



Annual Report 2021

# EXPANDING OUR REACH AND IMPACT





## EXPANDING OUR REACH AND IMPACT

Despite the challenging environment, 2021 was a year of recovery. The ongoing Coronavirus Disease 2019 (COVID-19) pandemic led to a shift towards new development paradigms, which generated a greater need for speed and agility in delivering effective development solutions, and placed a stronger emphasis on the sustainability and robustness of development results.

Faced with both existing and emerging challenges, the New Development Bank (NDB or the Bank) increased efforts to assist its member countries in making progress on their recovery paths. With the effective oversight of the Bank's Governors and Directors, the strong leadership of the Management team, and the dedicated service of staff members, NDB has become a key player in promoting economic recovery and sustainable development in its member countries.

The theme of this year's Annual Report, "Expanding Our Reach and Impact", reflects NDB's ambitious strategic direction to become a leading provider of infrastructure and sustainable development solutions for emerging market economies and developing countries (EMDCs). It confirms the important role the Bank plays – not only by financing projects, but also by providing countercyclical support for the recovery of its member countries from the pandemic.

The Annual Report acknowledges NDB's growing capacities through the expansion of its membership, innovation in capital markets, the acquisition and nurturing of talent, the refinement of internal policies and procedures, and the development of technological systems as well as moving to a permanent headquarters in Shanghai.

Looking back on 2021, this Annual Report highlights the main elements of NDB's trajectory thus far in supporting the efforts of its member countries to achieve their development and sustainability goals and improve the lives of their citizens. It also sheds light on the Bank's ambition to scale up development impact in its upcoming strategy cycle.



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# MESSAGE FROM THE PRESIDENT



In many ways, 2021 was a remarkable year for NDB, with several notable achievements. These include the Bank admitting the first group of new member countries, moving to its permanent headquarters, and expanding positive impacts via its investment operations. As NDB delivers on the vision of its founding members, we approach the final stages of implementing the Bank's General Strategy: 2017–2021 and get ready to embark on a new strategy cycle from 2022 to 2026.

In 2021, we welcomed the admission of Bangladesh, Egypt, United Arab Emirates (UAE), and Uruguay to NDB. These countries bring over 280 million people that can benefit from NDB's mandate. Our new members come from different regions of the world, and their addition strengthens NDB's role as a platform to nurture cooperation in infrastructure and sustainable development. We will continue to expand NDB's membership in a gradual and balanced manner.

Also in 2021, NDB moved to its permanent headquarters in Shanghai. Our new home is more than just an office building. Modern, sustainable and vibrant – it is a powerful representation of what NDB stands for. We believe that the headquarters will grow into an increasingly influential centre for international cooperation.

In 2021, NDB approved ten new loans totalling USD 5.1 billion, which brought the cumulative approvals to over USD 30 billion since the Bank's inception. The newly approved projects continue to be closely aligned with our priority sectors and the most needed development areas of our member countries. Projects approved in 2021 include three COVID-19 emergency programme loans, three urban development projects, two transportation projects, one clean energy project and one rural water supply project.

NDB aims at maximising the development impact of all the operations it supports. The projects approved in 2021 are expected to build or upgrade approximately 660 km of roads and 30 bridges, construct 30 km of metro lines, avoid 7.5 million tonnes of carbon dioxide (CO<sub>2</sub>) emissions per year, increase drinking water supply capacity by 49,000 m<sup>3</sup>/day, and build 35,000 housing units, among a range of other development results.

We continue to make efforts to ensure the successful implementation of our projects. In 2021 alone, NDB disbursed USD 7.6 billion, which is more than the amount of disbursements in all the previous years combined. As a result, the Bank's cumulative disbursements amounted to USD 14.6 billion by the end of 2021, which was partly driven by disbursements to COVID-19 emergency programme loans.

NDB increased its presence in both international and domestic capital markets to meet its growing funding needs. In 2021, the Bank issued approximately USD 5.5 billion equivalent through public bond offerings and private bond placements – a sum that exceeds the total issuance in all previous years since the Bank was established.

In addition to the amount of funds raised, we continued to utilise innovative financial instruments when the Bank accessed capital markets. In 2021, NDB made the first-ever Sustainable Development Goal (SDG) bond issuance, which followed the United Nations Development Programme (UNDP) SDG Impact Standards for Bonds and the SDG Finance Taxonomy (China). As a pilot issuer, NDB worked closely with UNDP to contribute to establishing and testing the standards and taxonomy. NDB also issued its first floating-rate benchmark bond, which was linked to the Secured Overnight Financing Rate (SOFR).

The world is still recovering from the economic and social impacts of the COVID-19 pandemic, and the development community has put in place swift and unprecedented measures to address the challenges.

Ever since the initial COVID-19 outbreak, NDB has played an important role in addressing the urgent needs of its member countries. Out of the USD 10 billion allocated to support healthcare and economic recovery under the Fast Track COVID-19 Emergency Assistance Response Facility, the Bank approved three loans totalling USD 3.1 billion during 2021, bringing total approvals under the facility to nine loans totalling USD 9.2 billion by the end of the year.

The crisis highlighted the need for new thinking on development paradigms and the future of development finance. In particular, it shows how stronger international cooperation will be needed to cater for a future that requires new ways of thinking, skills and approaches. It brings far-reaching consequences to the Bank's work as the concept of infrastructure broadens to address both traditional challenges and those presented by the Fourth Industrial Revolution. Future investments need to be smarter, more sustainable and climate resilient.

This paradigm shift has been taking place as we approach the final stages of implementing NDB's first five-year General Strategy: 2017–2021. It is a time to look back and draw lessons from the past to shape the future of the institution for the next strategy period from 2022 to 2026, and beyond.

NDB's founding members envisaged a lean, agile and fit-for-purpose multilateral development bank (MDB) that would have sustainability as a core value and epitomise the capacity of EMDCs to stand on their own feet. NDB stems from its founding members' vision of a development finance architecture wherein EMDCs are home to sound solutions to development challenges.

I believe we are succeeding in delivering on the vision of our founders, which was outlined in NDB's first general strategy along four dimensions – operational, development impact, financial and institutional.

On the operational dimension, NDB developed a robust and diversified portfolio of infrastructure and sustainable development projects. At the end of 2021, our cumulative approvals and disbursements were broadly in line with the baseline targets set in 2017. Approvals denominated in local currencies reached 23%, demonstrating local currency financing as a key component of our value proposition. As our internal capabilities evolve, we will continue to deliver more sophisticated and impactful operations to address development challenges faced by EMDCs.

Our development impact echoes the spirit of the United Nations 2030 Agenda for Sustainable Development (2030 Agenda) and the 2015 Paris Agreement on Climate Change

(Paris Agreement). We conduct evidence-based mapping to monitor and report on the alignment of NDB's financing with the SDGs. Our projects have contributed to an increasingly diversified set of SDGs, thereby supporting economies and improving the lives of people in our member countries.

From a financial dimension, NDB's founding members have virtually completed the initial capitalisation of USD 10 billion over the past seven years. The amount of bonds outstanding issued by NDB stood at USD 10.6 billion equivalent by the end of 2021. An independent, prudent and integrated approach to risk management has been established to safeguard this capital base.

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“Our development impact echoes the spirit of the 2030 Agenda and the Paris Agreement.”

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Finally, from an institutional dimension, we operate with a lean and agile organisational structure to deliver on our mandate in an effective way. We are building a talent-intensive institution, and our success depends on a passionate, dedicated and capable workforce that thinks innovatively and displays high standards of professionalism. NDB's cloud-based information technology (IT) infrastructure ensured business continuity even in face of the COVID-19 environment and throughout the relocation to our new headquarters.

Over the past five years, we have delivered on our mandate across functions, geographies and sectors. We have also identified areas where there are opportunities for further improvement. Based on these experiences, we prepared our General Strategy for 2022–2026.

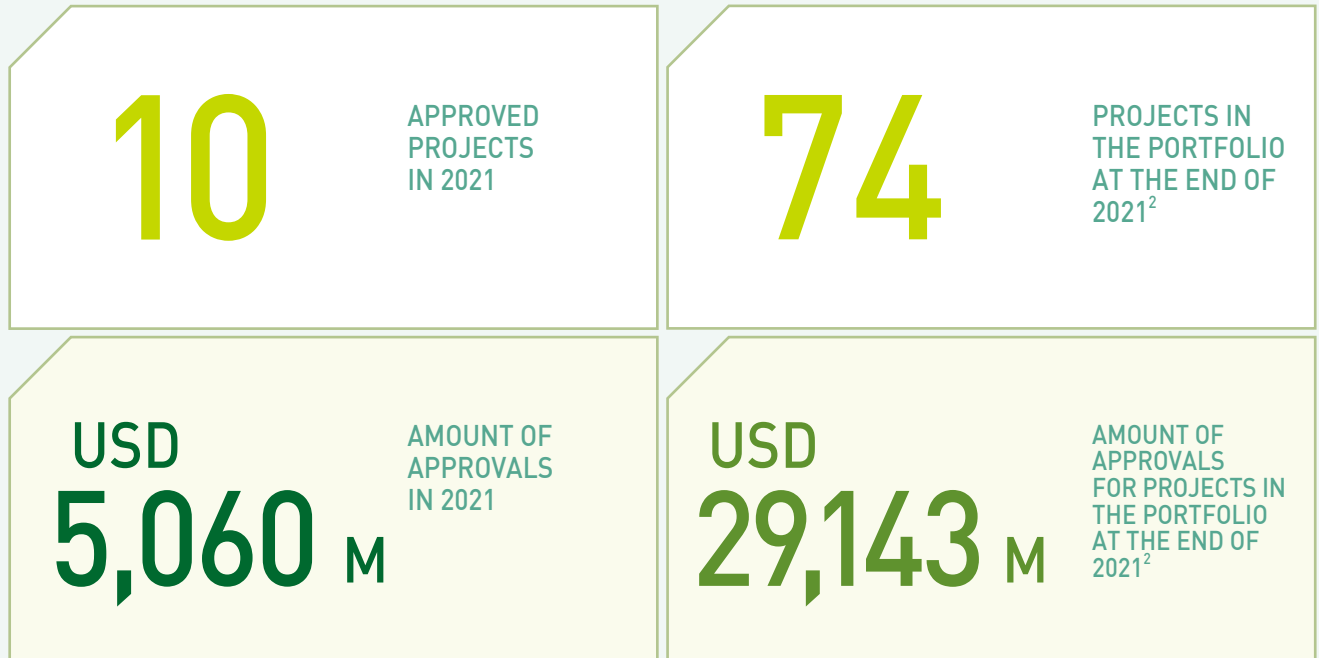
In 2022, we will embark on the next phase of our journey to build NDB as a premier development bank for emerging economies. NDB is proving itself as a powerful symbol of what emerging economies can achieve when they work together, and going forward we expect to make an even greater impact.

**Mr. Marcos Troyjo**  
**President of NDB**

# NDB IN NUMBERS<sup>1</sup>



SCAN THE QR CODE TO ACCESS DATA FOR NDB IN NUMBERS



## APPROVALS BY AREA OF OPERATION

APPROVALS WITHIN THE YEAR ENDED DECEMBER 31, 2021

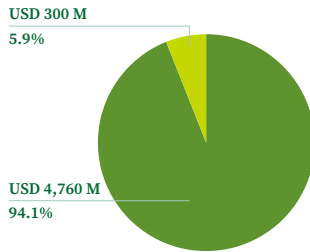
APPROVALS FOR PROJECTS IN THE PORTFOLIO AS AT DECEMBER 31, 2021

-  CLEAN ENERGY
-  TRANSPORT INFRASTRUCTURE
-  IRRIGATION, WATER RESOURCE MANAGEMENT AND SANITATION
-  URBAN DEVELOPMENT
-  ENVIRONMENTAL EFFICIENCY
-  SOCIAL INFRASTRUCTURE
-  DIGITAL INFRASTRUCTURE
-  MULTI-THEME
-  COVID-19 EMERGENCY ASSISTANCE

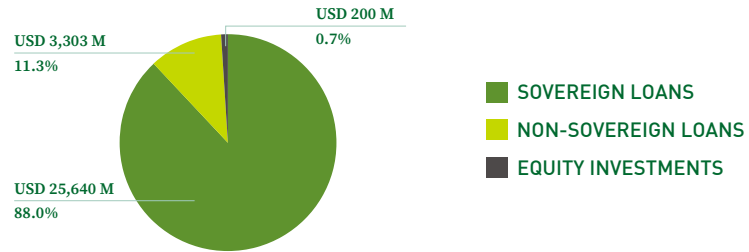


## APPROVALS BY TYPE OF OPERATION

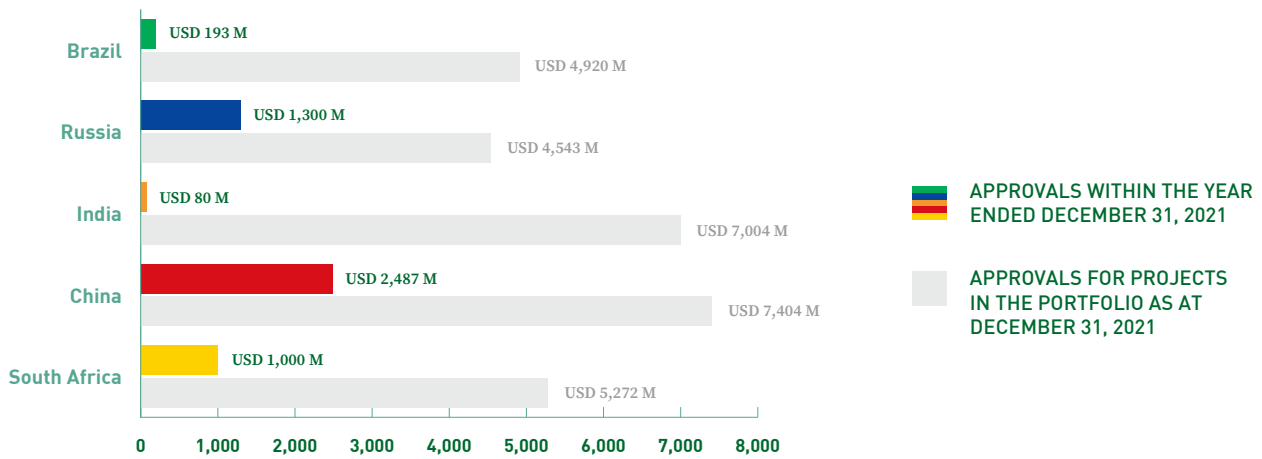
APPROVALS WITHIN THE YEAR ENDED DECEMBER 31, 2021



APPROVALS FOR PROJECTS IN THE PORTFOLIO AS AT DECEMBER 31, 2021

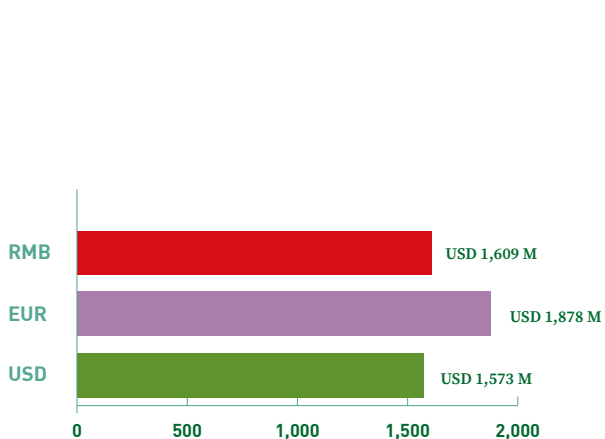


## APPROVALS BY COUNTRY

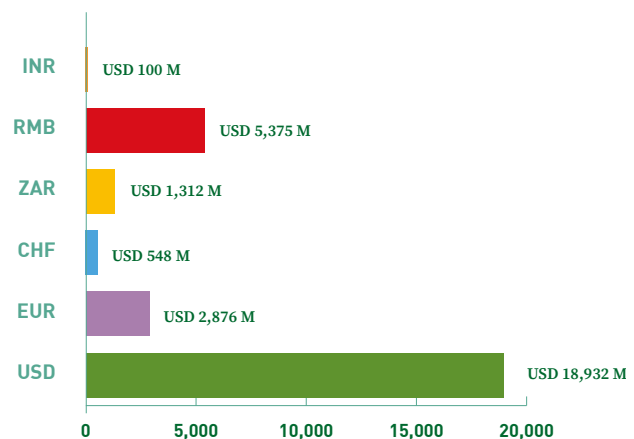


## APPROVALS BY FINANCING CURRENCY

APPROVALS WITHIN THE YEAR ENDED DECEMBER 31, 2021



APPROVALS FOR PROJECTS IN THE PORTFOLIO AS AT DECEMBER 31, 2021



1 Unless otherwise stated, all amounts related to approvals and disbursements in this report have been translated into USD using exchange rates as at the end of the relevant reporting period.

2 By the end of 2021, NDB had cumulatively approved USD 30.7 billion for 82 projects on a gross basis. Unless otherwise stated, discussions on NDB's operations in this report are based on the Bank's portfolio, which refers to the Bank's cumulative approvals net of cancelled and fully repaid loans.



## HIGHLIGHTS OF EXPECTED DEVELOPMENT RESULTS OF SELECTED PROJECTS FINANCED BY NDB<sup>3</sup>

	FROM PROJECTS APPROVED WITHIN THE YEAR ENDED DECEMBER 31, 2021	FROM PROJECTS IN THE PORTFOLIO AS AT DECEMBER 31, 2021	
<b>7.5</b> MILLION TONNES /YEAR <b>13</b> MILLION TONNES /YEAR CO <sub>2</sub> emissions to be avoided	<b>35,000</b> 35,000 Housing units to be constructed	<b>49,000</b> M <sup>3</sup> /DAY 209,000 M <sup>3</sup> /DAY Drinking water supply capacity to be increased	<b>AT LEAST 2</b> AT LEAST 42 Cities to benefit from NDB's urban development projects
	<b>30</b> 850 Bridges to be built or upgraded	<b>660 KM</b> 15,700 KM Roads to be built or upgraded	<b>30 KM</b> 260 KM Urban rail transit network to be built
<b>2,800 MW</b> Renewable and clean energy generation capacity to be installed	<b>535,000 M<sup>3</sup>/DAY</b> Sewage treatment capacity to be increased	<b>1,300 KM</b> Water tunnel/canal infrastructure to be built or upgraded	<b>58</b> Schools to be built or upgraded

## DISBURSEMENTS

	WITHIN THE YEAR ENDED DECEMBER 31, 2021	CUMULATIVE AS AT DECEMBER 31, 2021
Number of projects to which disbursements were made	38	51
Amount of disbursements	USD 7,623 M	USD 14,576 M <sup>4</sup>

## DISBURSEMENTS BY COUNTRY

 WITHIN THE YEAR ENDED DECEMBER 31, 2021  
 CUMULATIVE AS AT DECEMBER 31, 2021

## MEMBERSHIP EXPANSION<sup>5</sup>

	INCREMENTAL WITHIN THE YEAR ENDED DECEMBER 31, 2021	CUMULATIVE AS AT DECEMBER 31, 2021
Number of new members admitted	4	4
Number of countries with effective membership	2	7

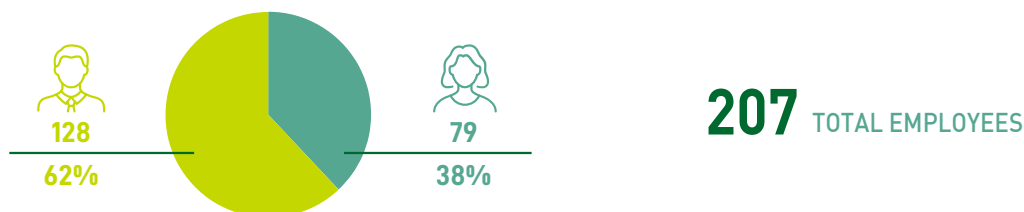
## PAID-IN CAPITAL

	INCREMENTAL WITHIN THE YEAR ENDED DECEMBER 31, 2021	CUMULATIVE AS AT DECEMBER 31, 2021
Paid-in capital received	USD 1,867 M	USD 9,955 M <sup>6</sup>
Paid-in capital subscribed	USD 299 M	USD 10,299 M

## BOND ISSUANCES<sup>7</sup>

	INCREMENTAL WITHIN THE YEAR ENDED DECEMBER 31, 2021		CUMULATIVE AS AT DECEMBER 31, 2021	
	NUMBER	AMOUNT	NUMBER	AMOUNT
RMB bonds	2	RMB 7,000 M	5	RMB 17,000 M
HKD bonds	1	HKD 500 M	1	HKD 500 M
GBP bonds	1	GBP 35 M	1	GBP 35 M
USD bonds	5	USD 4,350 M	8	USD 7,900 M

## EMPLOYEES BY GENDER (AS AT DECEMBER 31, 2021)



<sup>3</sup> Expected development results are presented for selected projects financed by NDB in collaboration with partners, irrespective of the proportion of the Bank's financing in the total project cost. The numbers are rounded, and are based on the information available at the time of approval.

<sup>4</sup> As at December 31, 2021, the Bank's cumulative disbursements net of cumulative repayments stood at USD 13.9 billion.

<sup>5</sup> A country is admitted as a member of the Bank following the approval by NDB's Board of Governors. Membership to NDB becomes effective after an instrument of accession is deposited, setting forth that the member has acceded in accordance with its laws to the Agreement on NDB and the annexed Articles of Agreement, as well as all the terms and conditions prescribed in the Board of Governors' resolution on admitting the new member.

<sup>6</sup> In the first half of 2022, USD 68 million of paid-in capital was received from various members and there was no overdue from any member as at June 30, 2022.

<sup>7</sup> Excluding the RMB 3 billion Green Financial Bond issued in July 2016 and matured in July 2021. Subsequent to December 31, 2021, NDB issued a RMB 3 billion bond and a RMB 7 billion bond in the China Interbank Bond Market in January and May 2022, respectively.

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**NDB OVERVIEW  
AND 2021 HIGHLIGHTS**



## 1.1 ABOUT NDB

NDB is an MDB established in 2015 by Brazil, Russia, India, China, and South Africa (collectively BRICS or the BRICS countries). As enshrined in its Articles of Agreement (AoA), the Bank is mandated to mobilise resources for infrastructure and sustainable development projects in BRICS and other EMDCs, contributing to global growth and development. To expand its reach and impact, NDB took significant strides towards membership expansion in 2021 by admitting Bangladesh, Egypt, UAE, and Uruguay as its first new members, bringing over 280 million people that could benefit from the Bank's development solutions.

Over the past year, EMDCs continued to face significant financing constraints in addressing infrastructure gaps, sustainable development needs and evolving challenges – including those posed by the ongoing COVID-19 pandemic. In this context, NDB remained fully committed to leveraging capital for development purposes at scale and providing countercyclical support in response to the needs of its member countries. By the end of 2021, the Bank had cumulatively approved USD 30.7 billion for 82 projects, in a range of operational areas that reflect the diverse and

evolving priorities of its members. As of December 31, 2021, the Bank's portfolio stood at USD 29.1 billion for 74 projects.<sup>8</sup> Through these operations, NDB aims to help member countries pursue their national development priorities, especially those aligned with the 2030 Agenda and the Paris Agreement.

In 2021, NDB maintained its high credit ratings and actively accessed both international and domestic capital markets, raising a record amount of over USD 5.5 billion in various currencies at competitive terms. These fundraising activities made sufficient resources available to meet the needs of accelerated project disbursements, which reached USD 7.6 billion in 2021 alone, more than the total of all the previous years combined.

As NDB prepares its transition into a new five-year strategy cycle, the Bank is well positioned to further expand its reach within and beyond its current member countries, delivering development benefits to a larger share of the world's population living in EMDCs.

## 1.2 MEMBERSHIP EXPANSION

NDB was created to be a global MDB with membership open to all members of the United Nations. After an initial establishment phase focused on building solid foundations to operate at scale, the Bank made substantial progress in expanding its membership by admitting the first new members in 2021.

Following consultations between NDB's founding members and potential new members, the Bank's Management successfully concluded formal negotiations with Bangladesh, Egypt, UAE, and Uruguay in 2021, which culminated in the submission of letters of application by these countries to join NDB. In line with their applications, the Bank's Board of Governors (BoG) admitted UAE as a non-borrowing member and the other three countries as borrowing members.

Further to their admission by the Bank, Bangladesh and UAE deposited their instruments of accession on September 16 and October 4, 2021, respectively, setting forth that they had acceded in accordance with their respective laws to NDB's AoA as well as the terms and conditions prescribed in relevant resolutions of the Bank's BoG. The membership of Bangladesh and UAE

in NDB therefore became effective in 2021, which brought the Bank's total number of effective members from five to seven.

Expanding its membership will remain a strategic priority for the Bank. New members will contribute to reinforcing NDB's global standing and provide additional avenues for the Bank to mobilise and deploy resources for infrastructure and sustainable development projects. Membership expansion will also allow the Bank to benefit from an enhanced capital base, diversified project portfolio, enlarged talent pool and broader development experiences brought on by new members. NDB is considering its first operations in new members in 2022.

NDB is engaging with a number of countries that have expressed interest in becoming a member of the Bank. Under the guidance of its BoG and Board of Directors (BoD), the Bank will continue to pursue membership expansion in a gradual and balanced manner, ensuring geographic diversity and a reasonable mix of countries of different sizes and at different stages of development.

<sup>8</sup> NDB's portfolio refers to the Bank's cumulative approvals net of cancelled and fully repaid loans.

## NEW MEMBERS AT A GLANCE<sup>9</sup>



### BANGLADESH

Bangladesh is a South Asian country located on the Bay of Bengal with a population of 166 million people. The country has one of the fastest growing economies in the world, with its gross domestic product (GDP) growing at an average rate of 6% per annum over the past two decades. Bangladesh graduated to lower middle-income country status in 2015 and its gross national income (GNI) per capita reached USD 2,620 in 2021. The country's development trajectory is encapsulated in "Bangladesh Vision 2041", where it aims to become an upper middle-income country by 2030 and a high-income country by 2041, while eliminating poverty and increasing industrial capacity. To tackle its vulnerability to climate change, Bangladesh is also committed to becoming a low-carbon and climate-resilient economy with its per capita emissions not exceeding the average of developing countries, as outlined in its Nationally Determined Contribution (NDC).



### EGYPT

Egypt is located in Northeast Africa straddling Africa and Asia. It is a lower middle-income country with a GNI per capita of USD 3,510 in 2021 and a population of 104 million people. The country's commitment to sustainable development is highlighted in "Egypt Vision 2030", which outlines its economic, social and environmental priorities, including the elimination of poverty, increasing climate change resilience, and improving governance by 2030. "Egypt Vision 2030" and the country's NDC also lay out plans for infrastructure megaprojects spanning urban development, public transport, and housing programmes.



### UAE

UAE is a country located in the Arabian Peninsula with a population of 10 million people. It is a high-income country with a GNI per capita of USD 39,410 in 2020. UAE is an important global financial, trade and entrepreneurial centre, and the country has recently become one of the largest providers of official development assistance in terms of GNI on a per capita basis.<sup>10</sup> UAE has ambitious climate goals under its "Net Zero 2050" strategic initiative. As one of the first countries to ratify the Paris Agreement in September 2016, UAE envisages the share of clean energy in its energy mix to reach 50% by 2050.



### URUGUAY

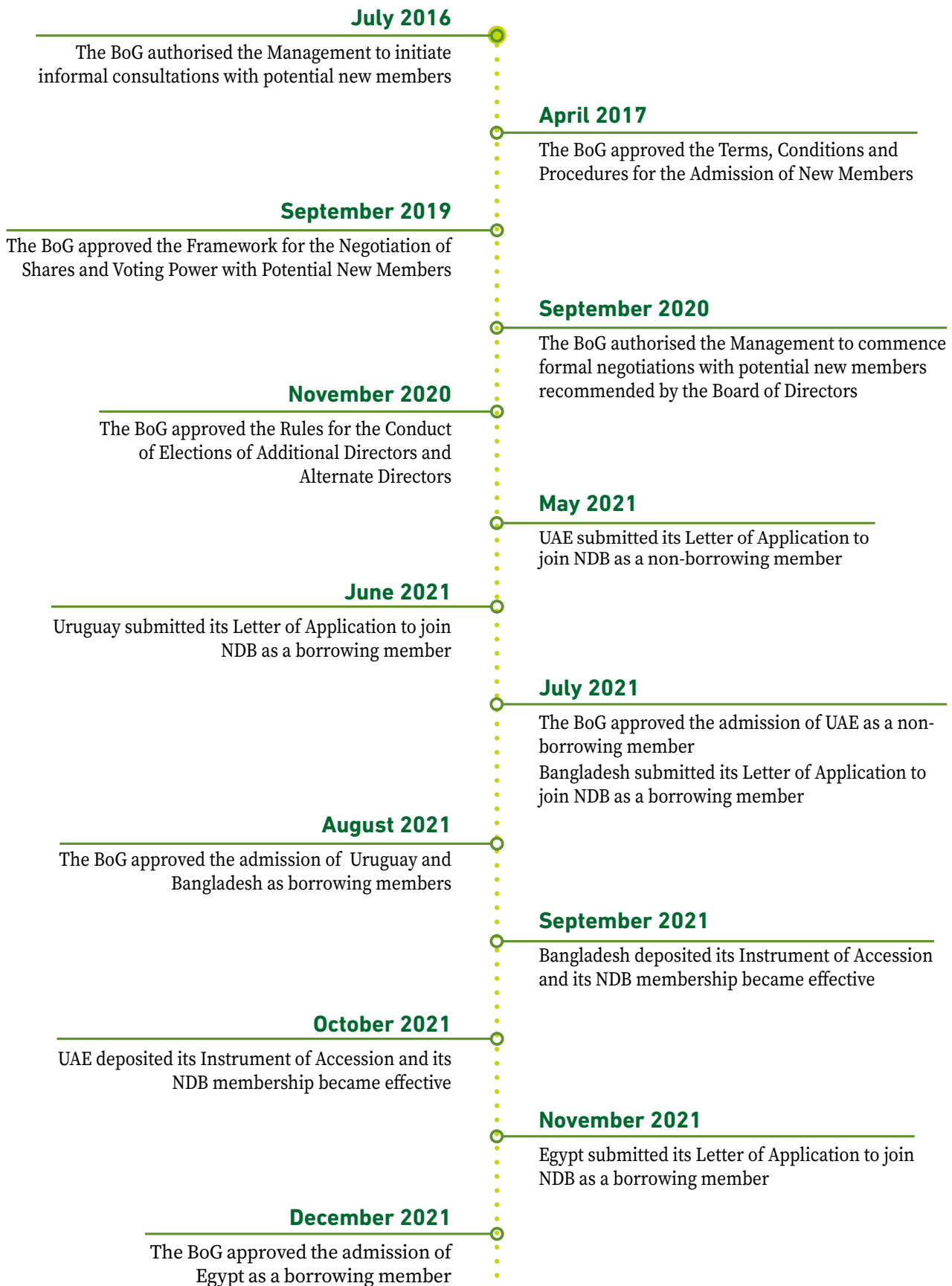
Located on the Atlantic coast of South America, Uruguay is a high-income country with a population of 3.5 million people and a GNI per capita of USD 15,800 in 2021. It is a highly egalitarian country, with strong social protection, low poverty levels and a commitment to inclusive growth. Uruguay's development agenda largely focuses on economic and climate resilience by diversifying its economy and energy sources. As a regional leader in renewable energy and climate mitigation measures, Uruguay relies on renewable sources for 60% of its total energy supply and 97% of its electricity generation.<sup>11</sup> Through its NDC, the country committed to further reducing its greenhouse gas (GHG) emission intensity. Enhancing disaster risk management to deal with challenges such as storm surges and climate-induced internal migration is also an important consideration in Uruguay's development agenda.

<sup>9</sup> Unless otherwise stated, all data in this box is from the World Bank's World Development Indicators. Country classification by income is also based on the World Bank's methodology.

<sup>10</sup> "Development Co-operation Profiles – United Arab Emirates." Organisation for Economic Cooperation and Development, 2021.

<sup>11</sup> NDB staff calculation based on data from the International Energy Agency's World Energy Balances.

## THE ROAD TO NDB'S MEMBERSHIP EXPANSION



## 1.3 SHAREHOLDING STRUCTURE AND VOTING POWER

NDB has an initial authorised capital of USD 100 billion, which is divided into 1 million shares with a par value of USD 100,000 each. The voting power of a member is equal to the proportion of its subscribed shares in the capital stock of the Bank. As per NDB's AoA, the five founding members made an initial subscription of USD 50 billion in equal shares, composed of a paid-in capital of USD 10 billion and a callable capital of USD 40 billion. This unique shareholding structure allows the founding members to have equal voting power while none of them holds veto power over any matter.

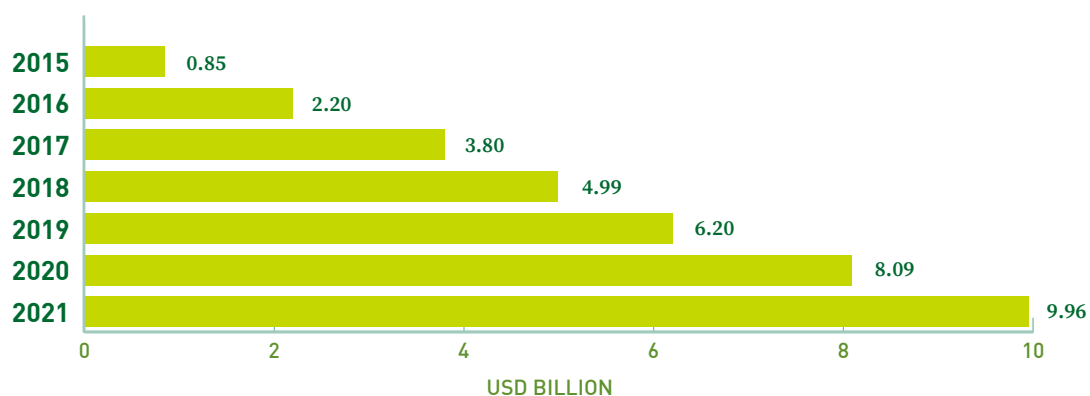
### SHAREHOLDING AND VOTING POWER AT NDB (AS AT DECEMBER 31, 2021)

MEMBER COUNTRY	NUMBER OF SUBSCRIBED SHARES	SUBSCRIBED CAPITAL (USD MILLION)		NUMBER OF VOTES	PERCENTAGE OF TOTAL VOTES <sup>12</sup>
		PAID-IN CAPITAL	CALLABLE CAPITAL		
Brazil	100,000	2,000	8,000	100,000	19.42
Russia	100,000	2,000	8,000	100,000	19.42
India	100,000	2,000	8,000	100,000	19.42
China	100,000	2,000	8,000	100,000	19.42
South Africa	100,000	2,000	8,000	100,000	19.42
Bangladesh	9,420	188	754	9,420	1.83
UAE	5,560	111	445	5,560	1.08
<b>Total</b>	<b>514,980</b>	<b>10,299</b>	<b>41,199</b>	<b>514,980</b>	<b>100.00</b>

In 2021, initial subscriptions were made by Bangladesh and UAE following their accession to the Bank. In September, Bangladesh subscribed 9,420 shares of the Bank's capital, totalling USD 942 million, of which USD 188 million corresponds to paid-in capital and USD 754 million corresponds to callable capital. In October, UAE subscribed 5,560 shares of the Bank's capital, totalling USD 556 million, of which USD 111 million corresponds to paid-in capital and USD 445 million corresponds to callable capital. These subscriptions entitled Bangladesh and UAE to have the voting power of 1.83% and 1.08% as of end-2021, respectively.

