



THE NEW DEVELOPMENT BANK

UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

THE NEW DEVELOPMENT BANK

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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THE NEW DEVELOPMENT BANK

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019  
EXPRESSED IN THOUSANDS OF U.S. DOLLARS

	Notes	Nine months ended September 30, 2019 (unaudited)	Nine months ended September 30, 2018 (unaudited)	Three months ended September 30, 2019 (unaudited)	Three months ended September 30, 2018 (unaudited)	Year ended December 31, 2018 (audited)
Interest income	6	169,249	86,067	61,029	32,130	123,400
Interest expense	6	(21,618)	(10,229)	(9,511)	(3,410)	(13,597)
Net interest income	6	<u>147,631</u>	<u>75,838</u>	<u>51,518</u>	<u>28,720</u>	<u>109,803</u>
Net fee income	7	1,112	319	792	202	418
Net gains on financial instruments at fair value through profit or loss	8	<u>35,000</u>	<u>7,265</u>	<u>22,191</u>	<u>3,744</u>	<u>7,809</u>
		<u>183,743</u>	<u>83,422</u>	<u>74,501</u>	<u>32,666</u>	<u>118,030</u>
Staff costs	9	(24,374)	(17,904)	(8,742)	(6,682)	(25,310)
Other operating expenses	10	(11,144)	(8,625)	(3,472)	(3,365)	(11,936)
Impairment (provision) /reversal	4	(525)	(1,632)	391	(351)	(3,758)
Foreign exchange losses		<u>(31,671)</u>	<u>(4,840)</u>	<u>(21,241)</u>	<u>(3,210)</u>	<u>(4,989)</u>
Operating profit for the period/year		<u>116,029</u>	<u>50,421</u>	<u>41,437</u>	<u>19,058</u>	<u>72,037</u>
Unwinding of interest on paid-in capital receivables		<u>54,519</u>	<u>71,581</u>	<u>17,901</u>	<u>23,722</u>	<u>93,822</u>
Profit for the period/year		<u>170,548</u>	<u>122,002</u>	<u>59,338</u>	<u>42,780</u>	<u>165,859</u>
Total comprehensive income for the period/year		<u>170,548</u>	<u>122,002</u>	<u>59,338</u>	<u>42,780</u>	<u>165,859</u>

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2019  
EXPRESSED IN THOUSANDS OF U.S. DOLLARS

	Notes	As at September 30, 2019 (unaudited)	As at December 31, 2018 (audited)
<b>Assets</b>			
Cash and cash equivalents	11	279,742	122,988
Due from banks other than cash and cash equivalents	12	6,012,473	4,800,559
Derivative financial assets	13	4,728	710
Debt instruments measured at amortised cost	14	7,165	-
Loans and advances	15	1,074,193	628,104
Paid-in capital receivables	16	4,295,485	4,846,783
Right-of-use assets	17	162	-
Property and equipment	18	1,149	1,205
Intangible assets	19	1,005	931
Other assets	20	1,298	1,133
<b>Total assets</b>		<b>11,677,400</b>	<b>10,402,413</b>
<b>Liabilities</b>			
Derivative financial liabilities	13	19,561	6,374
Financial liabilities designated at fair value through profit or loss	21	855,124	443,809
Note payables	22	668,810	-
Lease liabilities	23	149	-
Contract liabilities	24	11,437	3,866
Other liabilities	25	3,513	3,501
<b>Total liabilities</b>		<b>1,558,594</b>	<b>457,550</b>
<b>Equity</b>			
Paid-in capital	26	10,000,000	10,000,000
Other reserves	27	(104,515)	(162,429)
Retained earnings		223,321	107,292
<b>Total equity</b>		<b>10,118,806</b>	<b>9,944,863</b>
<b>Total equity and liabilities</b>		<b>11,677,400</b>	<b>10,402,413</b>

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019  
EXPRESSED IN THOUSANDS OF U.S. DOLLARS

	<b>Paid-in capital</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
As at January 1, 2019	10,000,000	(162,429)	107,292	9,944,863
Operating profit for the period	-	-	116,029	116,029
Unwinding of interest on paid-in capital receivables for the period	-	-	54,519	54,519
Profit and total comprehensive income for the period	-	-	170,548	170,548
Impact of early payment on paid-in capital receivables (Note 16)	-	3,395	-	3,395
Reclassification of unwinding of interest arising from paid-in capital receivables	-	54,519	(54,519)	-
As at September 30, 2019 (unaudited)	10,000,000	(104,515)	223,321	10,118,806

	<b>Paid-in capital</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
As at January 1, 2018	10,000,000	(266,646)	35,255	9,768,609
Operating profit for the period	-	-	50,421	50,421
Unwinding of interest on paid-in capital receivables for the period	-	-	71,581	71,581
Profit and total comprehensive income for the period	-	-	122,002	122,002
Impact of early payment on paid-in capital receivables	-	9,895	-	9,895
Reclassification of unwinding of interest arising from paid-in capital receivables	-	71,581	(71,581)	-
As at September 30, 2018 (unaudited)	10,000,000	(185,170)	85,676	9,900,506

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019  
EXPRESSED IN THOUSANDS OF U.S. DOLLARS

	Nine months ended September 30, 2019 (unaudited)	Nine months ended September 30, 2018 (unaudited)
OPERATING ACTIVITIES		
Profit for the period	170,548	122,002
Adjustments for:		
Interest expense	21,618	10,229
Interest income from debt instruments at amortised cost	(649)	-
Depreciation and amortisation	427	146
Unrealised gains on financial instruments	(31,808)	(1,614)
Unwinding of interest on paid-in capital receivables	(54,519)	(71,581)
Impairment provisions for loans and commitments	525	1,632
Exchange losses on debt instruments at amortised cost	1,149	-
Exchange gains on lease liabilities	(3)	-
Debt issuance cost	552	-
Operating cash flows before changes in operating assets and liabilities	107,840	60,814
Net increase in due from banks	(1,211,914)	(1,038,581)
Net increase in loans and advances	(442,652)	(356,622)
Net increase in other assets	(178)	(44,227)
Net increase in other liabilities and contract liabilities	3,623	994
Interest paid on bonds	(13,414)	(13,910)
Interest paid on lease liabilities	(3)	-
NET CASH USED IN OPERATING ACTIVITIES	(1,556,698)	(1,391,532)
INVESTING ACTIVITIES		
Proceeds from redemption of debt instruments at amortised cost	40,810	-
Purchase of debt instruments at amortised cost	(48,475)	-
Purchase of property and equipment, intangible assets	(383)	(1,012)
NET CASH USED IN INVESTING ACTIVITIES	(8,048)	(1,012)
FINANCING ACTIVITIES		
Paid-in capital received	609,212	600,000
Proceeds from issuance of short-term borrowings	-	13,000
Proceeds from issuance of bonds	448,012	-
Proceeds from issuance of note payables	765,020	-
Repayment of short-term borrowings	-	(13,000)
Repayment from note payables	(100,000)	-
Payment of issuance cost	(683)	-
Payment of lease liabilities	(61)	-
NET CASH FROM FINANCING ACTIVITIES	1,721,500	600,000

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019  
EXPRESSED IN THOUSANDS OF U.S. DOLLARS

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	<b>Nine months ended September 30, 2019 (unaudited)</b>	<b>Nine months ended September 30, 2018 (unaudited)</b>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	156,754	(792,544)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>122,988</u>	<u>1,019,854</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>279,742</u>	<u>227,310</u>

## THE NEW DEVELOPMENT BANK

### NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

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#### 1. GENERAL INFORMATION

The New Development Bank (the "Bank") was established on the signing of the Agreement on the New Development Bank (the "Agreement") on July 15, 2014 by the Government of the Federative Republic of Brazil ("Brazil"), the Russian Federation ("Russia"), the Republic of India ("India"), the People's Republic of China ("China") and the Republic of South Africa ("South Africa"), collectively the "BRICS" countries or "founding members". The Agreement took effect on July 3, 2015 according to the notification endorsed by Brazil in its capacity as depositary. The headquarter of the Bank is located in Shanghai, China. On August 17, 2017, the Bank officially opened the Africa Regional Center (ARC), in Johannesburg, which is the first regional office of the Bank.

