

THE NEW DEVELOPMENT BANK

Report on Review of Condensed Financial Statements  
and Condensed Financial Statements  
For the three months ended March 31, 2021

THE NEW DEVELOPMENT BANK

REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS AND CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

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DTT(R)(21)R00005

## REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF THE NEW DEVELOPMENT BANK

### Introduction

We have reviewed the accompanying condensed statement of financial position of the New Development Bank (the "Bank") as of March 31, 2021 and the related condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and certain explanatory notes (the "condensed financial statements").

Management of the Bank is responsible for the preparation and fair presentation of these condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these condensed financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

### Other Matter - Restriction on Distribution

Our responsibility is to report our conclusion solely to you, as a body, for the purpose in accordance with our agreed terms of engagement, and for no other purpose. Our report is not to be used for any other purposes or by any other parties. We do not assume responsibility towards or accept liabilities to any other parties for the contents of this report.

*Deloitte Touche Tohmatsu CPA UP*

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

June 29, 2021

THE NEW DEVELOPMENT BANK

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
EXPRESSED IN MILLIONS OF U.S. DOLLARS

	<u>Notes</u>	<u>Three months ended March 31, 2021</u> (unaudited)	<u>Three months ended March 31, 2020</u> (unaudited)	<u>Three months ended December 31, 2020</u> (unaudited)	<u>Year ended December 31, 2020</u> (audited)
Interest income	6	62	58	69	254
Interest expense	6	(23)	(10)	(26)	(73)
Net interest income	6	<u>39</u>	<u>48</u>	<u>43</u>	<u>181</u>
Net fee income	7	2	1	2	5
Net gains/(losses) on financial instruments at fair value through profit or loss ("FVTPL")	8	<u>53</u>	<u>14</u>	<u>(119)</u>	<u>(191)</u>
		<u>94</u>	<u>63</u>	<u>(74)</u>	<u>(5)</u>
Staff costs	9	(11)	(9)	(11)	(41)
Other operating expenses	10	(3)	(3)	(5)	(14)
Impairment losses under expected credit loss model, net of reversal		4	(10)	(15)	(38)
Foreign exchange (losses)/gains		(45)	(19)	120	208
Other expense	11	(1)	-	.*	(9)
Operating profit for the period/year		<u>38</u>	<u>22</u>	<u>15</u>	<u>101</u>
Unwinding of interest on paid-in capital receivables		<u>7</u>	<u>14</u>	<u>11</u>	<u>49</u>
Profit for the period/year		<u>45</u>	<u>36</u>	<u>26</u>	<u>150</u>
Other comprehensive (expense)/income					
Item that may be reclassified subsequently to profit or loss:					
Fair value (loss)/gain on debt instruments at fair value through other comprehensive income ("FVTOCI")		(1)	-	1	1
Impairment loss for debt instruments at FVTOCI included in profit or loss		.*	-	.*	.*
Other comprehensive (expense)/income for the period/year		<u>(1)</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total comprehensive income for the period/year		<u>44</u>	<u>36</u>	<u>27</u>	<u>151</u>

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

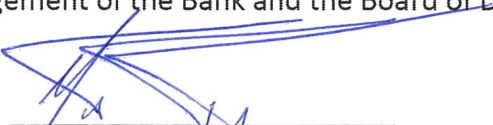
THE NEW DEVELOPMENT BANK

CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2021  
EXPRESSED IN MILLION OF U.S. DOLLARS

	<u>Notes</u>	<u>As at March 31, 2021 (unaudited)</u>	<u>As at December 31, 2020 (audited)</u>
<b>Assets</b>			
Cash and cash equivalents	12	4,152	2,193
Due from banks other than cash and cash equivalents	13	3,691	6,762
Derivative financial assets	14	26	27
Financial assets held under resale agreements	15	397	66
Financial assets at FVTPL	16	1	400
Debt instruments at FVTOCI	17	130	131
Debt instruments measured at amortised cost	18	1,507	763
Loans and advances	19	8,860	6,612
Paid-in capital receivables	20	1,892	1,885
Right-of-use assets		_*	_*
Property and equipment	21	1	1
Intangible assets	22	1	1
Other assets	23	2	3
<b>Total assets</b>		<b>20,660</b>	<b>18,844</b>
<b>Liabilities</b>			
Derivative financial liabilities	14	76	98
Financial liabilities designated at FVTPL	24	6,268	5,556
Note payables	25	3,892	2,815
Lease liabilities		_*	_*
Contract liabilities	26	35	28
Other liabilities	27	12	14
<b>Total liabilities</b>		<b>10,283</b>	<b>8,511</b>
<b>Equity</b>			
Paid-in capital	28	10,000	10,000
Reserves	29	(20)	(26)
Retained earnings		397	359
<b>Total equity</b>		<b>10,377</b>	<b>10,333</b>
<b>Total equity and liabilities</b>		<b>20,660</b>	<b>18,844</b>