According to the payment schedule set out in the AoA, the initial subscription to paid-in capital by founding members should be paid over seven annual instalments. By the end of 2021, NDB had cumulatively received USD 9.96 billion in paid-in capital from its founding members, including partial receipts relating to the seventh and final instalment made ahead of schedule. In accordance with their respective schedules of payments, Bangladesh and UAE will start making their paid-in capital contributions in 2022.<sup>13</sup> NDB's high level of capitalisation places it amongst the largest MDBs globally.

### CUMULATIVE PAID-IN CAPITAL RECEIVED (AS AT DECEMBER 31)





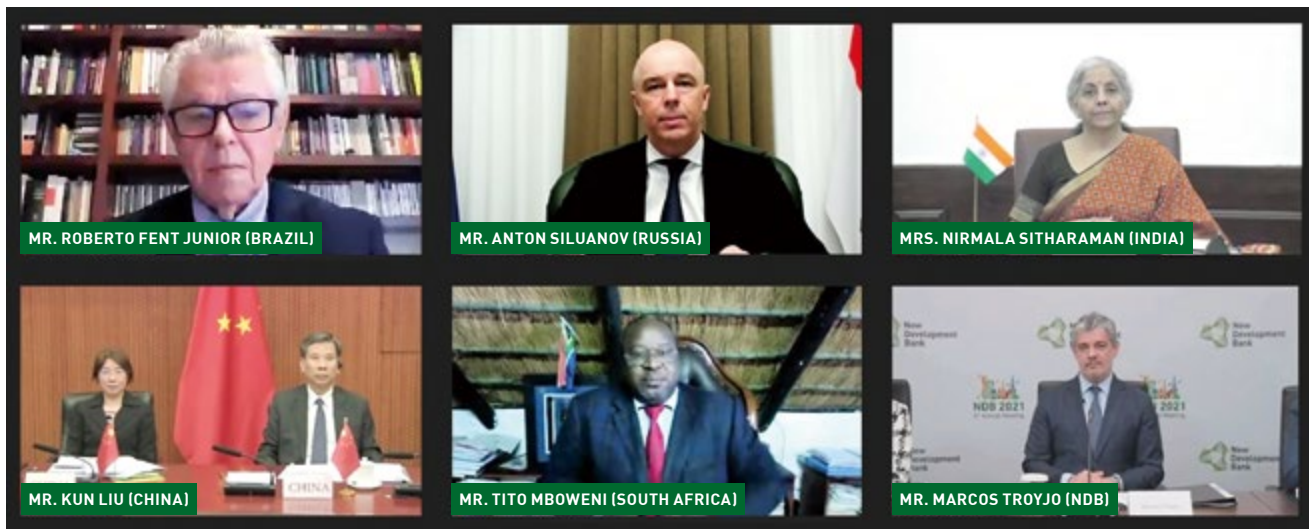
# 1.4 KEY EVENTS IN 2021

## THE SIXTH ANNUAL MEETING OF NDB'S BOARD OF GOVERNORS

On March 30, 2021, NDB's BoG held its Sixth Annual Meeting under the theme "New Development Paradigms: The Evolution of Infrastructure". The meeting was held virtually and chaired by Mr. Anton Siluanov, Governor for Russia and Minister of Finance of the Russian Federation. During the meeting, President Troyjo reported to the Governors on the major progress made by NDB in the previous year, including the Bank's response to the COVID-19 crisis, advances in membership expansion, and implementation of the new organisational structure.

The Governors appreciated the crucial role played by NDB over the past year, particularly through the approval of a series of large COVID-19 emergency programme loans to support the efforts of its member countries to respond to and recover from the pandemic. They welcomed the progress made in formal negotiations with potential new members and encouraged the Management to continue pursuing the expansion of membership in a gradual and balanced way. The Governors were also briefed on the preparation of the Bank's General Strategy for 2022–2026, which will guide the Bank's evolution over the second five-year strategy cycle.

During the meeting, the Governors discussed setting up a BRICS Integrated Digital Platform to encourage infrastructure investment, and approved the annual financial accounts of both NDB and the NDB Project Preparation Fund (NDB-PPF) for 2020. The Governors reiterated their commitments to increasing cooperation in fighting the pandemic and aiding the recovery process through financial and intellectual support in areas of public health, vaccinations, and infrastructure development.



THE SIXTH ANNUAL MEETING OF NDB'S BOG WAS CONVENED VIRTUALLY ON MARCH 30, 2021

12 Numbers in this column may not add up precisely due to rounding.

13 In March 2022, Bangladesh made its first instalment of paid-in capital in the amount of USD 14 million. In April 2022, UAE made its first instalment of paid-in capital in the amount of USD 8 million.

## SEMINAR ON SOCIAL INFRASTRUCTURE AND THE ROLE OF DIGITAL TECHNOLOGIES

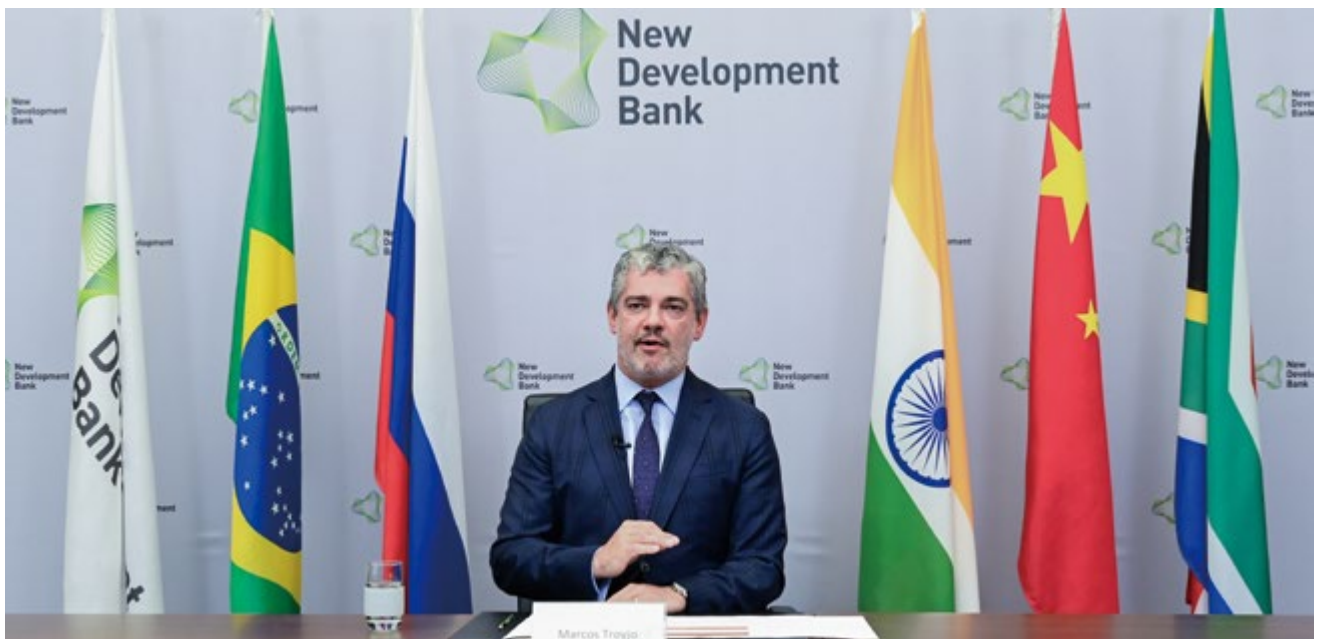
On May 13, 2021, NDB and the Ministry of Finance of India co-hosted a virtual seminar on “Social Infrastructure: Financing and the Use of Digital Technologies”. The seminar explored ways to increase the scale and enhance the effectiveness of social infrastructure financing in the BRICS countries, focusing on the application of digital technologies to improve the delivery of social services.

Highlighting the importance of the topic, President Troyjo said: “The BRICS countries are home to more than 40% of the world’s population. We are big consumers of social infrastructure. But our seminar today examines how BRICS can lead the way and increasingly become major producers of social infrastructure solutions at a global level.”

The seminar was organised in tandem with the BRICS Economic and Financial Cooperation Agenda. It brought together representatives from 30 different countries, which included global thought leaders and experts from governments, national and multilateral development finance institutions (DFIs), academic institutions, and private sector entities.

Professor Jeffrey D. Sachs, Director of the Center for Sustainable Development at Columbia University, delivered a keynote speech. He encouraged NDB to explore the synergies between digital connectivity, environmental sustainability, and human capital. He also highlighted the importance of improving education, health, and social services in the Bank’s member countries through the use of digital technologies.

## NDB’s PARTICIPATION IN THE 13<sup>TH</sup> BRICS SUMMIT



PRESIDENT TROYJO REPORTED TO THE BRICS LEADERS DURING THE 13<sup>TH</sup> BRICS SUMMIT

On September 9, 2021, President Troyjo participated in the 13<sup>th</sup> BRICS Summit, which was held in a virtual format. Chaired by India, the summit’s theme was “BRICS@15: Intra-BRICS Cooperation for Continuity, Consolidation and Consensus”.

President Troyjo reported to the Leaders of the BRICS countries on NDB’s achievements over the past year, including the support that the Bank continued to provide through core infrastructure and sustainable development projects, as well as emergency operations. He reiterated NDB’s commitment to assist member countries in financing their efforts to recover from the COVID-19 pandemic. In his speech, President Troyjo underscored NDB’s membership expansion as a further step towards positioning the Bank as a premier development institution for EMDCs. He also informed the BRICS Leaders of the Bank’s increasing internal capacity, including through the reconfiguration of the operations teams as part of the implementation of NDB’s new organisational structure.

## NEW DELHI DECLARATION

Adopted by the BRICS Leaders at the end of the 13<sup>th</sup> BRICS Summit on September 9, 2021, the New Delhi Declaration outlines the outcomes of recent cooperation among the BRICS countries. On the landmark occasion of the 15<sup>th</sup> anniversary of BRICS, the Declaration reinforced the group's commitment to enhancing cooperation under three pillars – political and security, economic and financial, and cultural and people-to-people exchanges.

In the Declaration, the BRICS Leaders appreciated NDB's substantive progress in membership expansion and reiterated that the process of expansion should be gradual and balanced as well as supportive of the Bank's goals to attain the highest possible credit rating and institutional development. They noted with satisfaction the discussion held at the Annual Meeting of NDB's BoG and looked forward to the Bank's General Strategy for 2022–2026.

The Leaders recognised the vital role played by NDB in addressing the health and economic consequences of the pandemic and encouraged the Bank to explore the possibility of financing social infrastructure projects, including those that use digital technologies. The need for the Bank to enhance its role in mobilising and catalysing private capital as well as undertaking co-financing ventures with peer MDBs and other DFIs was emphasised by the BRICS Leaders. They also looked forward to the Bank's relocation to its permanent headquarters in Shanghai and the opening of NDB's regional office in India.

## NDB HEADQUARTERS BUILDING HANDOVER AND MOVE-IN CEREMONY



NDB'S PERMANENT HEADQUARTERS

On September 28, 2021, NDB and Shanghai Municipal People's Government held a handover and move-in ceremony of the Bank's headquarters building.

The ceremony was attended by Mr. Zheng Gong, Mayor of Shanghai Municipal People's Government, Mr. Yin Chen, Executive Vice Mayor, Mr. Zhijun Cheng, NDB's Director for China, as well as senior officials and diplomats from Brazil, Russia, India, China, South Africa, Bangladesh, UAE, Uruguay, and international organisations. Mr. Kun Liu, Minister of Finance of the People's Republic of China, addressed participants virtually.

The new headquarters building incorporates innovation, efficiency and sustainability in its design, construction, and operation. With a height of 150 meters, it is a new iconic building on the Shanghai skyline. "This new NDB headquarters is much more than an office building. It is a powerful symbol of what emerging economies can achieve when they work together," said President Troyjo.

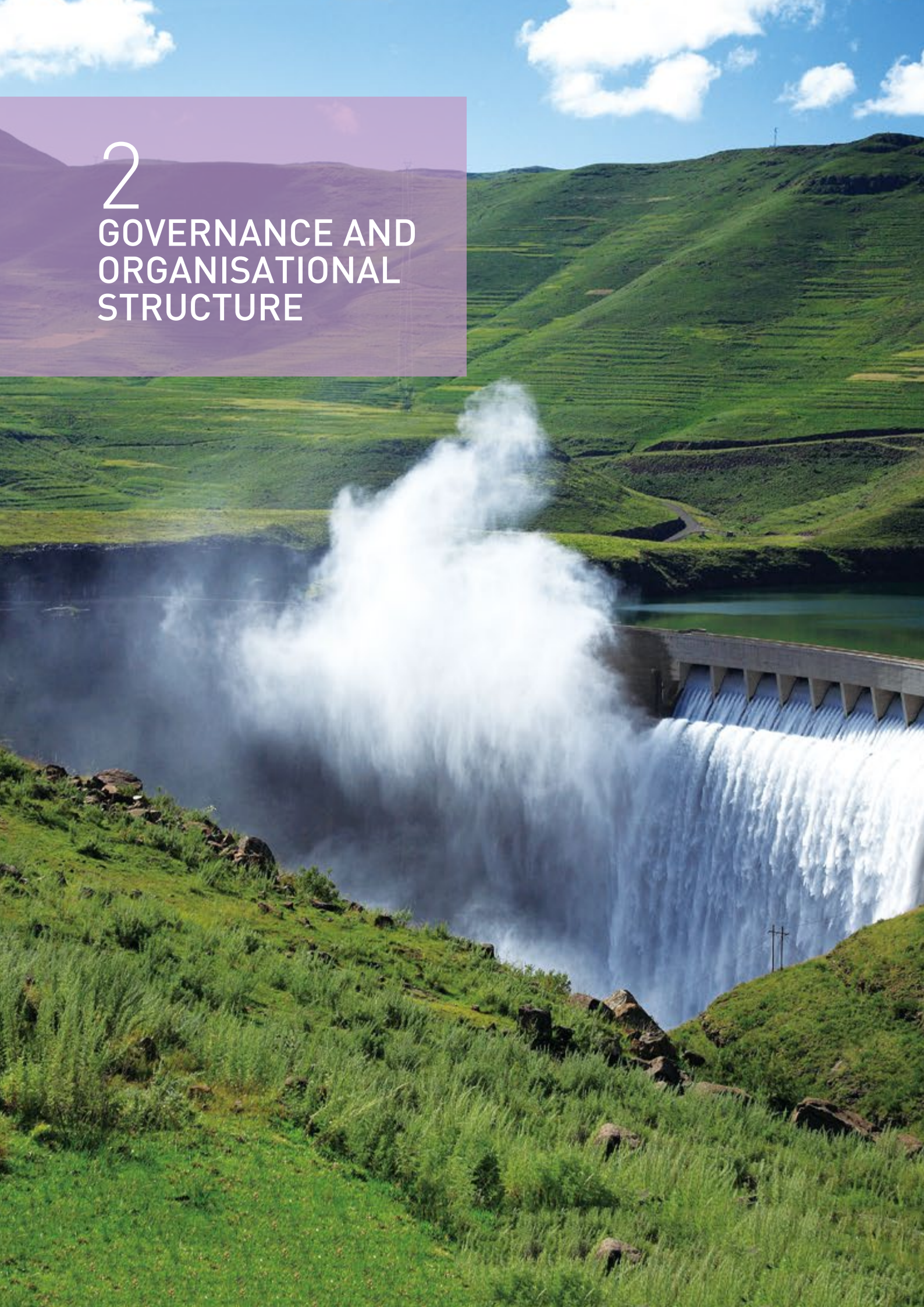
NDB appreciates and values the support provided by Shanghai Municipal People's Government in the construction of the headquarters building. In November 2021, the Bank moved into its permanent home at 1600 Guozhan Road in Shanghai Expo Park, which is a key milestone in the Bank's institutional development.



PARTICIPANTS IN THE HANDOVER AND MOVE-IN CEREMONY

# 2

## GOVERNANCE AND ORGANISATIONAL STRUCTURE



Under the strategic guidance of the BoG and operational oversight of the BoD, NDB functions with a lean and flat organisational structure headed by an experienced Management team. This institutional setup enables the Bank to deliver on its mandate efficiently and to react to the evolving needs of its clients swiftly.

## 2.1 BOARD OF GOVERNORS

As the highest decision-making authority of NDB, the BoG consists of one Governor at the ministerial level and one alternate appointed by each member country. All the powers of the Bank are vested in the BoG. The BoG has delegated to the Directors authority to exercise a wide range of powers but retains the powers to make certain strategic decisions, such as admitting new members and determining the conditions of their admission, increasing or decreasing the capital stock, amending the AoA, electing the President, and approving the general strategy of the Bank every five years. The BoG meets at least once a year.

At the end of the Sixth Annual Meeting held on March 30, 2021, Mrs. Nirmala Sitharaman, Minister of Finance of the

Republic of India, was elected as the Chairperson of the BoG, while Mr. Kun Liu, Minister of Finance of the People's Republic of China, was elected as the Vice Chairperson. Mrs. Sitharaman and Mr. Liu will serve in these positions until the end of the Seventh Annual Meeting of the BoG.

Upon the accession of Bangladesh and UAE to the Bank in 2021, Mr. A H M Mustafa Kamal, Minister of Finance of the People's Republic of Bangladesh, and Mr. Mohamed Bin Hadi Hussaini, Minister of State for Financial Affairs of the United Arab Emirates, were appointed as Governors to represent their respective countries on NDB's BoG.

### COMPOSITION OF NDB'S BOARD OF GOVERNORS



**Mr. Paulo Guedes**  
Governor for Brazil

Minister of Economy,  
the Federative  
Republic of Brazil



**Mr. Anton Siluanov**  
Governor for Russia

Minister of Finance,  
the Russian Federation



**Mrs. Nirmala Sitharaman**  
Governor for India  
(Chairperson of the BoG)

Minister of Finance,  
the Republic of India



**Mr. Kun Liu**  
Governor for China  
(Vice Chairperson of the BoG)

Minister of Finance,  
the People's Republic  
of China



**Mr. Enoch Godongwana<sup>14</sup>**  
Governor for South Africa

Minister of Finance,  
the Republic of South Africa



**Mr. A H M Mustafa Kamal**  
Governor for Bangladesh

Minister of Finance,  
the People's Republic of  
Bangladesh



**Mr. Mohamed Bin Hadi  
Al Hussaini**  
Governor for UAE

Minister of State for  
Financial Affairs,  
the United Arab Emirates

<sup>14</sup> Mr. Enoch Godongwana was appointed as the Governor for South Africa on August 17, 2021, replacing Mr. Tito Mboweni, who was appointed as the Governor for South Africa on November 6, 2018.

## 2.2 BOARD OF DIRECTORS

In line with NDB's lean governance structure, the Bank's BoD functions as a non-resident body. The BoD is responsible for the conduct of the general operations of the Bank and exercises all the powers delegated to it by the BoG, including decisions on business strategies, operations, borrowings, policies, technical assistance, and budget approval. In addition, the BoD also provides strategic direction to the Management to achieve the Bank's organisational objectives and oversees the development of its general operations.

According to the AoA, each founding member is entitled to appoint one Director and one alternate, and additional Directors and alternates could be elected by non-founding members. The total number of Directors should be no more than ten. The President is also a member of the BoD but has no vote except for a deciding vote in case of an equal division among Directors. Following the accession of Bangladesh

and UAE, the Bank's first multi-country constituency was formed in 2021. This constituency is currently headed by Mr. Shahriar Kader Siddiky, the temporary additional Director appointed by Bangladesh, and Mr. Abdalla Ahmed Al Obeidli, the temporary additional alternate appointed by UAE.<sup>15</sup> The BoD meets at least quarterly and may convene meetings electronically as needed. The current Chairperson of the BoD is Mr. Timur Maksimov, Director for Russia.

In 2021, the BoD held four regular quarterly meetings and one special meeting, all in a virtual format due to the COVID-19 situation. The BoD also made 56 inter-session decisions between meetings, which allowed for swift decision-making. In addition, the Directors interacted with the Management through other means, including six workshops, seminars and briefings conducted during the year on various topics, such as the general strategy, financial model, and LIBOR transition.

### COMPOSITION OF NDB'S BOARD OF DIRECTORS



**Mr. Roberto Fendt Junior**  
Director for Brazil

Deputy Minister for Foreign Trade and International Affairs, Ministry of Economy, the Federative Republic of Brazil



**Mr. Timur Maksimov<sup>16</sup>**  
Director for Russia  
(Chairperson of the BoD)

Deputy Minister of Finance, Ministry of Finance, the Russian Federation



**Mr. Rajat Kumar Mishra<sup>17</sup>**  
Director for India

Additional Secretary, Department of Economic Affairs, Ministry of Finance, the Republic of India



**Mr. Zhijun Cheng<sup>18</sup>**  
Director for China

Acting Director General, Department of International Economic and Financial Cooperation, Ministry of Finance, the People's Republic of China



**Mr. Enoch Godongwana<sup>19</sup>**  
Director for South Africa



**Mr. Md. Shahriar Kader Siddiky**  
Director for Bangladesh and UAE  
Ministry of Finance

Additional Secretary and Wing Chief, Asia, Joint Economic Commission and Fellowship and Foundation Wing, Economic Relations Divisions, Ministry of Finance, the People's Republic of Bangladesh



**Mr. Marcos Troyjo**  
Member of the BoD

President of NDB

## 2.3 COMMITTEES

To assist the BoD in discharging its oversight and decision-making responsibilities, two Board committees and two Management committees have been established.

### BOARD COMMITTEES

COMMITTEE	COMPOSITION	CHAIRPERSON
Audit, Risk and Compliance Committee (ARC)	Members of the BoD	Mr. Rajat Kumar Mishra (Director for India)
Budget, Human Resources and Compensation Committee (BHRC)	Members of the BoD	Mr. Zhijun Cheng (Director for China)

### MANAGEMENT COMMITTEES

COMMITTEE	COMPOSITION	CHAIRPERSON
Credit and Investment Committee (CIC)	Members of the Management	Mr. Marcos Troyjo (President of NDB)
Finance Committee (FC)	Members of the Management	Mr. Marcos Troyjo (President of NDB)

### AUDIT, RISK AND COMPLIANCE COMMITTEE

The ARC assists the BoD in fulfilling its corporate governance responsibilities including, among others, assessing the integrity of the financial statements and reporting procedures, reviewing reports from the internal and external auditors, ensuring the existence of adequate and effective internal controls, and approving the risk management framework. It comprises all members of the BoD and meets at least four times a year.

In 2021, the ARC held four meetings, all in a virtual format. The committee reviewed the financial statements of both NDB and NDB-PPF, risk management reports, and compliance updates on a quarterly basis. Furthermore, the ARC reviewed 14 policies pertaining to accounting, risk management, provisioning and write off, compliance management, internal audit, and IT management. The ARC also reviewed 13 internal audit reports covering various functions of the Bank.

In 2021, the ARC satisfied its responsibilities in compliance with its terms of reference by undertaking, among other matters, the following duties:

- The ARC reviewed the condensed and audited financial statements with the Management, including a discussion of the quality of the accounting principles as applied, and significant judgments affecting the Bank's financial statements.
- The independent auditors discussed with the ARC their judgments of the quality of those principles as applied and judgments referred to above under the circumstances.
- The members of the ARC discussed among themselves, without the Management or the independent auditors being present, the information disclosed to the ARC as described above.
- The ARC, in reliance on the review and discussions conducted with the Management and the independent auditors pursuant to the requirements above, believed that the Bank's financial statements are fairly presented in conformity with International Financial Reporting Standards (IFRSs) in all material respects.

<sup>15</sup> According to NDB's Rules for the Conduct of Elections of Additional Directors and Alternate Directors, the first new member to formally join the Bank has the right to appoint a temporary additional Director, while the second new member has the right to appoint a temporary additional alternate. They will remain in their positions until an additional Director and an additional alternate are elected in the first regular election and assume office.

<sup>16</sup> Mr. Timur Maksimov was appointed as the Director for Russia on July 8, 2021, replacing Mr. Sergei Storchak, who was re-appointed as the Director for Russia on July 16, 2019.

<sup>17</sup> Mr. Rajat Kumar Mishra was appointed as the Director for India on June 30, 2021, replacing Mr. K. Rajaraman, who was re-appointed as the Director for India on October 12, 2020.

<sup>18</sup> Mr. Zhijun Cheng was appointed as the Director for China on February 26, 2021, replacing Mr. Zhongjing Wang, who was appointed as the Director for China on June 28, 2020.

<sup>19</sup> Mr. Enoch Godongwana was the Director for South Africa until August 16, 2021, as he was appointed as the Minister of Finance of the Republic of South Africa and became the Governor for South Africa on August 17, 2021. On February 1, 2022, Mr. Dondo Mogajane was appointed as the Director for South Africa.

## BUDGET, HUMAN RESOURCES AND COMPENSATION COMMITTEE

The BHRC assists the BoD in fulfilling its corporate governance oversight responsibilities regarding the budget, human resources and compensation-related activities. It comprises all members of the BoD and meets quarterly, or as needed.

In 2021, the BHRC held four meetings, all in a virtual format. The committee provided oversight of budget utilisation and facilitated the budget preparation for 2022. It offered advice on recruitment and diversity, recruitment turnaround time, headcount budget utilisation, compensation and benefits, ethics, and other issues.

In 2021, the BHRC satisfied its responsibilities in compliance with its terms of reference.

## CREDIT AND INVESTMENT COMMITTEE

The purpose of the CIC is to assist the BoD in fulfilling its responsibilities regarding the credit activities of the Bank and to make appropriate recommendations to the BoD on loans, guarantees, equity investments, and technical assistance. It comprises the President and the four Vice Presidents and meets monthly, or as needed.

In 2021, the CIC held four meetings and satisfied its responsibilities in compliance with its terms of reference.

## FINANCE COMMITTEE

The FC provides oversight on financial and risk-related matters pertaining to operations and treasury activities. The committee is also responsible for the oversight of the recommendations to the BoD in the areas of financial policies, financial operations, including loan loss provisioning, asset and liability management and financial risk management. It comprises the Bank's President and the four Vice Presidents and meets monthly, or as needed.

In 2021, the FC held four meetings and satisfied its responsibilities in compliance with its terms of reference.



## 2.4 MANAGEMENT

Under the leadership of the President, NDB's Management is responsible for conducting the ordinary business of the Bank. The President is the chief of the operating staff of the Bank and is elected by the BoG, on a rotational basis among the five founding members, for a mandate of five years. The Vice Presidents, at least one from each founding member except the country represented by the President, are appointed by the BoG, based on the President's recommendation.

In 2021, NDB's BoG appointed Mr. Vladimir Kazbekov, Mr. Qiangwu Zhou, and Mr. Leslie Maasdorp as Vice Presidents of NDB starting from July 7, 2021. These appointments concluded the Bank's first round of leadership change, which started in 2020.

### COMPOSITION OF NDB'S MANAGEMENT



**Mr. Marcos Troyjo**  
President



**Mr. Vladimir Kazbekov**  
Vice President and  
Chief Operating Officer



**Mr. Anil Kishora**  
Vice President and  
Chief Risk Officer



**Mr. Qiangwu Zhou**  
Vice President and  
Chief Administrative Officer



**Mr. Leslie Maasdorp**  
Vice President and  
Chief Financial Officer

## 2.5 IMPLEMENTATION OF THE NEW ORGANISATIONAL STRUCTURE

The BoD approved a new organisational structure for NDB in December 2020. The Bank's original structure responded well to the needs of the institution in its early years, as it enabled NDB to fulfil its objectives efficiently while operating with the agility of a start-up.

As the Bank grew in size and complexity, expectations from shareholders and clients evolved accordingly. Changes in NDB's organisational structure became necessary to better deliver on the Bank's mandate while taking into account the evolving operating context and MDBs' best practices.

The main objectives of the new organisational structure were to:

- prepare the institution for more complex and specialised operations;
- enhance NDB's external profile;
- strengthen the Bank's governance and oversight functions;
- transform NDB into a talent-intensive institution; and
- clarify responsibilities of organisational units and promote synergies.

NDB made considerable progress in implementing the new organisational structure throughout 2021 in a gradual and prudent manner, while taking into consideration its business needs. Notably, the following changes to the organisational structure have been implemented.

The Research Department's reporting line changed from the Vice Presidency for Strategy and Risk to the President, giving greater emphasis to NDB's knowledge function. The former Operations, Policy and Project Support team under the Vice Presidency for Operations was converted into an Environmental, Social and Governance (ESG) Department under the Vice Presidency for Strategy and Risk, contributing to mainstream ESG considerations across the Bank.

The former Operations I and Operations II were converted into the following three Departments: (i) Public Sector, (ii) Private Sector and Non-Sovereign Guaranteed Transactions, and (iii) Project Portfolio Management. This reorganisation within the Vice Presidency for Operations aims to develop sectoral expertise, promoting further technical specialisation and improved project implementation.

The new organisational structure strengthened the Bank's compliance and internal audit functions. Enabling the Compliance and Investigation Department to report functionally to the BoD and upgrading the former Internal Audit Division to a Department help ensure the independence and effectiveness of these key control functions. A Talent Management Division was created under the Human Resources Department. It is intended to contribute to NDB's objective of becoming a talent-intensive institution. Finally, additional responsibilities were assigned to the Strategy, Policies and Partnerships Department.

Collectively, these changes give greater emphasis to areas of strategic importance to NDB – private sector operations, ESG, talent management, among others – all of which seek to enhance the quality of the Bank's operations and activities. While many managerial positions of NDB's organisational structure have been filled, others will continue to be gradually filled in line with business requirements.

PLEASE REFER TO THE ANNEXE ON PAGE 143 FOR THE NEW ORGANISATIONAL STRUCTURE.



# 3 OPERATING CONTEXT<sup>20</sup>

<sup>20</sup> Unless otherwise stated, data in this section is obtained from the International Monetary Fund (IMF) World Economic Outlook Database (April 2022). Data for India and Bangladesh is reported on a fiscal year (FY) basis. For India, 2021 stands for FY2021–2022 or FY22 (from April 2021 to March 2022), while for Bangladesh, 2021 stands for FY2020–2021 or FY21 (from July 2020 to June 2021).

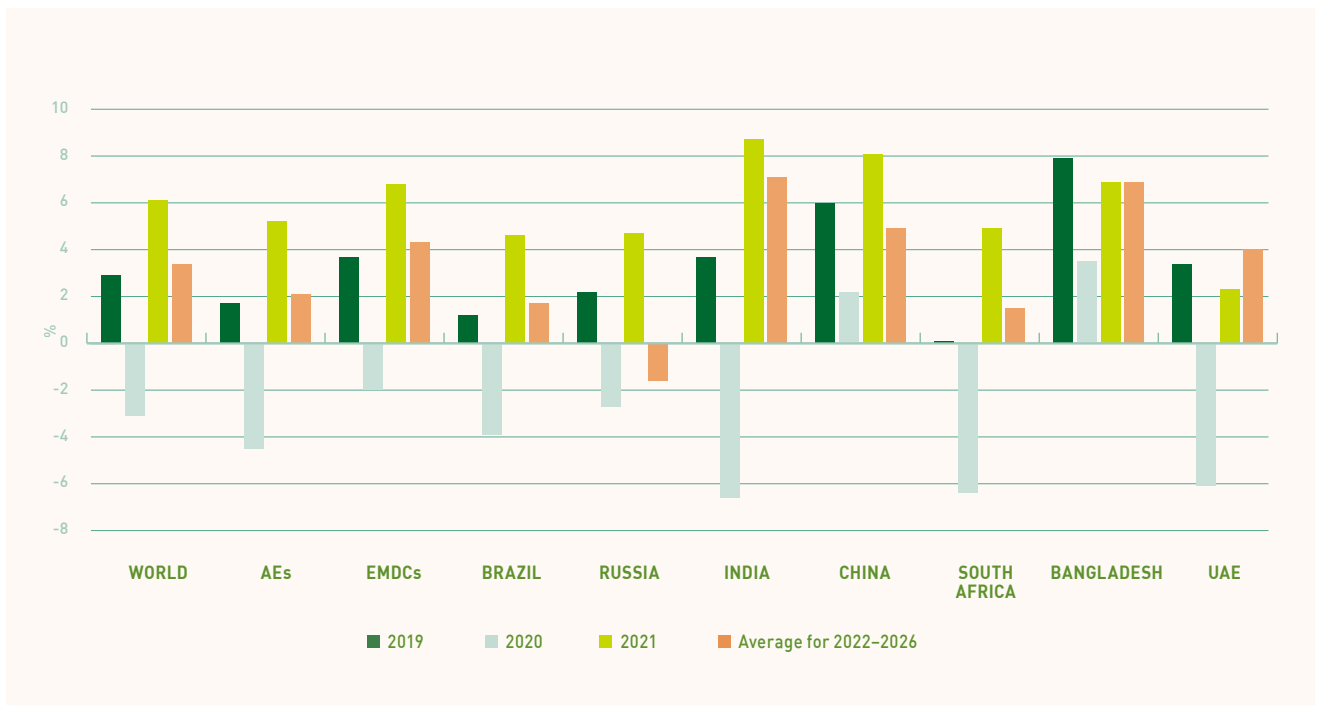
## 3.1 GLOBAL ECONOMIC CONTEXT

The world economy recovered steadily in 2021. The global GDP growth rate rebounded to 6.1%, from -3.1% in 2020 and surpassing the pre-pandemic level of 2.9% in 2019. Both advanced economies (AEs) and EMDCs achieved high growth rates in 2021 (5.2% and 6.8%, respectively), with the two-year average growth rate from 2020 to 2021 in EMDCs significantly outperforming that of AEs (2.3% and 0.2%, respectively). International trade and investment also saw a strong recovery in 2021. The annual growth of world trade volume, goods and services combined, reached 10.1%, from -7.9% in 2020, while world foreign direct investment in 2021 reached USD 1.6 trillion, 64% higher than in 2020, of which USD 837 billion was received by developing economies, 30% higher than in 2020.<sup>21</sup>



SCAN THE QR CODE  
TO ACCESS DATA FOR  
NDB'S OPERATING  
CONTEXT

### REAL GDP GROWTH<sup>22</sup>



The BRICS economies remained an engine for global growth. In 2021, the weighted average of their real GDP growth reached 7.6% (-0.8% in 2020), 0.8 percentage points (ppts) higher than that of EMDCs as a whole.<sup>23</sup> In PPP terms, the BRICS economies made up 31.6% of the world GDP in 2021, 0.8 ppts higher than that of the G7 economies.<sup>24</sup> Together with Bangladesh and UAE, NDB's member countries represented 57% of total output of EMDCs, setting solid foundations and offering rich opportunities for the Bank to mobilise and deploy resources for development purposes.

<sup>21</sup> Foreign direct investment data is obtained from World Investment Report 2022, published by the United Nations Conference on Trade and Development.

