facts of credit impairment.

The confirmation of the Stage 3 of credit impairment of financial assets such as cash equivalents and financial assets measured at fair value through other comprehensive income, 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, RD or 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 Asset Manager of the Fund classifies of financial assets such as cash equivalents and financial assets measured at fair value through other comprehensive income 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;
- 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.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED *(in thousands of US dollars)*

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#### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### (f) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued

###### *Valuation of expected credit losses, continued*

The Asset Manager of the Fund applies the "low credit risk" exception for cash and cash equivalents and financial assets measured at fair value through other comprehensive income with credit rating equal or above BBB-/Baa3/BBB- assigned by Fitch Ratings \ Moody's Investors Service \ S&P Global Ratings 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.

The Asset Manager of the Fund doesn't make a sensitivity analysis of possible effects on ECL due to the specifics of Fund's operations.

###### *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.

###### *Calculation of expected credit losses*

As the source of assessment the Asset Manager of the Fund uses an external credit rating of the borrower/issuer/counterparty. To estimate expected credit loss the Asset Manager of the Fund multiplies its exposure by probability of default and loss given default (an opposite of recovery rate). Values of default and recovery rate are according to data of Moody's Investors Service.

##### (g) New and revised IFRS, amendments and interpretations effective from 1 January 2021

In 2021, the Asset Manager of the Fund 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 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform (Phase 2)*;
- Amendments to IFRS 16 *Covid-19-Related Rent Concessions*;

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED *(in thousands of US dollars)*

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#### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### **(g) New and revised IFRS, amendments and interpretations effective from 1 January 2021, continued**

##### ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (Phase 2)***

The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

Due to the phasing out of LIBOR the Asset Manager of the Fund has assembled a committee consisted of personnel from business-process departments. This committee is tasked with the purpose of fluid transition to other risk-free international rates and with reviewing financial instruments of the Fund that have LIBOR-based interest rates and maturity beyond 30 June 2023.

During 2021 this committee has reviewed financial instruments of the Fund and has setup a plan of transition from LIBOR to other risk-free international rates. A changes into typical financial agreements has been introduced basing on recommendations of Loan Markets Association (LMA) and International Swaps and Derivatives Association (ISDA). Also a process of implementation of Secured Overnight Financing Rate (SOFR) into the Asset Manager's accounting system.

Committee will continue its work in 2022, and the Asset Manager expects that in the second half of 2022 transition from LIBOR would be finished.

##### **(h) New and revised IFRS in issue, but not yet effective**

At the date of authorisation of these financial statements, the Asset Manager has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17;
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles);
- Amendments to IAS 8 "Definition of Accounting Estimates";
- Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies".

The Asset Manager of the Fund does not expect that the application of these standards will have a significant impact on the financial statements of the Fund in the future.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### (h) New and revised IFRS in issue, but not yet effective, continued

###### ***Annual Improvements to IFRS 2018-2021 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 onerous.
- 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".
- Amendments to IAS 12 "Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction".
- Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments become effective starting from 1 January 2022 or 1 January 2023, early adoption is permitted.

The Asset Manager of the Fund does not expect that the application of these amendments will have an impact on the Fund's financial statements in future periods should such transactions occur.

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED**

*(in thousands of US dollars)*

**4. INTEREST INCOME**

	<u>Year ended 31 December 2021</u>	<u>Year ended 31 December 2020</u>	<u>Year ended 31 December 2019</u>
<b>Interest income calculated using the effective interest method</b>			
Interest income on financial assets measured at amortised cost:			
loans to Member-states	93,081	95,693	112,494
cash and cash equivalents	248	487	1,731
<b>Total interest income on financial assets recorded at amortised cost</b>	<u><b>93,329</b></u>	<u><b>96,180</b></u>	<u><b>114,225</b></u>
Interest income on financial assets measured at fair value:			
financial assets at fair value through other comprehensive income	1,229	6,463	16,280
<b>Total interest income on financial assets recorded at fair value</b>	<u><b>1,229</b></u>	<u><b>6,463</b></u>	<u><b>16,280</b></u>
<b>Total interest income calculated using the effective interest method</b>	<u><u><b>94,558</b></u></u>	<u><u><b>102,643</b></u></u>	<u><u><b>130,505</b></u></u>

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

The movements in provisions for expected credit losses on loans to Member-states were as follows:

	<u>Year ended 31 December 2021</u>	<u>Year ended 31 December 2020</u>	<u>Year ended 31 December 2019</u>
Beginning of the year	(44,381)	(40,714)	(51,690)
Net recovery/(charge)	4,660	(3,667)	10,976
<b>End of the year</b>	<u><u><b>(39,721)</b></u></u>	<u><u><b>(44,381)</b></u></u>	<u><u><b>(40,714)</b></u></u>

The primary reason for recovery of expected credit losses in 2021 was the net redemption of the loans to Member-states by 288,220 thousand US dollars.