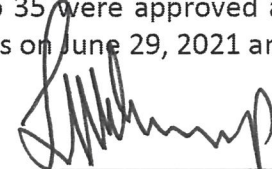
\* Less than USD half of a million

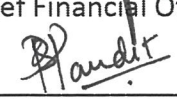
The condensed financial statements on pages 2 to 35 were approved and authorised for issue by the Management of the Bank and the Board of Directors on June 29, 2021 and signed on their behalf by:

  
\_\_\_\_\_  
Marcos Prado Troyjo  
President

  
\_\_\_\_\_  
Halima Nazeer

Director General, Finance, Budget and Accounting

  
\_\_\_\_\_  
Leslie Warren Maasdorp  
Chief Financial Officer

  
\_\_\_\_\_  
Paritosh Pandit

Chief Financial Controller

THE NEW DEVELOPMENT BANK

CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
EXPRESSED IN MILLIONS OF U.S. DOLLARS

	<u>Paid-in capital</u>	<u>Capital reserve</u>	<u>Revaluation reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
As at January 1, 2021	10,000	-*	1	(27)	359	10,333
Operating profit for the period	-	-	-	-	38	38
Other comprehensive expense for the period	-	-	(1)	-	-	(1)
Unwinding of interest on paid-in capital receivables for the period	-	-	-	-	7	7
Total comprehensive (expense)/income for the period	-	-	(1)	-	45	44
Reclassification of unwinding of interest arising from paid-in capital receivables	-	-	-	7	(7)	-
As at March 31, 2021 (unaudited)	<u>10,000</u>	<u>-*</u>	<u>-*</u>	<u>(20)</u>	<u>397</u>	<u>10,377</u>
	<u>Paid-in capital</u>	<u>Capital reserve</u>	<u>Revaluation reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
As at January 1, 2020	10,000	-	-	(86)	258	10,172
Operating profit for the period	-	-	-	-	22	22
Unwinding of interest on paid-in capital receivables for the period	-	-	-	-	14	14
Total comprehensive income for the period	-	-	-	-	36	36
Impact of early payment on paid-in capital receivables (Note 20)	-	-	-	5	-	5
Reclassification of unwinding of interest arising from paid-in capital receivables	-	-	-	14	(14)	-
As at March 31, 2020 (unaudited)	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>(67)</u>	<u>280</u>	<u>10,213</u>

\* Less than USD 1 million

THE NEW DEVELOPMENT BANK

CONDENSED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Three months ended <u>March 31, 2021</u> (unaudited)	Three months ended <u>March 31, 2020</u> (unaudited)
OPERATING ACTIVITIES		
Profit for the period	45	36
Adjustments for:		
Interest expense	23	10
Interest income from debt instruments measured at amortised cost	(3)	-*
Interest income from debt instruments at FVTOCI	-*	-
Depreciation and amortisation	-*	1
Unrealised gains on financial instruments	(82)	(15)
Unwinding of interest on paid-in capital receivables	(7)	(14)
Impairment losses under expected credit loss model, net of reversal	(4)	10
Exchange (gains)/losses on debt instruments measured at amortised cost	-*	1
Exchange gains on note payables	(1)	-
Exchange gains on lease liabilities	-*	-*
Debt issuance cost	1	-
Operating cash flows before changes in operating assets and liabilities	<u>(28)</u>	<u>29</u>
Net decrease/(increase) in due from banks	3,071	(209)
Net increase in loans and advances	(2,237)	(608)
Net increase in financial assets held under resale agreements	(331)	-
Net decrease in financial assets at FVTPL	400	-
Net decrease in other assets	1	1
Net (decrease)/increase in other liabilities and contract liabilities	(1)	1
Cash generated from/(used in) operations	<u>875</u>	<u>(786)</u>
Interest paid on bonds and borrowings	(14)	(14)
Interest paid on note payables	(5)	(5)
Interest paid on lease liabilities	-*	-*
Interest received on debt instruments measured at amortised cost	2	1
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<u>858</u>	<u>(804)</u>