<sup>22</sup> Growth data for India in FY22 is obtained from the India Central Statistics Office, while that for Bangladesh in FY19 and FY21 is obtained from the Bangladesh Bureau of Statistics. Growth rates for 2022-2026 are calculated by NDB staff based on the IMF projections.

<sup>23</sup> Using GDP in purchasing power parity (PPP) terms as the weights.

<sup>24</sup> NDB staff calculation based on data from the IMF World Economic Outlook Database (April 2022).

The strong economic recovery in 2021 took place amid significant challenges – notably, the prevalence of the COVID-19 pandemic and the emergence of the Delta and Omicron variants, which weighed on economic activities in early and late 2021, respectively. Despite a milder economic impact than the first wave in the second quarter of 2020, COVID-19 still took the lives of 3.6 million people globally in 2021, almost double the number of deaths in 2020.<sup>25</sup> However, progress in vaccination around the world brings hope that the pandemic will eventually end. By the end of 2021, more than 9 billion vaccine doses had been administered worldwide, while most of NDB's member countries had fully vaccinated at least half of their population.

Global inflation reached its highest level in ten years. This was due to strong demand, supported by economic reopening and stimulus policies, and sluggish supply, which was constrained by labour shortages and supply chain bottlenecks.

International commodity prices increased sharply. The price of crude oil rose to around USD 80 per barrel in late 2021, the highest since 2018, while the annual average price of natural gas in 2021 was almost three times the level in 2020.<sup>26</sup> Iron ore and copper prices also reached new highs in mid-2021. Disruption in logistics also contributed to inflationary pressure, as congestion in major ports and constrained shipping capacity pushed up freight container rates.

EMDCs, where the consumer price index (CPI) inflation increased to 5.9% in 2021 from 5.2% in 2020, started to contain the elevated price growth in early 2021 with monetary tools and other measures. Inflation in AEs also proved to be more persistent than previously expected, which prompted major central banks in AEs to start monetary tapering at the end of 2021.

Primary deficits as a share of GDP decreased for both AEs and EMDCs (6.2% and 3.5% in 2021, respectively), but were still well above the pre-pandemic levels (1.5% and 2.7% in 2019, respectively). Meanwhile, general government gross debt in EMDCs rose by 1.2 ppts in 2021 to 65.1% of GDP, about 11.2 ppts higher than that in 2019. For NDB's borrowing members, primary deficits dropped from 8.4% of GDP in 2020 to 4.0% in 2021, while government gross debt increased by 1.8 ppts of GDP to 71.5%.<sup>27</sup> For AEs, although government debt as a share of GDP dropped by 3.4 ppts in 2021 to 119.8%, it was still 16.0 ppts higher than in 2019.

## GENERAL GOVERNMENT PRIMARY BALANCE<sup>28</sup>



<sup>25</sup> Unless otherwise stated, data on COVID-19 and vaccination in this section is obtained from Our World in Data.

<sup>26</sup> Commodity price data is obtained from the World Bank Commodity Price Data (the Pink Sheet, February 2022).

<sup>27</sup> In PPP average terms.

<sup>28</sup> NDB staff calculation based on data from the IMF World Economic Outlook Database (April 2022).

## GENERAL GOVERNMENT GROSS DEBT<sup>29</sup>



The global economic recovery is projected to continue in 2022, but uncertainties remain. These include the possibility of new COVID-19 variants, global vaccination inequalities, shrinking policy space for governments and central banks, balance of payment and capital flow pressure following monetary tapering in AEs, persistent inflation and supply chain bottlenecks, as well as fiscal and financial fragility given elevated debt levels.

Furthermore, the situation in Eastern Europe may weigh on global growth further through elevated commodity prices and inflation, volatility in currencies and capital flows, as well as decelerated domestic activities and international trade. From a longer perspective, global GDP is projected to grow by 3.4% per annum from 2022 to 2026 (2.1% for AEs and 4.3% for EMDCs), converging with the previous growth trajectories.<sup>30</sup> Growth in NDB's borrowing members is projected to be 4.7% per annum from 2022 to 2026.<sup>31</sup>

<sup>29</sup> NDB staff calculation based on data from the IMF World Economic Outlook Database (April 2022).

<sup>30</sup> NDB staff calculations based on the IMF projections for individual countries.

<sup>31</sup> NDB staff calculations based on the IMF projections for individual countries.

## 3.2 NDB's BORROWING MEMBERS

### BRAZIL

The Brazilian economy expanded by 4.6% in 2021, recovering from a 3.9% pandemic-induced contraction in 2020, driven by rises in services (4.7%) and industry (4.5%), while agriculture fell from the previous year (-0.2%). The IMF projects Brazil's GDP growth to be 1.7% per annum over the 2022–2026 period.

Rising inflation was one of the key challenges facing the Brazilian economy in 2021. A weaker currency, supply bottlenecks and surging commodity prices pushed CPI inflation from 4.6% in January to 10.1% by December 2021, the highest since 2015. To contain inflation, the Central Bank of Brazil shifted towards a tighter monetary stance in March 2021, raising the policy rate in every Monetary Policy Committee meeting.

Brazil's fiscal conditions improved in 2021. It recorded a primary surplus of BRL 65.3 billion (0.8% of GDP), compared with a deficit of BRL 683.2 billion (9.1% of GDP) in 2020. This is the first annual surplus since 2013, supported by stronger revenue growth, high commodity prices and some withdrawal of COVID-19-related support. The general government deficit also narrowed to 4.4% of GDP in 2021 from 13.3% of GDP in 2020, and general government gross debt declined by 5.7 ppts to 93.0% of GDP.

#### Infrastructure and other structural policies

The Brazilian government continued structural reforms in 2021 to facilitate long-term sustainable economic development. Reforms within legal, financial and infrastructure frameworks were carried out to reduce the cost of doing business by BRL 1 trillion. These reforms are envisioned to encourage private participation in infrastructure investment by attracting BRL 107 billion per year, and to increase the digital maturity of the productive sector by 20%.<sup>32</sup>

In addition, the Brazilian government has been developing policies to cut net GHG emissions by 37% and 43% by 2025 and 2030 (relative to the 2005 level) respectively, and to achieve carbon neutrality by 2050, a decade earlier than the target announced in 2020. Several initiatives were launched, including fostering the development of green bond markets and incorporating ESG criteria in the evaluation of infrastructure projects. Brazil also launched the Green Growth National Programme, which has credit lines of BRL 400 billion for investment in projects related to forest conservation, sanitation, waste management, renewable energy, and low-emission agriculture.

### RUSSIA

In 2021, Russia's GDP expanded by 4.7%, recovering from a 2.7% decline in 2020 due to the pandemic and reaching the pre-Covid-19 long-run trend. The pace of economic expansion was the fastest since 2008. The IMF forecasts that, on average, Russia's GDP will decline 1.6% per annum over the 2022–2026 period due to the situation in Eastern Europe.

A combination of factors such as high consumer demand, supply bottlenecks, and rising commodity prices, especially in the food sector, pushed up inflation in Russia in 2021. CPI inflation reached 8.4% by December 2021, above the Central Bank of Russia's target of 4%. Amidst increasing inflationary pressures, the Central Bank of Russia was one of the first major central banks in the world to tighten monetary policy. It increased the policy rate seven times by a total of 420 basis points to 8.5% as of December 2021.

Russia's fiscal revenues recovered in 2021 due to higher energy prices, strong domestic demand, tax payments deferred from 2020, higher personal income tax rates and newly introduced export duties. According to the IMF, the fiscal balance secured a RUB 942 billion surplus for 2021 (0.7% of GDP) and general government gross debt fell to 17.0% of GDP. The Russian government continued to provide support measures to mitigate the negative effects of the pandemic. The anti-crisis fiscal package was around 1.5% of GDP in 2021, according to the IMF's estimates.

The current account surplus increased to 6.9% of GDP in 2021. Export growth stayed elevated because of high commodity prices, while import growth remained stable. International reserves reached USD 630.6 billion at the end of 2021.

#### Infrastructure and other structural policies

In 2021, the Russian government continued to make progress on a broad range of structural reforms to foster long-term economic growth. The authorities have been focusing on addressing the “regulatory guillotine”, improving the business climate, supporting infrastructure, and implementing key national projects.

In November 2021, the Russian government approved the Low-Carbon Development Strategy to promote sustainable socioeconomic development in the context of energy transition. The strategy aims to lower GHG emissions by 70% in 2030 relative to the 1990 level and achieve carbon neutrality by 2060. Under the target scenario, the required investments to lower GHG emissions will be about 1% of

<sup>32</sup> “IMF Country Report No. 21/217.” The IMF, 2021.

the country's GDP over the 2022–2030 period and 1.5% to 2% of GDP over the 2031–2050 period. The strategy includes decarbonisation measures such as raising low-carbon and carbon-free power generation capacity, improving the energy efficiency of buildings, applying capture technologies, reducing fuel leaks, reforestation, and electrification of the transport system and vehicles.

## INDIA

The Indian economy is estimated to have grown by 8.7% in real terms in FY22. Consumption remained the largest driver of the Indian economy, accounting for an estimated 67.6% of GDP in FY22, and growing by 7.9% in annual terms. At the same time, gross fixed capital is estimated to have risen by 21.7%, reflecting a recovery in the investment cycle. Net exports continued to constrain GDP growth, as the pick-up in export volumes was offset by a larger uptick in imports.

The Delta variant outbreak affected domestic demand sharply in 2021. However, the economy has been recovering since the wave subsided. The Indian government's fiscal stance remained largely supportive of the ongoing domestic economic recovery. Capital expenditure is estimated to have risen markedly, to INR 6 trillion in FY22, from INR 4.3 trillion in FY21. Current expenditure, meanwhile, is estimated to have risen to INR 31.7 trillion, from INR 30.8 trillion in FY21. The IMF forecasts that the gross debt to GDP ratio to rise to 86.9% in FY23. Monetary policy tightening in AEs and inflationary risks from volatility in crude oil prices or prices of industrial inputs pose risks to the growth outlook in the medium term, but broadly the Indian economy is expected to continue to grow strongly. The IMF projects that India will grow by 7.1% per annum from FY23 to FY27.

### Infrastructure and other structural policies

The Indian government moved ahead with structural reforms in 2021. In particular, it made progress in divesting state-owned enterprises. Over the period from April 2021 to January 2022, a total of INR 93.2 billion was raised from divestment.

Also in 2021, the government established a national DFI – the National Bank for Financing Infrastructure and Development, which has a total paid-up capital of INR 100 billion. This will support the National Infrastructure Pipeline – a five-year scheme, covering 2020 to 2025, to develop different projects in transport, energy, and other infrastructure sectors. In addition, in 2021, the Indian government announced an asset monetisation pipeline, aiming to raise as much as INR 6 trillion through FY26 to fund new infrastructure projects. Furthermore, during the 2021 United Nations Climate Change Conference (COP26), India announced that it is targeting net zero by 2070. The country's climate transition includes an annual reduction of 1 billion tonnes of carbon emission until 2030, and an increase in non-fossil fuel

energy capacity to 500 GW by 2030, from approximately 157 GW as of end-2021.

## CHINA

In 2021, China sustained a steady recovery from the impact of the COVID-19 pandemic. The country saw a better recovery than most of the major economies by growing 8.1% in 2021, compared to 2.2% in 2020. However, a significant part of the growth was achieved in the first half of the year, while growth moderated in the second half, due to power shortages, supply chain bottlenecks, regulatory tightening in several sectors, and COVID-19 outbreaks. Supported by strong global demand for pandemic-related products and overall consumer goods, exports became a key booster to China's growth in 2021, rising by 29.9%, the fastest since 2010, and leading to its biggest trade surplus on record. The IMF expects China's GDP to grow on average at 4.9% per annum over the 2022–2026 period.

China's monetary policy in 2021 was neutral and prudent, tilting towards easing in the fourth quarter when headwinds to growth became more evident. Both price and quantitative policy tools were deployed to ensure adequate liquidity, reducing funding costs and supporting credit expansion. In 2021, CPI inflation remained benign at 0.9%. Robust economic growth in the first half of the year supported strong fiscal revenue. However, China's fiscal stance was relatively tight for most of the year, which was also reflected in the moderate annual growth of 0.4% in infrastructure investment, compared to 0.9% growth in 2020.

### Infrastructure and other structural policies

In 2021, China further strengthened its trade ties and advanced its commitment to dealing with climate change. In September 2021, China applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, signalling its commitment to strengthening trade ties with regional partners.

Addressing climate change, China submitted its updated NDC in October 2021, to achieve carbon neutrality before 2060.<sup>33</sup> The NDC specified five targets: (i) reach peak CO<sub>2</sub> emissions before 2030, (ii) lower CO<sub>2</sub> emissions per unit of GDP by over 65% in 2030 from the 2005 level, (iii) increase the share of non-fossil fuels in primary energy consumption to around 25% in 2030, (iv) increase the forest stock volume by around 6 billion m<sup>3</sup> in 2030, and (v) bring the total installed capacity of wind and solar power to over 1,200 GW by 2030. Financial mechanisms were also developed to facilitate the achievement of these targets. In November 2021, the People's Bank of China launched a few green lending tools to support bank lending to green projects. The issuance of green bonds quadrupled to around USD 65 billion from the 2020 level. In addition, the State Council published new guidelines to ensure carbon emissions peak by 2030.



## SOUTH AFRICA

The South African economy continued to recover from the COVID-19 pandemic in 2021. Real GDP grew 4.9%, the highest in 14 years and recovering from a 6.4% pandemic-induced contraction in 2020. The IMF forecasts South Africa's average GDP growth to be 1.5% per annum over the 2022–2026 period.

Inflation rose, driven by higher food and energy prices. CPI inflation increased to 5.9% by December 2021, close to the upper bound of the South African Reserve Bank's inflation target of 3% to 6%. The South African Reserve Bank started to normalise monetary policy amid concerns over rising inflation, by raising the repo rate by 25 basis points to 3.75% in November 2021.

Surging commodity prices supported South Africa's fiscal revenues in 2021. On the spending side, the South African government continued to provide pandemic support measures to affected businesses and households. In the Second Special Appropriation Bill of 2021, the government unveiled a ZAR 37.85 billion fiscal relief package to mitigate the economic effects of COVID-19 and the social unrest in July. The IMF projects that South Africa's fiscal deficit will average at 6.6% of GDP over the 2022–2026 period.

### Infrastructure and other structural policies

In 2021, the South African government continued to make progress on a broad range of structural reforms to foster long-term economic growth.

The South African government conducted a review of the regulatory framework of public-private partnerships (PPPs). The review's recommendations, which are to be implemented from early 2022, include streamlining PPP regulations, expediting PPP project approval and implementation, integrating PPP policies into the infrastructure delivery management systems, establishing a PPP regulator, and building PPP capacity across all layers of the government. In addition, the South African government amended the Schedule 2 of the Electricity Regulation Act (2006), which increased the licensing threshold for embedded generation projects from 1 MW to 100 MW. This will allow private power generators to sell directly to consumers and raise the country's power generation capacity. Furthermore, the government proposed to establish a new National Water Resource Infrastructure Agency to develop and manage national water infrastructure.

South Africa aims to lower its carbon emissions and achieve its net-zero target by 2050. At the COP26, South Africa formed a historic partnership with France, Germany, the United Kingdom, the United States, and the European Union to help the country transit towards a low-carbon and climate-resilient economy. The partner countries will

provide an initial USD 8.5 billion over the next three to five years to support South Africa's decarbonisation efforts.

## BANGLADESH<sup>34</sup>

The COVID-19 pandemic continued to weigh on economic activities in Bangladesh in 2021. New cases surged in March and April, followed by another wave in July and August, albeit with a milder economic impact compared with that of the first wave. The country's GDP growth rose to 6.9% in FY21 from 3.5% in FY20, driven by a steady recovery of private consumption and investment, which made a contribution of 5.3 ppts and 1.9 ppts to aggregated growth, respectively. However, the two-year average growth in FY20 and FY21, recorded at 5.2%, was still below the average annual growth of 7.2% from FY16 to FY19. According to the IMF, growth is projected to be 6.9% per annum from FY22 to FY26.

CPI inflation stood at 5.6% in FY21, 0.1 ppts lower than in FY20, but higher than the Bangladesh Bank's target of 5.4%. The monetary policy rate was kept at 4.75% in FY21, while broad money and domestic credit grew 13.6% and 10.1% in FY21, respectively. Fiscal revenue and expenditure improved as economic activities recovered, with overall deficits of the central government dropping by 1.9 ppts to 3.7% of GDP in FY21. Although exports rebounded steadily, trade deficits increased as import prices rose. Due to a resurgence of worker remittances, the current account deficits declined to 1.1% of GDP in FY21 from 1.5% in FY20. Foreign reserves stood at USD 46.4 billion at the end of FY21, USD 10.4 billion higher than in the previous fiscal year.

### Infrastructure and other structural policies

Investment in sustainable infrastructure plays an important part in Bangladesh's economic growth, while at the same time improving the lives of its people. The country continued to enhance its infrastructure capital in FY21, implementing megaprojects – such as Padma Bridge, Metro-rail, and Dhaka Elevated Expressway – despite the challenges presented by COVID-19.

Bangladesh also explored innovative methods to finance infrastructure projects. For example, the government launched the Bangladesh Infrastructure Development Fund in March 2021. Operated by the state-owned Sonali Bank, the USD 2 billion fund will utilise the country's growing foreign exchange reserves for infrastructure investment.

The total fiscal spending under the Annual Development Programme for FY22, which funds development projects in Bangladesh, was budgeted at BDT 2.1 trillion, 5% higher than that for FY21, while the actual spending from July to December 2021 was 11.1% higher than the previous year.

33 China's target to achieve carbon neutrality "before 2060" was first announced in September 2020 in the country's "Long-Term Low Greenhouse Gas Emission Development Strategy".  
34 Unless otherwise stated, data on GDP growth and inflation in this subsection is obtained from the Bangladesh Bureau of Statistics; data on monetary, fiscal, trade, and capital flows indicators is obtained from Haver Analytics sourcing the Bangladesh Bank and the Ministry of Finance of Bangladesh.

4

OPERATIONS



## 4.1 OPERATIONS APPROVED IN 2021

In 2021, NDB approved total financing of USD 5.1 billion through ten operations, including three COVID-19 emergency programme loans and seven project loans in the areas of urban development, transport infrastructure, clean energy, as well as irrigation, water resource management and sanitation.<sup>35</sup>

### COVID-19 EMERGENCY PROGRAMME LOANS



#### BORROWER:

The People's Republic of China

#### LOAN AMOUNT:

RMB 7 billion

#### LOAN TENOR:

20 years

#### AREA OF OPERATION:

COVID-19 emergency assistance

#### E&S CATEGORY<sup>36</sup>:

Category FI-B

#### SDG ALIGNMENT<sup>37</sup>:



#### BORROWER:

The Russian Federation

#### LOAN AMOUNT:

USD 1 billion equivalent

#### LOAN TENOR:

30 years

#### AREA OF OPERATION:

COVID-19 emergency assistance

#### E&S CATEGORY:

Category C

#### SDG ALIGNMENT:



#### BORROWER:

The Republic of South Africa

#### LOAN AMOUNT:

USD 1 billion

#### LOAN TENOR:

30 years

#### AREA OF OPERATION:

COVID-19 emergency assistance

#### E&S CATEGORY:

Category B

#### SDG ALIGNMENT:



### COVID-19 EMERGENCY PROGRAMME LOANS Supporting the efforts of member countries to respond to and recover from the COVID-19 pandemic

As the COVID-19 pandemic continued to pose challenges to public health systems, social safety nets and broader economic activities, NDB provided additional assistance to its member countries in 2021. In response to their specific needs, the Bank approved two COVID-19-related loans to support China's and South Africa's economic recovery efforts and another to finance Russia's healthcare response. These loans brought the Bank's cumulative approvals under its Fast Track COVID-19 Emergency Assistance Response Facility to USD 9.2 billion.<sup>38</sup>

In February 2021, NDB approved a RMB 7 billion economic recovery loan to China, which aimed to support the restoration of production capacity in key sectors adversely affected by the pandemic – such as trade, logistics, and agriculture. In doing so, the loan seeks to reinforce early economic recovery and stimulate job creation by financing labour-intensive infrastructure development, and to promote long-term sustainable development through investments in high-tech and innovative infrastructure. The loan proceeds will be on-lent through the Export-Import Bank of China and Agricultural Development Bank of China, which will help mitigate the negative impact of the COVID-19 pandemic on China's economy.

<sup>35</sup> The Bank also restructured a USD 500 million loan, which was initially approved in 2019.

<sup>36</sup> See additional information on NDB's environmental and social (E&S) categorisation of projects in the section on "E&S Performance of the Portfolio".

<sup>37</sup> For each project, the large SDG icon indicates the SDG to which the project is most directly and closely related, while the small SDG icon(s), if any, indicates the SDG(s) to which the project will also directly contribute.

<sup>38</sup> The USD 10 billion Fast Track COVID-19 Emergency Assistance Response Facility was set up by the Bank in April 2020.

In March, the Bank approved its first COVID-19 emergency programme for Russia. The EUR-denominated loan in the amount of USD 1 billion equivalent will support the country's healthcare response to the pandemic. As part of a larger government plan to fight COVID-19, NDB's financing will focus mainly on payments to frontline health workers, including doctors, nurses, and junior medical staff who provide medical care for the diagnosis and treatment of COVID-19 infections. This intervention is expected to improve the capacity and resilience of Russia's healthcare system in combating the rise in cases seen over successive waves.

In April, the Bank extended a USD 1 billion loan to support South Africa's efforts to tackle the economic impact of the pandemic and kick-start economic recovery. The loan will finance the creation of employment opportunities in the public sector via the first phase of the Presidential Employment Stimulus aimed at creating about 700,000 jobs. It will also provide resources for the provision of social protection measures to active labour market participants who have been adversely affected by the COVID-19 pandemic. By creating job opportunities, sustaining private consumption, and providing public services, the programme financed by NDB will help revive South Africa's economy from the pandemic.

## BEIJING GAS TIANJIN NANGANG LNG EMERGENCY RESERVE PROJECT

**Expanding LNG emergency reserve capacity to support low-emission and sustainable development**

Reducing the reliance on coal-fired power, while promoting the use of clean energy is a growing priority on China's development agenda, as reflected by the ambitious climate goals outlined in its NDC. Although natural gas has been identified as an important substitute for coal, the rapid switch from coal to gas and significant winter demand surge for heating, have led to a supply shortfall in the Beijing-Tianjin-Hebei region, China's Capital Economic Zone. Due to insufficient natural gas emergency reserve capacity, local natural gas suppliers often fail to meet demand during the peak consumption seasons or when there are significant fluctuations in demand.

In March 2021, NDB approved a loan of EUR 436 million to China for the construction of a liquefied natural gas (LNG) reserve project in Tianjin Nangang Port. The project will result in the construction of an LNG unloading wharf and an LNG terminal with receiving, storage and regasification facilities. Upon completion, an LNG receiving facility with an annual handling capacity of 5 million tonnes and ten storage tanks with a volume of no less than 200,000 m<sup>3</sup> each will be commissioned. A regasification facility with a maximum daily operating capacity of 60 million m<sup>3</sup> of natural gas will also be installed. On an annual basis, the project is expected to help avoid emissions of CO<sub>2</sub> by about 7.5 million tonnes, nitrogen oxides (NO<sub>x</sub>) by about 78,000 tonnes, sulphur dioxide (SO<sub>2</sub>) by about 27,000 tonnes, and particulate

matter by about 67,000 tonnes. Ultimately, the project will contribute to improving the region's energy mix and supporting its low-emission and sustainable development.

## BEIJING GAS TIANJIN NANGANG LNG EMERGENCY RESERVE PROJECT

### BORROWER:

The People's Republic of China

### LOAN AMOUNT:

EUR 436 million

### LOAN TENOR:

20 years

### PROJECT COST:

RMB 13.8 billion

### SDG ALIGNMENT:



### AREA OF OPERATION:

Clean energy

### E&S CATEGORY:

Category A

### EXPECTED DEVELOPMENT RESULTS:

Avoid annual emissions of CO<sub>2</sub> by 7.5 million tonnes, NO<sub>x</sub> by 78,000 tonnes, SO<sub>2</sub> by 27,000 tonnes and particulate matter by 67,000 tonnes



## PARÁ II – TRANSPORT INFRASTRUCTURE FOR REGIONAL DEVELOPMENT

**Rehabilitating roads to improve connectivity and promote regional development**

Pará is the second largest state in Brazil by area, with an economy focused largely on export-oriented sectors – such as agriculture and mining. The state lies within the Amazon rainforest range, and only about one third of its federal and state roads are paved. Inadequate road infrastructure hampers the state's internal and external connectivity, affecting its capacity to export products, and limiting the economic development and integration of its municipalities.

In March 2021, NDB approved a USD 153 million loan to the State of Pará for a project that aims to improve road quality and logistics by upgrading existing unpaved roads in five regions within the state. Through this project, NDB will help rehabilitate 472 km of state roads, upgrade 28 wooden bridges, and build three new bridges. The project is expected to reduce travel time and raise the average operational speed of vehicles, which in turn will lower logistic costs

and bring average daily traffic on project roads up from 388 to 1,000 vehicles. By rehabilitating the existing transport infrastructure, the project will connect municipalities within the state, enhance the integration of economic and social centres, and promote regional development.

## PARÁ II – TRANSPORT INFRASTRUCTURE FOR REGIONAL DEVELOPMENT

### BORROWER:

The State of Pará

### LOAN AMOUNT:

USD 153 million

### LOAN TENOR:

18 years

### PROJECT COST:

USD 191 million

### SDG ALIGNMENT:



### AREA OF OPERATION:

Transport infrastructure

### E&S CATEGORY:

Category A

### EXPECTED DEVELOPMENT RESULTS:

- Rehabilitate 472 km of state roads;
- Upgrade or build 31 bridges;
- Increase average daily traffic from 388 to 1,000 vehicles



## ANHUI PROVINCE ROADS DEVELOPMENT PROJECT

Promoting socioeconomic development by improving connectivity and enhancing mobility

Anhui is a landlocked province in eastern China, located in the Yangtze River Delta area – a priority region for the Chinese government to develop infrastructure and improve connectivity. Anhui's major infrastructure challenge includes the need to build and upgrade national and provincial roads, thus accommodating the fast-growing demand for better mobility and connectivity, as well as improving economic integration with the rest of the country. It is also imperative to ensure the sustainability of road infrastructure and the quality of public transport services.

In June 2021, NDB approved a EUR 340 million loan to finance the Anhui Province Roads Development Project. The project aims to upgrade six national and provincial roads with a total length of 196 km and pilot several technologies for sustainable road development, including the intelligent

road safety management system, energy-saving and environmentally-friendly service centres, road pavement recycling technology, as well as intelligent construction quality control and management system. To ensure effective preparation, implementation, and management of the project, 17 capacity-building workshops and training sessions will also be carried out as an integral part of the project. The project is expected to promote socioeconomic development in Anhui Province through improved connectivity and enhanced transport services, benefitting about 3.5 million residents.

## ANHUI PROVINCE ROADS DEVELOPMENT PROJECT

### BORROWER:

The People's Republic of China

### LOAN AMOUNT:

EUR 340 million

### LOAN TENOR:

24 years

### PROJECT COST:

EUR 1.1 billion

### SDG ALIGNMENT:



### AREA OF OPERATION:

Transport infrastructure

### E&S CATEGORY:

Category A

### EXPECTED DEVELOPMENT RESULTS:

- Build or upgrade 196 km of roads;
- Increase average daily traffic from 25,000 to 49,000 vehicles



## SOROCABA MOBILITY AND URBAN DEVELOPMENT PROJECT

Improving urban mobility and connectivity for enhanced quality of life

Located in Brazil's south-eastern state of São Paulo, Sorocaba is a municipality with a population of close to 700,000. The municipality has been experiencing rapid economic growth, which has improved socioeconomic conditions for its residents. At the same time, fast growth is creating urban mobility and connectivity challenges – such as traffic congestion, inadequate access to public transport in peripheral neighbourhoods, increased transportation costs, and CO<sub>2</sub> emissions. To enhance the quality of life of its residents, the Municipality of Sorocaba partnered with NDB

to address its urban infrastructure challenges.

In June 2021, NDB approved a USD 40 million loan to finance the repair and construction of urban roads, including drainage systems, underpasses at busy road intersections, and the extension and widening of existing roads. These works are expected to ease traffic conditions by allowing vehicles to be driven at higher speeds, as well as to improve all-weather road use by eliminating waterlogging and flood incidence. The project also seeks to improve connectivity between urban and peripheral areas. Therefore, the project is expected to help increase workforce productivity, improve environmental conditions and enhance the quality of life of residents.



## SOROCABA MOBILITY AND URBAN DEVELOPMENT PROJECT

### BORROWER:

The Municipality of Sorocaba

### LOAN AMOUNT:

USD 40 million

### LOAN TENOR:

18 years

### PROJECT COST:

USD 50 million

### SDG ALIGNMENT:



### AREA OF OPERATION:

Urban development

### E&S CATEGORY:

Category B

### EXPECTED DEVELOPMENT RESULTS:

- Rehabilitate road infrastructure over an area of 940,000 m<sup>2</sup>;
- Increase average speed of vehicles by 50%;
- Reduce travel time by 40%



## AFFORDABLE HOUSING AND URBAN DEVELOPMENT PROGRAMME

Expanding supply of affordable housing across Russia

Despite an increase in the overall housing stock in Russia over the past two decades, the country has been experiencing a shortage of quality affordable housing. One of the key issues in Russia's housing sector is the rapid degradation of the stock of buildings constructed 50 to 70 years ago using prefabricated materials, many of which are now considered below acceptable living standards. Meanwhile, the insufficient supply of new affordable houses pushed prices higher,

making housing less affordable for those on lower incomes.

In September 2021, NDB approved a USD 300 million loan to the Joint Stock Company "DOM.RF", a Russian financial institution for housing and urban development. The loan proceeds will contribute to the required financing for the construction of 35,000 affordable residential housing units across Russia with a total floor area of 1.5 million m<sup>2</sup>. This programme will boost the supply of affordable houses and provide homeownership opportunities for low- and middle-income families. In addition, about 25% of the houses built under this programme target high levels of energy efficiency, which will create energy cost savings throughout their lifecycle.



## AFFORDABLE HOUSING AND URBAN DEVELOPMENT PROGRAMME

### BORROWER:

DOM.RF

### LOAN AMOUNT:

USD 300 million

### LOAN TENOR:

8 years

### PROJECT COST:

USD 1.4 billion

### SDG ALIGNMENT:



### AREA OF OPERATION:

Urban development

### E&S CATEGORY:

Category FI-B

### EXPECTED DEVELOPMENT RESULTS:

- Construct 35,000 affordable residential housing units;
- Increase access to affordable housing for 91,000 people



## HIMACHAL PRADESH RURAL WATER SUPPLY PROJECT

Improving health and hygiene conditions in rural areas by expanding water supply coverage

Himachal Pradesh is a state in northern India predominantly composed of mountainous terrain. The region suffers from deficiencies in water supply infrastructure. About 42% of the habitations in the state have limited access to clean drinking water. On average, water is only available for two to three hours a day at about 20 litres per capita. Despite sufficient sources of surface water in the region, infrastructure for treating and

supplying piped water is inadequate to meet demand, leading to increased incidence of water-borne diseases.

In December 2021, NDB approved USD 80 million for financing a rural water supply project in Himachal Pradesh under the National Rural Drinking Water Programme. The project will increase water connectivity and provide safe and adequate drinking water through individual household tap connections for over 500,000 rural beneficiaries in 1,255 villages. It will provide an enhanced supply of treated drinking water for rural households equivalent to 70 litres per capita per day. Improved water quality will help reduce the incidence of waterborne diseases, avoid associated medical costs and increase household productivity.



## HIMACHAL PRADESH RURAL WATER SUPPLY PROJECT

### BORROWER:

The Republic of India

### LOAN AMOUNT:

USD 80 million

### LOAN TENOR:

14 years

### PROJECT COST:

USD 100 million

### SDG ALIGNMENT:



### AREA OF OPERATION:

Irrigation, Water Resource Management and Sanitation

### E&S CATEGORY:

Category B

### EXPECTED DEVELOPMENT RESULTS:

- Increase water treatment capacity of 49,750 m<sup>3</sup>/day;
- Supply drinking water to 1,255 villages



## QINGDAO METRO LINE SIX (PHASE 1) PROJECT

Improving urban connectivity and mobility for economic growth and sustainable development

China's coastal city of Qingdao has faced pressure to upgrade its transport infrastructure since the development of the West Coast New Area – a rapidly growing economic district contributing to approximately 30% of the municipality's GDP and hosting 17% of its population. Low connectivity within the West Coast New Area, limited land availability, high population density and serious congestion in the old South Coast Area hampers the socioeconomic development of

Qingdao while increasing pollution due to insufficient public transport.

In December 2021, NDB approved a loan of RMB 3.2 billion for the development of one of the new metro lines in the city – Qingdao Metro Line Six – to help address transport infrastructure challenges. Through this project, NDB supports the construction of a 30.2 km metro line with a daily capacity of carrying more than 950,000 passengers, which is expected to result in additional 221,700 passenger trips per day. By reducing the average travel time by nearly 40%, this new metro line will not only increase connectivity among economic zones but also enhance accessibility to education and health facilities. Decongested roads will help avoid at least 7,500 tonnes of CO<sub>2</sub> emissions annually. The project will deploy cutting-edge “smart metro” technologies, such as a world-leading signalling system, and will act as an enabler to stimulate further development of modern urban infrastructure in Qingdao.