The primary reason for charge for expected credit losses in 2020 was the net issuance of the loans to Member-states by 190,283 thousand US dollars.

The primary reason for recovery of expected credit losses in 2019 was the net redemption of the loans to Member-states by 350,295 thousand US dollars.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED *(in thousands of US dollars)*

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

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

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Beginning of the year	(12)	(3)	(1)
Net recovery/(charge)	12	(9)	(2)
<b>End of the year</b>	<b>-</b>	<b>(12)</b>	<b>(3)</b>

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

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Beginning of the year	(2)	(2)	-
Net charge	(2)	-	(2)
<b>End of the year</b>	<b>(4)</b>	<b>(2)</b>	<b>(2)</b>

#### 6. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020	31 December 2019
Short-term deposits in banks			
with credit ratings A+, A, A-	116,001	50,000	47,802
with credit ratings BBB+, BBB, BBB-	84,000	99,000	95,000
Correspondent accounts in banks			
with credit ratings A+, A, A-	112,168	149,984	353
Correspondent accounts in banks on broker operations			
with credit ratings AA+, AA, AA-	50,370	254	140
Overnight loan			
with credit ratings A+, A, A-	8,583	877	303
	<b>371,122</b>	<b>300,115</b>	<b>143,598</b>
Less expected credit loss provisions	-	(12)	(3)
<b>Total cash and cash equivalents</b>	<b>371,122</b>	<b>300,103</b>	<b>143,595</b>

As at 31 December 2021, 2020 and 2019, short-term deposits in banks with credit ratings from BBB+ to BBB- were placed with the Russian Federation state banks.

As at 31 December 2021, 2020 and 2019, 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 2021, 2020 and 2019.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

#### 6. CASH AND CASH EQUIVALENTS, CONTINUED

There were no material non-cash transactions to disclose within the statement of cash flows.

As at 31 December 2021, cash and cash equivalents include accrued interest in the amount of 1 thousand US dollars (31 December 2020: 1 thousand US dollars; 31 December 2019: 2 thousand US dollars).

#### 7. LOANS TO MEMBER-STATES

	<b>31 December 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Loan to the Republic of Belarus, dated 25 March 2016	1,638,465	1,776,591	1,800,406
Loan to the Republic of Belarus, dated 12 October 2020	502,153	501,908	-
Loan to the Republic of Armenia, dated 4 November 2015	300,823	300,823	300,823
Loan to the Republic of Tajikistan, dated 21 September 2020	50,122	50,021	-
Loan to the Republic of Tajikistan, dated 24 July 2010	42,151	46,834	51,517
Loan to the Kyrgyz Republic, dated 20 March 2014	29,983	14,243	14,261
Loan to the Kyrgyz Republic, dated 31 July 2015	24,047	11,879	8,200
Loan to the Republic of Armenia, dated 16 October 2015	23,135	15,955	9,447
Loan to the Republic of Tajikistan, dated 15 August 2016	18,782	20,077	20,077
Loan to the Kyrgyz Republic, dated 20 March 2014	14,230	17,090	9,355
Loan to the Republic of Tajikistan, dated 4 July 2019	4,098	3,782	-
Loan to the Republic of Armenia, dated 14 April 2015	857	923	649
Loan to the Republic of Belarus, dated 9 June 2011	-	176,573	529,741
	<b>2,648,846</b>	<b>2,936,699</b>	<b>2,744,476</b>
Less expected credit loss provisions	(39,721)	(44,381)	(40,714)
<b>Total loans to Member-states</b>	<b>2,609,125</b>	<b>2,892,318</b>	<b>2,703,762</b>

As at 31 December 2021, 2020 and 2019 the Member-states, that borrowed funds from the Fund, had credit ratings by international rating agencies within B+ to B- range.

In 2016, an Agreement was signed to provide a financial loan to the Republic of Belarus to support the government's program to stabilize the economy and structural reforms for 2,000,000 thousand US dollars. The interest rate on the loan is fixed at 4.06% per annum, which reflects the yield of Eurobonds of the Russian Federation and the Republic of Kazakhstan corresponding to the weighted average loan term (7 years) as at 23 March 2016, weighted by the share of countries in the contributions to the Fund. Due to the expiration of the financial loan availability period on 30 June 2019, the unused balance of this loan commitment in the amount of 200,000 thousand US dollars was automatically canceled according to the terms of the loan agreement. As at 31 December 2021, the principal amount of the loan outstanding was 1,638,095 thousand US dollars (31 December 2020: 1,776,190 thousand US dollars; 31 December 2019: 1,800,000 thousand US dollars).

In 2020, a lending agreement with the Republic of Belarus was signed for the purpose of supporting state budget in the COVID-19 pandemic conditions. The total amount under the loan agreement is 500,000 thousand US dollars. The loan interest rate based on an average yield of USD denominated 7 years Eurobonds of the Russian Federation. As at 31 December 2021 and 2020, the principal amount of the loan outstanding was 500,000 thousand US dollars (31 December 2019: nil).