\* Less than USD half of a million

THE NEW DEVELOPMENT BANK

CONDENSED STATEMENT OF CASH FLOWS - continued  
 FOR THE THREE MONTHS ENDED MARCH 31, 2021  
 EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Three months ended <u>March 31, 2021</u> (unaudited)	Three months ended <u>March 31, 2020</u> (unaudited)
INVESTING ACTIVITIES		
Purchase of debt instruments measured at amortised cost	(822)	(14)
Proceeds from redemption of debt instruments measured at amortised cost	78	-
Purchase of financial assets at FVTPL	(1)	-
Purchase of property and equipment and intangible assets	-*	-*
NET CASH USED IN INVESTING ACTIVITIES	<u>(745)</u>	<u>(14)</u>
FINANCING ACTIVITIES		
Paid-in capital received	-	685
Repayments of short-term borrowings	-	(110)
Proceeds from issuance of bonds	767	-
Proceeds from issuance of note payables	1,625	520
Repayments from note payables	(545)	(422)
Payment of issuance cost of bond	(1)	-
Payment of issuance cost on note payables	-*	-
Repayments of lease liabilities	-*	-*
NET CASH FROM FINANCING ACTIVITIES	<u>1,846</u>	<u>673</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,959	(145)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>2,193</u>	<u>1,023</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	<u>4,152</u>	<u>878</u>
Interest received	<u>148</u>	<u>112</u>
Interest paid	<u>(19)</u>	<u>(19)</u>

\* Less than USD half of a million



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 Center in Johannesburg, Americas Regional Office in Sao Paulo and Eurasian Regional Centre in Moscow.

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed statement of profit or loss and other comprehensive income and relevant notes for the year ended December 31, 2020 and three months ended December 31, 2020 are also presented.

The Bank has changed the unit of presentation from USD thousand to USD million for the period ended March 31, 2021. Therefore, the comparative figures in the condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows, and relevant notes are different from amounts presented in the condensed financial statements for the period ended March 31, 2020.

The condensed financial statements for the three months ended March 31, 2021 should be read in conjunction with the Bank's financial statements for the year ended December 31, 2020.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed financial statements for the three months ended March 31, 2021 are the same as those presented in the Bank's financial statements for the year ended December 31, 2020.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES - continued

In the current interim period, the Bank has applied the following amendments to IFRSs issued by the International Accounting Standards Board, 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 condensed financial statements:

Amendments 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

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

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Bank. The key sources of estimation uncertainty used in the condensed financial statements for the three months ended March 31, 2021 are the same as those followed in the preparation of the Bank's financial statements for the year ended December 31, 2020.

4. FINANCIAL RISK MANAGEMENT

**Overview**

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

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

The primary responsibility for risk management at an operational level rests with the management 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.

4. FINANCIAL RISK MANAGEMENT - continued

**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 would apply 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, Standard and Poor's 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 Division of the Bank continuously monitors the overall credit risk of the Bank on a periodic basis.

*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 three months ended March 31, 2021 and year ended December 31, 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 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 three months ended March 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 3 notches compared to the credit rating at initial recognition.

4. FINANCIAL RISK MANAGEMENT - continued

**Credit risk** - continued

*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 three months ended March 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 in the current interim period has had no material impact on the Bank's financial positions and performance for the current period and/or disclosures set out in these condensed 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 the Bank, in full (without taking into account any collaterals held by the Bank).