## QINGDAO METRO LINE SIX (PHASE 1) PROJECT

### BORROWER:

The People's Republic of China

### LOAN AMOUNT:

RMB 3.2 billion

### LOAN TENOR:

30 years

### PROJECT COST:

RMB 17.9 billion

### SDG ALIGNMENT:



### AREA OF OPERATION:

Urban development

### E&S CATEGORY:

Category A

### EXPECTED DEVELOPMENT RESULTS:

- Build a metro line with a total route length of 30.2 km and 20 stations;
- Avoid at least 7,500 tonnes of CO<sub>2</sub> emissions annually



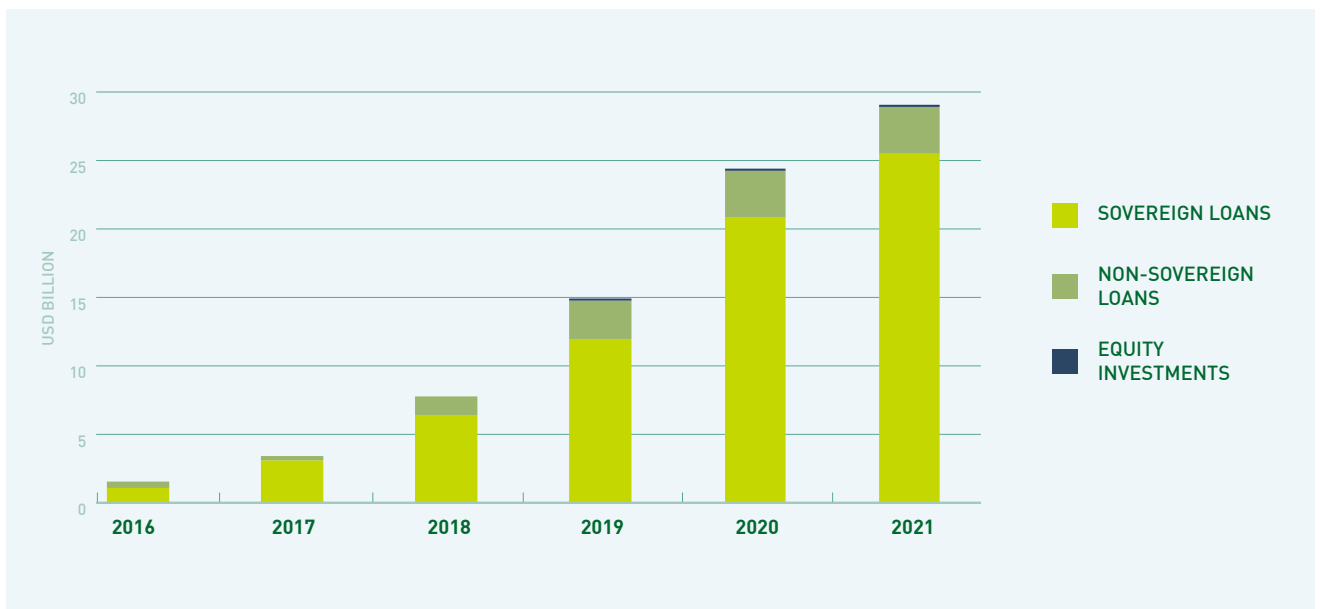
## 4.2 THE EVOLUTION OF NDB'S PORTFOLIO

By the end of 2021, NDB had cumulatively approved USD 30.7 billion for 82 projects. Considering only projects included in the Bank's portfolio as at December 31, 2021, there were 74 projects with total financing amounting to USD 29.1 billion, a 19.1% increase from the previous year.<sup>39</sup> The portfolio remained largely concentrated on sovereign and sovereign-guaranteed loans, which represented 88.0% of the portfolio's total financing as of end-2021, up from 85.7% and 79.9% recorded at the end of 2020 and 2019, respectively. Meanwhile, the share of non-sovereign operations reduced to 12.0%. However, if the large-size COVID-19 emergency programme loans are excluded, the share of non-sovereign operations would stand at 17.6%.

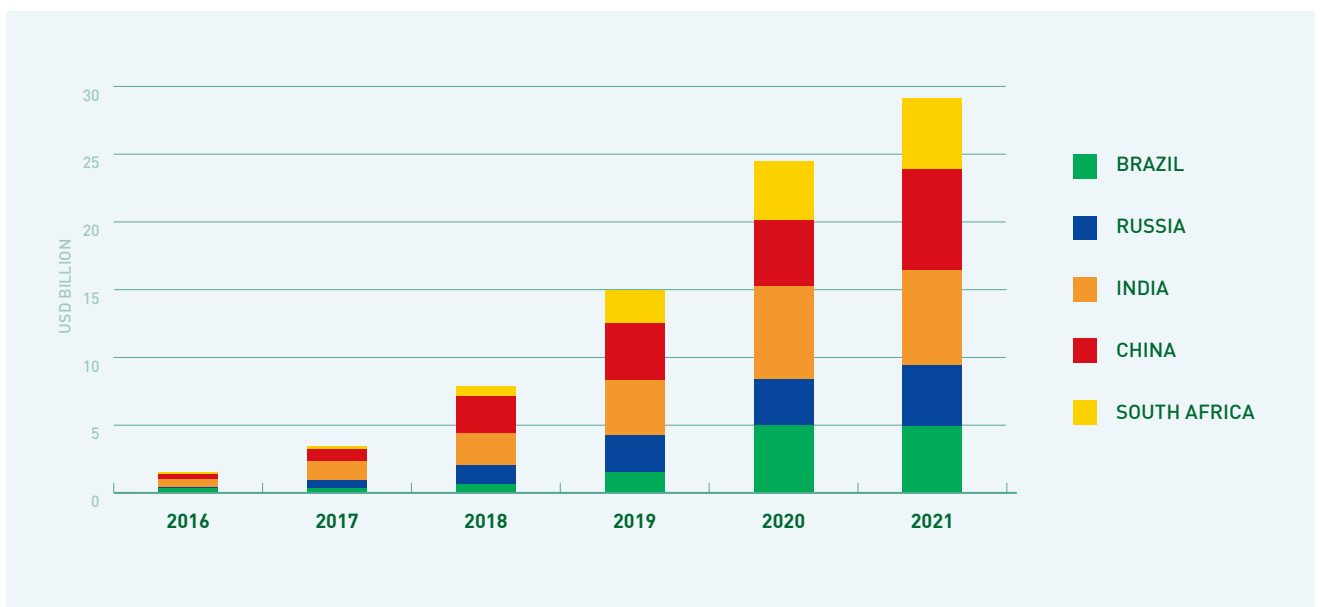


SCAN THE QR CODE TO  
ACCESS DATA FOR THE  
EVOLUTION OF NDB'S  
PORTFOLIO

### EVOLUTION OF THE PORTFOLIO BY TYPE OF OPERATION (AS AT DECEMBER 31)



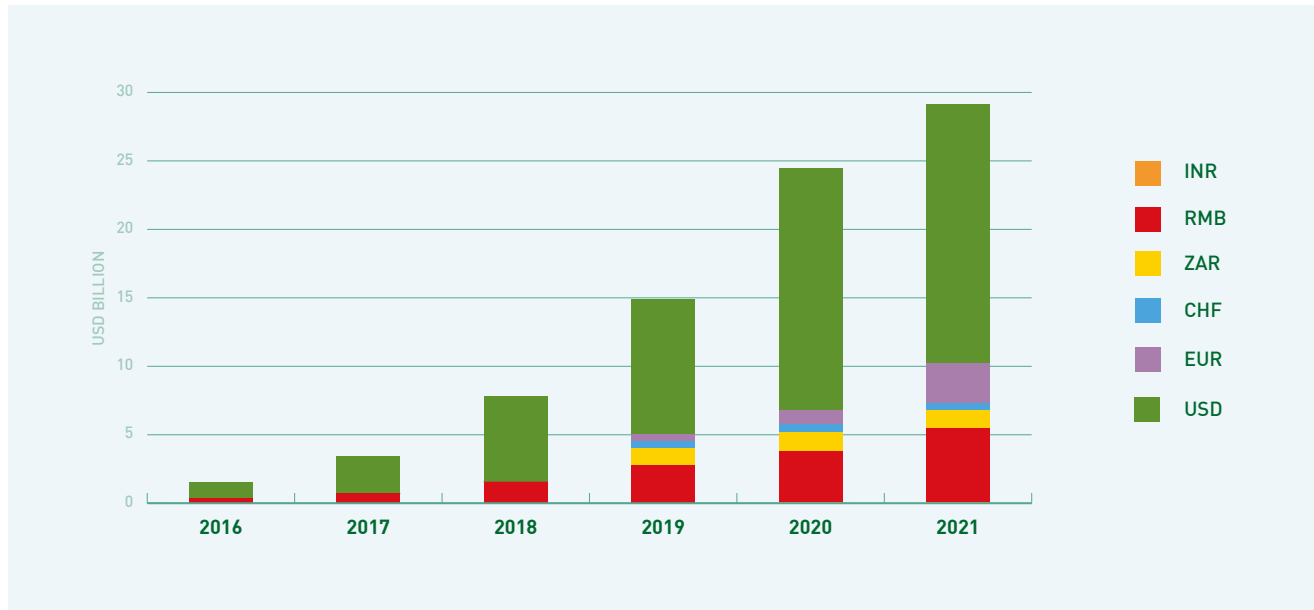
### EVOLUTION OF THE PORTFOLIO BY COUNTRY (AS AT DECEMBER 31)





In 2021, NDB strived to maintain the geographic balance of its portfolio across founding members. While the approval of COVID-19 emergency programme loans, to a certain extent, contributed to achieving the balance, the establishment and operationalisation of NDB's regional offices in South Africa in 2017, Brazil in 2019 and Russia in 2020 also played an important role in expanding the Bank's operations in these countries. The total exposure of the Bank's portfolio to projects in these three countries increased significantly from 32.4% in 2017 to 50.6% in 2021. As NDB continues to expand its membership and builds its project preparation and implementation capacity in new members, the Bank's portfolio is expected to further diversify across geographies.

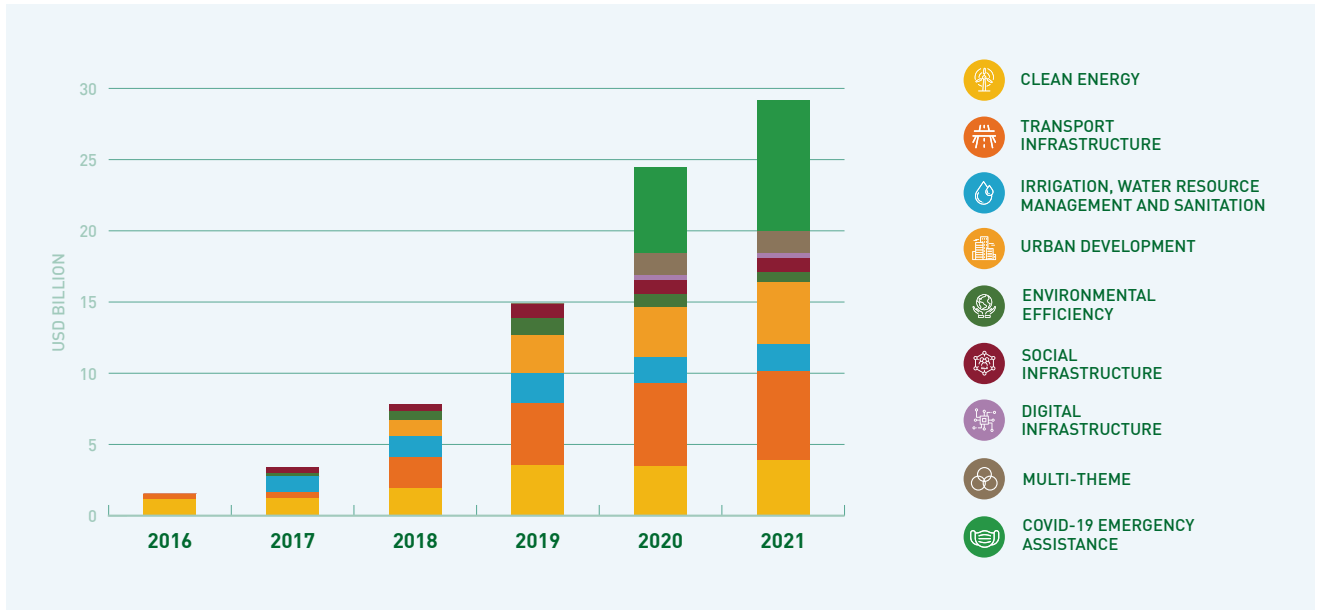
## EVOLUTION OF THE PORTFOLIO BY FINANCING CURRENCY (AS AT DECEMBER 31)



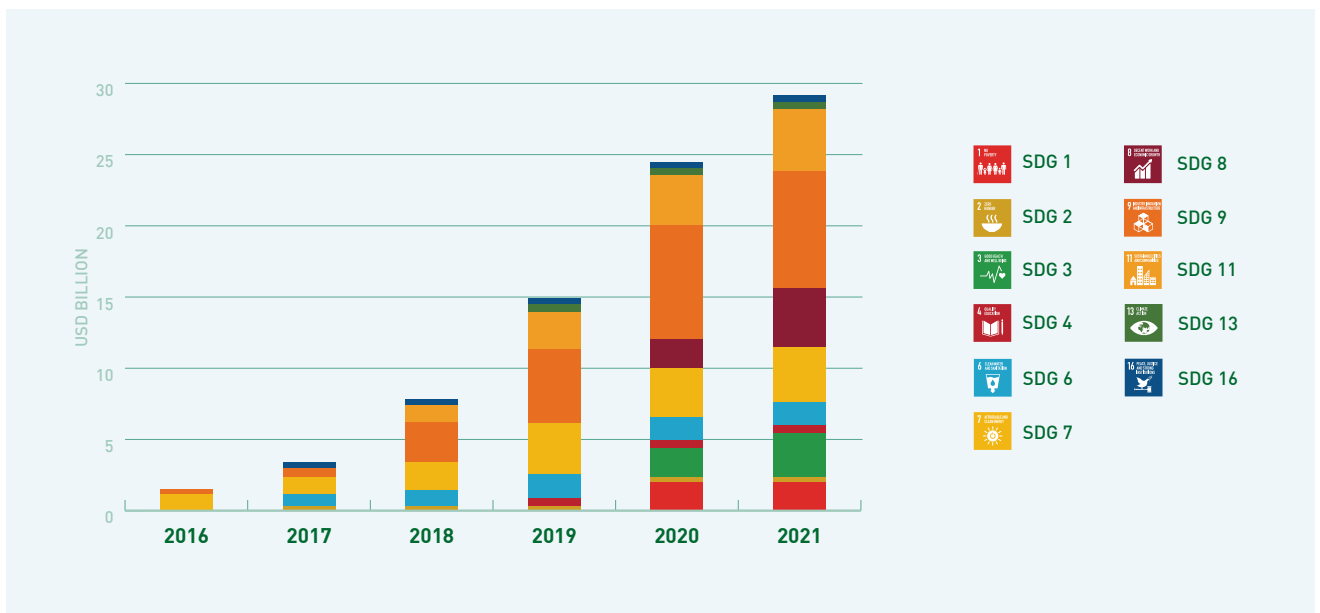
Providing local currency financing continued to be a key component of NDB's value proposition. The share of NDB's portfolio denominated in the national currencies of member countries increased from 21.2% at the end of 2020 to 23.3% at the end of 2021. Notably, over 70% of the loans to China in the Bank's portfolio were denominated in RMB. To satisfy the diverse needs of its clients, NDB also offered financing in other currencies, such as EUR and CHF. It is worth noting that the largest share (37.1%) of the Bank's approvals in 2021 was denominated in EUR, followed by those in RMB (31.8%) and USD (31.1%).

In 2021, NDB operated within the existing areas of operation where the Bank had developed expertise and gained experience over the years. With the approval of additional pandemic-related loans, the Bank's portfolio further concentrated on COVID-19 emergency assistance, as its share increased from 24.8% at the end of 2020 to 31.6% at the end of 2021. This is followed by financing to transport infrastructure, urban development, and clean energy, which accounted for 21.2%, 14.8% and 13.5% of the Bank's portfolio as at end-2021, respectively.

## EVOLUTION OF THE PORTFOLIO BY AREA OF OPERATION (AS AT DECEMBER 31)



## EVOLUTION OF THE PORTFOLIO BY PRIMARY SDG ALIGNMENT (AS AT DECEMBER 31)

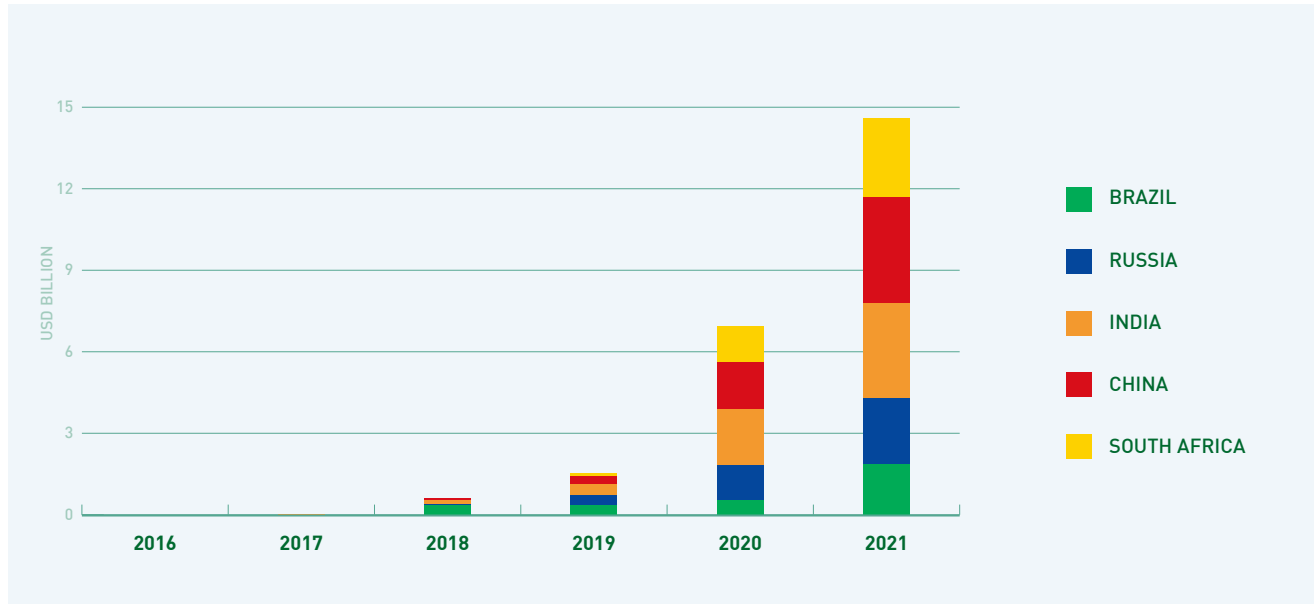


NDB seeks to contribute to the progress of its member countries in achieving the SDGs. Each project supported by the Bank is mapped, through quantifiable development output and outcome indicators, to a primary SDG with which the project is most directly and closely associated. Through the analysis of its intervention logic, a project may be mapped to one or more additional SDGs to which it will also contribute directly.

At the end of 2021, NDB's portfolio included projects that are primarily aligned with 11 out of the 17 SDGs. The largest share (28.3%) of the Bank's portfolio was primarily aligned with SDG 9 on Industry, Innovation and Infrastructure, followed by SDG 11 on Sustainable Cities and Communities (14.8%), SDG 8 on Decent Work and Economic Growth (14.1%), SDG 7 on Affordable and Clean Energy (13.5%) and SDG 3 on Good Health and Well-being (10.6%). The sharp rise in financing towards SDG 8, SDG 3 and SDG 1 on No Poverty over the past two years was driven by the approval of COVID-19 emergency programme loans allocated to economic recovery efforts, healthcare responses and social safety programmes.

NDB's operations have been undertaken in collaboration with a wide range of development partners, embodying the spirit of SDG 17 on Partnerships for the Goals. At the end of 2021, the Bank's portfolio included USD 6.6 billion for 13 projects that were financed in parallel with other MDBs. Furthermore, NDB's climate finance commitments totalled USD 5.2 billion, accounting for 18.0% of the Bank's portfolio at the end of 2021, or 26.3% if the COVID-19 emergency programme loans are excluded.

## EVOLUTION OF CUMULATIVE DISBURSEMENTS BY COUNTRY (AS AT DECEMBER 31)



2021 witnessed another record for NDB's disbursements. Within the year, the Bank disbursed a total of USD 7.6 billion to 38 projects. This was more than the disbursements made in all the previous years combined and brought the cumulative disbursements made by the Bank to USD 14.6 billion. The steep increase in 2021 was largely driven by the quick disbursement of five COVID-19 emergency programme loans totalling USD 5.1 billion, but it also reflects the increased maturity of NDB's portfolio, where more projects reached the disbursement stage and clients started making drawdown requests. At the end of 2021, disbursements made to projects in China and India represented roughly half of the Bank's cumulative disbursements.



LUOYANG METRO RAIL, CHINA

## 4.3 E&S PERFORMANCE OF THE PORTFOLIO

To ensure the sustainability of projects supported by the Bank, NDB adopts a risk-based and outcome-focused approach to managing the E&S performance of its projects over the entire processing and implementation cycle. This approach was designed to allow the Bank to keep track of the E&S risks and impacts of its projects, both individually and collectively, and to take timely remedial actions as needed to ensure compliance with the requirements of the Bank's Environment and Social Framework (ESF).

### PORTFOLIO BY E&S CATEGORY (AS AT DECEMBER 31, 2021)

E&S CATEGORY	NUMBER OF PROJECTS	PERCENTAGE OF TOTAL PROJECTS
Category A	18	24.3
Category FI-A	4	5.4
Category B	37	50.0
Category FI-B	13	17.6
Category C	2	2.7
<b>Total</b>	<b>74</b>	<b>100.0</b>

As a key component of this approach, the Bank assigns an E&S category, ranging from Category A or FI-A to Category C or FI-C, to each project based on the magnitude of potential negative impacts associated with the project's activities. Category A or FI-A is assigned to projects that are likely to have significant adverse E&S impacts, and Category C or FI-C is assigned to those with minimal or no adverse E&S impacts, where FI indicates projects involving financial intermediaries.<sup>40</sup> The assigned E&S category guides the level of scrutiny and depth of analysis required during project appraisal and monitoring. At the end of 2021, over two-thirds of projects in the Bank's portfolio were classified as Category B or FI-B, close to 30% of projects were classified as Category A or FI-A, while only two projects fell under Category C.

NDB's Environment and Social Standards (ESS) set forth the key mandatory requirements for NDB-supported projects to manage and mitigate negative E&S impacts and risks as per the Bank's ESF. These ESS include ESS 1: "E&S Assessment"; ESS 2: "Involuntary Resettlement"; and ESS 3: "Indigenous Peoples". A project may trigger more than one ESS. At the end of 2021, nearly all projects in the Bank's portfolio required E&S assessments, while 41.9% triggered ESS 2 and only 5.4% of projects activated ESS 3.

### ESS TRIGGERED BY PROJECTS IN THE PORTFOLIO (AS AT DECEMBER 31, 2021)

ESS	NUMBER OF PROJECTS TRIGGERED ESS	PERCENTAGE OF TOTAL PROJECTS
ESS1: E&S Assessment	72	97.3
ESS2: Involuntary Resettlement	31	41.9
ESS3: Indigenous Peoples	4	5.4

NDB engages with its clients on E&S-related matters during project processing and implementation. Such engagements provide opportunities for NDB to add value by strengthening the compliance of its clients with requirements of national E&S systems (62% of projects in the portfolio), enhancing their capacity to assess and manage E&S impacts and risks of projects (36%), and improving their operational practices through the introduction of good international practices in project management and implementation (55%). Overall, through its project-level interventions, NDB contributed to improving the E&S performance of 69% of projects included in its portfolio at the end of 2021.

<sup>40</sup> A project is classified as Category A or FI-A if it is likely to have significant adverse E&S impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subjected to physical works. Category B or FI-B is assigned to projects with lesser potential adverse impacts, i.e. where the impacts are site-specific, few or none of them are irreversible and mitigation measures can be readily designed. Category C or FI-C is assigned to projects with minimal or no adverse E&S impacts.

## 4.4

## DEVELOPMENT STORIES ON THE GROUND

As NDB moves ahead with its mandate, some early development results are already being delivered on the ground by projects that received the Bank's support in previous years. The development stories presented in this section shed light on the work being done by the Bank to expand its reach and impact.

### CATALYSING INFRASTRUCTURE INVESTMENT IN BRAZIL THROUGH PRIVATE EQUITY INVESTMENT



Given Brazil's large and growing demand for infrastructure, the current level of infrastructure investment in the country is neither enough to meet the demand nor to maintain the stock. In this context, in 2019, NDB made its first equity investment of USD 100 million in Patria Infrastructure Fund IV, an infrastructure-focused private equity fund, to promote private sector participation in infrastructure investment in Brazil. The fund reached its final closing in 2020 with a total aggregate commitment of USD 1.4 billion. To date, 82% of the fund's total capitalisation has been committed to six investments, in areas including clean energy and transport infrastructure.

Through its renewable energy platform Essentia Energia, the fund invested in the development of two greenfield renewable energy projects – a 465 MW wind farm and a 475 MW solar plant. The latter became fully operational in October 2021 and is currently the second largest solar power plant in Brazil and the third largest in Latin America. It is estimated that this solar power plant could generate sufficient power to meet the demand of around 580,000 local households without CO<sub>2</sub> emission and water consumption.

The fund also invested in a regional toll road project, which will result in the rehabilitation and management of 1,273 km of highways in the State of São Paulo through a 30-year toll road concession. Apart from improved road infrastructure, enhanced road safety and reduced travel time, the project is also expected to create 7,000 direct and indirect jobs during the construction phase and benefit the population of 62 municipalities in the state connected by the roads.

### MODERNISING WATER SUPPLY AND SANITATION SYSTEMS IN RUSSIA'S VOLGA RIVER BASIN



The Volga is the longest river in Europe and holds great social, cultural, and economic significance to Russia. However, the contamination of the river, combined with the deterioration of water and sanitation infrastructure in some cities located in the Volga River Basin, poses both environmental and socioeconomic challenges in the region, negatively affecting the well-being of the people.

In 2018, NDB provided a USD 320 million loan to help address these challenges, by supporting the modernisation of water and sanitation infrastructure in the Volga River Basin region. The project entails the construction of advanced water and sewage treatment facilities, water supply and drainage networks, and stormwater collection systems, as well as the improvement of existing infrastructure by applying new technologies and retrofitting with new equipment.

Five cities in the region, namely Cheboksary, Dzerzhinsk, Ivanovo, Rybinsk, and Volzhsky were competitively selected for this project, which is now three years into its implementation. Since the inception of the project, several components have been completed with tangible outputs. Notably, a modern water cleaning and disinfection system has been implemented in a water treatment pumping station in Ivanovo, and a set of storm and melt water treatment facilities have been installed in Volzhsky. The application of modern technologies in water and sanitation infrastructure not only helps reduce the environmental damage to the Volga River but also contributes to safeguarding the health of citizens. As the project approaches the mid-term of its implementation, it has already connected 41,000 households to centralised water supply and removal systems.

### EXPANDING RURAL WATER SUPPLY IN MADHYA PRADESH, INDIA



Madhya Pradesh is a late-developing state in India with a vast majority of its population living in rural areas and tribal communities. Only about 10% of rural households in the state have access to tap drinking water facilities within their premises. This unique context, combined with a fast-growing population, requires significant investment in extensive water and sanitation schemes to uphold development objectives.

With a USD 470 million loan approved by NDB in 2017, nine rural drinking water supply schemes covering more than 3,400 villages are being implemented in Madhya Pradesh. By the end of 2021, close to 50% of the NDB loan had been disbursed. Intake wells, water treatment plants, clean water reservoirs are currently being constructed under each of the schemes, while the pumps, water mains and distribution pipes are already in an advanced stage of installation. Upon completion, the nine schemes supported

by NDB will have a combined water treatment capacity of 454 million litres per day and a total water transmission and distribution network of over 15,000 km. They will secure doorstep availability of safe drinking water for 755,000 rural households, benefiting over 3 million people.

### INCREASING MOBILITY AND ACCESSIBILITY IN CHINA'S HISTORIC CITY OF LUOYANG



China's historic city of Luoyang has undergone rapid industrialisation and urbanisation in recent decades – a process that has transformed its economy. However, this has created several urban development challenges including a highly congested urban area and an overburdened transport system, which compromise the quality of life for the city's residents.

To provide a safe, reliable, and sustainable mode of transportation, NDB approved a USD 300 million loan in 2018 to support the development of the first metro line in Luoyang. The metro line, with a total length of 25 km through 19 stations and a designed capacity to carry more than 500,000 passengers per day, came into operation in March 2021. By connecting the residential areas to the city centre, it provides convenient access to public services, business and commercial centres as well as tourist attractions. The metro line also supports sustainable urban development by improving urban layout and traffic structure, which in turn contributes to mitigating congestion and emissions in the city.

The Luoyang Metro Project was the first metro project financed by NDB. Recognising the socioeconomic and sustainability benefits of urban mass transit systems, the

experience gained and lessons learned through this project have benefited the preparation and implementation of similar projects in other cities across the Bank's member countries.

## SUPPORTING THE TRANSITION OF SOUTH AFRICA'S ENERGY SECTOR



Although South Africa has abundant shallow coal reserves which currently power much of the electricity generation in the country, it is also well-endowed with renewable energy resources, such as wind and solar, creating a strong foundation for the country's energy transition. In its updated NDC, South Africa committed to limiting its GHG emissions and focusing its decarbonisation process on a deep transition of the energy sector.

In light of South Africa's energy transition ambition, in 2018, NDB approved a USD 300 million loan to the Development Bank of Southern Africa to support renewable energy projects across the country. Proceeds from the NDB loan have so far benefited 15 underlying power projects based on various renewable energy technologies, including wind, solar and biomass. The total installed capacity of these underlying projects amounts to about 1,300 MW, which upon completion and commissioning will generate more than 3,000 GWh of electricity every year and help avoid over 2.5 million tonnes of CO<sub>2</sub> annually. By the end of 2021, 11 underlying projects with a combined capacity of 930 MW had reached commercial operation and started feeding electricity into the grid.

## FIGHTING THE COVID-19 PANDEMIC IN SOLIDARITY WITH MEMBER COUNTRIES

In response to the COVID-19 outbreak in 2020, NDB quickly established a USD 10 billion Fast Track COVID-19

Emergency Assistance Response Facility and provided rapid support to member countries to fight the pandemic and its socioeconomic consequences. Of the nine COVID-19 emergency programmes supported by the Bank, eight had been fully disbursed by the end of 2021. Furthermore, several had completed and delivered a wide range of positive development results.

In China, the RMB 7 billion emergency assistance loan, approved by NDB in March 2020, has been fully utilised to finance public health expenditure related to outbreak control in Hubei, Guangdong, and Henan – the three provinces hit hardest by COVID-19 at the time. Proceeds from the NDB loan provided relief to local governments by reducing their financing gap and freeing up fiscal resources to cushion the subsequent socioeconomic impact. In Hubei Province alone, NDB's financing supported the reconstruction and expansion of 12 hospitals and eight health service centres with an incremental capacity of over 5,300 beds. In the same province, the proceeds from the NDB loan also funded the purchase of around 5,600 medical devices to improve the diagnostic and treatment capabilities of medical institutions and provided subsidies to 145,700 medical personnel and health workers on pandemic control.

In South Africa, the USD 1 billion emergency assistance loan, approved by the Bank in June 2020, was used to support two sub-programmes – one to assist the rollout of the healthcare response and the other focused on the provision of social safety nets. The healthcare sub-programme aimed at containing, detecting, and counteracting the spread of the pandemic. It contributed to the increased provision of healthcare resources, notably by procuring 230 million masks and more than 2,400 ventilators, recruiting 8,500 healthcare workers, as well as administering 4.3 million COVID-19 tests in FY2020–2021 and 12.8 million vaccines by September 2021. The social safety net sub-programme focused on increasing grants to vulnerable individuals with limited capacity to withstand



the loss of earnings caused by the economic disruption of the pandemic. Specifically, the South African government introduced two new social grants, namely the Social Relief of Distress Grant and the Caregiver Grant. In FY2020–2021, there were 5.8 million beneficiaries of the Social Relief of Distress Grant and 7.2 million beneficiaries of the Caregiver Grant. These beneficiaries received total grants of over ZAR 40 billion within the year.

In Brazil, the USD 1 billion emergency assistance loan approved by NDB in July 2020 contributed to financing the Brazilian government’s Basic Emergency Assistance, which provided minimum income to informal, self-employed and unemployed workers, as well as families under the cash transfer programme that were also eligible for the Basic Emergency Assistance. Special attention has been given to the “ExtraCAD” portion of the population, i.e. the “invisible” population who were not registered in any public social safety programmes. Through the Basic Emergency



Assistance, proceeds from the NDB loan reached a total of 8.7 million direct beneficiaries, or roughly 16 million people including family members of these beneficiaries. In addition, the provision of the Basic Emergency Assistance also resulted in positive spillover effects – such as an increased uptake of retail banking to receive the payments and the innovative use of technology to facilitate registration, processing and updating of beneficiaries.

NDB also approved a USD 1 billion COVID-19 emergency assistance loan to India in April 2020, providing support to the Indian government’s efforts to contain the spread of COVID-19 and reduce human, social, and economic losses. This programme also reached its completion in 2021 with the development results realised in line with expectations.

## 4.5 PROJECT PREPARATION FUND

Providing support for preparing quality projects that can attract financing from NDB and other financiers is an integral component of the Bank’s mandate. Accordingly, the NDB-PPF was established in 2017 to support the preparation of bankable projects through the provision of technical assistance. As a multi-donor fund, the NDB-PPF has received a total of USD 7 million in contributions, of which USD 4 million was provided by China, USD 1.5 million by Russia and USD 1.5 million by India.<sup>41</sup> In 2021, there was no new approval of technical assistance under the NDB-PPF. The cumulative approvals net of cancellations remained at USD 0.8 million. The Bank has initiated a review of the fund to enable more effective and efficient utilisation of the technical assistance resources for preparing quality projects.

41. Subsequent to December 31, 2021, an additional USD 1 million contribution was received from another founding member.



# 5

## RISK MANAGEMENT AND TREASURY ACTIVITIES



## 5.1 RISK MANAGEMENT

NDB adopts a conservative and integrated approach to managing risks, both financial and non-financial, in accordance with the Enterprise Risk Management and Risk Appetite Framework approved by the BoD. This framework guides the Bank's decision-making process to ensure effective, consistent, transparent, and accountable management of all types of risks. Based on the "three lines of defence" model, the framework covers key elements across the lifecycle of risk management, including risk governance and risk appetite, risk assessment and measurement, risk monitoring and reporting, as well as risk awareness and culture.

To safeguard its capital base and ensure effective delivery of its mandate, NDB follows international standards to actively manage all inherent risks in its activities, such as credit, market, liquidity, and operational risks. In 2021, the Bank operated within its risk appetite limits and remained adequately capitalised with sufficient liquidity to cover its financial commitments.

### CREDIT RISK

NDB's Credit Risk Management Policy and the Provisioning and Write-off Policy establish key principles governing the assessment, measurement, mitigation, and monitoring of credit risk. Guided by these principles, the Bank uses credit risk data from both external rating agencies and internal credit analysis to conduct risk assessment and monitoring. Throughout 2021, the credit quality of the Bank's loan portfolio measured by the weighted average risk rating (WARR) remained unchanged at BBB-, staying within the investment-grade band. At the end of 2021, the expected credit loss (ECL) provisioning under IFRS 9 for the Bank's loan and treasury portfolio as a share of the Bank's total credit exposure stood at 0.18%, lower than the ratio of 0.24% recorded a year ago. Despite the challenging operating environment, the Bank had no loan in stage three by the end of 2021, as per its three-stage model for credit impairment.

The Bank applies credit risk concentration limits to exposures to a single borrower, sector, and jurisdiction. No breaches of these concentration limits were observed in 2021. The Bank's loan portfolio was reasonably diversified among the five founding member countries.

### MARKET AND LIQUIDITY RISKS

NDB has a limited appetite for market risk and thus strives to minimise its exposure to losses resulting from interest rate and exchange rate risks. In 2021, the Bank's exposure to interest rate and exchange rate risks remained low with relevant metrics well within the established limits.

The Bank takes a prudent approach to managing liquidity risk and maintains an extremely strong liquidity position in high-quality investments. Over 2021, the primary liquidity ratio, which considers cash flows over a 12-month horizon without rising additional funds, mostly remained within the indicative target range of 110% and 150% to balance liquidity risks and opportunity costs.