According to the Agreement, the initial authorised capital of the Bank is United States Dollar ("USD") 100 billion and the initial subscribed capital of the Bank is USD 50 billion. Each founding member shall initially subscribe for 100,000 shares, totaling USD 10 billion, of which 20,000 shares correspond to paid-in capital and 80,000 shares correspond to callable shares. The contribution of the amount initially subscribed by each founding member, to the paid-in capital stock of the Bank, shall be made in dollars in 7 instalments, pursuant to the Agreement.

The purpose of the Bank is to mobilise resources for infrastructure and sustainable development projects within BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions, for global growth and development.

As at September 30, 2019, the Bank had 145 (December 31, 2018: 128) employees including the President and 4 (December 31, 2018: 4) Vice-Presidents. In addition, there were 13 (December 31, 2018: 16) consultants/secondees appointed by the Bank on a short-term basis.

#### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

For the Bank's internal use purpose, the unaudited condensed financial statements have been prepared in accordance with International Accounting Standards ("IASs") 34 "Interim Financial Reporting" with special presentation that the figures for the year ended December 31, 2018 is included in the unaudited condensed statement of profit or loss and other comprehensive income and relevant notes.

The unaudited condensed financial statements for the nine months ended September 30, 2019 should be read in conjunction with the Bank's financial statements for the year ended December 31, 2018.

Except as described below, the significant accounting policies applied in preparing the unaudited condensed financial statements for the nine months ended September 30, 2019 are consistent with those policies applied in the preparation of the Bank's financial statements for the year ended December 31, 2018.

In the current interim period, the Bank has applied the following new or revised International Financial Reporting Standards ("IFRSs") which are relevant to the Bank for the first time:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation



2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued

**Impacts and changes in accounting policies of application on IFRS 16 Leases**

The Bank has adopted IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

*Key changes in accounting policies resulting from application of IFRS 16*

The Bank applied the following accounting policies in accordance with the transition provisions of IFRS 16.

**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Bank assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

**As a lessee**

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The Bank considered the lease of which the underlying lease asset is valued lower than USD 5,000 as leases of low-value assets.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

## THE NEW DEVELOPMENT BANK

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued

#### **Impacts and changes in accounting policies of application on IFRS 16 Leases** - continued

##### *Key changes in accounting policies resulting from application of IFRS 16* - continued

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Bank; and
- an estimate of costs to be incurred by the Bank in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Bank presents right-of-use assets as a separate line item on the unaudited condensed statement of financial position.

#### Lease liabilities

At the commencement date of a lease, the Bank recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Bank; and
- payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

#### Lease modifications

The Bank accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Bank remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued

**Impacts and changes in accounting policies of application on IFRS 16 Leases** - continued

*Transition and summary of effects arising from initial application of IFRS 16*

**Definition of a lease**

The Bank has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Bank has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Bank applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

**As a lessee**

The Bank has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019. As permitted by the transitional provisions of IFRS 16, the Bank elects not to restate comparative figures.

When applying the modified retrospective approach under IFRS 16 at transition, the Bank applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

On transition, the Bank has made the following adjustments upon application of IFRS 16:

The Bank recognised right-of-use assets amounting to USD 226 thousand (unaudited) and lease liabilities amounting to USD 213 thousand (unaudited) as at January 1, 2019. The right-of-use assets are amortised over the contract period.

When recognising the lease liabilities for leases previously classified as operating leases, the Bank has applied incremental borrowing rate of the Bank at the date of initial application. The Bank's incremental borrowing rate applied to lease liabilities is 2.4696%.

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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued

**Impacts and changes in accounting policies of application on IFRS 16 Leases** - continued

*Transition and summary of effects arising from initial application of IFRS 16* - continued

The operating lease commitments as at December 31, 2018 are reconciled to the recognised lease liabilities as at January 1, 2019 as below:

	As at January 1, 2019 USD'000 (unaudited)
Operating lease commitment as at December 31, 2018	252
Less:	
Recognition exemption – short-term leases	(23)
Lease liabilities discounted at relevant incremental borrowing rates	(16)
<b>Lease liabilities as at January 1, 2019</b>	<b>213</b>

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	As at January 1, 2019 USD'000 (unaudited)
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	213
Reclassified from prepaid rental payments	13
<b>Total</b>	<b>226</b>

The following adjustments were made to the amounts recognised in the unaudited condensed statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	As at December 31, 2018 USD'000 (audited)	IFRS16 USD'000	As at January 1, 2019 USD'000 (restated)
<b>Assets</b>			
Right-of-use assets	-	226	226
Other assets	1,133	(13)	1,120
Total assets	1,133	213	1,346
<b>Liabilities</b>			
Lease liabilities	-	213	213
Total liabilities	-	213	213

**Impacts and changes in accounting policies of application on Amendments to IFRS 9 Prepayment Features with Negative Compensation**

The application of amendments to IFRS 9 relating to the Prepayment Features with Negative Compensation, in the current interim period has had no material effect on the amounts reported in these unaudited condensed financial statements and/or disclosures set out in these unaudited condensed financial statements.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of unaudited condensed financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Bank. The key sources of estimation uncertainty used in the unaudited condensed financial statements for the nine months ended September 30, 2019 are the same as those followed in the preparation of the Bank's financial statements for the year ended December 31, 2018.

4. FINANCIAL RISK MANAGEMENT

**Overview**

The Bank's operating activities expose it to a variety of financial risks. As a multilateral development bank, the Bank aims to safeguard its capital base by taking prudent approaches and following international practices in identifying, measuring, monitoring and mitigating financial risks.

The Bank has established various risk management policies approved by the Board of Directors in line with its Agreement which are designed to identify and analyse risks of particular categories, and to set up appropriate risk limits and controls. The Board of Directors sets out the risk management strategy and the risk tolerance level in different risk management policies.

The primary responsibility for risk management at an operational level rests with the management. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Bank, by monitoring related risk parameters and tolerance through policies and procedures under the strategy approved by designated committees.

The Bank is exposed to a variety of financial risks namely: credit risk, liquidity risk and market risk which includes exchange rate risk and interest rate risk.

**Credit risk**

The Bank is committed to mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging market economies and developing countries. The Bank will provide financial support through loans, guarantees, equity investment and other financial activities to fulfill this purpose. Any possibility of inability or unwillingness of borrowers or obligors to meet their financial obligation with the Bank leads to credit risk.

According to the nature of the Bank's business, the principal sources of credit risks are:

- (i) credit risk in its sovereign operations;
- (ii) credit risk in its non-sovereign operations; and
- (iii) obligors credit risk in its treasury business.

A prudential credit risk limit structure facilitates the management of risks associated to the Bank's portfolio. Credit risk limits would apply to exposures to single jurisdiction, sectors, obligors and products.

4. FINANCIAL RISK MANAGEMENT – continued

**Credit risk** - continued

The Bank mainly relies on external credit rating results from major international rating agencies (e.g. Moody's, Standard and Poor's and Fitch) to provide an initial assessment of the credit quality of borrowers and treasury counterparties. In case where the loans are guaranteed by the governments of the individual countries, the credit risk is assessed on the guarantor. The Risk Division of the Bank monitors the overall credit risk of the Bank on a periodic basis.