4. FINANCIAL RISK MANAGEMENT - continued

**Credit risk** - continued

*Definition of default* - continued

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 for the current interim period 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. The EAD includes the sum of principal and interest receivable 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;

4. FINANCIAL RISK MANAGEMENT - continued

**Credit risk** - continued

*Lifetime ECL measurement* - continued

- 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. 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) 3 macro scenarios: baseline, optimistic and pessimistic. Each scenario is forecasted for 5 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.

$$\text{Weighted Average ECL} = \sum_{\text{Scenarios}} \text{Weight}_{\text{scenario}} \times \text{ECL}_{\text{scenario}}$$

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. 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 March 31, 2021.

The Risk Division of the Bank is responsible for the fair value measurement. Analysis of fair value disclosures uses a hierarchy that reflects the significant inputs used in measuring the fair value. 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:

5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - continued

- 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 debt instruments at FVTOCI is based on quoted price in an active market.

	<u>Level 1</u> USD million	<u>Level 2</u> USD million	<u>Level 3</u> USD million	<u>Total</u> USD million
Unaudited				
As at March 31, 2021				
Financial assets				
Financial assets at FVTPL	-	1	-	1
Debt instruments at FVTOCI	130	-	-	130
Derivatives	-	26	-	26
Total financial assets measured at fair value	<u>130</u>	<u>27</u>	<u>-</u>	<u>157</u>
Financial liabilities				
Derivatives	-	76	-	76
Financial liabilities designated at FVTPL	-	6,268	-	6,268
Total financial liabilities measured at fair value	<u>-</u>	<u>6,344</u>	<u>-</u>	<u>6,344</u>

THE NEW DEVELOPMENT BANK

5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - continued

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

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

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

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

***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.

	<u>As at March</u> 31, 2021		<u>As at December</u> 31, 2020	
	<u>Carrying</u> <u>amount</u> USD million	<u>Fair</u> <u>value</u> USD million	<u>Carrying</u> <u>amount</u> USD million	<u>Fair</u> <u>value</u> USD million
<b>Financial assets</b>				
Loans and advances	<u>8,860</u>	<u>9,018</u>	<u>6,612</u>	<u>6,686</u>



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5. 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*** - continued

As at March 31, 2021

	<u>Level 1</u> USD million	<u>Level 2</u> USD million	<u>Level 3</u> USD million	<u>Total</u> USD million
<b>Financial assets</b>				
Loans and advances	<u>-</u>	<u>-</u>	<u>9,018</u>	<u>9,018</u>

As at December 31, 2020

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

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 condensed statement of financial position, approximate their fair values.

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6. NET INTEREST INCOME

	Three months ended March <u>31, 2021</u> USD million (unaudited)	Three months ended March <u>31, 2020</u> USD million (unaudited)	Three months ended December <u>31, 2020</u> USD million (unaudited)	Year ended December <u>31, 2020</u> USD million (audited)
Interest income calculated using the effective interest rate method				
- Banks	19	44	34	149
- Loans and advances	40	14	31	100
- Debt instruments measured at amortised cost	3	-*	2	3
- Financial assets held under resale agreements	-*	-	2	2
- Debt instruments at FVTOCI	-*	-	-*	-*
Total interest income	<u>62</u>	<u>58</u>	<u>69</u>	<u>254</u>
Interest expense calculated using the effective interest rate method				
- Short-term borrowings	-	-*	-	(1)
- Note payables	(3)	(4)	(5)	(18)
- Financial assets sold under repurchase agreements	-	-	-	-*
Interest expense on bonds issued	(20)	(6)	(21)	(54)
Interest expense on lease liabilities	-*	-*	-*	-*
Total interest expense	<u>(23)</u>	<u>(10)</u>	<u>(26)</u>	<u>(73)</u>
Net interest income	<u>39</u>	<u>48</u>	<u>43</u>	<u>181</u>

\* Less than USD half of a million

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7. NET FEE INCOME

	Three months ended March <u>31, 2021</u> USD million (unaudited)	Three months ended March <u>31, 2020</u> USD million (unaudited)	Three months ended December <u>31, 2020</u> USD million (unaudited)	Year ended December <u>31, 2020</u> USD million (audited)
Front-end fee recognised	1	-*	1	2
Commitment fee	1	1	1	3
Total	<u>2</u>	<u>1</u>	<u>2</u>	<u>5</u>

\* Less than USD half of a million

8. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Three months ended March <u>31, 2021</u> USD million (unaudited)	Three months ended March <u>31, 2020</u> USD million (unaudited)	Three months ended December <u>31, 2020</u> USD million (unaudited)	Year ended December <u>31, 2020</u> USD million (audited)
Derivatives	(8)	13	(38)	(74)
Bonds	61	1	(81)	(115)
Money market funds	-*	-	-*	-*
Others (Note 1 below)	-*	-	-*	(2)
Total	<u>53</u>	<u>14</u>	<u>(119)</u>	<u>(191)</u>

The realised losses arising from derivative financial instruments for the three months ended March 31, 2021 were USD 29 million (unaudited) (three months ended March 31, 2020: realised losses of USD 1 million, unaudited).