### OPERATIONAL RISK

NDB manages its non-financial risks in line with its Operational Risk Policy, which was developed for identifying, measuring, monitoring, controlling and mitigating losses arising from failure or inadequacy of systems and controls, human errors, fraud or external events. Although there were no material operational risk losses in 2021, the ongoing COVID-19 pandemic brought forward challenges and pressures on the resilience of processes, technology, and people. Even in this complex scenario, no impact was experienced by the Bank's critical processes, demonstrating NDB's resilience through business continuity management.

### CAPITAL ADEQUACY

NDB takes a conservative approach to capital management and maintains its capital adequacy ratios at strong levels. Bank-wide stress testing and sensitivity tests are performed regularly to complement the analysis of capital adequacy under extreme adverse scenarios. At the end of 2021, the Bank remained adequately capitalised with a capital utilisation ratio of 12.5% (far below the limit of 90%) and an equity-to-asset ratio of 42% (well above the limit of 25%).

## 5.2 CREDIT RATINGS

NDB's high credit ratings play an important role in enabling the Bank to access capital markets and keep its funding cost low, which in turn allows the Bank to offer the best value to its borrowers. These credit ratings also underscore the Bank's robust institutional profile and solid financial position.

### INTERNATIONAL CREDIT RATINGS (AS AT DECEMBER 31, 2021)

	CREDIT RATING	OUTLOOK	LATEST RATING AFFIRMATION
S&P Global Ratings	AA+ (Long-term issuer credit rating) A-1+ (Short-term issuer credit rating)	Stable	February 2021 <sup>42</sup>
Fitch Ratings	AA+ (Long-term issuer default rating) F1+ (Short-term issuer default rating)	Stable	July 2021 <sup>43</sup>
Japan Credit Rating Agency	AAA (Long-term issuer rating)	Stable	December 2021
Analytical Credit Rating Agency	AAA (International scale credit rating)	Stable	November 2021 <sup>44</sup>

### DOMESTIC CREDIT RATINGS (AS AT DECEMBER 31, 2021)

	CREDIT RATING	OUTLOOK	LATEST RATING AFFIRMATION
Analytical Credit Rating Agency	AAA (RU) (National scale credit rating)	Stable	November 2021 <sup>44</sup>
China Chengxin International Credit Rating	AAA (Local currency issuer rating)	Stable	July 2021
China Lianhe Credit Rating	AAA (Long-term local currency issuer rating)	Stable	July 2021

In 2021, both international and domestic credit rating agencies reaffirmed NDB's high ratings, based on the Bank's large capitalisation, ample liquidity, strong access to capital markets, sound and prudent risk management, and other considerations. The credit rating agencies also highlighted extraordinary shareholders' support to NDB and the Bank's systemic importance to its member countries as key drivers for the Bank's high credit ratings.

<sup>42</sup> In February 2022, S&P Global Ratings affirmed NDB's long-term issuer credit rating at AA+ with a stable outlook.

<sup>43</sup> In March 2022, Fitch Ratings affirmed NDB's long-term issuer default rating at AA+, but revised the outlook to negative. In July 2022, Fitch Ratings downgraded NDB's long-term issuer default rating to AA with a negative outlook.

<sup>44</sup> In May 2022, Analytical Credit Rating Agency affirmed NDB's international scale credit rating at AAA and the Bank's national scale credit rating at AAA(RU), both with a stable outlook.

## 5.3 FUNDING STRATEGY

NDB's funding strategy aims to ensure that sufficient resources are available to meet the Bank's liquidity requirements while minimising borrowing costs. The Bank's funding activities are primarily driven by the need to support the Bank's growing project portfolio and refinancing needs.

### KEY ELEMENTS OF NDB'S FUNDING STRATEGY

- Establishing NDB's curve through regular benchmark issuances in major hard currencies
- Maintaining a consistent presence in key funding markets
- Diversifying funding by instrument, currency, tenor and type of interest rate
- Local currency financing in national currencies of BRICS and other member countries
- Issuing green, social, and sustainability debt instruments
- Aligning with the 2030 Agenda



As part of its funding strategy, NDB intends to develop and expand its investor base through consistent and regular engagements with market participants. When issuing debt instruments, the Bank considers not only its financing requirements, but also investor preferences in terms of currencies, tenors, types of interest rate, and formats of issuance, with due regard to market dynamics and appropriate hedging mechanisms in line with its risk management framework and policies.

The Bank has established a number of borrowing programmes in international markets as well as domestic markets of member countries. These programmes serve as funding platforms for the Bank to mobilise resources in various currencies through both public and private transactions.

### ▀ BORROWING PROGRAMMES ESTABLISHED IN INTERNATIONAL MARKETS

TIME OF ESTABLISHMENT	PROGRAMME NAME	PROGRAMME SIZE	AMOUNT UTILISED (AS AT DECEMBER 31, 2021)
April 2019	2019 Euro commercial paper (ECP) programme	USD 8 billion	USD 3.3 billion <sup>45</sup>
December 2019	2019 Euro medium term note (EMTN) programme	USD 50 billion	USD 8.0 billion

### ▀ BORROWING PROGRAMMES ESTABLISHED IN DOMESTIC MARKETS OF MEMBER COUNTRIES

TIME OF ESTABLISHMENT	PROGRAMME NAME	PROGRAMME SIZE	AMOUNT UTILISED (AS AT DECEMBER 31, 2021)
January 2019	2019 RMB bond programme in China	RMB 10 billion	RMB 10.0 billion
April 2019	2019 ZAR bond programme in South Africa	ZAR 10 billion	Not utilised
November 2019	2019 RUB bond programme in Russia	RUB 100 billion	Not utilised
October 2020	2020 RMB bond programme in China	RMB 20 billion	RMB 7.0 billion <sup>46</sup>

<sup>45</sup> The outstanding amount of short-term notes issued under the ECP programme as at December 31, 2021.

<sup>46</sup> Subsequent to December 31, 2021, NDB issued a RMB 3 billion bond under its 2020 RMB bond programme.

## 5.4 FUNDING ACTIVITIES

As NDB continued to expand its operations, the Bank actively accessed capital markets and in 2021 raised, through a series of bond issuances, a record amount of over USD 5.5 billion. These transactions attracted strong interest from high-quality and diverse investors, and mobilised resources at favourable terms.

In international capital markets, NDB raised a total of USD 4.25 billion through three benchmark issuances under its EMTN programme. The net proceeds from these issuances have been used for providing COVID-19 emergency programme loans and financing sustainable development activities. Notably, in December 2021, the Bank priced a USD 500 million SOFR-linked floating-rate bond, which was the first floating-rate note and the first SOFR-linked bond issued by the Bank. The transaction not only contributed to the diversification of the Bank's funding instruments, but also demonstrated the Bank's smooth transition from the London Interbank Offered Rate (LIBOR) to SOFR.

In the China Interbank Bond Market, the Bank mobilised a total of RMB 7 billion by issuing two bonds under its 2020 RMB bond programme. Remarkably, the RMB 5 billion SDG bond issued in March 2021 was the first-ever SDG bond issued following the UNDP SDG Impact Standards for Bonds as well as the SDG Finance Taxonomy (China) in the market. As a pilot issuer, NDB worked closely with UNDP and contributed to the establishment and testing of the standards and taxonomy.

### PUBLIC BOND ISSUANCES IN 2021

BOND NAME	SDG bond	USD benchmark bond	Pandemic support and sustainable bond	RMB bond	SOFR-linked pandemic support and sustainable bond
TIME OF ISSUANCE	March 2021	April 2021	July 2021	September 2021	December 2021
ISSUANCE AMOUNT	RMB 5 billion	USD 1.5 billion	USD 2.25 billion	RMB 2 billion	USD 500 million
MATURITY (YEARS)	3	5	3	5	3

In addition to the public offerings, NDB also issued four bonds in 2021 through private placements under the EMTN programme. These transactions raised USD 100 million, GBP 35 million and HKD 500 million. Despite their relatively small sizes, these private placements contributed to further diversification of the Bank's funding sources.

At the end of 2021, the outstanding amount of bonds issued by NDB stood at USD 7.9 billion, RMB 17 billion, HKD 500 million, and GBP 35 million. Furthermore, the Bank continued issuing short-term notes under its ECP programme throughout the year, and had USD 3.3 billion outstanding at the year-end. These short-term notes have been actively used by the Bank to enhance its cash management and meet its liquidity needs.

## 5.5 TREASURY PORTFOLIO MANAGEMENT

NDB's treasury portfolio strategy focuses on preserving the Bank's capital and maintaining a strong liquidity position, while providing efficient management of the Bank's excess funds within the established risk limits. Accordingly, the Bank's treasury investment portfolio primarily consists of highly rated fixed-income instruments, such as interbank money market instruments, sovereign bonds, treasury bills, debt instruments of banks, and highly-rated corporate bonds. The actual composition of the portfolio depends on the market condition, investment outlook and various risk limits.

In 2021, treasury investments made by the Bank were mainly denominated in USD and RMB, with limited investments denominated in EUR, INR, ZAR and RUB. Exposures to local currencies have been fully hedged using derivatives, such as cross-currency swaps and foreign exchange forwards. Continued efforts have also been made to further diversify the treasury investment portfolio in terms of instruments, jurisdictions, currencies, and counterparties, with due regard to the Bank's conservative risk management policies and guidelines. Hedging instruments have been utilised whenever required to protect the portfolio from interest rate and exchange rate risks. At the end of 2021, the Bank's treasury investment portfolio amounted to USD 10.5 billion and continued to have a robust credit rating profile.

## 5.6 TREASURY INFRASTRUCTURE DEVELOPMENT

In 2021, NDB made further progress in building treasury infrastructure. This includes opening correspondent accounts in hard and local currencies, opening custodian accounts for investments in various fixed-income instruments, and onboarding a diversified list of counterparties for investments, hedging, and fundraising.

In addition, the Bank enhanced its treasury management system to accommodate the new USD benchmark – SOFR. This will allow the Bank to handle the booking, accounting, valuation, and management of its funding, hedging and investments linked to this new benchmark throughout their lifecycle.

### LIBOR TRANSITION

LIBOR has been one of the main interest rate benchmarks widely used in the global financial system over the past decades. It determines interest rates for a wide range of financial products around the world, from residential mortgages to complex derivatives. However, since 2008, the volume of transactions used to estimate LIBOR has reduced significantly, calling into question the benchmark's ability to continue acting as a reference interest rate. In 2017, the regulatory body in the United Kingdom and LIBOR regulator – the Financial Conduct Authority – declared that banks will no longer be required to make LIBOR submissions beyond 2021. In March 2021, the Financial Conduct Authority further announced the dates that LIBOR will cease to be provided and will no longer be representative.

To ensure a smooth transition to post-LIBOR markets, NDB established a LIBOR Transition Steering Committee and a LIBOR Transition Working Group in 2020, to conduct a comprehensive impact analysis of the LIBOR transition on different work streams, such as lending, funding, legal, risk management, IT, client outreach, and accounting. In 2021, under the guidance of the LIBOR Transition Steering Committee, the Bank adopted a comprehensive approach to implementing various aspects of the transition to new benchmarks. These include formulation of fallback language, selection of fallback rates, loan pricing and interest calculation methodology for the revised benchmark, assets and liability management, enhancement and implementation of functional systems and loan pricing. NDB's BoD accorded necessary approvals for the Bank's LIBOR transition strategy.



6

## INSTITUTION BUILDING

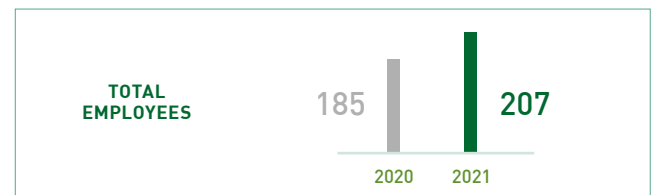
## 6.1 TALENT MANAGEMENT

To realise its growth aspirations while maintaining its lean structure, NDB has embarked on a journey to become a talent-intensive institution. The Bank's human resources agenda has focused on attracting, nurturing and retaining motivated talent who are committed to the Bank's mandate and strategic objectives.

### TALENT ACQUISITION



In 2021, NDB continued to attract top talent globally and had 30 job openings, which received over 5,000 applications, a testament to the strength of NDB's employer brand. Through an open and transparent selection process, a group of well-qualified new staff were recruited and onboarded within the year, including for some key managerial positions. By the end of 2021, the total number of NDB's employees reached 207, a 12% net increase from the previous year.



### Employees by category (as at December 31, 2021)

<span style="color: yellow;">■</span> President and Vice Presidents	5
<span style="color: red;">■</span> Professional staff (managerial)	26
<span style="color: green;">■</span> Professional staff (non-managerial)	147
<span style="color: blue;">■</span> Support Staff	15
<span style="color: orange;">■</span> Short-term consultants and outsourced staff	14

As an equal opportunity employer, NDB emphasises the importance of diversity and gender balance at all levels of its organisational structure. Although the share of women in the Bank's entire workforce remained unchanged at 38%, female representation in managerial staff increased from 19% to 23% in 2021. Meanwhile, the nationality diversity of the Bank's professional staff also improved marginally.





## TALENT DEVELOPMENT

NDB's ambition of becoming a talent-intensive institution requires that the development of staff remains a key business imperative. In 2021, blended learning and development continued virtually and in-person with 72 staff receiving training and some of them participating in multiple learning and development programmes during the year.

As NDB and its staff aim to play an active role in shaping and navigating the development landscape, the Bank strives to engage its talent with a multitude of different ideas and interactions. In line with this, the NDB THINKLAB continued in 2021 with a series of sessions examining topics such as the changing development landscape, infrastructure financing, inclusive and sustainable

growth, climate change, and post-COVID-19 investments and recovery, among others. Speakers included global thought leaders, experts from the public and private sector, development practitioners, diplomats, and academics. The NDB THINKLAB series not only fostered knowledge sharing and stimulated intellectual debates, but also strengthened the NDB staff's sense of purpose and exposed them to areas that are critical to global development.

Furthermore, the Bank continued to promote a culture of consistent high performance and created a work environment that embraces diversity and inclusion. In this regard, NDB's Staff Rules and Regulations were developed and implemented in 2021, complementing the existing human resources policies approved by the BoD.



## 6.2 DIGITAL TRANSFORMATION

NDB leverages existing and emerging technologies to support business activities and enhance operational productivity. In 2021, the Bank moved forward with its digital transformation to adapt to the changing business environment.

The Bank continued to bolster the accessibility and resilience of its IT infrastructure and put in place all necessary IT facilities in the new headquarters building. NDB's globally-distributed cloud-based IT infrastructure facilitated business continuity during the prolonged COVID-19 pandemic environment as well as throughout the Bank's relocation to its new headquarters building. It also supported the expansion of NDB's footprint as the Bank admits new members, sets up new offices, and onboards new staff, clients and partners.

In the domain of IT applications, progress was made to facilitate the transition from LIBOR to SOFR and the migration to a new human resources system. Automation of internal processes and workflows also advanced with new functionalities in the Bank's online service portal.



Furthermore, the Bank increased its emphasis on cyber security. Cyber security and email security awareness training sessions were conducted across the Bank. Several other initiatives aiming to proactively probe and mitigate potential cyber threats were also implemented in 2021.

## 6.3 REGIONAL PRESENCE

In line with its strategy and new organisational structure, NDB is on course to have an on-the-ground presence in all founding member countries. Ever since the establishment of the Africa Regional Centre in 2017, the Americas Regional Office in 2019, and the Eurasian Regional Centre in 2020, NDB has focused on preparing the opening of the Indian Regional Office in the Gujarat International Finance Tech-City, also known as the GIFT City. Since the ratification of the host country agreement in early 2021, NDB has been following the last-step procedures with the Indian government to formally open the office. NDB's Indian Regional Office is expected to be operational in mid-2022.

As part of the implementation of NDB's new organisational structure, the Desk for East Asia and Pacific, based in the Bank's headquarters, was also created and became fully operational in 2021. NDB's on-the-ground presence enabled the Bank to have more efficient and timely interaction with clients, stronger dialogues with national and subnational governments, and closer collaboration with peer MDBs and other development partners who are also present in these regions.

## 6.4 PARTNERSHIPS AND ENGAGEMENTS

Building and implementing partnerships allows NDB to tap into the expertise of other institutions and strengthen its capacity to provide development services in member countries. In 2021, NDB entered into five new memoranda of understanding (MoUs) on general cooperation, with the Export-Import Bank of China, the International Bank for Economic Co-operation, Banco do Brasil, Agricultural Development Bank of China and Axis Bank, respectively. These MoUs provide frameworks for general cooperation between NDB and the respective institutions, aiming to facilitate joint financing, knowledge sharing and exchange of personnel and information. At the end of 2021, NDB had a total of 33 effective MoUs on general cooperation with a wide range of partners in the global development community, including peer MDBs, international organisations, national DFIs of member countries, commercial banks, enterprises, and academia.

In light of the Bank's objective to become an established member of the international development community,

NDB's knowledge-based engagements with peer institutions have intensified over the last year. In particular, the Bank's participation in working groups and collaboration platforms led by DFIs and international organisations has continued to grow. As at the end of 2021, NDB was a member of 15 platforms that promote regular engagement among DFIs and international organisations. These platforms provided opportunities to enhance the Bank's expertise through exposure to leading practices as well as to raise the Bank's profile in the international development community. In 2021, NDB participated actively in the meetings and events of such platforms, including annual meetings, high-level discussions and regular interactions at the technical level. Notably, in November 2021, NDB joined nine other MDBs in a joint statement at COP26, setting out their collective climate ambition. Earlier in the year, the Bank also disclosed its annual climate finance data for the first time in the 2020 Joint Report on MDBs' Climate Finance, which was released in July 2021.



PRESIDENT TROYJO AND MR. FAUSTO RIBEIRO, THE CHIEF EXECUTIVE OFFICER OF BANCO DO BRASIL, AT THE SIGNING OF THE MOU BETWEEN NDB AND BANCO DO BRASIL IN JUNE 2021

7

THE NEW STRATEGY  
CYCLE AHEAD



Looking ahead, 2022 will mark NDB's transition into a new five-year strategy cycle. Building on the solid foundation laid in the past, the Bank aspires to evolve into a leading provider of development finance for EMDCs over the next five years. In the upcoming cycle, NDB will strive to achieve a higher standard of operational excellence, enhance its capacity to mobilise resources at scale, employ sophisticated instruments to finance infrastructure and sustainable development projects, maximise impact, and continue to build a robust institutional profile.



### FOCUSING ON HIGH-IMPACT PROJECTS

As NDB operates in a rapidly changing global environment, the Bank will strengthen its engagements with member countries and partners to support their infrastructure and sustainable development endeavours. NDB's operational programme will keep focusing on high-impact projects, in alignment with the development objectives of its member countries and full support of their commitments under the Agenda 2030 and the Paris Agreement. Projects that are climate-smart, disaster-resilient, technology-integrated and inclusive will be prioritised for financing. Meanwhile, the Bank will remain committed to supporting its member countries and partners in addressing the lingering impact of the COVID-19 pandemic and boosting economic recovery.



### MAXIMISING DEVELOPMENT IMPACT

NDB's success in fulfilling its mandate will be measured by the scale of development impact it creates in member countries. Setting clear objectives, devising meaningful performance indicators, monitoring development results and evaluating development impact will remain key elements of the Bank's operations. Additionally, the Bank seeks to go beyond monitoring and reporting, to intensify the development impact of its operations by enhancing its value-added in project preparation and implementation. New tools and processes focusing on development considerations will be introduced and integrated into NDB's project cycle.



### MOBILISING RESOURCES FOR DEVELOPMENT

NDB will continue to rely on its prudent risk management framework and practices to maintain its high credit ratings. While seeking to attract low-cost funding, the Bank intends to increase thematic bond offerings and borrowings in local currencies. In addition to deploying its capital, NDB will ramp up its capacity to mobilise capital from the private sector. To this end, the Bank aims to develop and offer an increasingly diversified array of financial instruments, providing tailored financing arrangements to catalyse the private sector's participation in infrastructure and sustainable development.



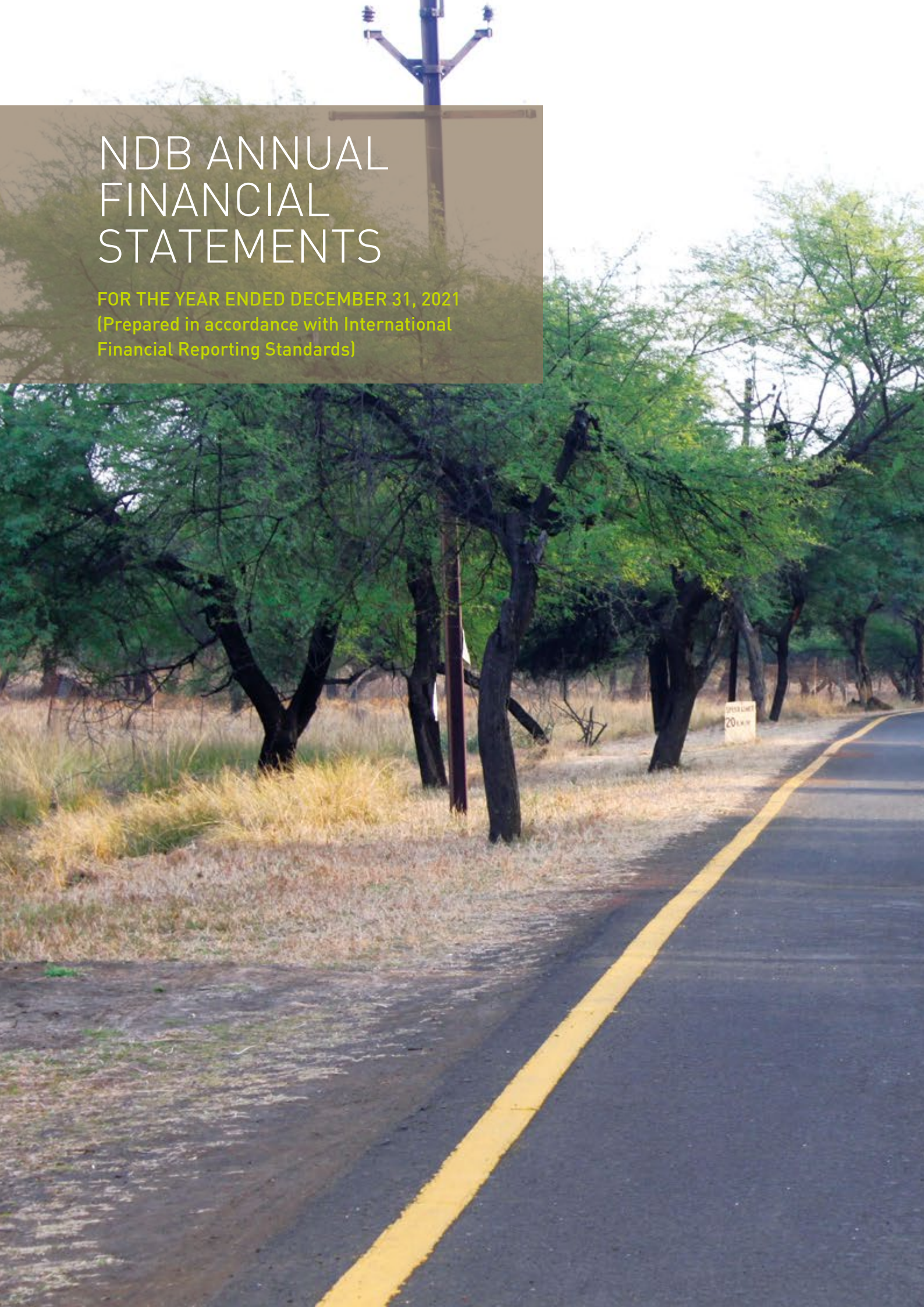
### PURSUING OPERATIONAL EXCELLENCE

Membership expansion will remain a priority for NDB over the next five years. Under the guidance of its BoG and BoD, the Bank will continue to pursue a gradual and balanced expansion, striving for greater membership diversity in terms of geography, size and stage of development.

NDB, as an institution, will persist in developing its internal capabilities with a continued emphasis on digital transformation and building a talented workforce for delivering high-quality development services. An institutional culture of collaboration, innovation, and mutual respect with a reinforced focus on clients will drive NDB to enable inclusive growth and sustainable development in EMDCs.

# NDB ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021  
(Prepared in accordance with International  
Financial Reporting Standards)





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# INDEPENDENT AUDITOR'S REPORT

## TO THE BOARD OF GOVERNORS OF THE NEW DEVELOPMENT BANK

### Opinion

We have audited the financial statements of the New Development Bank (the "Bank"), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity 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 financial statements give a true and fair view of the financial position of the Bank as at December 31, 2021, and of 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matter is the matters that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

#### Key audit matter

##### Measurement of expected credit loss ("ECL") of loans and advances

We identified the measurement of ECL for the Bank's loans and advances as a key audit matter due to the significance of these assets to the Bank's financial statements and the significant management judgement and estimation required in the measurement.

As disclosed in Note 4 to the financial statements, significant management judgement and estimation required in the measurement of ECL includes assessing whether the credit risk of an asset has significantly increased, using appropriate models and assumptions, determining the key inputs including probability of default ("PD") and loss given default ("LGD"), selecting forward-looking scenarios and their probability weighting.

As at 31 December 2021, the Bank held loans and advances to customers of USD 14,000 million, less impairment allowance of USD 35 million as disclosed in Note 20 to the financial statements.

#### How our audit addressed the key audit matter

Our procedures in relation to management's measurement of ECL for loans and advances included:

- Evaluating key controls of the management over the measurement of ECL;
- Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model, including PD, LGD and weighting of forward-looking scenarios;
- Evaluating the determination of the criteria for significant increase in credit risk by management and, on a sample basis, testing its application;
- On a sample basis, checking the weighted calculation of the ECL for the selected loans and advances.



## Other Information

Management of the Bank is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and describe actions applicable in the jurisdiction.

## Responsibilities of Management and the Board of Governors for the Financial Statements

Management of the Bank is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the 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, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Board of Governors are responsible for overseeing the Bank's financial reporting process.

## Auditor's Responsibility 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Bank.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Governors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Governors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Deloitte Touche Tohmatsu CPA LLP*

Deloitte Touche Tohmatsu Certified Public Accountants LLP  
Shanghai, People's Republic of China

May 19, 2022

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED DECEMBER 31, 2021 EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Notes	Year ended December 31, 2021	Year ended December 31, 2020
Interest income	7	271	254
Interest expense	7	(123)	(73)
Net interest income	7	148	181
Net fee income	8	8	5
Net losses on financial instruments at fair value through profit or loss (FVTPL)	9	(46)	(191)
		110	(5)
Staff costs	10	(49)	(41)
Other operating expenses	11	(19)	(14)
Impairment losses under expected credit loss model, net of reversal		(2)	(38)
Foreign exchange gains		60	208
Other expense	12	(11)	(9)
Operating profit for the year		89	101
Unwinding of interest on paid-in capital receivables		21	49
Profit for the year		110	150
Other comprehensive (expense)/income Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on debt instruments at fair value through other comprehensive income (FVTOCI)		(7)	1
Impairment loss for debt instruments at FVTOCI included in profit or loss		1	-*
Other comprehensive (expense)/income for the year		(6)	1
<b>Total comprehensive income for the year</b>		<b>104</b>	<b>151</b>

\* Less than United States Dollar ("USD") half of a million

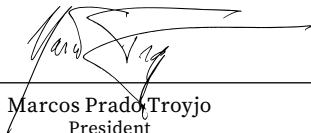
# STATEMENT OF FINANCIAL POSITION


## AS AT DECEMBER 31, 2021 EXPRESSED IN MILLION OF U.S. DOLLARS

	Notes	As at December 31, 2021	As at December 31, 2020
<b>Assets</b>			
Cash and cash equivalents	13	1,856	2,193
Due from banks other than cash and cash equivalents	14	4,916	6,762
Derivative financial assets	15	44	27
Financial assets held under resale agreements	16	-	66
Financial assets at FVTPL	17	211	400
Debt instruments at FVTOCI	18	1,298	131
Debt instruments measured at amortised cost	19	2,258	763
Loans and advances	20	13,965	6,612
Paid-in capital receivables	21	335	1,885
Right-of-use assets		_*	_*
Property and equipment	22	1	1
Intangible assets	23	1	1
Other assets	24	3	3
<b>Total assets</b>		<b>24,888</b>	<b>18,844</b>
<b>Liabilities</b>			
Derivative financial liabilities	15	160	98
Financial liabilities designated at FVTPL	25	10,140	5,556
Note payables	26	3,296	2,815
Bond payable	27	499	-
Lease liabilities		_*	_*
Contract liabilities	28	46	28
Other liabilities	29	14	14
<b>Total liabilities</b>		<b>14,155</b>	<b>8,511</b>
<b>Equity</b>			
Paid-in capital	30	10,299	10,000
Reserves	31	(14)	(26)
Retained earnings		448	359
<b>Total equity</b>		<b>10,733</b>	<b>10,333</b>
<b>Total equity and liabilities</b>		<b>24,888</b>	<b>18,844</b>

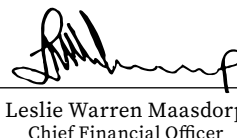
\* Less than USD half of a million

The annual financial statements on pages 60 to 123 were approved and authorised for issue by the Board of Governors on May 19, 2022 and signed on their behalf by:

  
 Marcos Prado Troyjo  
 President



Halima Nazeer  
 Director General, Finance, Budget and Accounting

  
 Leslie Warren Maasdorp  
 Chief Financial Officer



Paritosh Pandit  
 Chief Financial Controller

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2021 EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Paid-in capital	Capital reserve	Revaluation reserve	Other reserves	Retained earnings	Total
As at January 1, 2021	10,000	-*	1	(27)	359	10,333
Operating profit for the year	-	-	-	-	89	89
Other comprehensive expense for the year	-	-	(6)	-	-	(6)
Unwinding of interest on paid-in capital receivables for the year	-	-	-	-	21	21
Total comprehensive (expense)/income for the year	-	-	(6)	-	110	104
Capital subscriptions	299	-	-	-	-	299
Impact on discounting of paid-in capital receivables (Note 21)	-	-	-	(10)	-	(10)
Special contribution from founding member	-	-*	-	-	-	-*
Impact of early payment on paid-in capital receivables (Note 21)	-	-	-	7	-	7
Reclassification of unwinding of interest arising from paid-in capital receivables	-	-	-	21	(21)	-
<b>As at December 31, 2021</b>	<b>10,299</b>	<b>-*</b>	<b>(5)</b>	<b>(9)</b>	<b>448</b>	<b>10,733</b>

	Paid-in capital	Capital reserve	Revaluation reserve	Other reserves	Retained earnings	Total
As at January 1, 2020	10,000	-	-	(86)	258	10,172
Operating profit for the year	-	-	-	-	101	101
Other comprehensive income for the year	-	-	1	-	-	1
Unwinding of interest on paid-in capital receivables for the year	-	-	-	-	49	49
Total comprehensive income for the year	-	-	1	-	150	151
Impact of early payment on paid-in capital receivables (Note 21)	-	-	-	10	-	10
Special contribution from founding member	-	-*	-	-	-	-*
Reclassification of unwinding of interest arising from paid-in capital receivables	-	-	-	49	(49)	-
<b>As at December 31, 2020</b>	<b>10,000</b>	<b>-*</b>	<b>1</b>	<b>(27)</b>	<b>359</b>	<b>10,333</b>

\* Less than USD half of a million

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED DECEMBER 31, 2021 EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Year ended December 31, 2021	Year ended December 31, 2020
<b>OPERATING ACTIVITIES</b>		
Profit for the year	110	150
Adjustments for:		
Interest expense	123	73
Interest income from debt instruments measured at amortised cost	(15)	(3)
Interest income from debt instruments at FVTOCI	(2)	-*
Depreciation and amortisation	1	2
Unrealised losses on financial instruments	9	181
Realised losses on derivatives	21	10
Realised losses from bond designated at FVTPL	16	-
Unwinding of interest on paid-in capital receivables	(21)	(49)
Impairment losses under expected credit loss model, net of reversal	2	38
Exchange gains on debt instruments measured at amortised cost	(1)	(5)
Exchange gains on note payables	(2)	-
Exchange gains on lease liabilities	-*	-*
Debt issuance cost	11	9
Operating cash flows before changes in operating assets and liabilities	252	406
Net decrease/(increase) in due from banks	1,847	(1,271)
Net increase in loans and advances	(7,349)	(5,086)
Net decrease/(increase) in financial assets held under resale agreements	66	(66)
Net decrease/(increase) in financial assets at FVTPL	400	(400)
Net increase in other assets	-*	(1)
Net increase in other liabilities and contract liabilities	14	7
Cash used in operations	(4,770)	(6,411)
Interest paid on bonds and borrowings	(79)	(27)
Interest paid on financial assets sold under repurchase agreements	-	-*
Interest paid on note payables	(14)	(15)
Interest paid on lease liabilities	-*	-*
Interest received on debt instruments measured at amortised cost	12	2
Interest received on debt instruments at FVTOCI	4	-
Proceeds from settlement on derivatives	1,952	344
Payment of settlement on derivatives	(2,003)	(356)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,898)</b>	<b>(6,463)</b>

\* Less than USD half of a million

FOR THE YEAR ENDED DECEMBER 31, 2021  
EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Year ended December 31, 2021	Year ended December 31, 2020
<b>INVESTING ACTIVITIES</b>		
Purchase of debt instruments measured at amortised cost	(2,133)	(771)
Proceeds from redemption of debt instruments measured at amortised cost	641	47
Proceeds from redemption of debt instruments FVTOCI	79	-
Purchase of financial assets at FVTPL	(212)	(2)
Purchase of debt instruments at FVTOCI	(1,256)	(130)
Proceeds from settlement on derivatives	15	-*
Payment of settlement on derivatives	(18)	-*
Purchase of property and equipment and intangible assets	(1)	(1)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,885)</b>	<b>(857)</b>
<b>FINANCING ACTIVITIES</b>		
Paid-in capital received	1,867	1,888
Contribution from founding member	-*	-*
Proceeds from short term borrowings	-	250
Repayments of short-term borrowings	-	(360)
Proceeds from issuance of bonds	5,533	4,530
Repayment from bonds	(464)	-
Proceeds from issuance of note payables	5,421	5,527
Repayments from note payables	(4,933)	(3,338)
Payment of issuance cost of bond	(11)	(9)
Payment of issuance cost on note payables	-*	-
Proceeds from settlement on derivatives	405	26
Payment of settlement on derivatives	(372)	(24)
Repayments of lease liabilities	-*	-*
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>7,446</b>	<b>8,490</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(337)</b>	<b>1,170</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>2,193</b>	<b>1,023</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1,856</b>	<b>2,193</b>
<b>Interest received</b>	<b>299</b>	<b>265</b>
<b>Interest paid</b>	<b>(93)</b>	<b>(42)</b>

\* Less than USD half of a million

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 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 headquarters of the Bank is located in Shanghai, China. The Bank has established Africa Regional Centre in Johannesburg, Americas

Regional Office in Sao Paulo with a sub-office in Brasilia, and Eurasian Regional Centre in Moscow.

As at December 31, 2021, the Bank's total approved membership is nine, of which seven have completed the membership process and have become members of the Bank in accordance with 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.