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

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#### **7. LOANS TO MEMBER-STATES, CONTINUED**

In 2015, a loan to the Republic of Armenia was approved to support a 3-year program of reforms aimed at increasing effectiveness of fiscal policy and improving the business environment. The total amount under the loan agreement is 300,000 thousand US dollars. The loan bears an interest rate of 2.1% per annum. As at 31 December 2021, 2020 and 2019 the principal amount of the loan outstanding was 300,000 thousand US dollars.

In 2020, a lending agreement with the Republic of Tajikistan was signed for the purpose of supporting state budget in the COVID-19 pandemic conditions. The total amount under the loan agreement is 50,000 thousand US dollars. The loan interest rate for the first 360 days is 0.25% per annum, and for the rest of the period is 1% per annum. As at 31 December 2021 and 2020, the principal amount of the loan outstanding was 50,000 thousand US dollars (31 December 2019: nil).

In 2010, a loan to the Republic of Tajikistan was provided for state budget support of the healthcare, education and social sectors. The total amount under the loan agreement is 70,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2021, the principal amount of the loan outstanding was 42,000 thousand US dollars (31 December 2020: 46,667 thousand US dollars; 31 December 2019: 51,333 thousand US dollars).

In 2014, a loan to the Kyrgyz Republic was approved within the framework of "Reconstruction of Bishkek-Osh highway, phase IV" project. The total amount under the loan agreement is 60,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2021, the principal amount of the loan outstanding was 30,148 thousand US dollars (31 December 2020: 17,224 thousand US dollars; 31 December 2019: 9,444 thousand US dollars).

In 2015, a loan to the Kyrgyz Republic was approved within the framework of "Rehabilitation of Toktogul water power plant, phase 2" project. The total amount under the loan agreement is 100,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2021, the principal amount of the loan outstanding was 24,100 thousand US dollars (31 December 2020: 11,905 thousand US dollars; 31 December 2019: 8,217 thousand US dollars).

In 2015, an agreement granting a loan to the Republic of Armenia was signed within the framework of the "Modernization of irrigation systems" project. The total amount under the loan agreement is 40,000 thousand US dollars. The loan bears an interest rate of 2% per annum. As at 31 December 2021, the principal amount of the loan outstanding was 23,230 thousand US dollars (31 December 2020: 16,023 thousand US dollars; 31 December 2019: 9,487 thousand US dollars).

In 2016, an agreement granting a loan to the Republic of Tajikistan was signed for the purpose of supporting state budget. The total amount under the loan agreement is 40,000 thousand US dollars. The loan bears an interest rate of 1% per annum. In May 2019 the unused balance of the loan commitment in amount of 20,000 thousand US dollar was cancelled due to expiration of the financial loan availability period. As at 31 December 2021, principal amount of the loan outstanding was 18,720 thousand US dollars (31 December 2020 and 2019: 20,000 thousand US dollars).

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

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#### **7. LOANS TO MEMBER-STATES, CONTINUED**

In 2014, a loan to the Kyrgyz Republic was approved within the framework of agricultural industry support. The total amount under the loan agreement is 20,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2021 and 2020, the principal amount of the loan outstanding was 14,474 thousand US dollars (31 December 2019: 14,499 thousand US dollars).

In 2020, a lending agreement with the Republic of Tajikistan was signed within the framework of the "Rehabilitation of Nurex water power plant, phase 1" project. The total amount under the loan agreement is 40,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2021, the principal amount of the loan outstanding was 4,372 thousand US dollars (31 December 2020: 3,886 thousand US dollars; 31 December 2019: nil).

In 2015, a lending agreement with the Republic of Armenia was signed within the framework of the "Construction of the North-South road corridor in Armenia (line 4)" project. The total amount under the loan agreement is 150 000 thousand US dollars. The loan bears an interest rate of 1.65% per annum. As at 31 December 2021, the principal amount of the loan outstanding was 822 thousand US dollars (31 December 2020: 928 thousand US dollars; 31 December 2019: 652 thousand US dollars).

In 2011, an Agreement was signed to provide a financial loan to the Republic of Belarus under the anti-crisis program for 3,000,000 thousand US dollars. In fact, the loan amounted to 2,560,000 thousand US dollars due to the closure of the Program without issuing a sixth tranche of 440,000 thousand US dollars by the decision of the Council of the Fund. The interest rate is equal to the interest rate on borrowed capital of the Russian Federation, but does not exceed 4.9%, and is subject to quarterly revisions. In June 2014, the Republic of Belarus started to repay the principal of the loan and as at 31 December 2021, the loan was fully repaid (31 December 2020: the principal amount of the loan outstanding was 176,552 thousand US dollars; 31 December 2019: 529,655 thousand US dollars).