For loans without a sovereign guarantee, the Bank will in due course use an internal credit rating taking into account specific project, sector, macro and country credit risks, the Risk Division of the Bank monitors the overall credit risk profile of the Bank on a periodic basis. The Risk Division obtains the latest rating result of the obligors to measure credit risk profile of the Bank.

A summary of rating grade that is being used by the Bank is as below:

- Senior investment grade: broadly corresponds with Standard & Poor's ratings of AAA to A - from global or approved local rating agency.
- Investment grade: broadly corresponds with Standard & Poor's ratings of BBB+ to BBB - from global or approved local rating agency.
- Sub-investment grade: broadly corresponds with Standard & Poor's ratings of BB+ to BB but not including defaulted or impaired.

*ECL measurement*

The Bank applies a three-stage model for impairment based on changes in credit quality since initial recognition.

*Significant increases in credit risk*

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following qualitative and quantitative criteria have been met. The Bank has applied the new quantitative criteria for the nine months ended September 30 2019 after revisiting the way significant increase in credit risk is assessed for the Bank's portfolio. The qualitative criteria is not changed.

*Quantitative criteria:*

- Delay in interest or principal payment exceeds 30 days; or
- Rating downgrade by 3 notches compared to the rating at initial recognition.

*Qualitative criteria:*

- History of arrears within 12 months;
- Cross default is activated;
- Material regulatory action against the borrower; and/or
- Failure to comply with covenants or loan condition renegotiation.

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4. FINANCIAL RISK MANAGEMENT – continued

**Credit risk - continued**

Credit exposure on loan facilities

	Maximum facility	Effective facility	Utilised	Unutilised loan commitments
Unaudited				
As at September 30, 2019	USD'000	USD'000	USD'000	USD'000
Senior investment grade	3,239,058	2,771,784	191,895	2,579,889
Investment grade	4,430,000	3,510,000	539,822	2,970,178
Sub-investment grade	550,000	550,000	343,924	206,076
Total	<u>8,219,058</u>	<u>6,831,784</u>	<u>1,075,641</u>	<u>5,756,143</u>
Interest Receivable			1,720	-
Less: Provision for loan and commitment			(3,168)	(1,138)
Carrying amount as at September 30, 2019			<u>1,074,193</u>	<u>5,755,005</u>

	Maximum facility	Effective facility	Utilised	Unutilised loan commitments
Audited				
As at December 31, 2018	USD'000	USD'000	USD'000	USD'000
Senior investment grade	1,507,559	1,507,559	120,053	1,387,506
Investment grade	2,550,000	960,000	164,515	795,485
Sub-investment grade	500,000	500,000	340,000	160,000
Total	<u>4,557,559</u>	<u>2,967,559</u>	<u>624,568</u>	<u>2,342,991</u>
Interest Receivable			6,191	-
Less: Provision for loan and commitment			(2,655)	(1,126)
Carrying amount as at December 31, 2018			<u>628,104</u>	<u>2,341,865</u>

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4. FINANCIAL RISK MANAGEMENT – continued

**Credit risk - continued**

	Stage 1 USD'000 unaudited
ECL allowance of loans as at January 1, 2019	2,655
Additions	297
Change in risk parameters	216
ECL allowance of loans as at September 30, 2019	<u>3,168</u>
	Stage 1 USD'000 audited
ECL allowance of loans as at January 1, 2018	-
Additions	2,655
Change in risk parameters	-
ECL allowance of loans as at December 31, 2018	<u>2,655</u>

The Probability of Default ("PD") associated with the above loan facilities for the next 12 months is between 0% to 1.8% at the dates of signing of loans agreements as at September 30, 2019 and December 31, 2018. There has been no significant increase in credit risk up to September 30, 2019 and December 31, 2018.

Reconciliation of provision for loan

	12 month Expected Credit loss USD'000 As at September 30, 2019 (unaudited)	12 month Expected Credit loss USD'000 As at December 31, 2018 (audited)
Provision at the beginning of the period/year	2,655	-
Provision for loans raised	513	2,655
Provision at the end of the period/year	<u>3,168</u>	<u>2,655</u>

Reconciliation of provision for loan commitment

	12 month Expected Credit loss USD'000 As at September 30, 2019 (unaudited)	12 month Expected Credit loss USD'000 As at December 31, 2018 (audited)
Provision at the beginning of the period/year	1,126	23
Provision for loan commitment raised	12	1,103
Provision at the end of the period/year	<u>1,138</u>	<u>1,126</u>



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### 4. FINANCIAL RISK MANAGEMENT – continued

#### **Credit risk** - continued

##### Credit exposure on deposits

The Bank had deposits with other banks that are subject to credit risk. These deposits are placed with highly rated banks in mainland China, Hong Kong, and Singapore. The credit rating of banks is analysed as below:

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Cash and cash equivalents		
Senior investment grade	279,733	122,976
Due from banks other than cash and cash equivalents		
Senior investment grade	6,012,473	4,800,559
Total	<u>6,292,206</u>	<u>4,923,535</u>

##### Credit exposure on the investment in debt instruments

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Senior investment grade	<u>7,165</u>	<u>-</u>
Total	<u>7,165</u>	<u>-</u>

The credit rating of the Bank's investment of debt instruments measured at amortised cost as at September 30, 2019 are senior investment grade.

There has been no significant increase in credit risk since initial recognition associated with the amounts due from banks, debt instruments measured at amortised cost and loans and commitment, up to September 30, 2019. The credit exposure on cash and cash equivalents exclude cash on hand.

##### Credit risk on derivatives

The Bank has entered into derivative contracts for the purpose of achieving an economic hedge of currency and interest rate risk associated with the bond issued, time deposits and investment measured at amortised cost. The Bank chose counterparties with high credit rating in mainland China and Hong Kong and entered ISDA agreement with them. Under the ISDA master agreement, if a default by counterparty occurs all contracts with the counterparty will be terminated. At any point of time the maximum exposure to credit risk is limited to the current fair value of instruments that are favorable to the Bank.

##### Risk concentrations

The Bank manages concentration risk through the limits on the basis of the individual counterparties and geographical region in accordance with the Board approved policy. The Bank will diversify its credit exposures over time.

4. FINANCIAL RISK MANAGEMENT – continued

**Liquidity risk**

The Bank's liquidity risk arises largely from the following two circumstances:

- I. Insufficient liquidity to settle obligations or to meet cash flow needs, including but not limited to the inability to maintain normal lending operations and to support public or private projects in a timely manner.
- II. Inability to liquidate an investment at a reasonable price within the required period of time.

The Bank utilises a set of risk measurement tools for identifying, monitoring and controlling liquidity risk. The Bank maintains an appropriate mix of liquid assets as a source of liquidity for day-to-day operational needs, as well as for meeting emergency funding needs. The Bank also has the channel to borrow funds and issue debt securities or note payables in order to achieve its development mission and optimise liquidity. The Bank monitors liquidity risk through the liquidity risk ratios and indicators as prescribed in the liquidity risk management policy of the Bank.

The following table presents the cash flows associated with financial assets and financial liabilities. The balances in the tables will not necessarily agree to amounts presented on the unaudited condensed statement of financial position as amounts incorporate cash flows on an undiscounted basis and therefore include both principal and associated future interest payments.