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing the annual financial statements, the Bank has consistently applied International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), amendments and the related Interpretations (IFRICs)

(herein collectively referred to as IFRSs) issued by the International Accounting Standards Board (IASB) which are effective for the accounting year.

### *Amendments to IFRSs that are mandatorily effective for the current year*

In the current year, the Bank has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Bank's financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Bank has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

The application of the amendments to IFRSs in the current year has had no material impact on the Bank's financial positions and performance for the current and prior periods and/or on the disclosures set out in these financial statements.



## 2.1 Impacts on application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions” and early application of Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”

The Bank has applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions” for the first time and early applied the Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021” in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases (IFRS 16) if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Bank’s financial positions and performance in the current and prior years as there was no Covid-19-related rent concession received.

## 2.2 Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”

The Bank has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures (IFRS 7).

As at 1 January 2021, the Bank has several financial assets, derivatives, the interests of which are indexed to benchmark rates that will be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial assets are shown at their carrying amounts and derivatives are shown at their notional amounts.

	USD London Interbank Offered Rate ("USD LIBOR")	CHF London Interbank Offered Rate ("CHF LIBOR")
	USD million	USD million
<b>Financial assets</b>		
Loans and advances	4,563	569
<b>Derivatives</b>		
Interest Rate Swap	2,130	-
Cross Currency Swap	649	-

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - CONTINUED

The amendments have had no impact on the financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Bank will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for loans and advances measured at amortised cost. The update of the effective interest rate applying the practical expedient is not expected to have significant effect on carrying amounts of loans and advances. Additional disclosures as required by IFRS 7 are set out in Note 5.

### *New and amendments to IFRSs in issue but not yet effective*

The Bank has not early adopted the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2022.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The Bank anticipates that the application of all above new and amendments to IFRSs will have no material impact on the financial statements in the foreseeable future.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

#### Basis of preparation of financial statements

The annual financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, and in accordance with the accounting policies set out below which are in conformity with IFRSs. These policies have been consistently applied throughout the year. For the purpose of preparation of the annual financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The management of the Bank has, at the time of approving the annual financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

More details about fair value hierarchy are provided in Note 6.

The preparation of the annual financial statements, in conformity with IFRSs, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and

expenses during the reporting years. It also requires management to exercise its judgement in the process of applying the Bank's policies. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in Note 4.

The principal accounting policies adopted are set out below and have been applied consistently to each year presented.

#### Revenue

The Bank recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs;
- the Bank's performance creates or enhances an asset that the customer controls as the Bank performs; or
- the Bank's performance does not create an asset with an alternative use to the Bank and the Bank has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Bank's obligation to transfer goods or services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer.

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

#### Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Bank's performance in transferring control of goods or services.

#### Interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments at fair value through other comprehensive income.

For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

#### Front-end fee

Front-end fees relating to the origination or acquisition of a financial asset are recognised as deferred income at the date of the first drawdown. They are subsequently amortised over the period of the contract when they satisfy the performance obligation.

#### Commitment fee

Commitment fees relating to the undrawn loan commitment are recognised in terms of the loan contracts over the commitment period.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent expenditure incurred on property and equipment is included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Bank and the subsequent expenditure can be measured reliably. Costs relating to repairs and maintenance are recognised in profit or loss, in the period in which they incurred.

Depreciation is recognised so as to write-off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
IT equipment	0%	5 years
Appliance	0%	5 years
Furniture	0%	5 years
Vehicle	20%	4–7 years
Others	0%	5 years

### **Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis, over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as an intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The estimated useful lives of this class of intangible assets are as follows:

IT software	5 years
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### **Leases**

#### **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 *Leases* at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

#### 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.

The Bank also applies the recognition exemption for lease of low-value assets. Leases of which the underlying lease asset is valued lower than USD 5,000 are considered as 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.

##### Right-of-use assets

The cost of right-of-use assets 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.

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 re-measurement of lease liabilities.

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 leases various buildings for its operations and presents right-of-use assets as a separate line item on the statement of financial position.

##### Lease liabilities

At the commencement date of a lease, the Bank recognises and measures the lease liability at the present value of lease payments to be made over the lease term. 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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Bank exercising an option to terminate the lease.

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

The Bank presents lease liabilities as a separate line item on the statement of financial position.

##### 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.

The Bank accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the modified 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.

### **Impairment on property and equipment, right-of-use assets and intangible assets other than financial assets**

At the end of the reporting period, the Bank reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The

recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Bank compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated *pro rata* to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

#### Financial instruments

##### *Initial recognition and measurement*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank's financial instruments mainly consist of cash and cash equivalents, due from banks other than cash and cash equivalents, loans and advances, paid-in capital receivables, financial assets held under resale agreements, debt instruments measured at amortised cost, debt instruments at FVTOCI, other receivables, financial assets at FVTPL, note payables, bond payable, other payables measured at amortised cost, derivative financial assets/liabilities and bonds designated at FVTPL.

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where

appropriate, a shorter period, to the net carrying amount on initial recognition.

##### *Classification and subsequent measurement of financial instruments*

###### Financial assets

The Bank classifies its financial assets under IFRS 9 *Financial Instruments* depending on the Bank's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

###### *Financial assets measured at amortised cost*

The Bank classifies an asset measured at amortised cost when the following conditions have been met:

- The financial asset is held within a business model whose objective is collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Bank applies the effective interest method to the amortised costs of a financial asset.

###### *Financial assets classified as at FVTOCI*

The Bank classifies debt instruments at FVTOCI if they are held within a business model whose objective is achieved by both selling and collecting contractual cash flows and the contractual terms of financial asset give rise on specified dates to cash flows that are SPPI.

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.



*Financial assets at FVTPL*

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Bank may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “net gains on financial instruments at fair value through profit or loss” line item.

*Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings. Dividends from these investments in equity instruments are recognised in profit or loss when the Bank’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

*Financial liabilities and equity**Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designed and effective as a hedging instrument or a financial guarantee contract.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated at FVTPL upon initial recognition if:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL; or
- It forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The Bank applies the fair value measurement option to the bonds issued in 2019, 2020 and 2021 respectively to reduce the measurement or recognition inconsistency resulting from the economically related interest rate swap and cross currency swap with the same notional amount in total.

#### *Financial liabilities measured at amortised cost*

Other financial liabilities such as bond payable are subsequently measured at amortised cost, using the effective interest method.

#### **Derivative financial instruments**

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and currency risk, including interest rate swaps, cross currency swaps and forwards. Further details of derivative financial instruments are disclosed in Note 15.

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain

or loss is recognised in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

#### **Impairment**

The Bank performs impairment assessment under expected credit loss (ECL) model on financial assets and items which are subject to impairment assessment under IFRS 9, such as loans and advances, debt instruments measured at amortised cost, debt instruments at FVTOCI, financial assets held under resale agreements, due from banks other than cash and cash equivalents, paid-in capital receivables, loan commitments and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. ECL of a financial instrument should be measured in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank applies a three-stage approach to measuring ECL on financial assets accounted for at amortised cost and loan commitments. Financial assets and loan commitments migrate through the following three stages based on the change in credit quality since initial recognition:

#### *(i) Stage 1: 12-month ECL*

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events, occurring within the next 12 months, is recognised.

#### *(ii) Stage 2: Lifetime ECL - not credit-impaired*

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL is recognised.

*(iii) Stage 3: Lifetime ECL - credit-impaired*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. For financial assets that are credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of impairment allowance) rather than the gross carrying amount. The Bank identifies financial assets as being credit-impaired when one or more events that could have a detrimental impact on future cash flows of the financial asset have occurred.

More details about credit risk analysis are provided in Note 5.

The disclosure regarding significant increases in credit risk, definition of default and credit-impaired financial assets are detailed in Note 5.

**Measurement of ECL**

The measurement of ECL is a function of the probability of default, loss given default (LGD) (i.e. the magnitude of the loss if there is a default) and the exposure at default (EAD). The assessment of the probability of default and LGD is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the loan commitments draws down the loan, and the cash flows that the Bank expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Bank recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of due from

banks other than cash and cash equivalents, loans and advances and debt instruments measured at amortised cost where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the debt instrument revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the debt instrument revaluation reserve in relation to accumulated loss allowance.

**Write-off policy**

The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of other assets, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

**Derecognition/modification of financial instruments**

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the financial asset derecognised and the consideration received and receivable is recognised in profit or loss. On derecognition of an investment

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in FVTOCI reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Bank has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Bank applies the practical expedient, when the contractual terms of a financial asset are modified, the Bank assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Bank considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Modification of financial liabilities**

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Bank applies the practical expedient, when the contractual terms of a financial liability are modified, the Bank assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Bank considers that the terms are

substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10%. For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

#### **Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform**

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Bank applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required

by interest rate benchmark reform, the Bank first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Bank then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

### **Offsetting**

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Bank has a legally enforcement right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

### **Net gains/loss on financial assets and liabilities designated at FVTPL**

Net gains/loss on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS 9 *Financial Instruments*. The line item includes fair value changes, interest, dividends and foreign exchange differences.

### **Employee benefits**

In the accounting period in which employees provide services, the Bank recognises the salary and welfare costs incurred and estimated employee benefits, as a liability at the undiscounted amount of the benefits expected to be paid, with a corresponding charge to the profit or loss for the current period.

The amounts payable arising on the Bank's defined contribution scheme are recognised in the financial statements in the period in which the related service is provided. The Bank has no legal or constructive obligation to pay further contributions in the event that these plans do not hold sufficient assets to pay any employee the benefits relating to services rendered in any current and prior period.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

### **Paid-in capital**

In accordance with the Agreement, the Bank has authorised capital and subscribed capital that is further divided into paid-in shares and callable shares. The Bank's paid-in capital is denominated in USD.

Where shares have been issued on terms that provide the Bank rights to receive cash or another financial asset, on a specified future date, the Bank recognises the financial asset at the fair value of the amount of receivable.

### **Taxation**

The Bank enjoys tax exemption within the territory of mainland China according to Article 9 of the Headquarters Agreement between the New Development Bank and the Government of the People's Republic of China regarding the Headquarters of the New Development Bank in Shanghai, the People's Republic of China.

The Bank shall be also immune from all taxation, restrictions and customs duties for the transfers, operations and transactions it carries out pursuant to the Agreement entered into force on July 3, 2015.

### **Cash and cash equivalents**

Cash comprises of cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Bank's short-term, highly liquid investments that are readily convertible to cash, within three months and are subject to an insignificant risk of changes in value.

### **Foreign currencies**

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates, its functional currency, which is USD. In preparing the annual financial statements of the Bank, transactions in currencies

other than the Bank's functional currency (USD) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated after initial recognition.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS APPLIED BY MANAGEMENT

In the application of the Bank's accounting policies, which are described in Note 3, the Bank is required to make estimates and judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

#### **Measurement of the ECL allowance for loans and advances and loan commitments**

The following significant judgement is required in applying the accounting requirements for measuring the ECL:

- Determining criteria for significant increase in credit risk;

### Key sources of estimation uncertainty

#### **Measurement of the ECL allowance for loans and advances and loan commitments**

The measurement of the ECL allowance for the Bank's loans and advances and loan commitments requires the use of a model and certain assumptions.

- Choosing an appropriate model and determining appropriate assumptions for the measurement of ECL; and
- Establishing the number and weighting of forward-looking scenarios for each type of product.

#### **Valuation of bonds designated at FVTPL**

Certain of the financial liabilities are measured at FVTPL. The valuation models of the bonds designated at FVTPL are based on underlying observable market data and market accepted valuation techniques.

The Bank's analysis and method for determining the fair value of financial liabilities designated at fair value are provided in Note 6.

#### **Discounting of paid-in capital receivables**

The discounted cash flow model is used by the Bank to calculate the present value of paid-in capital receivables at initial recognition. In determining the discount rate of paid-in capital receivables, the Bank took into account various factors including the funding cost of similar instruments issued by similar institutions, instrument-specific risk profile. It was concluded by management of the Bank that USD Libor yield curve is the most appropriate discount rate that reflects the time value and the credit risk of the receivables in question.

## 5. 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 of the Bank. 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 comprises exchange rate risk, interest rate risk and other price 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 potential inability or unwillingness of borrowers or obligors to meet their financial obligation with the Bank stands as 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 concentration limits are applied to exposures to single jurisdiction, sector, obligor and product.

The Bank mainly relies on external credit rating results from major international rating agencies (e.g. Moody's, S&P Global Ratings and Fitch) to provide an initial assessment of the credit quality of sovereign and non-sovereign 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. In case a loan has neither a sovereign guarantee nor an external credit rating, the Bank uses an internal credit assessment taking into account specific project, borrower, sector, macro and country credit risks. The Risk Management Department of the Bank continuously monitors the overall credit risk of the Bank on a periodic basis.

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 rating agencies or the Bank's internal credit rating.
- Investment grade: broadly corresponds with Standard & Poor's ratings of BBB+ to BBB- from global rating agencies or the Bank's internal credit rating.
- Sub-investment grade: broadly corresponds with Standard & Poor's ratings of BB+ to BB- but not including defaulted or impaired from global rating agencies or the Bank's internal credit rating.

#### *ECL measurement*

The Bank adopts a three-stage model for impairment based on changes in credit quality since initial recognition. The ECL calculation tool designed by Moody's is used for the year ended December 31, 2021 and 2020.

#### *Significant increases in credit risk*

In assessing whether a financial instrument has experienced a significant increase in credit risk, the Bank considers both qualitative and quantitative criteria including forward looking information

## 5. FINANCIAL RISK MANAGEMENT - CONTINUED

available without undue cost or effort. In particular, the following information is considered in assessing whether there has been a significant increase in credit risk. The Bank has applied the new qualitative criteria for the year ended December 31, 2021 after revisiting the way significant increase in credit risk is assessed for the Bank's portfolio. The quantitative criteria are not changed.

### *Quantitative criteria:*

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

### *Qualitative criteria:*

- History of arrears within 12 months;
- Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its obligations;
- Material regulatory action against the borrower or counterparty that is expected to cause a significant change in the borrower's ability to meet its obligations.

### *Credit-impaired financial assets*

The ECL is calculated on a 12-month basis for assets without a significant increase in credit risk since their initial recognition or on a lifetime basis for assets with a significant increase in credit risk. For financial assets that are credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount from the beginning of the next reporting period. A financial asset is credit-impaired when one or more events that have a material detrimental impact on the estimated future cash flows of that financial asset have occurred. The Bank has applied the new criteria for the year ended December 31, 2021 after revisiting the way credit-impaired financial asset is assessed for the Bank's portfolio.

Evidence that a financial asset is credit impaired includes observable data about the following events:

- Delay in interest or principal payment exceeds 90 days or in the case of sovereign lending by more than 180 days;
- Any breach of contract other than payment overdue, such as covenant breach;
- Significant financial difficulty of the issuer or the borrower;
- Borrower or counterparty is no longer considered a going concern;
- Failure to pay a final judgement or court order;
- Bankruptcy, liquidation or the appointment of a receiver or any similar official.

The application of all above new criteria of significant increase in credit risk and credit-impaired financial asset in the current year has had no material impact on the Bank's financial positions and performance for the current year and/or disclosures set out in these financial statements.

### *Definition of default*

For internal credit risk management, the Bank considers occurrence of an event of default when internally and externally obtained information indicates that the debtor is unlikely to discharge its obligations, including to the Bank, in full (without taking into account any collaterals held by the Bank).

The management of the Bank considers that default has occurred when the financial asset is more than 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. For the sovereign loans, the management of the Bank considers that the default occurs when it is more than 180 days past due. It aligns with the definition of payment default for sovereign exposures used by major international rating agencies and other Multilateral Development Banks.



### 12-month ECL measurement

Estimation of 12-month ECL is calculated using the following formula for a given scenario:

$$12m\ ECL = \sum_{t=1}^{12m} PD_t \times LGD_t \times EAD_t \times DF_t$$

- Unconditional Point-in-time Probability of Default (PIT-PD) is derived based on Moody's model considering specific rating, country and industry information for sovereign and non-sovereign exposures, due from banks, debt instruments measured at amortised cost and debt instruments at FVTOCI. It is then conditioned on three future macro-economic scenarios (baseline, optimistic and pessimistic);
- LGD for the sovereign loans is set at a range of 10% - 45% and LGD is set at 45% for non-sovereign loans with senior unsecured claims and 75% for the non-sovereign loans with subordinated claim. 10% of LGD is adopted for sovereign debt instruments measured at amortised cost and sovereign debt instruments at FVTOCI. 45% of LGD is adopted for due from banks, non-sovereign debt instruments measured at amortised cost and non-sovereign debt instruments at FVTOCI.
- EAD includes the sum of loans disbursed, interest receivable and net projected disbursement schedule over the next 12 months for sovereign and non-sovereign loans or loan commitments. The EAD includes the sum of principal and interest receivable over the next 12 months for due from banks, debt instruments measured at amortised cost and debt instruments at FVTOCI; and
- Discount rate is equal to the effective interest rate.

### Lifetime ECL measurement

Estimation of lifetime ECL is calculated using the following formula for a given scenario:

$$Lifetime\ ECL = \sum_{t=1}^{Lifetime} PD_t \times LGD_t \times EAD_t \times DF_t$$

- The process to determine the PIT-PD term structure is the same as 12-month ECL calculation for the first 5 years and PIT-PD is assumed to revert back to the long-run PD for the remaining years;
- LGD is the same as those used for the 12-month ECL calculation;

- EAD for any given year is based on the sum of loan disbursed, interest receivable and net projected disbursement schedule over the remaining loan contract period for sovereign and non-sovereign loans or loan commitments. The EAD is based on the sum of principal and interest receivable throughout the remaining life for due from banks, debt instruments measured at amortised cost and debt instruments at FVTOCI;
- Discount rate is equal to the effective interest rate; and
- Lifetime of the loan is the remaining loan contract period.

Forward-looking information incorporated in ECL

### Macro scenario development

- (i) Three macro scenarios: baseline, optimistic and pessimistic. Each scenario is forecasted for five years.
- (ii) Based on each member country's development and conditions, a range of forward-looking macro-economic information is considered.
- (iii) Choice of macro scenarios and probability weightings of each scenario is approved by the Management.

$$Weighted\ Average\ ECL = \sum_{Scenarios} Weight_{scenario} \times ECL_{scenario}$$

The baseline, optimistic and pessimistic scenarios were given weightings of 50%, 25% and 25% respectively. The estimation is based on the best representative management judgment and use of forward looking information available without undue cost or effort, whereby, going forward the current path of macro-economic projections is judged to have an equal chance of being worse (pessimistic scenario) or better (optimistic scenario).

## 5. FINANCIAL RISK MANAGEMENT - CONTINUED

### *Sensitivity Analysis*

The weights of the scenarios used, is another source of sensitivity. Should the Bank have changed the weightings to 45%, 25% and 30% respectively for baseline, optimistic and pessimistic scenarios, the amount of ECL would have been USD 48.4 million (December 31, 2020: USD 46.2 million) or increased by USD 2.4 million (December 31, 2020: USD 2.3 million).

The table below represents an analysis of the credit quality of loan facilities that are neither past due nor impaired, based on the external rating of the counterparties:

### *Credit exposure on loan facilities*

As at December 31, 2021	Maximum facility	Effective facility	Utilised	Unutilised loan commitments
	USD million	USD million	USD million	USD million
Senior investment grade	6,645	6,645	3,978	2,667
Investment grade	10,025	9,405	5,777	3,628
Sub-investment grade	5,073	5,073	4,182	891
<b>Total</b>	<b>21,743</b>	<b>21,123</b>	<b>13,937</b>	<b>7,186</b>
Interest receivable			63	-
Less: Provision for loans and commitments			(35)	(4)
<b>Carrying amount as at December 31, 2021</b>			<b>13,965</b>	<b>7,182</b>

As at December 31, 2020	Maximum facility	Effective facility	Utilised	Unutilised loan commitments
	USD million	USD million	USD million	USD million
Senior investment grade	4,861	4,861	1,783	3,078
Investment grade	7,929	7,309	2,988	4,321
Sub-investment grade	3,092	2,092	1,838	254
<b>Total</b>	<b>15,882</b>	<b>14,262</b>	<b>6,609</b>	<b>7,653</b>
Interest receivable			34	-
Less: Provision for loans and commitments			(31)	(8)
<b>Carrying amount as at December 31, 2020</b>			<b>6,612</b>	<b>7,645</b>

Additional disclosures on the stage classification and ECL allowance of loans and advances and loan commitments are set out in Note 20 and Note 29, respectively.

*Concentration risk*

The following table breaks down the credit risk exposures relating to loans and commitments, in their carrying amounts, by country.

As at December 31, 2021	Effective facility	Utilised	Unutilised loan commitments
	USD million	USD million	USD million
Brazil	1,600	1,595	5
Russia	3,530	2,068	1,462
India	5,738	3,519	2,219
China	6,482	3,868	2,614
South Africa	3,773	2,887	886
<b>Total</b>	<b>21,123</b>	<b>13,937</b>	<b>7,186</b>
Interest receivable		63	-
Less: Provision for loans and commitments		(35)	(4)
<b>Carrying amount as at December 31, 2021</b>		<b>13,965</b>	<b>7,182</b>

As at December 31, 2020	Effective facility	Utilised	Unutilised loan commitments
	USD million	USD million	USD million
Brazil	833	513	320
Russia	1,968	991	977
India	5,092	2,047	3,045
China	4,811	1,733	3,078
South Africa	1,558	1,325	233
<b>Total</b>	<b>14,262</b>	<b>6,609</b>	<b>7,653</b>
Interest receivable		34	-
Less: Provision for loans and commitments		(31)	(8)
<b>Carrying amount as at December 31, 2020</b>		<b>6,612</b>	<b>7,645</b>

## 5. FINANCIAL RISK MANAGEMENT - CONTINUED

### *Credit exposure on deposits*

The Bank had deposits with commercial banks that are subject to credit risk. These deposits are mainly placed with highly rated banks in mainland China, Hong Kong, Singapore and United Kingdom. The credit ratings of banks are analysed as below:

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Cash equivalents		
Senior investment grade	1,856	2,176
Investment grade	-*	17
Sub-investment grade	-*	-
Due from banks other than cash and cash equivalents		
Senior investment grade	4,618	6,746
Investment grade	301	20
<b>Total</b>	<b>6,775</b>	<b>8,959</b>
Less: ECL allowance	(3)	(4)
<b>Carrying amount</b>	<b>6,772</b>	<b>8,955</b>

\* Less than USD half of a million

### *Credit exposure on debt instruments measured at amortised costs*

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Senior investment grade	2,190	737
Investment grade	71	27
<b>Total</b>	<b>2,261</b>	<b>764</b>
Less: ECL allowance	(3)	(1)
<b>Carrying amount</b>	<b>2,258</b>	<b>763</b>

### *Credit exposure on debt instruments at FVTOCI*

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Senior investment grade	1,298	131
<b>Total</b>	<b>1,298</b>	<b>131</b>

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 debt instruments at FVTOCI up to December 31, 2021 and 2020. The credit exposure on cash and cash equivalents exclude cash on hand.

*Credit risk on paid-in capital receivables*

The paid-in capital receivable relates to capital contributions instalments committed by the Founding Members. Any overdue amount related to paid-in capital receivables cannot be discharged and shall be paid in full. No payments are overdue as of December 31, 2021. In the opinion of the management of the Bank, the credit risk associated with the capital receivables is not material.

*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 bonds issued, time deposits, loans and advances, debt instruments measured at amortised cost and debt instruments at FVTOCI. The Bank chose counterparties with high credit rating and entered agreements 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.

*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.

**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 managing and controlling liquidity risk. The Bank maintains an appropriate mix of liquid assets 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 main financial assets and financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The balances in the tables will not necessarily agree to amounts presented on the statement of financial position as amounts incorporate cash flows on an undiscounted basis and the figures therefore include both principal and associated future interest payments.

## 5. FINANCIAL RISK MANAGEMENT - CONTINUED

As at December 31, 2021	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	USD million	USD million	USD million	USD million	USD million	USD million	USD million
<b>Non-derivatives</b>							
Cash and cash equivalents	1,300	379	177	-	-	-	1,856
Due from banks other than cash and cash equivalents	-	721	401	3,399	422	-	4,943
Debt instruments measured at amortised cost	-	152	3	459	1,704	-	2,318
Loans and advances	-	-	138	233	3,002	16,353	19,726
Paid-in capital receivables	-	45	14	8	172	105	344
Other financial assets	-*	-	2	-	-	-	2
Financial liabilities designated at FVTPL	-	-*	(355)	(142)	(10,112)	-	(10,609)
Bond payable	-	-	-*	(1)	(503)	-	(504)
Note payables	-	(320)	(566)	(2,412)	-	-	(3,298)
Lease liabilities	-	-	-*	-*	-*	-	-*
Other financial liabilities	(6)	-	-	-	-	-	(6)
<b>Sub-total</b>	<b>1,294</b>	<b>977</b>	<b>(186)</b>	<b>1,544</b>	<b>(5,315)</b>	<b>16,458</b>	<b>14,772</b>
<b>Derivatives</b>							
<i>Net setting derivatives</i>							
Interest rate swap - cash inflow	-	-	10	31	3	-	44
Interest rate swap - cash outflow	-	(2)	(2)	(12)	(124)	-	(140)
<i>Gross setting derivatives</i>							
Cross currency swap - cash inflow	-	-*	5	9	890	579	1,483
Cross currency swap - cash outflow	-	(1)	(6)	(17)	(826)	(661)	(1,511)
Foreign exchange forward - cash inflow	-	1,267	228	226	127	-	1,848
Foreign exchange forward - cash outflow	-	(1,269)	(227)	(226)	(127)	-	(1,849)
<b>Sub-total</b>	<b>-</b>	<b>(5)</b>	<b>8</b>	<b>11</b>	<b>(57)</b>	<b>(82)</b>	<b>(125)</b>
<b>Net</b>	<b>1,294</b>	<b>972</b>	<b>(178)</b>	<b>1,555</b>	<b>(5,372)</b>	<b>16,376</b>	<b>14,647</b>

\* Less than USD half of a million

As at December 31, 2020	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	USD million	USD million	USD million	USD million	USD million	USD million	USD million
<b>Non-derivatives</b>							
Cash and cash equivalents	2,100	59	34	-	-	-	2,193
Due from banks other than cash and cash equivalents	-	2,497	1,299	2,338	661	-	6,795
Financial assets held under resale agreements	-	66	-	-	-	-	66
Debt instruments measured at amortised cost	-	31	49	564	136	-	780
Loans and advances	-	-	83	97	1,322	7,446	8,948
Paid-in capital receivables	-	292	-	-	1,620	-	1,912
Other financial assets	_*	-	1	-	-	-	1
Financial liabilities designated at FVTPL	-	-	(14)	(516)	(5,246)	-	(5,776)
Note payables	-	(510)	(30)	(2,280)	-	-	(2,820)
Lease liabilities	-	-	_*	_*	_*	-	_*
Other financial liabilities	(4)	-	-	-	-	-	(4)
<b>Sub-total</b>	<b>2,096</b>	<b>2,435</b>	<b>1,422</b>	<b>203</b>	<b>(1,507)</b>	<b>7,446</b>	<b>12,095</b>
<b>Derivatives</b>							
<i>Net setting derivatives</i>							
Interest rate swap - cash inflow	-	-	4	14	7	-	25
Interest rate swap - cash outflow	-	(1)	(3)	(4)	(24)	-	(32)
Foreign exchange forward - cash outflow	-	-	(1)	-	-	-	(1)
<i>Gross setting derivatives</i>							
Cross currency swap - cash inflow	-	-	5	384	195	588	1,172
Cross currency swap - cash outflow	-	_*	(3)	(365)	(166)	(679)	(1,213)
Foreign exchange forward - cash inflow	-	-	354	155	-	-	509
Foreign exchange forward - cash outflow	-	-	(382)	(155)	-	-	(537)
<b>Sub-total</b>	<b>-</b>	<b>(1)</b>	<b>(26)</b>	<b>29</b>	<b>12</b>	<b>(91)</b>	<b>(77)</b>
<b>Net</b>	<b>2,096</b>	<b>2,434</b>	<b>1,396</b>	<b>232</b>	<b>(1,495)</b>	<b>7,355</b>	<b>12,018</b>

\* Less than USD half of a million

## 5. FINANCIAL RISK MANAGEMENT - CONTINUED

### Interest rate benchmark reform

As listed in Note 20 and Note 15 several of the Bank's LIBOR loans and advances and derivatives will be subject to the interest rate benchmark reform. The Bank is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

### LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings which the Bank's financial instruments are carried at will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all Swiss franc (CHF) settings; and
- immediately after 30 June 2023, in the case of the 3-month and 6-month US dollar settings.

### (i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Bank arising from the transition:

#### Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Bank's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This may give rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread,

whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

#### Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Bank will manage the risks within the Bank's liquidity risk ratios and indicators, as prescribed in the liquidity risk management policy.

#### Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Bank is working closely with all counterparties to avoid this from occurring.

#### Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Bank will monitor this risk against its risk management policy.



## (ii) Progress towards implementation of alternative benchmark interest rates

As part of the Bank's risk management for transition, new contracts entered into by the Bank are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Bank ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

During the year, none of the relevant contracts has been transitioned to the relevant replacement rates.

The Bank transitioned its CHF LIBOR-linked loan agreement from CHF LIBOR to Swiss Average Rate Overnight (SARON) after 31 December 2021.

The Bank is planning to transition the majority of its USD LIBOR-linked loan agreements through introduction of, or amendments to, fallback clauses into the agreements which will change the basis for determining the interest cash flows from USD LIBOR to Secured Overnight Financing Rate (SOFR) at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2021. The amounts of loans and advances are shown at their carrying amounts and derivatives are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts USD million	Transition progress for financial instruments
<b>Non-derivative financial assets</b>			
Loans and advances linked to CHF LIBOR	2029	548	Transitioned to SARON in January 2022
Loans and advances linked to USD LIBOR	2029-2051	8,839	Expect to transition to SOFR in latest by H2 2023
<b>Derivatives</b>			
Pay 3-months ZAR Jibar, receive 3-months USD LIBOR cross currency swaps	2025	32	To transition derivatives via International Swaps and Derivatives Association (ISDA) protocol*
Pay 6-months USD LIBOR, receive USD fixed interest rate swaps	2022-2026	7,400	To transition derivatives via ISDA protocol
Pay USD fixed, receive 3-months USD LIBOR interest rate swaps	2023-2026	155	To transition derivatives via ISDA protocol
Pay 3-months ZAR Jibar/3-months Shibor, receive 6-months USD LIBOR cross currency swaps	2024-2026	625	To transition derivatives via ISDA protocol
Pay 6-months USD LIBOR, receive HKD/GBP fixed cross currency swaps	2024-2026	113	To transition derivatives via ISDA protocol
Pay 6-months CHF LIBOR, receive 6-months USD LIBOR cross currency swaps	2029	516	To transition derivatives via ISDA protocol

\* The Bank has adhered to ISDA IBOR Fallbacks Protocol for the IBOR fallback of its derivatives governed by ISDA.

## 5. 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 result in profits and losses to the Bank. The Bank's market risk mainly consists of interest rate risk, exchange rate risk and other price 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. Majority of loans and advances of the Bank are subject to either floating 6-month Libor or floating 3-month Shibor. The Bank uses interest rate swaps to convert liabilities and certain financial instruments into floating 6-month Libor, 3-month Libor or 3-month Shibor.

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, Economic value of equity 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 repricing 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.

	Impact on profit	
	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
+ 25 basis points	18	18
- 25 basis points	(18)	(18)

## Exchange rate risk

The exchange rate risk the Bank faces arises from the impact of exchange rate movements on net open positions. 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's main exposure to the exchange rate risk is Renminbi (RMB) for the year ended December 31, 2021 and 2020. The RMB exposures are mainly hedged through swaps or forwards.

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 December 31, 2021 and December 31, 2020 assuming that all other variables remain constant.

	Impact on profit	
	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
10% appreciation	-.*	-.*
10% depreciation	-.*	-.*

\* Less than USD half of a million

## Other price risk

Other price risk is primarily about the unfavorable changes of fund price and other financial instruments prices that cause financial losses. Quantitatively, other price risk the Bank facing is mainly the

proportionate fluctuation in the Bank's profits due to the price fluctuation of the financial instrument. The Bank monitors the investment position on a regular basis.

## Capital management

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

The Bank sets early warning indicators for the pillars (95% for Limitation on Operations, 30% for Equity-to-Loan Ratio, 30% for Equity-to-Asset Ratio and 85% for Capital Utilisation Ratio) and monitors the capital adequacy level on an on-going basis. Once any of the early warning indicators are reached, contingency actions should be triggered to bring the capital adequacy level within the Bank's comfort levels.

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 five years, review the capital stock of the Bank as per Article 7e of the Agreement.

## 6. 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 FVTPL, derivatives, financial assets at FVTPL, and debt instruments at FVTOCI as at December 31, 2021.

The Risk Management Department 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. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value

measurement in its entirety. The fair value hierarchy is as below:

- Level 1: Quoted prices (unadjusted) in active markets for the financial assets or the liabilities that the Bank can access at the measurement date.
- Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

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.

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

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 FVTPL 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.

- The fair value of money market fund is based on the net asset value that is determined with reference to observable prices of underlying investment portfolio and adjustments of related expenses.
- The fair value of private equity fund is based on the shares of the net asset values of the fund, determined with reference to fair value of the underlying investments by using valuation techniques, including valuation methods such as discounted cash flow model.
- The fair value of debt instruments at FVTOCI is based on quoted price in an active market.

The following table presents the valuation techniques and inputs used for the financial instrument in Level 3.

Financial instruments	Valuation technique(s) and key input(s)	Significant Unobservable input(s)	Relationship of unobservable input(s) to fair value
Private equity fund	Shares of the net value of the fund, determined with reference to the fair value of the underlying investments, calculated based on valuation techniques including discounted cash flow model.	Discount rate	The higher the discount rate, the lower the fair value.

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
As at December 31, 2021				
Financial assets				
Financial assets at FVTPL	-	200	11	211
Debt instruments at FVTOCI	576	722	-	1,298
Derivatives	-	44	-	44
<b>Total financial assets measured at fair value</b>	<b>576</b>	<b>966</b>	<b>11</b>	<b>1,553</b>
Financial liabilities				
Derivatives	-	160	-	160
Financial liabilities designated at FVTPL	-	10,140	-	10,140
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>10,300</b>	<b>-</b>	<b>10,300</b>

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
As at December 31, 2020				
Financial assets				
Financial assets at FVTPL	-	400	-	400
Debt instruments at FVTOCI	131	-	-	131
Derivatives	-	27	-	27
<b>Total financial assets measured at fair value</b>	<b>131</b>	<b>427</b>	<b>-</b>	<b>558</b>
Financial liabilities				
Derivatives	-	98	-	98
Financial liabilities designated at FVTPL	-	5,556	-	5,556
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>5,654</b>	<b>-</b>	<b>5,654</b>

There were no transfers between Level 1 and Level 2 for the year December 31, 2021 and the year ended December 31, 2020.

### Reconciliation of Level 3 fair value measurements of financial assets at FVTPL

As at December 31, 2021	
	USD million
As at beginning of the year	-
Purchased	11
Unrealised changes in fair value recognised in profit or loss	(1)
Transfer from level 2	1
<b>As at end of the year</b>	<b>11</b>

There were no third-party credit enhancements in the fair value measurement for financial liabilities designated at FVTPL as at December 31, 2021 and 2020.