As at 31 December 2021, 2020 and 2019, all loans to Member-states 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 2021, 2020 and 2019.

All loans represent sovereign debt, and Member-states must acknowledge that no other debt would have higher priority than loans received from the Fund. All of these loans are not collateralized.

As at 31 December 2021, 2020 and 2019, no loans to Member-states were past due. As at 31 December 2021, loans to Member-states included accrued interest income amounting to 3,887 thousand US dollars (31 December 2020: 3,586 thousand US dollars; 31 December 2019: 1,690 thousand US dollars).

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED**

*(in thousands of US dollars)*

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>31 December 2021</u>		<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>Effective interest rate</u>	<u>Fair value</u>	<u>Effective interest rate</u>	<u>Fair value</u>	<u>Effective interest rate</u>	<u>Fair value</u>
Bonds issued by foreign state governments:						
with credit ratings AA+, AA, AA-	0.05-0.25%	474,439	0.06-0.09%	482,972	1.47-1.55%	771,583
Bonds issued by financial institutions:						
with credit rating AAA	0.10-0.17%	294,920	0.16-0.21%	143,158	1.88%	70,979
with credit ratings AA+, AA, AA-	0.10-0.31%	299,777	0.21-0.25%	99,938	1.81-2.07%	140,160
with credit ratings BBB+, BBB, BBB-	0.70-0.99%	<u>33,829</u>	-	<u>-</u>	-	<u>-</u>
<b>Total financial assets at fair value through other comprehensive income</b>		<b><u>1,102,965</u></b>		<b><u>726,068</u></b>		<b><u>982,722</u></b>

As at 31 December 2021, 2020 and 2019, all financial assets at fair value through other comprehensive income 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 2021, 2020 and 2019.

As at 31 December 2021, 2020 and 2019 accrued interest on financial assets at fair value through other comprehensive income was nil.

**9. AMOUNTS OF DONATORS**

In December 2020 the Asset Manager the Fund and Ministry of Finance of the Russian Federation has signed a Donation agreement (the "Agreement"). According to the Agreement Ministry of Finance of the Russian Federation finances construction and equipment of schools with Russian language education in the Republic of Tajikistan. Upon the completion of construction and placing into service of schools, the Asset manager of the Fund has to grant schools to the Republic of Tajikistan. In 2021 the Asset Manager of the Fund has started construction of aforementioned schools. Donations received from the Ministry of Finance of the Russian Federation according to the Agreement are included in liabilities of the Fund as amounts of donators. These liabilities will be settled as the schools will be granted to the Republic of Tajikistan.

As at 31 December 2021 the outstanding balance of donations under the Agreement amounted to 80,000 thousand US dollars (31 December 2020: 3,000 thousand US dollars).

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED *(in thousands of US dollars)*

#### 10. CONTRIBUTIONS OF THE MEMBER-STATES OF THE FUND

As at 31 December 2021, 2020 and 2019, the contributions of the Member-states comprise the following:

	<u>Contributions paid in cash</u>	<u>Contributions committed</u>	<u>Total initially committed contributions</u>
The Russian Federation	2,558,000	4,942,000	7,500,000
The Republic of Kazakhstan	496,785	503,215	1,000,000
The Republic of Belarus	2,000	8,000	10,000
The Republic of Armenia	1,000	-	1,000
The Republic of Tajikistan	1,000	-	1,000
The Kyrgyz Republic	200	800	1,000
<b>Total</b>	<b><u>3,058,985</u></b>	<b><u>5,454,015</u></b>	<b><u>8,513,000</u></b>

As at 31 December 2021, 2020 and 2019 the contributions paid in cash by the Member-states amount to 35.93% of total committed contributions.

According to the Treaty of Establishment of the Fund, Member-states provided ordinary, irreversible and non-interest bills for committed contributions to be paid in cash. As at 31 December 2021, 2020 and 2019 the contributions in the form of ordinary, irreversible and non-interest bills are accounted as contingent assets of the Fund.

#### 11. FUND RESOURCES MANAGEMENT

The capital structure of the Fund consists of net assets attributable to the Member-states, comprising contributions paid in cash and change in net assets as disclosed in statements of changes in net assets attributable to the Member-states.

The Asset Manager manages operational activities of the Fund and is guided solely by the interests of the Member states and the goals of its foundation.