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4. FINANCIAL RISK MANAGEMENT - continued

**Liquidity risk** - continued

Unaudited As at September 30, 2019	On demand USD'000	Less than 1 month USD'000	1-3 months USD'000	3-12 months USD'000	1-5 years USD'000	Over 5 years USD'000	Total USD'000
<b>Non-derivatives</b>							
Cash and cash equivalents	75,007	122,963	82,925	-	-	-	280,895
Due from banks	-	90,570	1,329,596	4,220,734	460,687	-	6,101,587
Loans and advances	-	-	1,744	26,724	419,030	946,165	1,393,663
Paid-in capital receivables	-	-	-	900,000	3,500,000	-	4,400,000
Debt instruments measured at amortised cost	-	-	-	7,227	-	-	7,227
Other financial assets	827	-	-	-	-	-	827
Financial liabilities							
designated at FVTPL	-	-	-	(25,862)	(881,077)	-	(906,939)
Note payables	-	-	(260,000)	(415,000)	-	-	(675,000)
Lease liabilities	-	-	(20)	(64)	(68)	-	(152)
Other financial liabilities	(1,583)	-	-	-	-	-	(1,583)
Sub-total	<u>74,251</u>	<u>213,533</u>	<u>1,154,245</u>	<u>4,713,759</u>	<u>3,498,572</u>	<u>946,165</u>	<u>10,600,525</u>
<b>Derivatives</b>							
<i>Net setting derivatives</i>							
Interest rate swap – cash inflow	-	-	1,446	15,637	28,153	-	45,236
Interest rate swap – cash outflow	-	(530)	(2,688)	(15,441)	(22,146)	-	(40,805)
<i>Gross setting derivatives</i>							
Cross currency swap – cash inflow	-	-	-	10,222	340,527	-	350,749
Cross currency swap – cash outflow	-	-	-	(6,510)	(364,083)	-	(370,593)
Sub-total	<u>-</u>	<u>(530)</u>	<u>(1,242)</u>	<u>3,908</u>	<u>(17,549)</u>	<u>-</u>	<u>(15,413)</u>
<b>Net</b>	<u>74,251</u>	<u>213,003</u>	<u>1,153,003</u>	<u>4,717,667</u>	<u>3,481,023</u>	<u>946,165</u>	<u>10,585,112</u>

THE NEW DEVELOPMENT BANK

4. FINANCIAL RISK MANAGEMENT - continued

**Liquidity risk – continued**

Audited As at December 31, 2018	On demand USD'000	Less than 1 month USD'000	1-3 months USD'000	3-12 months USD'000	1-5 years USD'000	Over 5 years USD'000	Total USD'000
<b>Non-derivatives</b>							
Cash and cash equivalents	97,313	25,887	-	-	-	-	123,200
Due from banks	-	976,111	787,657	2,806,774	316,137	-	4,886,679
Loans and advances	-	-	11,620	13,932	264,008	537,255	826,815
Paid-in capital receivables	-	300,000	9,212	-	4,700,000	-	5,009,212
Other financial assets	271	-	-	-	-	-	271
Financial liabilities							
designated at FVTPL	-	-	-	(13,375)	(459,738)	-	(473,113)
Other financial liabilities	(1,275)	-	-	-	-	-	(1,275)
Sub-total	<u>96,309</u>	<u>1,301,998</u>	<u>808,489</u>	<u>2,807,331</u>	<u>4,820,407</u>	<u>537,255</u>	<u>10,371,789</u>
<b>Derivatives</b>							
<i>Net setting derivatives</i>							
Interest rate swap - cash inflow	-	-	-	2,001	4,007	-	6,008
Interest rate swap - cash outflow	-	(598)	-	(1,433)	(3,172)	-	(5,203)
<i>Gross setting derivatives</i>							
Cross currency swap - cash inflow	-	-	-	10,674	368,399	-	379,073
Cross currency swap - cash outflow	-	(4,163)	-	(4,794)	(376,880)	-	(385,837)
Sub-total	<u>-</u>	<u>(4,761)</u>	<u>-</u>	<u>6,448</u>	<u>(7,646)</u>	<u>-</u>	<u>(5,959)</u>
<b>Net</b>	<u>96,309</u>	<u>1,297,237</u>	<u>808,489</u>	<u>2,813,779</u>	<u>4,812,761</u>	<u>537,255</u>	<u>10,365,830</u>

4. FINANCIAL RISK MANAGEMENT – continued

**Market risk**

Market risk is the risk that market rates and prices on assets, liabilities and off-balance sheet positions change, which results in profits or losses to the Bank. The Bank's market risk mainly consists of interest rate risk and exchange rate risk arising from the current portfolio. The Treasury and Portfolio Management Division of the Bank makes investment and hedging decisions within the guidelines set in Board approved policies.

**Interest rate risk**

Interest rate risk is defined as the risk of adverse impact on the Bank's financial position, including its income and economic value due to interest rate movements. The Bank's lending and investment activities may expose the Bank to interest rate risk. In addition, changes in the macro-economic environment impact significantly on the movement of interest rate curves for different currencies.

The Bank has limited tolerance towards interest rate risks. The primary strategy for management of interest rate risk is to match the interest rate sensitivity of individual currencies on both sides of the statement of financial position. The tenor for which the interest is fixed on a financial instrument indicates the extent to which it is exposed to interest rate risk. Interest rate risk arises principally from the sensitivity associated with the net spread between the rate the Bank earns on its assets and the cost of borrowings which funds those assets and the sensitivity of the income earned from funding a portion of the Bank's assets with equity.

Accordingly, interest rate risk management aims to minimise mis-matches of structure and maturities (re-pricing) of interest rate sensitive assets and liabilities in the Bank's portfolios by adopting a match-funding principle complemented by duration gap analysis, interest rate repricing gap analysis and scenario analysis. The Bank aims to maintain the duration up to the approved limits by generating a stable overall net interest margin that is not overly sensitive to sharp changes in market interest rates, but adequately responsive to general market trends. An adequate match-funding refers to the principles of funding that has broadly the same characteristics as the corresponding loans in terms of interest rate and currency. Such minimisation of mismatches protects the Bank's net interest margin from fluctuations in market interest rates. The Bank also undertakes derivative transactions to hedge interest rate risk.

The Bank measures its interest rate exposure by using the interest rate re-pricing profile which is used to analyse the impact of interest rate change on its net interest income due to the re-pricing mismatch between assets, liabilities and off-balance sheet positions over a range of re-pricing buckets. Interest bearing assets and liabilities including off-balance sheet positions are slotted into their respective re-pricing time bands according to their earliest interest re-pricing dates.

***Interest Rate Sensitivity analysis***

The objective of Net Interest Income ("NII") sensitivity analysis is to utilise projected earnings simulations to forecast, and to measure and manage interest rate risk. NII analysis measures the sensitivity of net interest income earnings to changes in interest rates.

The sensitivity analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each respective reporting periods were outstanding for the whole year.

When reporting to the management on the interest rate risk, a 25 basis points increase or decrease in the relevant interest rates is adopted for sensitivity analysis, when considering the reasonably possible change in interest rates. The impact of a change in interest rates on the last date of the reporting period is shown below.

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### 4. FINANCIAL RISK MANAGEMENT – continued

#### **Interest rate risk - continued**

	Impact on profit Nine months ended September 30, 2019 USD'000 (unaudited)	Impact on profit year ended December 31, 2018 USD'000 (audited)
+25 basis points	4,325	7,959
-25 basis points	(4,325)	(7,959)

#### **Exchange Rate Risk**

The exchange rate risk the Bank faces arises from the impact of exchange rate movements on net open positions in loans and treasury portfolio. Movements in currencies in which the Bank transacts, relatively to its functional currency (the U.S. dollar), can affect the Bank's results.

The Bank aims at reducing or limiting exposure to the exchange rate risk arising from its normal course of business, while maximising its capacity to assume the risks of extending credit to clients (or borrowers) within its approved risk limits. The Bank uses the net exchange position limit to contain the exchange rate risk exposure.

The Bank seeks to match the currency of its assets with the currency of the corresponding funding source. The Bank uses currency derivative contracts to align the currency composition of its equity and liabilities to its asset.