## 6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - CONTINUED

*Fair value of the Bank's financial instruments that are not measured at fair value on a recurring basis*

The table below shows the carrying amount and expected fair value of loans and advances with obvious variance, which is not presented on the Bank's statement of financial position at their fair values. The fair value of loans and advances is determined in accordance with discounted cash flow method. The main parameters used in discounted cash flow method for financial instruments held by the Bank that are not measured on a recurring basis include loan interest rates, foreign exchange rates and counterparty credit spreads.

	As at December 31, 2021		As at December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	USD million	USD million	USD million	USD million
<b>Financial assets</b>				
Loans and advances	13,965	14,312	6,612	6,686

### As at December 31, 2021

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
<b>Financial assets</b>				
Loans and advances	-	-	14,312	14,312

### As at december 31, 2020

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
<b>Financial assets</b>				
Loans and advances	-	-	6,686	6,686

The fair value of the loans and advances above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of respective counterparties.

Except for the above, the Bank considered that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the Bank's statement of financial position, approximate their fair values.

## 7. NET INTEREST INCOME

	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
Interest income calculated using the effective interest rate method		
- Banks	67	149
- Loans and advances	186	100
- Debt instruments measured at amortised cost	15	3
- Financial assets held under resale agreements	1	2
- Debt instruments at FVTOCI	2	-*
<b>Total interest income</b>	<b>271</b>	<b>254</b>
Interest expense calculated using the effective interest rate method		
- Short-term borrowings	-	(1)
- Note payables	(9)	(18)
- Financial assets sold under repurchase agreements	-	-*
- Interest expense on bond payable	-*	-
Interest expense on financial liabilities at FVTPL	(114)	(54)
Interest expense on lease liabilities	-*	-*
<b>Total interest expense</b>	<b>(123)</b>	<b>(73)</b>
<b>Net interest income</b>	<b>148</b>	<b>181</b>

\* Less than USD half of a million

## 8. NET FEE INCOME

	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
Front-end fee recognised	3	2
Commitment fee	5	3
<b>Total</b>	<b>8</b>	<b>5</b>

## 9. NET LOSSES ON FINANCIAL INSTRUMENTS AT FVTPL

	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
Derivatives	(66)	(74)
Bonds	21	(115)
Money market funds	_*	_*
Others (Note 1 below)	(1)	(2)
<b>Total</b>	<b>(46)</b>	<b>(191)</b>

The realised losses arising from derivative financial instruments for the year ended December 31, 2021 were USD 21 million (year ended December 31, 2020: realised losses of USD 10 million) and the realised losses arising from the bond redemption for the year ended December 31, 2021 were USD 16 million (year ended December 31, 2020: Nil).

Note 1: Others mainly represent unrealised losses on investments in private equity fund.

\* Less than USD half of a million

## 10. STAFF COSTS

	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
Salaries and allowances	37	32
Other benefits	12	9
<b>Total</b>	<b>49</b>	<b>41</b>

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 year ended December 31, 2021 for the SRP and PRP was USD 8 million (year ended December 31, 2020: USD 6 million) and USD 1 million (year ended December 31, 2020: USD 1 million) 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 year ended December 31, 2021 and 2020. 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.



## 11. OTHER OPERATING EXPENSES

	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
Office expenses	5	3
Lease rentals in respect of short-term leases/low value assets	-*	-*
Professional fees	6	3
Auditor's remuneration	1	1
Travel expenses	-*	1
IT expenses	6	4
Hospitality expenses	-*	-*
Depreciation and amortisation	1	2
Others	-*	-*
<b>Total</b>	<b>19</b>	<b>14</b>

\* Less than USD half of a million

## 12. OTHER EXPENSE

	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
Bond issuance costs	11	9
<b>Total</b>	<b>11</b>	<b>9</b>

## 13. CASH AND CASH EQUIVALENTS

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Cash on hand	-*	-1
Demand deposit	1,300	2,100
Time deposit with original maturity within three months	556	93
<b>Total</b>	<b>1,856</b>	<b>2,193</b>

\* Less than USD half of a million

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

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Commercial banks	5,475	6,859
Less: ECL allowance	(3)	(4)
	5,472	6,855
Less: Time deposit with original maturity within three months	(556)	(93)
<b>Total</b>	<b>4,916</b>	<b>6,762</b>

### Reconciliation of provision for due from banks:

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
ECL allowance of due from banks as at beginning of the year	4	-
Additions	2	4
Derecognition	(3)	-
Change in risk parameters	-*	-*
<b>ECL allowance of due from banks as at end of the year</b>	<b>3</b>	<b>4</b>

\* Less than USD half of a million

For the year ended December 31, 2021, the additions to the ECL allowance of USD 2 million (December 31, 2020: USD 4 million) was due to increase or origination of due from banks with gross carrying amount of USD 4,824 million (December 31, 2020: USD 6,605 million).

For the year ended December 31, 2021, the derecognition to the ECL allowance of USD 3 million was due to decrease of due from banks with gross carrying amount of USD 6,208 million.

## 15. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The Bank entered into derivative contracts for the new panda bond issued in February, 2019, the coronavirus combating bond issued in April, 2020, the 2020 RMB bond (Series 2) issued in July, 2020, 2021 RMB bond (Series 1) issued in March 2021, 2021 RMB bond (Series 2) issued in September 2021 that were paired with swaps of which the total notional amounts are RMB 3 billion, RMB 5 billion, RMB 2 billion, RMB 5 billion and RMB 2 billion respectively, to convert the issuance proceeds into the interest rate structure sought by the Bank.

Similarly, the Bank also entered into derivative contracts for the Euro Medium Term Note, including series 1 issued in June, 2020, series 2 issued in September, 2020, series 3 issued in December, 2020, series 4 issued in April, 2021, series 5, 6, 7, 8 and 9 issued in July, 2021 that were paired with swaps of which the total notional amounts are USD 1.5 billion, USD 2 billion, USD 50 million, USD 1.5 billion, HKD 500 million, USD 50 million, USD 50 million, GBP 35 million and USD 2.25 billion respectively, to convert the issuance proceeds into the currency and/or interest rate structure sought by the Bank.

Besides, the Bank has entered into derivative contracts in connection with loans and advances, debt instruments measured at amortised cost, debt instruments at FVTOCI and due from banks that were paired with swaps to convert the notional amounts into the currency and/or interest rate structure sought by the Bank. The Bank has also entered into forward contracts for debt instruments measured at amortised cost and due from banks other than cash and cash equivalents to convert the notional amounts into the currency structure sought by the Bank.

Notwithstanding the purpose for achieving an economic hedge, the Bank opted not to apply hedge accounting to any derivative contracts entered into in the financial year ended December 31, 2021 and 2020.

As at December 31, 2021	Notional USD	Fair Value Asset	Fair Value Liability
	USD million	USD million	USD million
Interest Rate Swap	10,227	31	124
Forward Contract	1,620	2	4
Cross Currency Swap	1,308	11	32
<b>Total</b>	<b>13,155</b>	<b>44</b>	<b>160</b>

As at December 31, 2020	Notional USD	Fair Value Asset	Fair Value Liability
	USD million	USD million	USD million
Interest Rate Swap	5,301	13	19
Forward Contract	536	-	27
Cross Currency Swap	1,021	14	52
<b>Total</b>	<b>6,858</b>	<b>27</b>	<b>98</b>

Interest Rate Swap: As at December 31, 2021, fixed rates received ranged from 0.353% to 3.32% (December 31, 2020: 0.353% to 3.32%), and floating reference rates paid were 3-month Shibor or 6-month USD Libor (December 31, 2020: 3-month Shibor or 6-month USD Libor). Besides, fixed rates paid ranged from 0.2635% to 0.8570% (December 31, 2020: 0.2635% to 0.384%), and floating reference rate received was 3-month USD Libor (December 31, 2020: 3-month USD Libor).

Cross Currency Swap: As at December 31, 2021 and 2020, the Bank's cross currency swap is related to swap contracts with exchange of RMB, South African Rant (ZAR), Swiss Franc (CHF), Russian Rubles (RUB), Hong Kong Dollar (HKD) or Great Britain Pound (GBP) to USD. As at December 31, 2021, fixed rates received ranged from 0.56% to 1.88% (December 31, 2020: 1.88% to 3.07%), and floating reference rates paid were 6-month USD Libor, 6-month CHF Libor, 3-month ZAR Jibar or 3-month Shibor (December 31, 2020: 6-month USD Libor, 6-month CHF Libor, 3-month ZAR Jibar or 3-month Shibor). Besides, fixed rate paid ranged from 2.98% to 5.945%

(December 31, 2020: 5.945%), and floating reference rates received were 6-month USD Libor or 3-month USD Libor (December 31, 2020: 6-month USD Libor or 3-month USD Libor).

Forward contract: As at December 31, 2021 and 2020, the exchange rates of forward contracts with exchange of RMB to USD were ranged from USD 1: RMB 6.4283 to USD 1: RMB 6.5317 and USD 1: RMB 6.6818 to USD 1: RMB 7.0965, respectively. As at December 31, 2021, the exchange rates of forward contracts with exchange of European Monetary Unit (EUR) to USD were ranged from USD 1: EUR 0.8808 to USD 1: EUR 0.8872. As at December 31, 2020, the exchange rate of forward contract with exchange of Indian Rupee (INR) to USD was USD 1: INR 75.023.

## 16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Analysed by collateral type:		
Bonds	-	66
<b>Total</b>	<b>-</b>	<b>66</b>

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Mandatorily measured at FVTPL:		
- Money market fund	200	400
- Private equity fund	11	-1
<b>Total</b>	<b>211</b>	<b>400</b>

\* Less than USD half of a million

## 18. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Government bonds	98	101
Corporate bonds	282	30
Commercial bank bonds	423	-
Policy bank bonds	495	-
<b>Total</b>	<b>1,298</b>	<b>131</b>

### Reconciliation of provision for debt instruments at FVTOCI:

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
ECL allowance of debt instruments at FVTOCI as at beginning of the year	-*	-
Additions	1	-*
Derecognition	-*	-
Change in risk parameters	-*	-
<b>ECL allowance of debt instruments at FVTOCI as at end of the year</b>	<b>1</b>	<b>-*</b>

\* Less than USD half of a million

For the year ended December 31, 2021, the additions to the ECL allowance of USD 1 million (December 31, 2020: less than USD half of a million) was due to increase or purchase of debt instruments at FVTOCI with gross carrying amount of USD 1,249 million (December 31, 2020: USD 130 million).

For the year ended December 31, 2021, the derecognition to the ECL allowance of less than USD half of a million (December 31, 2020: Nil) was due to redemption of debt instruments at FVTOCI with gross carrying amount of USD 74 million (December 31, 2020: Nil).

## 19. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Government bonds	100	-
Policy bank bonds	1,009	207
Commercial bank bonds	833	557
Corporate bonds	319	-
Less: ECL allowance	(3)	(1)
<b>Net carrying amount</b>	<b>2,258</b>	<b>763</b>

### Reconciliation of provision for debt instruments measured at amortised cost:

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
ECL allowance of debt instruments measured at amortised cost as at beginning of the year	1	-
Additions	3	1
Derecognition	(1)	-
Change in risk parameters	_*	_*
<b>ECL allowance of debt instruments measured at amortised cost as at end of the year</b>	<b>3</b>	<b>1</b>

\* Less than USD half of a million

For the year ended December 31, 2021, the additions to the ECL allowance of USD 3 million (December 31, 2020: USD 1 million) was due to increase or purchase of debt instruments measured at amortised cost with gross carrying amount of USD 2,134 million (December 31, 2020: USD 736 million).

For the year ended December 31, 2021, the derecognition to the ECL allowance of USD 1 million (December 31, 2020: Nil) was due to redemption of debt instruments measured at amortised cost with gross carrying amount of USD 638 million (December 31, 2020: Nil).

## 20. LOANS AND ADVANCES

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Principal	13,937	6,609
Interest receivable	63	34
Gross carrying amount	14,000	6,643
Less: ECL allowance	(35)	(31)
<b>Net carrying amount</b>	<b>13,965</b>	<b>6,612</b>

As at December 31, 2021, the net carrying amount of loans and advances denominated in RMB, CHF, ZAR or EUR amounted to USD 5,158 million (December 31, 2020: USD 2,079 million).

As at December 31, 2021, the floating reference rates of the Bank's loans and advances were 6-month USD Libor, 6-month CHF Libor, 6-month Euribor, 3-month Shibor or 3-month ZAR Jibar (December 31, 2020: 6-month USD Libor, 6-month CHF Libor, 6-month Euribor or 3-month Shibor).

### Reconciliation of provision for loans raised

	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
ECL allowance of loans as at January 1, 2021	18	13	31
Additions	10	1	11
Derecognition	(5)	-	(5)
Change in risk parameters	(5)	3	(2)
<b>ECL allowance of loans as at December 31, 2021</b>	<b>18</b>	<b>17</b>	<b>35</b>

## 20. LOANS AND ADVANCES - CONTINUED

	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
ECL allowance of loans as at January 1, 2020	5	-	5
Transfer to lifetime ECL - not credit-impaired	(1)	1	-
Additions	11	8	19
Derecognition	(1)	-	(1)
Change in risk parameters	4	4	8
<b>ECL allowance of loans as at December 31, 2020</b>	<b>18</b>	<b>13</b>	<b>31</b>

For the year ended December 31, 2021, the additions to the ECL allowance of USD 11 million (December 31, 2020: USD 19 million) was due to increase or origination of loans and advances with gross carrying amount of USD 7,666 million (December 31, 2020: USD 5,415 million).

For the year ended December 31, 2021, the derecognition to the ECL allowance of USD 5 million (December 31, 2020: 1 million) was due to repayment of loans and advances with gross carrying amount of USD 338 million (December 31, 2020: USD 331 million).

As at December 31, 2021	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
Gross carrying amount	13,679	321	14,000

As at December 31, 2020	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
Gross carrying amount	6,342	301	6,643



## 21. PAID-IN CAPITAL RECEIVABLES

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Balance as at the beginning of year (Note 1 below)	1,912	3,800
Add: Paid-in capital receivables originated during the year (Note 2 below)	299	-
Less: Installment received during the year	(1,867)	(1,888)
Total nominal amounts of receivable at the end of the year (Note 4 below)	344	1,912
Less: Interest on paid-in capital receivables to be unwound in the future year (Note 3 below)	(9)	(27)
<b>Balance as at the end of the year</b>	<b>335</b>	<b>1,885</b>

Note 1: The Bank established the rights to receive the initial subscribed paid-in capital of founding members 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 installments. The first installment of paid-in capital shall be paid by each member within 6 months of the Agreement coming in force and the second installment shall become due 18 months from the date the Agreement came into force. The remaining 5 installments shall each become due successively one year from the date on which the preceding installment becomes due.

Note 2: The Bank established the rights to receive the initial subscribed paid-in capital of the Bangladesh and the United Arab Emirates of 1,884 shares and 1,112 shares respectively, which total USD 188 million and USD 111 million upon the effective date of the Board of Governors' Resolutions of admission of the Bangladesh as a Borrowing Member and the United Arab Emirates as a Non-Borrowing Member of the New Development Bank (the Resolutions). The payment of the amount of Bangladesh and the United Arab Emirates initially subscribed to the paid-in capital stock of the Bank shall be made in 7 installments, respectively. The first

installment of paid-in capital of Bangladesh and the United Arab Emirates shall be paid within 6 months of the Resolutions coming in force respectively and the second installment shall become due 18 months from the date the Resolutions came into force. The remaining 5 installments shall each become due successively one year from the date on which the preceding installment becomes due.

Note 3: The discounting method is applied to derive the interest to be unwound over the installment period. The balance includes an initial discount of USD 632 million (December 31, 2020: USD 622 million) less USD 587 million of accumulated unwinding interest already unwound on the paid-in capital receivables (December 31, 2020: USD 566 million) and USD 36 million of accumulated early payment impact on discounting which was credited to reserves as an equity transaction by the end of December 31, 2021 (December 31, 2020: USD 29 million).

Note 4: As at December 31, 2021, there was no overdue instalments of paid-in capital receivables. The total paid-in capital receivables that will become due within one-year amounted to an undiscounted value of USD 68 million, and that will become due over one-year amounted to an undiscounted value of USD 276 million.

## 22. PROPERTY AND EQUIPMENT

	IT Equipment	Appliance	Vehicle	Furniture	Others	Total
	USD million	USD million	USD million	USD million	USD million	USD million
Cost as at January 1, 2021	3	.*	.*	.*	.*	3
Additions during the year	1	-	.*	.*	-	1
Cost at December 31, 2021	4	.*	.*	.*	.*	4
Accumulated depreciation as at January 1, 2021	(2)	.*	.*	.*	.*	(2)
Depreciation for the year	(1)	.*	.*	.*	.*	(1)
Accumulated depreciation as at December 31, 2021	(3)	.*	.*	.*	.*	(3)
<b>Net book value as at December 31, 2021</b>	<b>1</b>	<b>.*</b>	<b>.*</b>	<b>.*</b>	<b>-</b>	<b>1</b>

	IT Equipment	Appliance	Vehicle	Furniture	Others	Total
	USD million	USD million	USD million	USD million	USD million	USD million
Cost as at January 1, 2020	2	.*	.*	.*	.*	2
Additions during the year	1	.*	.*	.*	-	1
Disposal for the year	.*	-	-	-	-	.*
Cost at December 31, 2020	3	.*	.*	.*	.*	3
Accumulated depreciation as at January 1, 2020	(1)	.*	.*	.*	.*	(1)
Depreciation for the year	(1)	.*	.*	.*	.*	(1)
Disposals/written-off	.*	-	-	-	-	-1
Accumulated depreciation as at December 31, 2020	(2)	.*	.*	.*	.*	(2)
<b>Net book value as at December 31, 2020</b>	<b>1</b>	<b>.*</b>	<b>.*</b>	<b>.*</b>	<b>.*</b>	<b>1</b>

\* Less than USD half of a million

## 23. INTANGIBLE ASSETS

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
<b>Cost</b>		
As at the beginning of year	2	2
Additions for the year	-*	-*
As at the end of the year	2	2
<b>Accumulated amortisation</b>		
As at the beginning of the year	(1)	-*
Amortisation for the year	-*	(1)
As at the end of the year	(1)	(1)
<b>Net book value as at the end of the year</b>	<b>1</b>	<b>1</b>

\* Less than USD half of a million

## 24. OTHER ASSETS

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Commitment fee receivables	2	1
Other receivables	-*	-1
Others (Note 1 below)	1	2
<b>Total</b>	<b>3</b>	<b>3</b>

\* Less than USD half of a million

Note 1: Others mainly include prepayment.

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

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Bond - Principal	10,012	5,426
- Interest payable	80	45
- Fair value adjustment	48	85
<b>Total</b>	<b>10,140</b>	<b>5,556</b>

In February 2019, the Bank issued a RMB 3 billion (USD 448 million 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%.

In April 2020, the Bank issued a three-year coronavirus combating bond with par value of RMB 5 billion (USD 704 million equivalent) with the maturity date on April 3, 2023. The interest is paid by the Bank annually with fixed coupon rate of 2.43%.

In June 2020, the Bank issued a three-year Euro Medium Term Note (series 1) with par value of USD 1.5 billion at a discount with the maturity date on June 23, 2023. The interest is paid by the Bank annually with fixed coupon rate of 0.625%.

In July 2020, the Bank issued a five-year RMB bond (series 2) with par value of RMB 2 billion (USD 284 million equivalent) with the maturity date on July 7, 2025. The interest is paid by the Bank annually with fixed coupon rate of 3%.

In September 2020, the Bank issued a five-year Euro Medium Term Note (series 2) with par value of USD 2 billion at a discount with the maturity date on September 29, 2025. The interest is paid by the Bank annually with fixed coupon rate of 0.625%.

In December 2020, the Bank issued a two-year note with par value of USD 50 million under the Euro Medium Term Note Programme as a private placement, with the maturity date on December 23, 2022. The interest is paid by the Bank annually with fixed coupon rate of 0.435%.

In March 2021, the Bank issued a three-year RMB bond with par value of RMB 5 billion (USD 767 million equivalent) with the maturity date on March 25, 2024.

The interest is paid by the Bank annually with fixed coupon rate of 3.22%.

In April 2021, the Bank issued a five-year Euro Medium Term Note (series 4) with par value of USD 1.5 billion at a discount with the maturity date on April 27, 2026. The interest is paid by the Bank annually with fixed coupon rate of 1.125%.

In July 2021, the Bank issued four notes with par value of USD 50 million, USD 50 million, GBP 35 million and HKD 500 million under the Euro Medium Term Note Programme as private placements, with the maturity date on July 5, 2023, July 6, 2023, July 15, 2024 and July 2, 2026 respectively. The interests are paid by the Bank annually with fixed coupon rate of 0.38%, 0.36%, 0.56% and 1% respectively.

In July 2021, the Bank issued a three-year Euro Medium Term Note with par value of USD 2.25 billion at a discount with the maturity date on July 22, 2024. The interest is paid by the Bank annually with fixed coupon rate of 0.625%.

In September 2021, the Bank issued a five-year RMB bond with par value of RMB 2 billion (USD 310 million equivalent) with the maturity date on September 17, 2026. The interest is paid by the Bank annually with fixed coupon rate of 3.02%.

There has been no change in fair value of the bond attributable to changes in the Bank's credit risk for the year ended December 31, 2021 and the year ended December 31, 2020. The contractual principal amount to be paid at maturity in original currency are RMB 17 billion (December 31, 2020: RMB 13 billion) for RMB denominated bonds, USD 7.4 billion, GBP 35 million and HKD 500 million (December 31, 2020: USD 3.55 billion, GBP Nil, HKD Nil) for USD, GBP and HKD denominated notes respectively.

## 26. NOTE PAYABLES

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Note payables	3,296	2,815
<b>Total</b>	<b>3,296</b>	<b>2,815</b>

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

## 27. BOND PAYABLE

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Bond payable	499	-
<b>Total</b>	<b>499</b>	<b>-</b>

In December 2021, the Bank issued a three-year note with par value of USD 500 million at a discount under the Euro Medium Term Note Programme with the maturity date on December 9, 2024. The interest is paid by the Bank quarterly with a floating rate of SOFR compounded index plus 28 basis points.

## 28. CONTRACT LIABILITIES

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Deferred income (Note 1 below)	46	28
<b>Total</b>	<b>46</b>	<b>28</b>

Note 1: The deferred income disclosed above relates to the unsatisfied performance obligations of front end fees as at December 31, 2021 and December 31, 2020. Revenue recognised for the year ended December 31, 2021 that was included in the contract liabilities balance at beginning of the period is 2 million (year ended December 31, 2020: 2 million).

As at January 1, 2020, contract liabilities amounted to USD 15 million.

## 29. OTHER LIABILITIES

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Employee benefits payable	_*	_*
Accrued expenses	6	4
Impairment provision of loan commitments	4	8
Annual Leave provision	4	2
<b>Total</b>	<b>14</b>	<b>14</b>

\* Less than USD half of a million

### Reconciliation of provision for loan commitments

	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
ECL allowance of loan commitments as at January 1, 2021	4	4	8
Additions	_*	-	_*
Derecognition	(2)	-	(2)
Change in risk parameters	(1)	(1)	(2)
<b>ECL allowance of loan commitments as at December 31, 2021</b>	<b>1</b>	<b>3</b>	<b>4</b>

\* Less than USD half of a million

	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
ECL allowance of loan commitments as at January 1, 2020	1	-	1
Additions	3	4	7
Derecognition	(1)	-	(1)
Change in risk parameters	1	-	1
<b>ECL allowance of loan commitments as at December 31, 2020</b>	<b>4</b>	<b>4</b>	<b>8</b>

For the year ended December 31, 2021, the additions to the ECL allowance of less than USD half of a million (December 31, 2020: USD 7 million) was due to origination of loan commitments that is expected to be drawn down within 12 months from December 31, 2021 of USD 731 million (December 31, 2020: USD 2,609 million).

For the year ended December 31, 2021, the derecognition to the ECL allowance of USD 2 million (December 31, 2020: 1 million) was due to expiry or full utilisation of loan commitments of USD 1,405 million (December 31, 2020: USD 1,044 million).

### 30. 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 and the Resolutions, is set out in the following table. There is no amendment to the terms of subscription payment in the Agreement and the Resolutions on December 31, 2021. 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 and the Resolutions.

	As at December 31, 2021		As at December 31, 2020	
	Number of shares	Amount in USD million	Number of shares	Amount in USD million
Authorised shared capital	1,000,000	100,000	1,000,000	100,000
Less: unsubscribed by members	(485,020)	(48,502)	(500,000)	(50,000)
Total subscribed capital	514,980	51,498	500,000	50,000
Less: callable capital	(411,984)	(41,199)	(400,000)	(40,000)
<b>Total paid in capital</b>	<b>102,996</b>	<b>10,299</b>	<b>100,000</b>	<b>10,000</b>

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:

As at December 31, 2021	Total shares	Total capital	Callable capital	Paid-in capital	Paid-in capital <sup>1</sup> received	Paid-in capital outstanding
	Numbers	USD million	USD million	USD million	USD million	USD million
Brazil	100,000	10,000	8,000	2,000	1,973	27
Russia	100,000	10,000	8,000	2,000	2,000	-
India	100,000	10,000	8,000	2,000	2,000	-
China	100,000	10,000	8,000	2,000	2,000	-
South Africa	100,000	10,000	8,000	2,000	1,982	18
Bangladesh	9,420	942	754	188	-	188
United Arab Emirates	5,560	556	445	111	-	111
<b>Total</b>	<b>514,980</b>	<b>51,498</b>	<b>41,199</b>	<b>10,299</b>	<b>9,955</b>	<b>344</b>

As at December 31, 2020	Total shares	Total capital	Callable capital	Paid-in capital	Paid-in capital <sup>1</sup> received	Paid-in capital outstanding
	Numbers	USD million	USD million	USD million	USD million	USD million
Brazil	100,000	10,000	8,000	2,000	1,358	642
Russia	100,000	10,000	8,000	2,000	1,780	220
India	100,000	10,000	8,000	2,000	1,650	350
China	100,000	10,000	8,000	2,000	1,650	350
South Africa	100,000	10,000	8,000	2,000	1,650	350
<b>Total</b>	<b>500,000</b>	<b>50,000</b>	<b>40,000</b>	<b>10,000</b>	<b>8,088</b>	<b>1,912</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 installments. Besides, the Bangladesh's and United Arab Emirates' paid in capital stock are also received in 7 installments according to annexure of the Resolutions.

As at December 31, 2021 all paid-in capital from founding members was received in accordance with the Articles, and partial receipts relating to the seventh instalment has been received ahead of schedule.

## 31. RESERVES

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Capital reserve (Note 1 below)	-*	-*
Debt instrument revaluation reserve	(5)	1
Other reserve (Note 2 below)	(9)	(27)
<b>Total</b>	<b>(14)</b>	<b>(26)</b>

\* Less than USD half of a million

Note 1: As of December 31, 2021, the Bank has received cash contributions amounting to USD 0.20 million (December 31, 2020: USD 0.11 million) from Russian Federation for the reimbursement of relevant payments for the Eurasian Regional Office. The Bank recognises such cash contributions from Russian Federation as capital reserve on the basis that the contribution agreement does not include a contractual obligation of the Bank to repay cash or another financial asset, and there are no other features that would meet the definition of a financial liability.

Note 2: 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 installment 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 from retained earnings to other reserves immediately following the unwinding treatment in the relevant accounting period.



## 32. 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, 2021	Financing cash inflows	Non-cash movements					As at December 31, 2021
			Unwinding of interest	Impact of early payment	Capital subscriptions	Impact of discounting	Fair value changes and others <sup>1</sup>	
	USD million	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Derivative financial assets	27	(6)	-	-	-	-	7	28
Paid-in capital receivables	1,885	(1,867)	21	7	299	(10)	-	335
<b>Total assets from Financing activities</b>	<b>1,912</b>	<b>(1,873)</b>	<b>21</b>	<b>7</b>	<b>299</b>	<b>(10)</b>	<b>7</b>	<b>363</b>

	As at January 1, 2021	Net financing cash inflows/ (outflows)	Non-cash movements				Operating cash outflows <sup>2</sup>	As at December 31, 2021
			Interest accrued movements	Fair value changes and others <sup>1</sup>	Foreign exchange movements			
	USD million	USD million	USD million	USD million	USD million	USD million	USD million	
Derivative financial liabilities	19	27	-	81	-	-	127	
Financial liabilities designated at FVTPL	5,556	4,570	114	(21)	-	(79)	10,140	
Bond payable	-	499	_*	-	-	-	499	
Note payables	2,815	488	9	_*	(2)	(14)	3,296	
Lease liabilities	_*	_*	_*	_*	_*	_*	_*	
<b>Total liabilities from Financing activities</b>	<b>8,390</b>	<b>5,584</b>	<b>123</b>	<b>60</b>	<b>(2)</b>	<b>(93)</b>	<b>14,062</b>	

\* Less than USD half of a million

<sup>1</sup> USD 7 million represents fair value changes and realised gains of derivative financial assets hedging transactions which are financing in nature economically.

USD 81 million represents fair value changes and realised gains of derivative financial liabilities hedging transactions which are financing in nature economically.

<sup>2</sup> USD 79 million represents an interest payment for the interest portion of bond which is recorded in the Bank's statement of cash flows as net cash used in operating activities.

USD 14 million represents an interest payment for the interest portion of note payables which is recorded in the Bank's statement of cash flows as net cash used in operating activities.

## 32. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES - CONTINUED

	Non-cash movements					
	As at January 1, 2020	Financing cash inflows	Unwinding of interest	Impact of early payment	Fair value changes and others <sup>3</sup>	As at December 31, 2020
	USD million	USD million	USD million	USD million	USD million	USD million
Derivative financial assets	5	(3)	-	-	25	27
Paid-in capital receivables	3,714	(1,888)	49	10	-	1,885
<b>Total assets from Financing activities</b>	<b>3,719</b>	<b>(1,891)</b>	<b>49</b>	<b>10</b>	<b>25</b>	<b>1,912</b>

	Non-cash movements						
	As at January 1, 2020	Net financing cash inflows/ (outflows)	Interest accrued movements	Fair value changes and others <sup>3</sup>	Foreign exchange movements	Operating cash outflows <sup>4</sup>	As at December 31, 2020
	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Derivative financial liabilities	10	(1)	-	10	-	-	19
Financial liabilities designated at FVTPL	883	4,530	54	115	-	(26)	5,556
Note payables	623	2,189	18	_*	-	(15)	2,815
Short-term borrowings	110	(110)	1	-	-	(1)	-
Lease liabilities	_*	_*	_*	_*	_*	_*	_*
<b>Total liabilities from Financing activities</b>	<b>1,626</b>	<b>6,608</b>	<b>73</b>	<b>125</b>	<b>_*</b>	<b>(42)</b>	<b>8,390</b>

\* Less than USD half of a million

<sup>3</sup> USD 25 million represents fair value changes and realised gains of derivative financial assets hedging financing activities economically.

USD 10 million represents fair value changes and realised losses of derivative financial liabilities hedging financing activities economically.

<sup>4</sup> USD 26 million represents an interest payment for the interest portion of bond which is recorded in the Bank's statement of cash flows as net cash used in operating activities.

USD 15 million represents an interest payment for the interest portion of note payables which is recorded in the Bank's statement of cash flows as net cash used in operating activities.

USD 1 million represents an interest payment for the interest portion of short-term borrowings which is recorded in the Bank's statement of cash flows as net cash used in operating activities.

## 33. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
<b>Financial assets</b>		
Financial assets at FVTPL	255	427
Debt instruments at FVTOCI	1,298	131
Financial assets measured at amortised cost	23,332	18,282
	<b>24,885</b>	<b>18,840</b>
<b>Financial liabilities</b>		
Financial liabilities at FVTPL	10,300	5,654
Financial liabilities measured at amortised cost	3,801	2,819
	<b>14,101</b>	<b>8,473</b>

## 34. COMMITMENTS

### 1) Capital commitments

As at December 31, 2021, the Bank had no irrevocable capital expenditures commitment.

### 2) Credit Commitments

	As at December 31, 2021	As at December 31, 2020
	USD million	USD million
Letters of effectiveness signed	7,186	7,653
Letter of effectiveness yet to be signed	620	1,620
<b>Total</b>	<b>7,806</b>	<b>9,273</b>

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.

## 35. 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 Related Party Disclosures, exempted from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments and debt instruments at FVTOCI, 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. As December 31, 2021 and December 31, 2020, no transactions, individually or collectively with government are considered significant to the Bank.

### (1) Name and relationship

Name of related parties	Relationship
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
The People's Republic of Bangladesh	The Bank's shareholder
The United Arab Emirates	The Bank's shareholder

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

On September 28, 2021, the Bank has inaugurated the permanent premises and officially moved in November 2021. The temporary office was returned in November 2021.

The permanent premise of the Bank is located at 1600 Guozhan Road, Shanghai Expo Park, Pudong New District, Shanghai.

According to the Agreement between the Government of the Russian Federation and the Bank on the Hosting of the New Development Bank Eurasian Regional Centre (ERC) in the Russian Federation, the Government of the Russian Federation has agreed to transfer special purpose contribution to the Bank for reimbursement of rent payment of ERC office premises and one time supply of furniture, equipment, and other facilities for the operation of ERC. Details of the cash contribution received from the Russian Federation as at December 31, 2021 and 2020 are set out in Note 31.

Details of the paid-in capital receivables as at December 31, 2021 and December 31, 2020 are set out in Note 21, and unwinding of interest on paid-in capital receivables for the year ended December 31, 2021 and the year ended December 31, 2020 are set out in the 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 year ended December 31, 2021:

Name	Country	Position
Marcos Prado Troyjo	Brazil	President
Vladimir Kazbekov	Russia	Vice President; Chief Operating Officer (with effect from July 7, 2021) Vice President; Chief Administrative Officer (up to July 6, 2021)
Anil Kishora	India	Vice President; Chief Risk Officer
Qiangwu Zhou	China	Vice President; Chief Administrative Officer (with effect from July 7, 2021)
Xian Zhu	China	Vice President; Chief Operating Officer (up to July 6, 2021)
Leslie Warren Maasdorp	South Africa	Vice President; Chief Financial Officer

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

	Year ended December 31, 2021	Year ended December 31, 2020
	USD million	USD million
Salary and allowance	3	3
Staff Retirement Plan	.*	.*
Post-Retirement Insurance Plan	.*	.*
Other short term benefits	1	1
<b>Total</b>	<b>4</b>	<b>4</b>

\* Less than USD half of a million

## 36. SEGMENT INFORMATION

For the year ended December 31, 2021, the Bank has a single reportable segment and evaluates the financial performance of the Bank as a whole.