#### 12. TRANSACTIONS WITH RELATED PARTIES

Related parties and transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". The related parties of the Fund comprise the Russian Federation, national companies and other organizations controlled by this Member-state, and the Asset Manager of the Fund. The Asset Manager of the Fund did not use the exemption on disclosure of government related entities.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

#### 12. TRANSACTIONS WITH RELATED PARTIES, CONTINUED

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. As at 31 December 2021, 2020 and 2019 the Asset Manager of the Fund on behalf of the Fund had the following transactions with related parties, which consist of entities under common control except for donors which represent amounts due to the shareholder:

	31 December 2021		31 December 2020		31 December 2019	
	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
Cash and cash equivalents (Note 6)	84,000	371,122	98,991	300,103	95,000	143,595
Financial assets at fair value through other comprehensive income (Note 8)	33,829	1,102,965	-	726,068	-	982,722
Other assets	499	4,360	-	851	-	322
Payables to Eurasian Development Bank	6,309	6,309	3,508	3,508	8,749	8,749
Amounts of donators (Note 9)	80,000	80,000	3,000	3,000	-	-

Included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2021, 2020 and 2019 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2021		Year ended 31 December 2020		Year ended 31 December 2019	
	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
Interest income (Note 4)	103	94,558	174	102,643	651	130,505
Net recovery/(charge) for expected credit losses on cash and cash equivalents (Note 5)	9	12	(9)	(9)	-	(2)
Operating expenses	(10,520)	(10,520)	(8,057)	(8,107)	(7,312)	(7,312)

#### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 Asset Manager of the Fund could realise in a market exchange from the sale of its full holdings of a particular instrument.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

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#### **13. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED**

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 Asset Manager of the Fund could realise in a market exchange from the sale of its full holdings of a particular instrument.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair values of financial assets and liabilities approximate their carrying amounts in the statement of financial position of the Fund. The Fund is a development financial institute and, thus, the loans to Member-states are unique and interest rates are specific for each loan and less sensitive to the market fluctuations.

#### **(a) Valuation of financial instruments**

The Asset Manager of the Fund 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 Asset Manager of the Fund determines fair value using valuation techniques.

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.

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED**

*(in thousands of US dollars)*

**13. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED**

The tables below analyze the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2021, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>As at 31 December 2021</u>	
				<u>Total fair value</u>	<u>Total carrying amount</u>
Financial assets at fair value through other comprehensive income	<u>474,439</u>	<u>628,526</u>	<u>-</u>	<u>1,102,965</u>	<u>1,102,965</u>
				<u>As at 31 December 2020</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total carrying amount</u>
Financial assets at fair value through other comprehensive income	<u>482,972</u>	<u>243,096</u>	<u>-</u>	<u>726,068</u>	<u>726,068</u>
				<u>As at 31 December 2019</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total carrying amount</u>
Financial assets at fair value through other comprehensive income	<u>771,583</u>	<u>211,139</u>	<u>-</u>	<u>982,722</u>	<u>982,722</u>

The tables below analyze 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 2021, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>As at 31 December 2021</u>	
				<u>Total fair value</u>	<u>Total carrying amount</u>
<b>Financial assets</b>					
Cash and cash equivalents	-	-	371,122	371,122	371,122
Loans to Member-states	-	-	2,609,125	2,609,125	2,609,125
				<u>As at 31 December 2020</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>	<u>Total carrying amount</u>
<b>Financial assets</b>					
Cash and cash equivalents	-	-	300,103	300,103	300,103
Loans to Member-states	-	-	2,892,318	2,892,318	2,892,318

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED**

*(in thousands of US dollars)*

**13. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>As at 31 December 2019</u>	
				<u>Total fair value</u>	<u>Total carrying amount</u>
<b>Financial assets</b>					
Cash and cash equivalents	-	-	143,595	143,595	143,595
Loans to Member-states	-	-	2,703,762	2,703,762	2,703,762

The Asset Manager of the Fund believes that the carrying amount of loans to Member-states represents their fair value, because all loans are unique and interest rates are specific for each project.

**14. CREDIT RELATED COMMITMENTS**

The Asset Manager of the Fund on behalf of the Fund has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loan facilities.

The Asset Manager of the Fund applies the same credit risk management policies and procedures when granting credit commitments as it does for granting loans to Member-states.

The contractual amounts of loan commitments are set out in the following table. The amounts reflected in the table for commitments assume that amounts are fully advanced.

	<u>31 December 2021</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Contracted amount</b>			
Loan and credit line commitments – the Kyrgyz Republic	215,377	240,871	257,840
Loan and credit line commitments – the Republic of Armenia	165,156	172,364	179,861
Loan and credit line commitments – the Republic of Tajikistan	35,628	36,114	-
	<b>416,161</b>	<b>449,349</b>	<b>437,701</b>

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded. The Asset Manager of the Fund doesn't create an allowance for expected credit losses on commitments and makes an allowance for expected credit losses only after transfer of funds to the borrower.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

*(in thousands of US dollars)*

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#### 15. RISK MANAGEMENT

Management of risk is fundamental and an essential element of the operations with assets of the Fund. The main risks inherent to the operations with assets of the Fund are those related to:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk.