#### ***Exchange Rate Sensitivity analysis***

The following table shows the impact of an appreciation or depreciation of USD against foreign currencies as at September 30, 2019 and December 31, 2018 assuming that all other variables remain constant:

	Impact on profit nine months ended September 30, 2019 USD'000 (unaudited)	Impact on profit year ended December 31, 2018 USD'000 (audited)
10% Appreciation	(106)	(35)
10% Depreciation	106	35

#### **Capital management**

The Bank monitors its capital adequacy level within a Capital Management Framework ("CMF"), which seeks to ensure that Bank's capital is sufficient to cover the risks associated with its business. The CMF consists of three pillars that are Limitation on Operations, Equity-to-Loan Ratio, Equity-to-Asset and Capital Utilisation Ratio.

The Bank sets all early warning indicator for the above three pillars (95% for Limitation on Operations, 25% for Equity-to-Loan Ratio and 85% for Capital Utilisation Ratio) and monitors the capital adequacy level on an on-going basis. Once the early warning indicator is hit, contingency actions should be triggered to bring the capital adequacy level to safe range.

As at September 30, 2019, the Bank had complied with its capital adequacy management policies.

4. FINANCIAL RISK MANAGEMENT - continued

**Capital management** - continued

The Bank has a capital structure in order to meet the capital management objective in a capital efficient manner. The initial subscribed capital shall be equally distributed amongst the founding members and the payment of the amount initially subscribed to the paid-in capital stock of the Bank shall be made in seven instalments.

According to Article 7d of the Agreement, an increase of the authorised and subscribed capital stock of the Bank, as well as the proportion between the paid in shares and the callable shares may be decided by the Board of Governors at such time and under such terms and conditions as it may deem advisable, by a special majority of the Board of Governors. In such case, each member shall have a reasonable opportunity to subscribe, under the conditions established in Article 8 and under such other conditions as the Board of Governors shall decide. No member, however, shall be obligated to subscribe to any part of such increased capital. The Board of Governors shall at intervals of not more than 5 years review the capital stock of the Bank per Article 7e of the Agreement.

5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Bank's financial instruments that are measured subsequent to initial recognition at fair value mainly included financial liabilities designated at fair value through profit and loss and the derivatives as at September 30, 2019.

The Risk Division of the Bank is responsible for the fair value measurement. Analysis of fair value disclosures uses a hierarchy that reflects the significant inputs used in measuring the fair value. The level in the fair value hierarchy within which a fair value through profit and loss measurement is classified is determined on the basis of the lowest level input that is significant to the fair value measurement. The fair value hierarchy is as below.

- Level 1: Quoted prices in active markets for the financial assets or the liabilities that the Bank can access at the measurement date.
- Level 2: Inputs other than the quoted prices within Level 1 that are observable in the market and published by reputable agencies like Bloomberg and Reuters. These inputs are used for arriving at the fair value of the assets or the liabilities.
- Level 3: Inputs for the financial asset or liability that are not based on the observable market data.

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 estimated fair values are based on relevant information available at the reporting date and involve judgement.

The Bank is of the opinion that there is no active market related to its bonds issued in view of the low trading volume and frequency.

The fair value estimates are based on the following methodologies and assumptions:

The fair values of derivative assets and liabilities, including foreign exchange forwards, interest rate swaps and cross currency swaps are obtained from discounted cash flow models and other valuation techniques that are commonly used by market participants using observable inputs as appropriate in the market and published by reputable agencies like Bloomberg.

The fair value of the financial liabilities designated at fair value through profit and loss is measured using market accepted valuation techniques. The techniques serve the purpose of tracking the value impact in respect of both interest rate and foreign exchange rate movement.

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5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - continued

***Fair value of the Bank's financial instruments that are measured at fair value on a recurring basis***

The table below shows the comparison of fair value of the financial assets, financial liabilities and derivatives.

	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Unaudited				
As at September 30, 2019				
Financial assets				
Derivatives	-	4,728	-	4,728
Total financial assets measured at fair value	-	4,728	-	4,728
Financial liabilities				
Derivatives	-	19,561	-	19,561
Financial liabilities designated at fair value	-	855,124	-	855,124
Total financial liabilities measured at fair value	-	874,685	-	874,685
Audited				
As at December 31, 2018				
Financial assets				
Derivatives	-	710	-	710
Total financial assets measured at fair value	-	710	-	710
Financial liabilities				
Derivatives	-	6,374	-	6,374
Financial liabilities designated at fair value	-	443,809	-	443,809
Total financial liabilities measured at fair value	-	450,183	-	450,183

There were no transfers between Level 1 and 2 for the nine months ended September 30, 2019 and during the year ended December 31, 2018.

There were no third-party credit enhancements in the fair value measurement for financial liabilities designated at fair value as at September 30, 2019 and December 31, 2018.

The Bank considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Bank's statements of financial position approximate their fair values.



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6. NET INTEREST INCOME

	Nine months ended September 30, 2019 USD'000 (unaudited)	Nine months ended September 30, 2018 USD'000 (unaudited)	Three months ended September 30, 2019 USD'000 (unaudited)	Three months ended September 30, 2018 USD'000 (unaudited)	Year ended December 31, 2018 USD'000 (audited)
Interest income from banks	143,985	81,479	51,110	29,128	113,191
Interest income from loans and advances	24,615	4,588	9,602	3,002	10,209
Interest income from debt instruments measured at amortised cost	649	-	317	-	-
<b>Total interest income</b>	<b>169,249</b>	<b>86,067</b>	<b>61,029</b>	<b>32,130</b>	<b>123,400</b>
Interest expense on bonds issued	(17,694)	(10,222)	(6,380)	(3,403)	(13,590)
Interest expense on note payables	(3,921)	-	(3,130)	-	-
Interest expense on short term borrowings	-	(7)	-	(7)	(7)
Interest expense on lease liabilities	(3)	-	(1)	-	-
<b>Total interest expense</b>	<b>(21,618)</b>	<b>(10,229)</b>	<b>(9,511)</b>	<b>(3,410)</b>	<b>(13,597)</b>
<b>Net interest income</b>	<b>147,631</b>	<b>75,838</b>	<b>51,518</b>	<b>28,720</b>	<b>109,803</b>

7. NET FEE INCOME

	Nine months ended September 30, 2019 USD'000 (unaudited)	Nine months ended September 30, 2018 USD'000 (unaudited)	Three months ended September 30, 2019 USD'000 (unaudited)	Three months ended September 30, 2018 USD'000 (unaudited)	Year ended December 31, 2018 USD'000 (audited)
Front-end fee recognised	349	100	167	48	155
Commitment fee	763	219	625	154	263
<b>Total</b>	<b>1,112</b>	<b>319</b>	<b>792</b>	<b>202</b>	<b>418</b>

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### 8. NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Nine months ended September 30, 2019 USD'000 (unaudited)	Nine months ended September 30, 2018 USD'000 (unaudited)	Three months ended September 30, 2019 USD'000 (unaudited)	Three months ended September 30, 2018 USD'000 (unaudited)	Year ended December 31, 2018 USD'000 (audited)
Derivatives	(5,977)	(9,252)	(10,138)	(11,635)	2,564
Bonds	40,977	16,517	32,329	15,379	5,245
Total	<u>35,000</u>	<u>7,265</u>	<u>22,191</u>	<u>3,744</u>	<u>7,809</u>

### 9. STAFF COSTS

	Nine months ended September 30, 2019 USD'000 (unaudited)	Nine months ended September 30, 2018 USD'000 (unaudited)	Three months ended September 30, 2019 USD'000 (unaudited)	Three months ended September 30, 2018 USD'000 (unaudited)	Year ended December 31, 2018 USD'000 (audited)
Salaries and allowances	18,872	13,505	7,016	4,963	19,400
Other benefits	5,502	4,399	1,726	1,719	5,910
Total	<u>24,374</u>	<u>17,904</u>	<u>8,742</u>	<u>6,682</u>	<u>25,310</u>

The Bank provides other benefits, based on their eligibility and applicability, to its staff members during their employment with the Bank. These include medical insurance, life insurance, accidental death and dismemberment insurance, Staff Retirement Plan ("SRP") and Post Retirement Plan ("PRP").