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## 37. UNCONSOLIDATED STRUCTURED ENTITY

The Board of Governors approved the establishment of the NDB Project Preparation Fund (“NDB-PPF”) on January 20, 2017. The NDB-PPF, established and administered by the Bank based on Article 3 of the Agreement, is an unconsolidated structured entity for accounting purposes. The objective of the NDB-PPF is to help NDB achieve its purpose of promoting infrastructure and sustainable development by supporting the preparation of bankable projects to facilitate borrowing member countries to raise funds for such projects from NDB and other financial institutions. The Bank is entrusted with the administration of the NDB-PPF to fulfill its purpose. The NDB-PPF does not expose the Bank to any loss, nor does it generate significant variable interest to the extent that consolidation is required. Accordingly, the NDB-PPF is an unconsolidated structured entity for accounting purposes.

Consistent with Article 18c of the Agreement, the ordinary capital resources of the Bank and the resources of the NDB-PPF shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separate from each other. The NDB-PPF will be open to contributions from all its member countries. Non-member countries and international organisations/funds may also contribute to the NDB-PPF with the Board of Director’s approval authorised by the Board of Governors.

As at December 31, 2021, the NDB-PPF had received contributions amounting to USD 7 million (December 31, 2020: USD 7 million). The Bank has not earned any income from NDB-PPF for the year ended December 31, 2021 and 2020.

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## 38. RECLASSIFICATION OF COMPARATIVE FIGURES

For the year ended December 31, 2020, USD 10 million realised losses on derivatives as hedging instruments were included in “adjustment for” in operating activities. The Bank has presented proceeds from settlement on derivatives and payment of settlement on derivatives separately in operating activities, investing activities and financing activities on the basis of the classification of the cash flows arising from the transaction to which it is linked for the year ended December 31, 2021. As a result, the figures for the year ended December 31, 2020 have been amended in the statement of cash flows for the year ended December 31, 2021 to conform with current year presentation. Accordingly, USD 344 million and USD 356 million, less than USD half of a million and less than USD half of a million, USD 26 million and USD 24 million have been reclassified and presented as proceeds from settlement on derivatives and payment of settlement on derivatives in the net cash from operating activities, investing activities and financing activities respectively for the year ended December 31, 2020 in the statement of cash flows for the year ended December 31, 2021.

These reclassifications do not have a material impact on the information in the Bank’s statement of profit or loss and other comprehensive income and statement of cash flows.

## 39. SUBSEQUENT EVENTS

In January, 2022, the Bank issued a three-year RMB bond with par value of RMB 3 billion with the maturity date on January 24, 2025. The interest is paid by the Bank annually with fixed coupon rate of 2.45%.

Subsequent to December 31, 2021, USD 60 million of paid-in capital was received from various members and USD 8 million was overdue from a founding member.

The situation in Eastern Europe may weigh on global growth further through elevated commodity prices and inflation, volatilities in currencies and capital flows, as well as decelerated domestic activities and international trade. The Bank is closely monitoring the developments and assessing the impact on the Bank. There was no material effect on the statement of financial position as at December 31, 2021 and the statement of profit or loss and other comprehensive income of the Bank for the year then ended. Subsequent to December 31, 2021, the financial position and performance of the Bank is expected to be adversely affected on account of an increase in expected credit losses with respect to exposure to Russia as shown in the disclosures on concentration risk in Note 5. As at May 19, 2022, the Bank is not able to estimate the quantum of the financial effect.

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## 40. APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of Governors and authorised for issuance on May 19, 2022.



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# NDB-PPF ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021  
(Prepared in accordance with International  
Financial Reporting Standards)

# INDEPENDENT AUDITOR'S REPORT

## TO THE BOARD OF GOVERNORS OF THE NEW DEVELOPMENT BANK (THE "BANK")

### Opinion

We have audited the financial statements of the New Development Bank Project Preparation Fund (the "NDB-PPF"), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity 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 financial statements give a true and fair view of the financial position of the NDB-PPF as at December 31, 2021, and of 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 NDB-PPF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and the Board of Governors of the Bank for the Financial Statements

Management of the Bank is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the 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, the management of the Bank is responsible for assessing the NDB-PPF'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 the management either intends to liquidate the NDB-PPF or to cease operations, or have no realistic alternative but to do so.

The Board of Governors of the Bank is responsible for overseeing the NDB-PPF's financial reporting process.

## AUDITOR'S RESPONSIBILITY 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 NDB-PPF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Bank.
- Conclude on the appropriateness of the management of the Bank'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 NDB-PPF'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 NDB-PPF 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 the Board of Governors of the Bank 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.

*Deloitte Touche Tohmatsu CPA LLP*

Deloitte Touche Tohmatsu  
Certified Public Accountants LLP  
Shanghai, People's Republic of China

May 19, 2022

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021  
EXPRESSED IN THOUSANDS OF U.S. DOLLARS


	Notes	Year ended December 31, 2021	Year ended December 31, 2020
Interest income	6	34	98
Impairment losses under expected credit loss model, net of reversal		(5)	-
Operating expenses	7	(50)	(50)
(Loss)/profit for the year		(21)	48
<b>Total comprehensive (expense)/income for the year</b>		<b>(21)</b>	<b>48</b>

# STATEMENT OF FINANCIAL POSITION

## AS AT DECEMBER 31, 2021 EXPRESSED IN THOUSANDS OF U.S. DOLLARS


	Notes	As at December 31, 2021	As at December 31, 2020
<b>Assets</b>			
Cash and cash equivalents	8	3,295	7,322
Due from banks other than cash and cash equivalents	9	3,998	-
Other assets		2	4
<b>Total assets</b>		<b>7,295</b>	<b>7,326</b>
<b>Liabilities</b>			
Other liabilities	10	33	43
<b>Total liabilities</b>		<b>33</b>	<b>43</b>
<b>Equity</b>			
Contribution	11	7,000	7,000
Retained earnings		262	283
<b>Total equity</b>		<b>7,262</b>	<b>7,283</b>
<b>Total equity and liabilities</b>		<b>7,295</b>	<b>7,326</b>

The financial statements on pages 126 to 141 were approved and authorised for issuance by Board of Governors on May 19, 2022 and signed on their behalf by:





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Marcos Prado Troyjo  
President




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Leslie Warren Maasdorp  
Chief Financial Officer




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Halima Nazeer  
Director General, Finance, Budget and Accounting




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Paritosh Pandit  
Chief Financial Controller

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2021 EXPRESSED IN THOUSANDS OF U.S. DOLLARS

	Contribution	Retained earnings	Total
As at January 1, 2021	7,000	283	7,283
Loss for the year	-	(21)	(21)
Total comprehensive expense for the year	-	(21)	(21)
<b>As at December 31, 2021</b>	<b>7,000</b>	<b>262</b>	<b>7,262</b>

	Contribution	Retained earnings	Total
As at January 1, 2020	7,000	235	7,235
Profit for the year	-	48	48
Total comprehensive income for the year	-	48	48
<b>As at December 31, 2020</b>	<b>7,000</b>	<b>283</b>	<b>7,283</b>

# STATEMENT OF CASH FLOWS

## FOR YEAR ENDED DECEMBER 31, 2021 EXPRESSED IN THOUSANDS OF U.S. DOLLARS

	Year ended December 31, 2021	Year ended December 31, 2020
<b>OPERATING ACTIVITIES</b>		
(Loss)/profit for the year	(21)	48
Impairment losses under expected credit loss model, net of reversal	5	-
Operating cash flows before changes in operating assets and liabilities	(16)	48
Net (increase)/decrease in due from banks other than cash and cash equivalents	(4,003)	4,000
Net decrease/(increase) in other assets	2	(3)
Net (decrease)/increase in other liabilities	(10)	15
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(4,027)</b>	<b>4,060</b>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,027)	4,060
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,322	3,262
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>3,295</b>	<b>7,322</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## 1. GENERAL INFORMATION

The Board of Governors of the New Development Bank (“NDB” or the “Bank”) approved the establishment of the NDB Project Preparation Fund (the “NDB-PPF”) on January 20, 2017 (the establishment date of the NDB-PPF) in accordance with Article 23a of the Agreement on the New Development Bank (the “Agreement”).

The NDB-PPF is established as a multi-donor fund which is open to contributions by all the Bank’s members (the “Contributors”). The objective of the NDB-PPF is to help NDB achieve its purpose of promoting infrastructure and sustainable development by supporting the preparation of bankable projects to facilitate borrowing member countries to raise funds for such projects from NDB and other financial institutions. As stipulated in Article 18c of the Agreement, the ordinary capital resources and the NDB-PPF resources of the Bank shall be held, used, committed, invested, or otherwise disposed of entirely separate from each other.

On September 4, 2017, the Bank signed a contribution agreement with the People’s Republic of China (“China”) in respect of the commitment and contribution from China in an amount of USD 4,000,000 to the NDB-PPF. The Bank also signed a contribution agreement with the Ministry of Finance of the Russian Federation (the “Russian MOF”) on October 15, 2017 in respect of the commitment and contribution from the Russian MOF in an amount of USD 1,500,000 which shall be paid in three instalments to the NDB-PPF. On April 19, 2018, the Bank signed a contribution agreement with the Republic of India (“India”), for USD 1,500,000 which was paid in one instalment.

As of December 31, 2021, all the contribution of USD 4,000,000, USD 1,500,000 and USD 1,500,000 has been received from China, India and the Russian MOF respectively by the NDB-PPF.

## 2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing the annual financial statements, the NDB-PPF has consistently applied International Accounting Standards (“IASs”), International Financial Reporting Standards (“IFRSs”),

amendments and the related Interpretations (“IFRICs”) (herein collectively referred to as IFRSs) issued by the International Accounting Standards Board (“IASB”) which are effective for the accounting year.

### *Amendments to IFRSs that are mandatorily effective for the current year*

In the current year, the Bank has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Bank’s financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
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Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
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The application of the amendments to IFRSs in the current year has had no material impact on the NDB-PPF’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these financial statements.



### ***New and amendments to IFRSs in issue but not yet effective***

The NDB-PPF has not early adopted the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 <sup>1</sup>

1 Effective for annual periods beginning on or after 1 January, 2022.

2 Effective for annual periods beginning on or after January 1, 2023.

3 Effective for annual periods beginning on or after a date to be determined.

The NDB-PPF anticipates that the application of all the above new and amendments to IFRSs will have no material impact on the financial statements in the foreseeable future.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

#### Basis of preparation of financial statements

The annual financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, and in accordance with the accounting policies set out below which are in conformity with IFRSs. These policies have been consistently applied throughout the year. For the purpose of preparation of the annual financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The management of the Bank has, at the time of approving the annual financial statements, a reasonable expectation that the NDB-PPF has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the NDB-PPF takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

Analysis of fair value disclosures uses a hierarchy that reflects the significant inputs used in measuring the fair value. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The fair value hierarchy is as below.

- Level 1: Quoted prices (unadjusted) in active markets for the financial assets or the liabilities that the NDB-PPF can access at the measurement date.

- Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The preparation of the annual financial statements, in conformity with IFRSs, requires the use of certain accounting estimates. This requires management to exercise its judgement in preparing the annual financial statements.

The principal accounting policies adopted are set out below and have been applied consistently to the year presented.

#### Revenue

##### *Interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

#### Financial instruments

##### *Initial recognition and measurement*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The NDB-PPF's financial instruments mainly consist of cash and cash equivalents and due from banks other than cash and cash equivalents.

Financial assets and financial liabilities are recognised in the statement of financial position when the NDB-PPF becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

## **Classification and subsequent measurement of financial instruments**

### *Financial assets*

The NDB-PPF classifies its financial assets under IFRS 9 Financial Instruments depending on the NDB-PPF's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

### *Financial assets measured at amortised cost*

The NDB-PPF classifies an asset measured at amortised cost when the following conditions have been met:

- The financial asset is held within a business model whose objective to collect contractual cash flows; and
- The contractual terms of the financial asset give

rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The NDB-PPF applies the effective interest method to the amortised costs of a financial asset. Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at fair value through other comprehensive income ("FVTOCI").

### *Financial assets classified as at FVTOCI*

The NDB-PPF classifies debt instruments at FVTOCI if they are held within a business model whose objective is achieved by both selling and collecting contractual cash flows and the contractual terms of financial asset give rise on specified dates to cash flows that are SPPI.

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

### *Financial assets at FVTPL*

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the NDB-PPF may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

In addition, the NDB-PPF may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “net gains on financial instruments at fair value through profit or loss” line item.

#### *Financial liabilities and equity*

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the NDB-PPF manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designed and effective as a hedging instrument or a financial guarantee contract.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated at FVTPL upon initial recognition if:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL; or
- It forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the NDB-PPF's key management personnel.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

##### *Financial liabilities at amortised cost*

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

#### **Impairment**

The NDB-PPF performs impairment assessment under expected credit loss (“ECL”) model on financial assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. ECL

of a financial instrument should be measured in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The NDB-PPF applies a three-stage approach to measuring ECL on financial assets accounted for at amortised cost. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

*i) Stage 1: 12-month ECL*

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events, occurring within the next 12 months, is recognised.

*ii) Stage 2: Lifetime ECL - not credit impaired*

For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL is recognised.

*iii) Stage 3: Lifetime ECL - credit impaired*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. For financial assets that are credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of impairment allowance) rather than the gross carrying amount. The NDB-PPF identifies financial assets as being credit-impaired when one or more events that could have a detrimental impact on future cash flows of the financial asset have occurred.

More details about credit risk analysis are provided in Note 4.

## **Measurement of ECL**

The measurement of ECL is a function of the probability of default, loss given default (“LGD”) (i.e. the magnitude of the loss if there is a default) and the exposure at default (“EAD”). The assessment of the probability of default and LGD is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to NDB-PPF in accordance with the contract and the cash flows that NDB-PPF expects to receive, discounted at the effective interest rate determined at initial recognition.

## **Derecognition of financial instruments**

The NDB-PPF derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers its rights the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the NDB-PPF neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the NDB-PPF recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the NDB-PPF retains substantially all the risks and rewards of ownership of a transferred financial asset, the NDB-PPF continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the financial asset derecognised and the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in FVTOCI reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the NDB-PPF has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The NDB-PPF derecognises financial liabilities when, and only when, the NDB-PPF's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Cash and cash equivalents

Cash comprises of cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the NDB-PPF's short-term, highly liquid investments that are readily convertible to cash within three months and are subject to an insignificant risk of changes in value.

## 4. FINANCIAL RISK MANAGEMENT

### Overview

All the financial instruments of the NDB-PPF as of December 31, 2021 and 2020 are measured at amortised cost.

The NDB-PPF follows the risk management policies of the Bank. 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 of the Bank. The management of the Bank and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of NDB-PPF, by monitoring related risk parameters and tolerance through policies and procedures under the strategy approved by designated committees.

The NDB-PPF was not exposed to many financial risks with the exception of credit risk and interest rate risk associated with the financial institutions with which it deposited its cash resources for the year ended December 31, 2021. The impact of a change in interest rates during the reporting year is not considered significant by management.

### Credit risk

The NDB-PPF takes on exposure to credit risk, which is a risk that one counterparty to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The NDB-PPF placed its cash equivalents and deposits with highly-rated banks (senior investment grade credit ratings) in mainland China. There has been no significant increase in credit risk since initial recognition associated with the amounts due from banks up to December 31, 2021.

## 5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

*Fair value of the NDB-PPF's financial instruments that are not measured at fair value on a recurring basis*

The NDB-PPF considered that the carrying amounts of financial assets and financial liabilities measured at amortised cost, in the NDB-PPF's statement of financial position, approximate their fair values.

## 6. INTEREST INCOME

	Year ended December 31, 2021	Year ended December 31, 2020
	USD'000	USD'000
Interest income from banks	34	98
<b>Total</b>	<b>34</b>	<b>98</b>

## 7. OPERATING EXPENSES

	Year ended December 31, 2021	Year ended December 31, 2020
	USD'000	USD'000
Auditor's remuneration	50	50
<b>Total</b>	<b>50</b>	<b>50</b>

## 8. CASH AND CASH EQUIVALENTS

	As at December 31, 2021	As at December 31, 2020
	USD'000	USD'000
Demand deposit	1,294	7,322
Time deposit with original maturity within three months	2,001	-
<b>Total</b>	<b>3,295</b>	<b>7,322</b>

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

	As at December 31, 2021	As at December 31, 2020
	USD'000	USD'000
Commercial banks	6,004	-
Less: ECL allowance	(5)	-
	5,999	-
Less: time deposit with original maturity within three months	(2,001)	-
<b>Total</b>	<b>3,998</b>	<b>-</b>

### Reconciliation of provision for due from banks:

	12 month ECL USD'000
ECL allowance of due from banks as at January 1, 2021	-
Additions	5
<b>ECL allowance of due from banks as at December 31, 2021</b>	<b>5</b>

For the year ended December 31, 2021, the additions to the ECL allowance of USD 5 thousand was due to origination of due from banks with gross carrying amount of USD 6,004 thousand.

## 10. OTHER LIABILITIES

	As at December 31, 2021	As at December 31, 2020
	USD'000	USD'000
Accrued expenses	33	43
<b>Total</b>	<b>33</b>	<b>43</b>



## 11. CONTRIBUTION

As at December 31, 2021	Contribution committed	Contribution received
	USD'000	USD'000
China	4,000	4,000
Russia	1,500	1,500
India	1,500	1,500
<b>Total</b>	<b>7,000</b>	<b>7,000</b>

As at December 31, 2020	Contribution committed	Contribution received
	USD'000	USD'000
China	4,000	4,000
Russia	1,500	1,500
India	1,500	1,500
<b>Total</b>	<b>7,000</b>	<b>7,000</b>

## 12. RELATED PARTY DISCLOSURES

The NDB-PPF's related parties are the Bank and the Contributors.

The Bank is entrusted with the administration of the NDB-PPF to fulfill its purpose. The NDB-PPF has not incurred any management fees to the Bank for its administration of the NDB-PPF for the year ended December 31, 2021 and 2020.

## 13. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, USD 1,000,000 of contribution was received from a founding member.

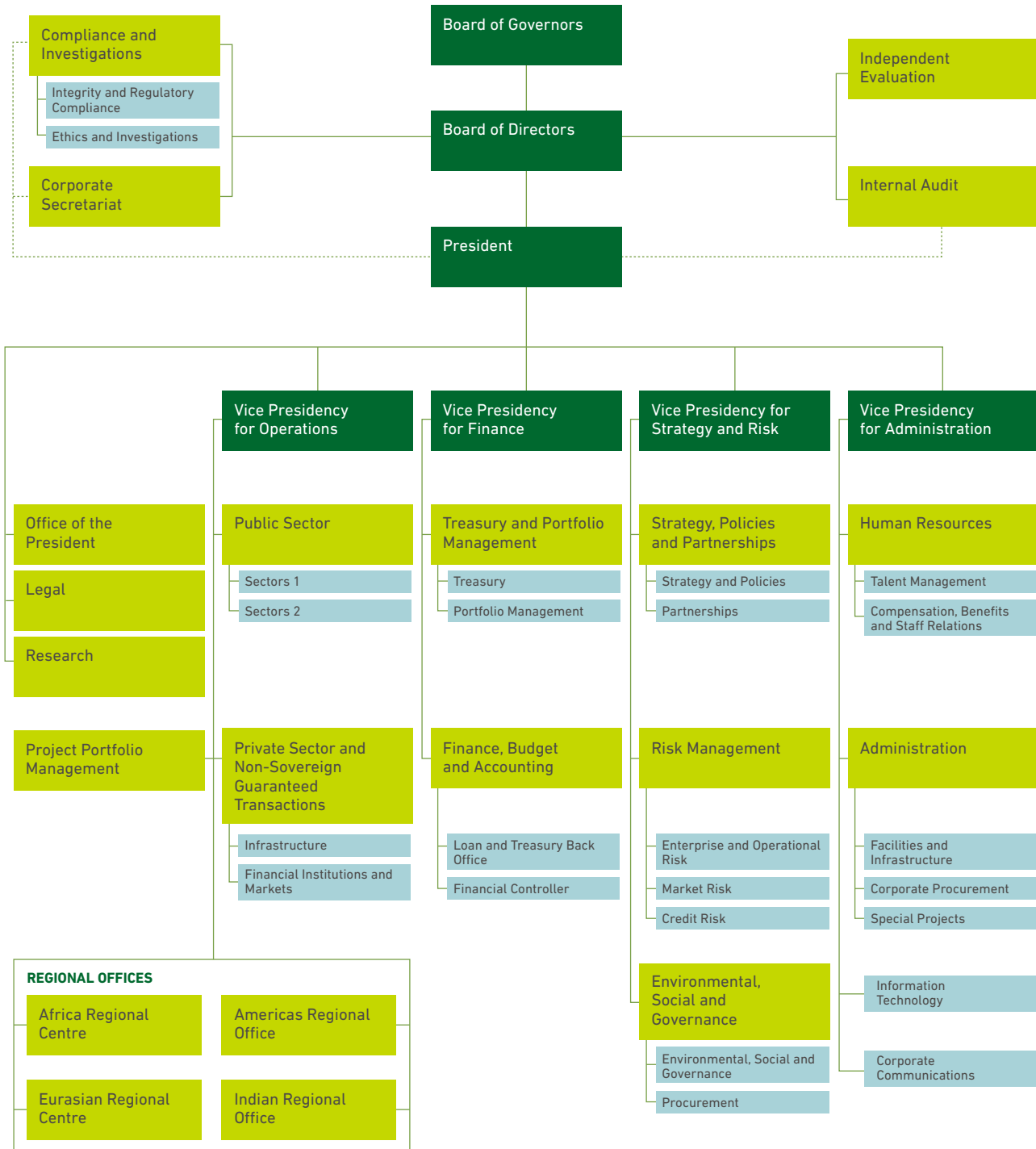
## 14. APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The financial statements were approved by the Management and the Board of Governors of the Bank and authorised for issuance on May 19, 2022.

# ANNEXE



# NDB's ORGANISATIONAL STRUCTURE



**Organisational Unit**

- Department
- Division

**Note:**

1. NDB has 21 Departments that are led by Directors General or equivalent.
2. NDB has 24 Divisions that are led by Chiefs and 4 Chief positions (total 28) under the Corporate Secretariat, Internal Audit, Legal and Office of the President.
3. Corporate Secretariat, Internal Audit, and Compliance and Investigations functionally report to the Board of Directors and administratively/operationally to the President.

# LIST OF PROJECTS APPROVED BY NDB

## OPERATIONS APPROVED IN 2016

NO.	PROJECT NAME	TYPE	COUNTRY	FINANCING CURRENCY	APPROVED FINANCING AMOUNT (MILLION)
1	Financing of Renewable Energy Projects and Associated Transmission (BNDES)	Non-sovereign	Brazil	USD	300
2	Canara Renewable Energy Financing Scheme <sup>47</sup>	Sovereign	India	USD	250
3	Lingang Distributed Solar Power Project <sup>48</sup>	Sovereign	China	RMB	525
4	Project Finance Facility for Eskom	Sovereign	South Africa	USD	180
5	Nord-Hydro Project (On-lending through EDB) <sup>49</sup>	Non-sovereign	Russia	USD	50
6	Nord-Hydro Project (On-lending through IIB)	Non-sovereign	Russia	USD	50
7	Madhya Pradesh Major District Roads Project	Sovereign	India	USD	350
8	Putian Pinghai Bay Offshore Wind Power Project	Sovereign	China	RMB	2,000

## OPERATIONS APPROVED IN 2017

NO.	PROJECT NAME	TYPE	COUNTRY	FINANCING CURRENCY	APPROVED FINANCING AMOUNT (MILLION)
9	Judicial System Support Project	Sovereign	Russia	USD	460
10	Madhya Pradesh Multi Village Water Supply Project	Sovereign	India	USD	470
11	Hunan Ecological Development Project <sup>50</sup>	Sovereign	China	RMB	2,000
12	Jiangxi Industrial Low Carbon Restructuring and Green Development Pilot Project	Sovereign	China	USD	200
13	Ufa Eastern Exit Project <sup>51</sup>	Sovereign	Russia	USD	69
14	Rajasthan Water Sector Restructuring Project	Sovereign	India	USD	345

47 Cancelled in 2018.

48 Partially cancelled in 2020. Remaining amount is RMB 242.9 million.

49 Fully repaid in 2021.

50 Cancelled in 2020.

51 Cancelled in 2019.

## OPERATIONS APPROVED IN 2018

NO.	PROJECT NAME	TYPE	COUNTRY	FINANCING CURRENCY	APPROVED FINANCING AMOUNT (MILLION)
15	Pará Sustainable Municipalities Project	Sovereign	Brazil	USD	50
16	Maranhão Road Corridor – South North Integration <sup>52</sup>	Sovereign	Brazil	USD	71
17	Environmental Protection Project <sup>53</sup>	Non-sovereign	Brazil	USD	200
18	Development of Water Supply and Sanitation Systems Project	Sovereign	Russia	USD	320
19	Small Historic Cities Development Project	Sovereign	Russia	USD	220
20	Bihar Rural Roads Project	Sovereign	India	USD	350
21	Chongqing Small Cities Sustainable Development Project <sup>54</sup>	Sovereign	China	USD	300
22	Expansion and Modernisation of the Durban Container Terminal <sup>55</sup>	Non-sovereign	South Africa	USD	200
23	Luoyang Metro Project	Sovereign	China	USD	300
24	Greenhouse Gas Emissions Reduction and Energy Sector Development Project	Non-sovereign	South Africa	USD	300
25	Sustainable infrastructure in relation to “ZapSibNefteKhim” Project <sup>56</sup>	Non-sovereign	Russia	USD	300
26	Madhya Pradesh Major District Roads II Project	Sovereign	India	USD	350
27	Madhya Pradesh Bridges Project	Sovereign	India	USD	175
28	Mumbai Metro Rail Project	Sovereign	India	USD	260
29	Hohhot New Airport Project	Sovereign	China	RMB	4,200
30	Guangdong Yudean Yangjiang Shapa Offshore Wind Power Project	Sovereign	China	RMB	2,000
31	Jiangxi Natural Gas Transmission System Development Project	Sovereign	China	USD	400

52 Cancelled in 2021.

53 Fully repaid in 2021.

54 Cancelled in 2020.

55 Changed into a ZAR 3.5 billion loan in 2020.

56 Fully repaid in 2020.

# LIST OF PROJECTS APPROVED BY NDB - CONTINUED

## OPERATIONS APPROVED IN 2019

NO.	PROJECT NAME	TYPE	COUNTRY	FINANCING CURRENCY	APPROVED FINANCING AMOUNT (MILLION)
32	Zhejiang Green Urban Project – Shengzhou Urban and Rural Integrated Water Supply and Sanitation Project Phase II	Sovereign	China	RMB	825
33	Chongzuo Water Resource Rehabilitation and Ecological Conservation Project	Sovereign	China	USD	300
34	Lesotho Highlands Water Project Phase II (Project Loan to TCTA)	Sovereign	South Africa	ZAR	3,200
35	Environmental Protection Project for Medupi Thermal Power Plant	Sovereign	South Africa	USD	480
36	Renewable Energy Sector Development Project	Non-sovereign	South Africa	ZAR	1,150
37	Ningxia Yinchuan Integrated Green Transport Development Project	Sovereign	China	RMB	2,100
38	Lanzhou New Area Regional Hub Multimodal Logistics and Transport Infrastructure Demonstration Project	Sovereign	China	RMB	2,512
39	Assam Bridge Project	Sovereign	India	USD	300
40	Development of Renewable Energy Sector in Russia Project	Non-sovereign	Russia	USD	300
41	Andhra Pradesh Roads and Bridges Reconstruction Project	Sovereign	India	USD	323
42	Andhra Pradesh Mandal Connectivity and Rural Connectivity Improvement Project	Sovereign	India	USD	323
43	South African National Toll Roads Strengthening and Improvement Programme	Sovereign	South Africa	ZAR	7,000
44	Fundo Clima – Brazil National Climate Fund Project <sup>57</sup>	Sovereign	Brazil	USD	500
45	REC Renewable Energy Sector Development Project	Non-sovereign	India	USD	300
46	North Region Transportation Infrastructure Improvement Project	Non-sovereign	Brazil	USD <sup>58</sup>	300
47	Manipur Water Supply Project	Sovereign	India	USD	312
48	Indore Metro Rail Project	Sovereign	India	USD	225
49	Huangshi Modern Tram Project	Sovereign	China	RMB	2,760
50	Patria Infrastructure Fund IV	Non-sovereign	Brazil	USD	100
51	Locomotive Fleet Renewal Programme	Non-sovereign	Russia	CHF	500
52	Battery Energy Storage Project	Sovereign	South Africa	ZAR	6,000
53	Development of Educational Infrastructure for Highly Skilled Workforce	Sovereign	Russia	EUR	USD 500 equivalent

<sup>57</sup> Restructured in 2021 into a USD 500 million to BNDES with sovereign guarantee for BNDES Clima – Sustainable Financing to Support Global Climate Change Mitigation and Adaptation in Brazil.

<sup>58</sup> Includes a USD 50 million portion, which could be delivered in RMB.

## OPERATIONS APPROVED IN 2020

NO.	PROJECT NAME	TYPE	COUNTRY	FINANCING CURRENCY	APPROVED FINANCING AMOUNT (MILLION)
54	NDB Emergency Assistance Programme in Combating COVID-19	Sovereign	China	RMB	7,000
55	National Investment and Infrastructure Fund: Fund of Funds – I	Non-sovereign	India	INR	USD 100 equivalent
56	Emergency Assistance Programme in Combating COVID-19	Sovereign	India	USD	1,000
57	Teresina Educational Infrastructure Programme	Sovereign	Brazil	USD	50
58	COVID-19 Emergency Programme	Sovereign	South Africa	USD	1,000
59	Small Historic Cities Development Project Phase II	Sovereign	Russia	EUR	205
60	Emergency Assistance Programme in Combating COVID-19	Sovereign	Brazil	USD	1,000
61	Mumbai Metro Rail II (Line 6) Project	Sovereign	India	USD	241
62	Delhi-Ghaziabad-Meerut Regional Rapid Transit System Project	Sovereign	India	USD	500
63	Russian Maritime Sector Support Programme	Non-sovereign	Russia	EUR	100
64	Toll Roads Programme in Russia	Non-sovereign	Russia	USD	100
65	Water Supply and Sanitation Programme in Russia	Non-sovereign	Russia	USD	100
66	Brazil Emergency Assistance Programme for Economic Recovery	Sovereign	Brazil	USD	1,000
67	COVID-19 Emergency Programme Loan for Supporting India's Economic Recovery	Sovereign	India	USD	1,000
68	BNDES-NDB Sustainable Infrastructure Project	Sovereign	Brazil	USD	1,200
69	BRDE Urban, Rural and Social Infrastructure Programme to Achieve the SDGs	Sovereign	Brazil	EUR	135
70	Curitiba's Bus Rapid Transit Rideability Improvement Project	Sovereign	Brazil	USD	75
71	Cellular Network and Cloud Services Expansion Project	Non-sovereign	Russia	USD <sup>59</sup>	300
72	National Non-Toll Roads Management Programme	Sovereign	South Africa	USD	1,000

<sup>59</sup> Multicurrency facility that could be delivered in USD, EUR or RMB.

# LIST OF PROJECTS APPROVED BY NDB - CONTINUED

## OPERATIONS APPROVED IN 2021

NO.	PROJECT NAME	TYPE	COUNTRY	FINANCING CURRENCY	APPROVED FINANCING AMOUNT (MILLION)
73	Emergency Assistance Programme in Supporting China's Economic Recovery from COVID-19	Sovereign	China	RMB	7,000
74	Beijing Gas Tianjin Nangang LNG Emergency Reserve Project	Sovereign	China	EUR	436
75	COVID-19 Emergency Programme Loan for Supporting Russia's Healthcare Response	Sovereign	Russia	EUR	USD 1,000 equivalent
76	Pará II – Transport Infrastructure for Regional Development	Sovereign	Brazil	USD	153
77	COVID-19 Emergency Programme Loan for Supporting South Africa's Economic Recovery from COVID-19	Sovereign	South Africa	USD	1,000
78	Anhui Province Roads Development Project	Sovereign	China	EUR	340
79	Sorocaba Mobility and Urban Development Project	Sovereign	Brazil	USD	40
80	Affordable Housing and Urban Development Programme	Non-sovereign	Russia	USD	300
81	Himachal Pradesh Rural Water Supply Project	Sovereign	India	USD	80
82	Qingdao Metro Line Six (Phase I) Project	Sovereign	China	RMB	3,237



# LIST OF ABBREVIATIONS AND DEFINED TERMS

ABBREVIATION / DEFINED TERM	DEFINITION
2030 Agenda	United Nations 2030 Agenda for Sustainable Development
AEs	Advanced Economies
AoA or the Agreement	Articles of Agreement
ARC	Audit, Risk and Compliance Committee
BDT	Bangladeshi Taka
BHRC	Budget, Human Resources and Compensation Committee
BoD	Board of Directors
BoG	Board of Governors
BRICS	Brazil, Russia, India, China and South Africa
CHF	Swiss Franc
CIC	Credit and Investment Committee
CMF	Capital Management Framework
CO <sub>2</sub>	Carbon Dioxide
COP26	2021 United Nations Climate Change Conference
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
DFI	Development Finance Institution
E&S	Environmental and Social
EAD	Exposure at Default
ECL	Expected Credit Loss
ECP	Euro Commercial Paper
EMDCs	Emerging Market Economies and Developing Countries
EMTN	Euro Medium Term Note
ESF	Environment and Social Framework
ESG	Environmental, Social and Governance
ESS	Environment and Social Standards
ERC	Eurasian Regional Centre
EUR	Euro
FC	Finance Committee
FVTOCI	Fair Value through other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
FY	Fiscal Year
GBP	Great Britain Pound
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GNI	Gross National Income
GW	Gigawatt
GWh	Gigawatts-hour
HKD	Hong Kong Dollar
IASs	International Accounting Standards
IASB	International Accounting Standards Board
IFRSs	International Financial Reporting Standards
IMF	International Monetary Fund
INR	Indian Rupee

# LIST OF ABBREVIATIONS AND DEFINED TERMS - CONTINUED

ABBREVIATION / DEFINED TERM	DEFINITION
ISAs	International Standards on Auditing
ISDA	International Swaps and Derivatives Association
IT	Information Technology
km	Kilometre
KMP	Key Management Personnel
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LNG	Liquefied Natural Gas
m <sup>2</sup>	Square Metre
m <sup>3</sup>	Cubic Metre
Management	President and Vice Presidents
MDB	Multilateral Development Bank
MOF	Ministry of Finance
MoU	Memorandum of understanding
MW	Megawatt
NDB or the Bank	New Development Bank
NDB-PPF	NDB Project Preparation Fund
NDC	Nationally Determined Contribution
NII	Net Interest Income
NO <sub>x</sub>	Nitrogen Oxides
Paris Agreement	Paris Agreement on Climate Change
PIT-PD	Point-in-time Probability of Default
PPP	Purchasing Power Parity
PPPs	Public-Private Partnerships
ppt	Percentage Point
PRP	Post Retirement Plan
RMB	Renminbi
RUB	Russian Ruble
SARON	Swiss Average Rate Overnight
SDGs	Sustainable Development Goals
SO <sub>2</sub>	Sulphur Dioxide
SOFR	Secured Overnight Financing Rate
SPPI	Solely Payments of Principal and Interest
SRP	Staff Retirement Plan
UAE	United Arab Emirates
UNDP	United Nations Development Programme
USD	United States Dollar
WARR	Weighted Average Risk Rating
ZAR	South African Rand

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