The Member-states recognise that it is essential to have efficient and effective risk management processes in place. To enable this, a risk management framework was established, whose main purpose is to protect the assets of the Fund from risk and allow the Asset Manager of the Fund to achieve the Fund's performance objectives. The risk management framework involves the Council of the Fund, Council of Experts, the Management Board of the Asset Manager of the Fund and different departments and staff of the Asset Manager of the Fund, in relation to the daily operations with the assets of the Fund. Through the risk management framework, the Asset Manager of the Fund manages the following risks:

##### **(a) Credit risk**

Management of Credit risk of the Fund is maintained by the Council of the Fund, Council of Experts and by Management Board of the Asset Manager of the Fund. These groups manage Credit risk primarily through the issuance of loans only within set limits.

On issuing loans, a draft of the loan agreement is prepared by the Asset Manager of the Fund and approved by the Council of the Fund. In its role as Asset Manager of the Fund, the Asset Manager of the Fund provides an opinion on the application for each financial loan, which is then submitted to the Management Board of the Asset Manager of the Fund and, if approved, forwarded to the Fund's Council of Experts for further consideration and appropriate conclusion. After consideration by the Council of Experts of the Fund, the application and the conclusion of the Asset Manager of the Fund and Council of Experts are sent to the Council of the Fund for the final decision.

The Fund resources, which are not required in the nearest future for the purposes of providing financing, may be invested and/or placed on deposits. The Asset Manager of the Fund may place these temporarily unused resources into financial instruments of counterparties that have credit rating not less than A/A2/A or the equivalent assigned by Fitch Ratings\ Moody's Investors Service\ S&P Global Ratings, respectively or into financial instruments of institutions of the Republic of Kazakhstan and the Russian Federation.

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
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*(in thousands of US dollars)*

**15. RISK MANAGEMENT, CONTINUED**

**(a) Credit risk, continued**

The Asset Manager of the Fund may place temporarily unused resources into debt securities with the issuers' credit rating not less than AA-/Aa3/AA- or the equivalent assigned by Fitch Ratings \ Moody's Investors Service\ S&P Global Ratings, respectively.

Appropriate departments of the Asset Manager of the Fund conduct regular monitoring of loans and debt servicing. In cases where routine monitoring of loans, it becomes aware of events that may lead to significant increase in credit risk or credit impairment from the date of initial recognition, the Asset Manager of the Fund reviews the level of credit expected losses.

**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 unused credit lines. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from unused credit lines at the reporting date is presented in Note 14.

The following table details the credit ratings of financial assets held by the Asset Manager of the Fund on behalf of the Fund:

	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>From BB+ to B-</b>	<b>31 December 2021 Total</b>
Cash and cash equivalents (Note 6)	-	50,370	236,752	84,000	-	371,122
Loans to Member-states (Note 7)	-	-	-	-	2,609,125	2,609,125
Financial assets at fair value through other comprehensive income (Note 8)	<u>294,920</u>	<u>774,216</u>	<u>-</u>	<u>33,829</u>	<u>-</u>	<u>1,102,965</u>
	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>From BB+ to B-</b>	<b>31 December 2020 Total</b>
Cash and cash equivalents (Note 6)	-	254	200,858	98,991	-	300,103
Loans to Member-states (Note 7)	-	-	-	-	2,892,318	2,892,318
Financial assets at fair value through other comprehensive income (Note 8)	<u>143,158</u>	<u>582,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726,068</u>

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
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**15. RISK MANAGEMENT, CONTINUED**

**(a) Credit risk, continued**

	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>From BB+ to B-</b>	<b>31 December 2019 Total</b>
Cash and cash equivalents (Note 6)	-	140	48,455	95,000	-	143,595
Loans to Member-states (Note 7)	-	-	-	-	2,703,762	2,703,762
Financial assets at fair value through other comprehensive income (Note 8)	70,979	911,743	-	-	-	982,722

**(b) Liquidity risk**

Liquidity risk refers to the risk of the availability of sufficient funds to meet debt repayments and other financial commitments associated with financial instruments as they actually fall due.

The Asset Manager of the Fund manages this risk by analysing asset and liability maturity and performance of money market transactions to maintain current liquidity and optimise cash flows.

An analysis of the liquidity risk based in final dates of repayment is presented in the following table:

	<b>Weighted average effective interest rate</b>	<b>Up to 1 month</b>	<b>1 month to 3 months</b>	<b>3 month to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>31 December 2021 Total</b>
<b>FINANCIAL ASSETS:</b>							
Cash and cash equivalents	0.10%	200,001	-	-	-	-	200,001
Loans to Member-states	3.31%	151	74,338	229,049	1,490,117	815,470	2,609,125
Financial assets at fair value through other comprehensive income	0.17%	99,993	55,407	947,565	-	-	1,102,965
<b>Total interest bearing financial assets</b>		<b>300,145</b>	<b>129,745</b>	<b>1,176,614</b>	<b>1,490,117</b>	<b>815,470</b>	<b>3,912,091</b>
Cash and cash equivalents		171,121	-	-	-	-	171,121
<b>Total financial assets</b>		<b>471,266</b>	<b>129,745</b>	<b>1,176,614</b>	<b>1,490,117</b>	<b>815,470</b>	<b>4,083,212</b>
<b>FINANCIAL LIABILITIES:</b>							
Payables to Eurasian Development Bank		-	-	(6,309)	-	-	(6,309)
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>(6,309)</b>	<b>-</b>	<b>-</b>	<b>(6,309)</b>
<b>Net liquidity surplus on recognised financial assets and liabilities</b>		<b>471,266</b>	<b>129,745</b>	<b>1,170,305</b>	<b>1,490,117</b>	<b>815,470</b>	