The charge recognised for the nine months ended September 30, 2019 for the SRP and PRP was USD 3,733 thousand (unaudited) (nine months ended September 30, 2018: USD 3,035 thousand, unaudited) and USD 367 thousand (unaudited) (nine months ended September 30, 2018: USD 333 thousand, unaudited) respectively and is included in "Other benefits". There are two retirement plans in operation. Both SRP and PRP are defined contribution schemes and are operated through trust funds. For SRP, both the Bank and staff contribute. For PRP, only the Bank contributes.

The Bank did not incur any salary expenses and other employee benefits for members of the Board of Governors and the Board of Directors except the President of the Bank for the nine months ended September 30, 2019 and 2018. According to Article 11 of the Agreement, the Board of Governors shall determine the salary and terms of the service contract of the President of the Bank.

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### 10. OTHER OPERATING EXPENSES

	Nine months ended September 30, 2019 USD'000 (unaudited)	Nine months ended September 30, 2018 USD'000 (unaudited)	Three months ended September 30, 2019 USD'000 (unaudited)	Three months ended September 30, 2018 USD'000 (unaudited)	Year ended December 31, 2018 USD'000 (audited)
Office expenses	2,352	2,046	445	786	2,737
Professional fees	2,429	2,559	940	1,163	3,448
Audit remuneration*	408	363	136	121	513
Travel expenses	3,101	2,376	983	789	3,106
IT expenses	1,717	1,023	730	414	1,777
Hospitality expenses	145	81	78	14	116
Depreciation and amortisation	427	146	153	65	229
Bond issuance costs	552	-	-	-	-
Others	13	31	7	13	10
<b>Total</b>	<b>11,144</b>	<b>8,625</b>	<b>3,472</b>	<b>3,365</b>	<b>11,936</b>

\* Audit remuneration has been reclassified from Professional fees for the comparative figures of previous periods.

### 11. CASH AND CASH EQUIVALENTS

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Cash on hand	9	12
Demand deposit	74,997	97,301
Time deposit with original maturity within three months	204,736	25,675
<b>Total</b>	<b>279,742</b>	<b>122,988</b>

### 12. DUE FROM BANKS OTHER THAN CASH AND CASH EQUIVALENTS

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Commercial banks	6,217,209	4,826,234
<b>Total</b>	<b>6,217,209</b>	<b>4,826,234</b>
Less: Time deposit with original maturity within three months	(204,736)	(25,675)
<b>Total</b>	<b>6,012,473</b>	<b>4,800,559</b>

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### 13. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The Bank entered into derivative contracts for the green bond issued on July 18, 2016, that was paired with swaps of which the total notional amounts in Renminbi ("RMB") is 3 billion, to convert the issuance proceeds into the currency and interest rate structure sought by the Bank.

The Bank entered into derivative contracts for the new panda bond issued on February 22, 2019 that was paired with swaps of which the total notional amounts in RMB is 3 billion, to convert the issuance proceeds into the interest rate structure sought by the Bank. Similarly, the Bank also entered into derivative contracts for time deposits on February 27, 2019 with a notional amount of RMB 1.5 billion. The Bank has also entered into a forward contract for debt instruments measured at amortised cost.

Notwithstanding the purpose for achieving an economic hedge, the Bank opted not to apply hedge accounting to any derivative contracts entered into in the nine months ended September 30, 2019 and the year ended December 31, 2018.

Unaudited As at September 30, 2019	Notional USD USD'000	Fair Value Asset USD'000	Fair Value Liability USD'000
Interest Rate Swap	714,166	4,728	300
Cross Currency Swap	359,396	-	19,261
Total	<u>1,073,562</u>	<u>4,728</u>	<u>19,561</u>

Audited As at December 31, 2018	Notional USD USD'000	Fair Value Asset USD'000	Fair Value Liability USD'000
Interest Rate Swap	90,132	710	-
Cross Currency Swap	359,396	-	6,374
Total	<u>449,528</u>	<u>710</u>	<u>6,374</u>

### 14. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Policy bank bond	<u>7,165</u>	<u>-</u>
Total	<u>7,165</u>	<u>-</u>

The debt instruments measured at amortised cost relate to the Bank's investments in a policy bank bond denominated in RMB.

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### 15. LOANS AND ADVANCES

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Principal	1,075,641	624,568
Interest Receivable	<u>1,720</u>	<u>6,191</u>
Gross Carrying Amount	1,077,361	630,759
Less: ECL allowance	<u>(3,168)</u>	<u>(2,655)</u>
Net carrying amount	<u>1,074,193</u>	<u>628,104</u>

### 16. PAID-IN CAPITAL RECEIVABLES

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Balance at the beginning of period/year (Note 1 below)	5,009,212	6,200,000
Less:		
Instalment received during the period/year (Note 2 below)	<u>(609,212)</u>	<u>(1,190,788)</u>
Total nominal amounts of receivable at the end of the period/year (Note 4 below)	<u>4,400,000</u>	<u>5,009,212</u>
Less:		
Interest on paid-in capital receivables to be unwound in the future period/year (Note 3 below)	<u>(104,515)</u>	<u>(162,429)</u>
Balance at the end of the period/year	<u>4,295,485</u>	<u>4,846,783</u>

Note 1: As disclosed in Note 26, the Bank established the rights to receive the initial subscribed paid-in capital of 100,000 shares, which total USD 10 billion upon the effective date of the Agreement. Each founding member shall initially and equally subscribe to 20,000 shares that correspond to paid-in capital. The payment of the amount initially subscribed to the paid-in capital stock of the Bank shall be made in 7 instalments. The first instalment of paid-in capital shall be paid by each member within 6 months of the Agreement coming in force and the second instalment shall become due 18 months from the date the Agreement came into force. The remaining 5 instalments shall each become due successively one year from the date on which the preceding instalment becomes due.

Note 2: The instalment received in the period ended September 30, 2019 resulted from the receipt of the fourth instalment, and partial receipts of fifth instalments ahead of schedule.

Note 3: The discounting method is applied to derive the interest to be unwound over the instalment period. The balance includes an initial discount of USD 622,285 thousand less USD 498,805 thousand of accumulated unwinding interest already unwound on the paid-in capital receivables (December 31, 2018: USD 444,286 thousand) and USD 18,965 thousand of accumulated early payment impact on discounting which was credited to reserves as an equity transaction by the end of September 30, 2019 (December 31, 2018: USD 15,570 thousand).

Note 4: As at September 30, 2019, there was no overdue instalments of paid-in capital receivables. The total paid-in capital receivables that will become due within one-year amount to an undiscounted value of USD 0.9 billion, and that will become due over one-year amount to an undiscounted value of USD 3.5 billion.