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

\* Less than USD half of a million

9. STAFF COSTS

	Three months ended March <u>31, 2021</u> USD million (unaudited)	Three months ended March <u>31, 2020</u> USD million (unaudited)	Three months ended December <u>31, 2020</u> USD million (unaudited)	Year ended December <u>31, 2020</u> USD million (audited)
Salaries and allowances	9	7	9	32
Other benefits	2	2	2	9
Total	<u>11</u>	<u>9</u>	<u>11</u>	<u>41</u>

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

The charge recognised for the three months ended March 31, 2021 for the SRP and PRP was USD 2 million (unaudited) (three months ended March 31, 2020: USD 2 million, unaudited) and less than USD half of a million (unaudited) (three months ended March 31, 2020: less than USD half of a million, unaudited) respectively and is included in "Other benefits". There are two retirement plans in operation. Both SRP and PRP are defined contribution schemes and are operated through trust funds. For SRP, both the Bank and staff contribute. For PRP, only the Bank contributes.

The Bank did not incur any salary expenses and other employee benefits for members of the Board of Governors and the Board of Directors except the President of the Bank for the three months ended March 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.

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10. OTHER OPERATING EXPENSES

	Three months ended March <u>31, 2021</u> USD million (unaudited)	Three months ended March <u>31, 2020</u> USD million (unaudited)	Three months ended December <u>31, 2020</u> USD million (unaudited)	Year ended December <u>31, 2020</u> USD million (audited)
Office expenses	1	1	1	3
Operating lease rentals in respect of short-term leases/low value assets	-*	-*	-*	-*
Professional fees	1	1	1	3
Auditor's remuneration	-*	-*	-*	1
Travel expenses	-*	-*	-*	1
IT expenses	1	-*	2	4
Hospitality expenses	-*	-*	-*	-*
Depreciation and amortisation	-*	1	1	2
Others	-*	-*	-*	-*
Total	<u>3</u>	<u>3</u>	<u>5</u>	<u>14</u>

\* Less than USD half of a million

11. OTHER EXPENSE

	Three months ended March <u>31, 2021</u> USD million (unaudited)	Three months ended March <u>31, 2020</u> USD million (unaudited)	Three months ended December <u>31, 2020</u> USD million (unaudited)	Year ended December <u>31, 2020</u> USD million (audited)
Bond issuance costs	<u>1</u>	<u>-</u>	<u>-*</u>	<u>9</u>
Total	<u>1</u>	<u>-</u>	<u>-*</u>	<u>9</u>

\* Less than USD half of a million

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12. CASH AND CASH EQUIVALENTS

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Cash on hand	_*	_*
Demand deposit	3,120	2,100
Time deposit with original maturity within three months	1,032	93
Total	<u>4,152</u>	<u>2,193</u>

\* Less than USD half of a million

13. DUE FROM BANKS OTHER THAN CASH AND CASH EQUIVALENTS

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Commercial banks	4,727	6,859
Less: ECL allowance	(4)	(4)
	<u>4,723</u>	<u>6,855</u>
Less: Time deposit with original maturity within three months	(1,032)	(93)
Total	<u>3,691</u>	<u>6,762</u>

Reconciliation of provision for due from banks:

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
ECL allowance of due from banks as at beginning of the period/year	4	-
Additions	1	4
Derecognition	_*	-
Change in risk parameters	(1)	_*
ECL allowance of due from banks as at end of the period/year	<u>4</u>	<u>4</u>

\* Less than USD half of a million

For the three months ended March 31, 2021, the additions to the ECL allowance of USD 1 million (unaudited) (December 31, 2020: USD 4 million, audited) was due to increase or origination of due from banks with gross carrying amount of USD 1,734 million (unaudited) (December 31, 2020: USD 6,605 million, audited).