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

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**15. RISK MANAGEMENT, CONTINUED**

**(b) Liquidity risk, continued**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
<b>FINANCIAL ASSETS:</b>							
Cash and cash equivalents	0.14%	148,988	-	-	-	-	148,988
Loans to Member-states	3.23%	-	117,948	205,607	1,353,119	1,215,644	2,892,318
Financial assets at fair value through other comprehensive income	0.12%	199,985	432,953	93,130	-	-	726,068
<b>Total interest bearing financial assets</b>		<b>348,973</b>	<b>550,901</b>	<b>298,737</b>	<b>1,353,119</b>	<b>1,215,644</b>	<b>3,767,374</b>
Cash and cash equivalents		151,115	-	-	-	-	151,115
<b>Total financial assets</b>		<b>500,088</b>	<b>550,901</b>	<b>298,737</b>	<b>1,353,119</b>	<b>1,215,644</b>	<b>3,918,489</b>
<b>FINANCIAL LIABILITIES:</b>							
Payables to Eurasian Development Bank		-	(3,508)	-	-	-	(3,508)
<b>Total financial liabilities</b>		<b>-</b>	<b>(3,508)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,508)</b>
<b>Net liquidity surplus on recognised financial assets and liabilities</b>		<b>500,088</b>	<b>547,393</b>	<b>298,737</b>	<b>1,353,119</b>	<b>1,215,644</b>	

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
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*(in thousands of US dollars)*

**15. RISK MANAGEMENT, CONTINUED**

**(b) Liquidity risk, continued**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
<b>FINANCIAL ASSETS:</b>							
Cash and cash equivalents	1.39%	142,799	-	-	-	-	142,799
Loans to Member-states	3.50%	-	91,440	291,838	1,623,298	697,186	2,703,762
Financial assets at fair value through other comprehensive income	1.60%	425,263	557,459	-	-	-	982,722
<b>Total interest bearing financial assets</b>		<b>568,062</b>	<b>648,899</b>	<b>291,838</b>	<b>1,623,298</b>	<b>697,186</b>	<b>3,829,283</b>
Cash and cash equivalents		796	-	-	-	-	796
<b>Total financial assets</b>		<b>568,858</b>	<b>648,899</b>	<b>291,838</b>	<b>1,623,298</b>	<b>697,186</b>	<b>3,830,079</b>
<b>FINANCIAL LIABILITIES:</b>							
Payables to Eurasian Development Bank		(3,497)	(5,227)	(25)	-	-	(8,749)
<b>Total financial liabilities</b>		<b>(3,497)</b>	<b>(5,227)</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>(8,749)</b>
<b>Net liquidity surplus on recognised financial assets and liabilities</b>		<b>565,361</b>	<b>643,672</b>	<b>291,813</b>	<b>1,623,298</b>	<b>697,186</b>	

Contractual amounts of financial liabilities subject to payment, in accordance with the maturities of payments (including interest payments) that the Fund has not yet recognised under the effective interest method, approximate their carrying amounts.

**(c) Market risk**

Market risk covers interest rate risk, currency risk and other pricing risks to which the Fund's assets and liabilities are exposed.

***Interest rate sensitivity***

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments due to changes in market interest rates.

The Asset Manager of the Fund manages interest rate risk through the management of interest-sensitive asset and liability positions of the Fund, and ensures the positive margin and expected profitability from changes in market interest rates with set limits on the maximum amount of interest rate risk accepted by the Asset Manager of the Fund. The credit and risk management department of the Asset Manager of the Fund monitors interest rate risk, estimates sensitivity of the Fund in relation to changes in interest rates and the influence of changes in interest rates on the net profit of the Fund.

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
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*(in thousands of US dollars)*

**15. RISK MANAGEMENT, CONTINUED**

**(c) Market risk, continued**

***Interest rate sensitivity, continued***

The following table details the Fund's sensitivity to a 1% increase and decrease in the interest rates in 2021, 2020 and 2019. The sensitivity analysis includes only outstanding financial assets and liabilities with variable interest rates. As at 31 December 2021 the Fund has one loan with variable interest rates (31 December 2020: two loans; 31 December 2019: one loan).