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17. RIGHT-OF-USE ASSETS

Property	As at September 30, 2019 USD'000 (unaudited)
Cost as at January 1, 2019	226
Additions during the period	-
Currency revaluations	-
Cost at September 30, 2019	<u>226</u>
Accumulated depreciation as at January 1, 2019	-
Depreciation for the period	<u>(64)</u>
Accumulated depreciation as at September 30, 2019	<u>(64)</u>
Net book value as at September 30, 2019	<u>162</u>

18. PROPERTY AND EQUIPMENT

	<u>IT Equipment</u> USD'000	<u>Appliance</u> USD'000	<u>Vehicle</u> USD'000	<u>Furniture</u> USD'000	<u>Others</u> USD'000	<u>Total</u> USD'000
Unaudited						
Cost as at January 1, 2019	953	66	413	9	25	1,466
Additions during the period	157	-	-	-	-	157
Disposals/written-off	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
Cost at September 30, 2019	<u>1,108</u>	<u>66</u>	<u>413</u>	<u>9</u>	<u>25</u>	<u>1,621</u>
Accumulated depreciation as at January 1, 2019	(95)	(24)	(131)	(1)	(10)	(261)
Depreciation for the period	(146)	(10)	(50)	(1)	(4)	(211)
Disposals/written-off	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation as at September 30, 2019	<u>(241)</u>	<u>(34)</u>	<u>(181)</u>	<u>(2)</u>	<u>(14)</u>	<u>(472)</u>
Net book value as at September 30, 2019	<u>867</u>	<u>32</u>	<u>232</u>	<u>7</u>	<u>11</u>	<u>1,149</u>

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18. PROPERTY AND EQUIPMENT – continued

	<u>IT Equipment</u> USD'000	<u>Appliance</u> USD'000	<u>Vehicle</u> USD'000	<u>Furniture</u> USD'000	<u>Others</u> USD'000	<u>Total</u> USD'000
Audited						
Cost as at January 1, 2018	191	62	413	2	25	693
Additions during the year	762	4	-	7	-	773
Cost at December 31, 2018	<u>953</u>	<u>66</u>	<u>413</u>	<u>9</u>	<u>25</u>	<u>1,466</u>
Accumulated depreciation						
as at January 1, 2018	(18)	(11)	(65)	(0)	(5)	(99)
Depreciation for the year	<u>(77)</u>	<u>(13)</u>	<u>(66)</u>	<u>(1)</u>	<u>(5)</u>	<u>(162)</u>
Accumulated depreciation as at December 31, 2018	<u>(95)</u>	<u>(24)</u>	<u>(131)</u>	<u>(1)</u>	<u>(10)</u>	<u>(261)</u>
Net book value						
as at December 31, 2018	<u>858</u>	<u>42</u>	<u>282</u>	<u>8</u>	<u>15</u>	<u>1,205</u>

19. INTANGIBLE ASSETS

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Cost		
As at the beginning of the period/year	1,009	65
Additions for the period/year	226	944
Cost as at the end of the period/year	<u>1,235</u>	<u>1,009</u>
Accumulated amortisation		
As at the beginning of the period/year	(78)	(11)
Amortisation for the period/year	<u>(152)</u>	<u>(67)</u>
As at the end of the period/year	<u>(230)</u>	<u>(78)</u>
Net book value		
As at the end of the period/year	<u>1,005</u>	<u>931</u>

20. OTHER ASSETS

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Other receivables	141	220
Others	<u>1,157</u>	<u>913</u>
Total	<u>1,298</u>	<u>1,133</u>

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### 21. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Bond - Principal	896,023	448,011
- Interest payable	10,366	6,086
- Fair value adjustment	(51,265)	(10,288)
Total	<u>855,124</u>	<u>443,809</u>

On July 18, 2016, the Bank issued a RMB 3 billion (USD 448,011 thousand equivalent) five-year green bond with the maturity date at July 19, 2021. The interest is paid by the Bank annually with fixed coupon rate of 3.07%.

On February 22, 2019, the Bank issued a RMB 3 billion (USD 448,012 thousand equivalent) new panda bond consisting of two tranches, RMB 2 billion for a three-year tenor with the maturity date at February 23, 2022 at an annual fixed coupon rate of 3.00% and RMB 1 billion for a five-year tenor with the maturity date at February 23, 2024 at an annual fixed coupon rate of 3.32%.

There has been no change in fair value of the bond attributable to changes in the Bank's credit risk for the nine months ended September 30, 2019 and for the year ended December 31, 2018. The contractual principal amount to be paid at maturity of the green bond and the panda bond in original currency is respectively RMB 3 billion and RMB 3 billion for the Bank.



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22. NOTE PAYABLES

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Note payables	668,810	-
Total	<u>668,810</u>	<u>-</u>

Notes payables includes various zero-coupon note issuances with maturity within 1 year.

23. LEASE LIABILITIES

	As at September 30, 2019 USD'000 (unaudited)
Lease liabilities	
Africa Regional Office rent	149
Total	<u>149</u>
Undiscounted lease payments	
1 year	84
2 years	68
Total	<u>152</u>

24. CONTRACT LIABILITIES

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Deferred income (Note 1 below)	11,437	3,866
Total	<u>11,437</u>	<u>3,866</u>

Note 1: The deferred income disclosed above relates to the unsatisfied performance obligations of front-end fees as at September 30, 2019 and December 31, 2018. Revenue recognized for the nine months ended September 30, 2019 that was included in the contract liability balance at the beginning of the period is USD 188 thousand (unaudited).

25. OTHER LIABILITIES

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Employee benefits payable	-	308
Accrued expenses	1,583	1,275
Impairment provision of loan commitment	1,138	1,126
Annual Leave provision	792	792
Total	<u>3,513</u>	<u>3,501</u>

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### 26. PAID-IN CAPITAL

A statement of capital subscriptions showing the amount of paid-in and callable shares subscribed to by each member according to the Agreement, is set out in the following table. There is no amendment to the terms of subscription payment in the Agreement on September 30, 2019. The voting power of each member shall be equal to the number of its subscribed shares in the capital stock of the Bank according to the Agreement.

	As at September 30, 2019		As at December 31, 2018	
	(unaudited)		(audited)	
	Number of shares	Amount in USD'000	Number of shares	Amount in USD'000
Authorised shared capital	1,000,000	100,000,000	1,000,000	100,000,000
Less: unsubscribed by members	(500,000)	(50,000,000)	(500,000)	(50,000,000)
Total subscribed capital	500,000	50,000,000	500,000	50,000,000
Less: callable capital	(400,000)	(40,000,000)	(400,000)	(40,000,000)
Total paid in capital	<u>100,000</u>	<u>10,000,000</u>	<u>100,000</u>	<u>10,000,000</u>

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26. PAID-IN CAPITAL – continued

A statement of capital subscriptions showing the amount of paid-in and callable shares subscribed to by each member is set out in the following table:

Unaudited As at September 30, 2019	Total shares Numbers	Total capital USD'000	Callable capital USD'000	Paid-in capital USD'000	Paid-in capital <sup>1</sup> received USD'000	Paid-in capital outstanding USD'000
Brazil	100,000	10,000,000	8,000,000	2,000,000	1,000,000	1,000,000
Russia	100,000	10,000,000	8,000,000	2,000,000	1,300,000	700,000
India	100,000	10,000,000	8,000,000	2,000,000	1,000,000	1,000,000
China	100,000	10,000,000	8,000,000	2,000,000	1,300,000	700,000
South Africa	100,000	10,000,000	8,000,000	2,000,000	1,000,000	1,000,000
<b>Total</b>	<b>500,000</b>	<b>50,000,000</b>	<b>40,000,000</b>	<b>10,000,000</b>	<b>5,600,000</b>	<b>4,400,000</b>

  

Audited As at December 31, 2018	Total shares Numbers	Total capital USD'000	Callable capital USD'000	Paid-in capital USD'000	Paid-in capital <sup>1</sup> received USD'000	Paid-in capital outstanding USD'000
Brazil	100,000	10,000,000	8,000,000	2,000,000	1,000,000	1,000,000
Russia	100,000	10,000,000	8,000,000	2,000,000	1,300,000	700,000
India	100,000	10,000,000	8,000,000	2,000,000	700,000	1,300,000
China	100,000	10,000,000	8,000,000	2,000,000	1,000,000	1,000,000
South Africa	100,000	10,000,000	8,000,000	2,000,000	990,788	1,009,212
<b>Total</b>	<b>500,000</b>	<b>50,000,000</b>	<b>40,000,000</b>	<b>10,000,000</b>	<b>4,990,788</b>	<b>5,009,212</b>

<sup>1</sup>Pursuant to Article 9 and attachment 2 of the Agreement each founding members' paid in capital stock is received in 7 instalments.