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### 13. DUE FROM BANKS OTHER THAN CASH AND CASH EQUIVALENTS - continued

There has been no significant increase in credit risk since initial recognition associated with the amounts due from banks up to March 31, 2021.

### 14. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

During the three months ended March 31, 2021, the Bank entered into derivative contracts in connection with the Renminbi ("RMB") bond (series 1) issued in March 2021, that was paired with swaps of which the total notional amounts in RMB is 5 billion, to convert the issuance proceeds into the interest rate structure sought by the Bank.

Besides, the Bank has entered into derivative contracts in connection with a debt instrument measured at amortised cost that was paired with a swap to convert the notional amounts into the currency structure sought by the Bank during the three months ended March 31, 2021. The Bank has also entered into forward contracts for due from banks other than cash and cash equivalents.

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

Unaudited

As at March 31, 2021

	<u>Notional USD</u> USD million	<u>Fair Value Asset</u> USD million	<u>Fair Value Liability</u> USD million
Interest Rate Swap	6,062	8	62
Forward Contract	325	1	~*
Cross Currency Swap	1,029	17	14
Total	<u>7,416</u>	<u>26</u>	<u>76</u>

Audited

As at December 31, 2020

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

\* Less than USD half of a million

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15. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Analysed by collateral type:		
Bonds	397	66
Total	<u>397</u>	<u>66</u>

16. FINANCIAL ASSETS AT FVTPL

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Mandatorily measured at FVTPL:		
-Money market fund	-	400
-Private equity fund	1	-*
Total	<u>1</u>	<u>400</u>

\* Less than USD half of a million

17. DEBT INSTRUMENTS AT FVTOCI

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Government bonds	100	101
Corporate bond	30	30
Total	<u>130</u>	<u>131</u>

As at March 31, 2021 and December 31, 2020, the 12-month ECL allowance recognised for debt instruments at FVTOCI is less than USD half of a million.



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18. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Government bonds	100	-
Policy bank bonds	591	207
Commercial bank bonds	757	557
Corporate bonds	61	-
Less: ECL allowance	(2)	(1)
Net carrying amount	<u>1,507</u>	<u>763</u>

Reconciliation of provision for debt instruments measured at amortised cost:

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
ECL allowance of debt instruments measured at amortised cost as at beginning of the period/year	1	-
Additions	1	1
Derecognition	-*	-
Change in risk parameters	-*	-*
ECL allowance of debt instruments measured at amortised cost as at end of the period/year	<u>2</u>	<u>1</u>

\* Less than USD half of a million

For the three months ended March 31, 2021, the additions to the ECL allowance of USD 1 million (unaudited) (December 31, 2020: USD 1 million, audited) was due to increase or purchase of debt instruments measured at amortised cost with gross carrying amount of USD 824 million (unaudited) (December 31, 2020: USD 736 million, audited).

There has been no significant increase in credit risk since initial recognition associated with the amounts debt instruments measured at amortised cost up to March 31, 2021.

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19. LOANS AND ADVANCES

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Principal	8,871	6,609
Interest receivable	16	34
Gross carrying amount	<u>8,887</u>	<u>6,643</u>
Less: ECL allowance	(27)	(31)
Net carrying amount	<u>8,860</u>	<u>6,612</u>

Reconciliation of provision for loans raised

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
ECL allowance of loans as at beginning of the period/year	31	5
Additions	5	19
Derecognition	(5)	(1)
Change in risk parameters	(4)	8
ECL allowance of loans as at end of the period/year	<u>27</u>	<u>31</u>

\* Less than USD half of a million

For the three months ended March 31, 2021, the additions to the ECL allowance of USD 5 million (unaudited) (December 31, 2020: USD 19 million, audited) was due to increase or origination of loans and advances with gross carrying amount of USD 2,592 million (unaudited) (December 31, 2020: USD 5,415 million, audited).

For the three months ended March 31, 2021, the derecognition to the ECL allowance of USD 5 million (unaudited) (December 31, 2020: 1 million, audited) was due to repayment of loans and advances with gross carrying amount of USD 308 million (unaudited) (December 31, 2020: USD 331 million, audited).