An analysis of sensitivity of net profit and net assets attributable to the Member-states to changes in interest rates (repricing risk) based on a simplified scenario of a 100 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 2021, 2020 and 2019 is as follows:

	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>		<b>As at 31 December 2019</b>	
	<b>Interest rate +1%</b>	<b>Interest rate -1%</b>	<b>Interest rate +1%</b>	<b>Interest rate -1%</b>	<b>Interest rate +1%</b>	<b>Interest rate -1%</b>
Loans to Member-states	5,000	(5,000)	6,766	(6,766)	5,297	(5,297)
<i>Republic of Belarus</i>	5,000	(5,000)	6,766	(6,766)	5,297	(5,297)

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 2021, 2020 and 2019, and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>		<b>As at 31 December 2019</b>	
	<b>Interest rate +1%</b>	<b>Interest rate -1%</b>	<b>Interest rate +1%</b>	<b>Interest rate -1%</b>	<b>Interest rate +1%</b>	<b>Interest rate -1%</b>
Financial assets at fair value through other comprehensive income	(5,176)	4,072	(1,001)	983	(983)	924
<b>Net impact on equity</b>	<b>(5,176)</b>	<b>4,072</b>	<b>(1,001)</b>	<b>983</b>	<b>(983)</b>	<b>924</b>

**(d) Currency risk**

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial assets and liabilities of the Fund are not exposed to the effects of fluctuations in the prevailing exchange rates of currencies other than US dollars on its financial position and cash flows.

**EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT**

**NOTES TO THE FINANCIAL STATEMENTS  
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*(in thousands of US dollars)*

**15. RISK MANAGEMENT, CONTINUED**

**(d) Currency risk, continued**

***Currency risk sensitivity***

The Treasury department of the Asset Manager of the Fund, together with the Credit and risk management department of the Asset Manager of the Fund manages currency risk through the management of the quantities held in open currency positions, which enables the Asset Manager of the Fund to minimise losses from significant fluctuations of exchange rates of foreign currencies, if any. The Credit and risk management department of the Asset Manager of the Fund monitors the currency risk limits set by the Council of the Fund. As at 31 December 2021, 2020 and 2019, the financial assets and liabilities of the Fund were not exposed to currency risk, due to the absence of financial assets and liabilities denominated in currencies other than US dollars.

**(e) Presentation of financial instruments by measurement category**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2021:

	<u>Amortised cost</u>	<u>At fair value through other comprehensive income</u>	<u>31 December 2021</u>
Cash and cash equivalents	371,122	-	371,122
Loans to Member-states	2,609,125	-	2,609,125
Financial assets at fair value through other comprehensive income	-	1,102,965	1,102,965
	<u>Amortised cost</u>	<u>At fair value through other comprehensive income</u>	<u>31 December 2020</u>
Cash and cash equivalents	300,103	-	300,103
Loans to Member-states	2,892,318	-	2,892,318
Financial assets at fair value through other comprehensive income	-	726,068	726,068
	<u>Amortised cost</u>	<u>At fair value through other comprehensive income</u>	<u>31 December 2019</u>
Cash and cash equivalents	143,595	-	143,595
Loans to Member-states	2,703,762	-	2,703,762
Financial assets at fair value through other comprehensive income	-	982,722	982,722

As at 31 December 2021, 2020 and 2019, all of the Fund's financial liabilities were carried at amortised cost.

## EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021, CONTINUED

(in thousands of US dollars)

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#### 16. EVENTS AFTER THE REPORTING PERIOD

##### *Events in Ukraine and the Russian Federation*

At the start of 2022 economic and political situation in Ukraine and the Russian Federation led to growing volatility of Russian financial markets, including the exchange rate for Russian currency, and to significant increase of country risk premium for the Russian Federation. There is high uncertainty of outcome of the events. Also the possibility that the country risk premium continues to be at raised levels, as well as capital outflows from the Russian Federation, is high. United states of America, European Union, United Kingdom and a group of other countries have introduced a number of new sanctions against the Russian Federation. Opportunities for foreign transactions were limited for some of the Russian financial institutions. For US residents different restrictions on operations with equity and new debt instruments of large Russian banks and organizations were introduced. Sanctions against Russian state debt are stricken. Restrictions on export of technological equipment to the Russian Federation are introduced. Due to aforementioned sanctions international rating agencies have downgraded credit ratings of the Russian Federation and announced that a further decrease of credit ratings is possible.

This may continue to have an effect on the economy of the Russian Federation in 2022, however favorable pricing environment for commodity markets will support economic activity and exchange rate for Russian ruble. The events may have a potential effect on economies of other Member-states, as they have close trade, economic and financial relations with the Russian Federation. The consequences of these events and related future changes may have significant impact on the Fund's operations.

Due to decrease in sovereign credit ratings of the Republic of Belarus at the start of 2022 additional expected credit loss provisions at around of 956 million US dollars on sovereign loans to the Republic of Belarus may occur.

The Asset Manager of the Fund is monitoring developments in the economic and political situation and taking measures it considers necessary in order to support the sustainability and development of the Fund's business for the foreseeable future.