On September 30, 2019, all paid-in capital from founding members was received in accordance with the Articles, and partial receipts relating to the fifth instalment has been received ahead of schedule.

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27. OTHER RESERVES

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Accumulated impact on discounting of paid-in capital receivables	(104,515)	(162,429)
Total	<u>(104,515)</u>	<u>(162,429)</u>

Other reserves mainly represent the difference on the present value of paid-in receivables and the nominal amounts of subscribed paid-in capital arisen from the instalment payments of the subscribed paid-in capital, which is regarded as an equity transaction. The subsequent unwinding of interest on paid-in capital receivables is reclassified to other reserves from retained earnings immediately following the unwinding treatment in the relevant account period.

28. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flows from financing activities.

The table below details changes in the Bank's assets and liabilities arising from financing activities, including both cash and non-cash changes.

	As at January 1, 2019 USD'000	Cash inflows USD'000	Non-cash movements		As at September 30, 2019 USD'000
			Unwinding of interest USD'000	Impact of early payment USD'000	
Unaudited					
Paid-in capital receivables	4,846,783	(609,212)	54,519	3,395	4,295,485
Total assets from Financing activities	<u>4,846,783</u>	<u>(609,212)</u>	<u>54,519</u>	<u>3,395</u>	<u>4,295,485</u>

  

	As at January 1 2019 USD'000	Net financing cash inflows/ (outflows) USD'000	Non-cash movements				As at September 30, 2019 USD'000
			Interest accrued movements USD'000	Fair value changes USD'000	Foreign Exchange movements USD'000	Operating cash outflows <sup>1</sup> USD'000	
Unaudited							
Lease liabilities	213	(61)	3	-	(3)	(3)	149
Bond	443,809	448,012	17,694	(40,977)	-	(13,414)	855,124
Note payables	-	664,889	3,921	-	-	-	668,810
Total liabilities from Financing activities	<u>444,022</u>	<u>1,112,840</u>	<u>21,618</u>	<u>(40,977)</u>	<u>(3)</u>	<u>(13,417)</u>	<u>1,524,083</u>

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28. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES - continued

	As at	<u>Cash</u>	Non-cash movements		As at
	January 1, <u>2018</u>		<u>inflows</u>	Unwinding of <u>interest</u>	Impact of <u>early payment</u>
	USD'000	USD'000	USD'000	USD'000	USD'000
Unaudited					
Paid-in capital receivables	5,933,354	(600,000)	71,581	9,895	5,414,830
Total assets from Financing activities	5,933,354	(600,000)	71,581	9,895	5,414,830

	As at	<u>Cash</u>	Non-cash movements		As at
	January 1, <u>2018</u>		<u>outflows</u>	Interest accrued <u>movements</u>	Fair value <u>changes</u>
	USD'000	USD'000	USD'000	USD'000	USD'000
Unaudited					
Bond	449,367	(13,903)	10,222	(16,517)	429,169
Total liabilities from Financing activities	449,367	(13,903)	10,222	(16,517)	429,169

<sup>1</sup> USD 3 thousand of the cash outflows represents an interest payment for the interest portion of lease liabilities which is recorded in the Bank's unaudited condensed statement of cash flows as net cash used in operating activities.

29. COMMITMENTS

1) Capital commitments

As at September 30, 2019, the Bank had no irrevocable capital expenditures commitment.

2) Credit Commitments

	As at September 30, 2019 USD'000 (unaudited)	As at December 31, 2018 USD'000 (audited)
Letters of effectiveness signed	5,756,143	2,342,991
Letter of effectiveness yet to be signed	1,387,274	1,590,000
Total	7,143,417	3,932,991

Credit commitments represent general facility limits granted to borrowers. These credit facilities may be drawn on demand in the form of loans and advances upon the signing of the letter of effectiveness when the conditions precedent for the first drawdown have been complied with by borrowers.

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### 30. RELATED PARTY DISCLOSURE

In the ordinary course of business, the Bank may grant loans to a government or through a government credit guarantee arrangement, the Bank is, in accordance with IAS 24, exempted from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

- A government that has control or joint control of, or significant influence over, the Bank; and
- Another entity that is a related party because the same government has control or joint control of, or significant influence over, both the Bank and the other entity.

The name and relationship with founding member governments are disclosed below. On September 30, 2019 and December 31, 2018, no transactions, individually or collectively with government are considered significant to the Bank.

(1) Name and relationship

<u>Name of related parties</u>	<u>Relationship</u>
The Federative Republic of Brazil	The Bank's shareholder
The Russian Federation	The Bank's shareholder
The Republic of India	The Bank's shareholder
The People's Republic of China	The Bank's shareholder
The Republic of South Africa	The Bank's shareholder

According to the Headquarters Agreement between the Bank and the Government of the People's Republic of China, the Headquarters of the Bank and other relevant facilities to support the Bank's operations have been provided by the Government of the People's Republic of China, for free.

Details of the paid-in capital receivables as at September 30, 2019 and December 31, 2018 are set out in Note 16, and unwinding of interest on paid-in capital receivables for the nine months period ended September 30, 2019 and December 31, 2018 are set out in the unaudited condensed statement of profit or loss and other comprehensive income.

(2) Details of Key Management Personnel (KMP) of the Bank:

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the President and Vice Presidents.

The following persons were KMP of the Bank during the period ended September 30, 2019:

<b>Name</b>	<b>Country</b>	<b>Position</b>
Vaman Kundapur Kamath	India	President
Sarquis Jose Buainain Sarquis	Brazil	Vice President; Chief Risk Officer
Vladimir Kazbekov	Russia	Vice President; Chief Administrative Officer
Xian Zhu	China	Vice President; Chief Operations Officer
Leslie Warren Maasdorp	South Africa	Vice President; Chief Financial Officer

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### 30. RELATED PARTY DISCLOSURE - continued

(3) During the period, the remuneration of KMP were as follows:

	Nine months ended September 30, 2019 USD'000 (unaudited)	Nine months ended September 30, 2018 USD'000 (unaudited)	Three months ended September 30, 2019 USD'000 (unaudited)	Three months ended September 30, 2018 USD'000 (unaudited)	Year ended December 31, 2018 USD'000 (audited)
Salary and allowance	1,862	1,807	621	635	2,427
Staff Retirement Plan	272	263	91	92	354
Post- Retirement Insurance Plan	46	45	15	16	61
Other short term benefits	66	59	22	21	95
<b>Total</b>	<u>2,246</u>	<u>2,174</u>	<u>749</u>	<u>764</u>	<u>2,937</u>

### 31. SEGMENT INFORMATION

For the nine months ended September 30, 2019, the Bank has a single reportable segment and evaluates the financial performance of the Bank as a whole.

### 32. SUBSEQUENT EVENTS

On July 31, 2019, a loan agreement for RMB 825 million was signed with China to finance the Zhejiang Green Urban Project. This agreement became effective on October 12, 2019.

On August 8, 2019, a loan agreement for USD 300 million was signed with India to finance the Assam Bridge Project. This agreement became effective on October 23, 2019.

On October 15, 2019, the Bank issued a USD 50 million zero-coupon note with the maturity date within one year.

On November 07, 2019, the Bank issued a USD 110 million zero-coupon note with the maturity date within one year.

On November 12, 2019, the Bank issued a USD 15 million zero-coupon note with the maturity date within one year.

\* \* \* End of the Unaudited Condensed Financial Statements \* \* \*