As at March 31, 2021 (unaudited)

	<u>12 Month ECL</u> USD million	<u>Lifetime ECL</u> USD million	<u>Total</u> USD million
Impairment allowance	<u>14</u>	<u>13</u>	<u>27</u>

As at December 31, 2020 (audited)

	<u>12 Month ECL</u> USD million	<u>Lifetime ECL</u> USD million	<u>Total</u> USD million
Impairment allowance	<u>18</u>	<u>13</u>	<u>31</u>

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20. PAID-IN CAPITAL RECEIVABLES

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Balance as at the beginning of period/year (Note 1 below)	1,912	3,800
Less:		
Instalment received during the period/year	-	<u>(1,888)</u>
Total nominal amounts of receivable at the end of the period/year (Note 3 below)	<u>1,912</u>	<u>1,912</u>
Less:		
Interest on paid-in capital receivables to be unwound in the future period/year (Note 2 below)	<u>(20)</u>	<u>(27)</u>
Balance as at the end of the period/year	<u>1,892</u>	<u>1,885</u>

Note 1: As disclosed in Note 28, the Bank established the rights to receive the initial subscribed paid-in capital of 100,000 shares, which total USD 10 billion upon the effective date of the Agreement. Each founding member shall initially and equally subscribe to 20,000 shares that correspond to paid-in capital. The payment of the amount initially subscribed to the paid-in capital stock of the Bank shall be made in 7 instalments. The first instalment of paid-in capital shall be paid by each member within 6 months of the Agreement coming in force and the second instalment shall become due 18 months from the date the Agreement came into force. The remaining 5 instalments shall each become due successively one year from the date on which the preceding instalment becomes due.

Note 2: The discounting method is applied to derive the interest to be unwound over the instalment period. The balance includes an initial discount of USD 622 million less USD 573 million (unaudited) of accumulated unwinding interest already unwound on the paid-in capital receivables (December 31, 2020: USD 566 million) and USD 29 million (unaudited) of accumulated early payment impact on discounting which was credited to reserves as an equity transaction by the end of March 31, 2021 (December 31, 2020: USD 29 millions).

Note 3: As at March 31, 2021, overdue contractual undiscounted paid-in capital receivables amounted to USD 292 million (unaudited) (December 31, 2020: Nil). USD 1,620 million (unaudited) of undiscounted paid-in capital receivables will become due within one-year.

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21. PROPERTY AND EQUIPMENT

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

(Audited)	<u>IT Equipment</u> USD million	<u>Appliance</u> USD million	<u>Vehicle</u> USD million	<u>Furniture</u> USD million	<u>Others</u> USD million	<u>Total</u> 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	-*	-	-	-	-	-*
Accumulated depreciation as at December 31, 2020	(2)	-*	-*	-*	-*	(2)
Net book value as at December 31, 2020	1	-*	-*	-*	-*	1

\* Less than USD half of a million

22. INTANGIBLE ASSETS

	As at March <u>31, 2020</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Cost		
As at the beginning of period/ year	2	2
Additions for the period/year	-*	-*
As at the end of the period/year	2	2
Accumulated amortisation		
As at the beginning of the period/year	(1)	-*
Amortisation for the period/year	-*	(1)
As at the end of the period/year	(1)	(1)
Net book value		
As at the end of the period/year	1	1

\* Less than USD half of a million

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23. OTHER ASSETS

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Commitment fee receivables	1	1
Other receivables	_*	_*
Others (Note 1 below)	1	2
Total	<u>2</u>	<u>3</u>

\* Less than USD half of a million

Note 1: Others mainly include prepayment.

24. FINANCIAL LIABILITIES DESIGNATED AT FVTPL

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Bond - Principal	6,193	5,426
- Interest payable	51	45
- Fair value adjustment	24	85
Total	<u>6,268</u>	<u>5,556</u>

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%.

There has been no change in fair value of the bond attributable to changes in the Bank's credit risk for the three months ended March 31, 2021 and the year ended December 31, 2020. The contractual principal amount to be paid at maturity in original currency are RMB 18 billion (unaudited) (December 31, 2020: USD 13 billion, audited) for RMB denominated bonds and USD 3.55 billion (unaudited) (December 31, 2020: USD 3.55 billion, audited) for USD denominated notes respectively.

25. NOTE PAYABLES

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Note payables	3,892	2,815
Total	<u>3,892</u>	<u>2,815</u>

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

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26. CONTRACT LIABILITIES

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Deferred income (Note 1 below)	35	28
Total	<u>35</u>	<u>28</u>

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

27. OTHER LIABILITIES

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Employee benefits payable	-*	-*
Accrued expenses	2	4
Impairment provision of loan commitments	7	8
Annual Leave provision	3	2
Total	<u>12</u>	<u>14</u>

Reconciliation of provision for loan commitments

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
ECL allowance of loan commitments as at beginning of the period/year	8	1
Additions	2	7
Derecognition	(3)	(1)
Change in risk parameters	-*	1
ECL allowance of loan commitments as at end of the period/year	<u>7</u>	<u>8</u>

\* Less than USD half of a million

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27. OTHER LIABILITIES - continued

For the three months ended March 31, 2021, the additions to the ECL allowance of USD 2 million (unaudited) (December 31, 2020: USD 7 million, audited) was due to origination or increase in expected drawdown of loan commitments within 12 months from March 31, 2021 of USD 1,642 million (unaudited) (December 31, 2020: USD 2,609 million, audited).

For the three months ended March 31, 2021, the derecognition to the ECL allowance of USD 3 million (unaudited) (December 31, 2020: 1 million, audited) was due to decrease in expected drawdown of loan commitments within 12 months from March 31, 2021 of USD 1,618 million (unaudited) (December 31, 2020: USD 1,044 million, audited).

As at March 31, 2021 (unaudited)

	<u>12 month ECL</u> USD million	<u>Lifetime ECL</u> USD million	<u>Total</u> USD million
Impairment allowance	<u>3</u>	<u>4</u>	<u>7</u>

As at December 31, 2020 (audited)

	<u>12 month ECL</u> USD million	<u>Lifetime ECL</u> USD million	<u>Total</u> USD million
Impairment allowance	<u>4</u>	<u>4</u>	<u>8</u>

28. PAID-IN CAPITAL

A statement of capital subscriptions showing the amount of paid-in and callable shares subscribed to by each member according to the Agreement, is set out in the following table. There is no amendment to the terms of subscription payment in the Agreement on March 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.

	<u>As at March 31, 2021</u> (unaudited)		<u>As at December 31, 2020</u> (audited)	
	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	(500,000)	(50,000)	(500,000)	(50,000)
Total subscribed capital	500,000	50,000	500,000	50,000
Less: callable capital	(400,000)	(40,000)	(400,000)	(40,000)
Total paid in capital	<u>100,000</u>	<u>10,000</u>	<u>100,000</u>	<u>10,000</u>

THE NEW DEVELOPMENT BANK

28. PAID-IN CAPITAL - continued

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

Unaudited As at <u>March 31, 2021</u>	Total <u>shares</u> Numbers	Total <u>capital</u> USD million	Callable <u>capital</u> USD million	Paid-in <u>capital</u> USD million	Paid-in capital <sup>1</sup> <u>received</u> USD million	Paid-in capital <u>outstanding</u> USD million
	Brazil	100,000	10,000	8,000	2,000	1,358
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
Total	500,000	50,000	40,000	10,000	8,088	1,912

Audited As at <u>December 31, 2020</u>	Total <u>shares</u> Numbers	Total <u>capital</u> USD million	Callable <u>capital</u> USD million	Paid-in <u>capital</u> USD million	Paid-in capital <sup>1</sup> <u>received</u> USD million	Paid-in capital <u>outstanding</u> USD million
	Brazil	100,000	10,000	8,000	2,000	1,358
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
Total	500,000	50,000	40,000	10,000	8,088	1,912

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

As at March 31, 2021, the paid-in capital due relating to the sixth instalment of USD 292 million was overdue and partial receipt relating to the seventh instalment has been received ahead of schedule.



29. RESERVES

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Capital reserve (Note 1 below)	-*	-*
Debt instrument revaluation reserve	-*	1
Other reserve (Note 2 below)	(20)	(27)
Total	<u>(20)</u>	<u>(26)</u>

\* Less than USD 1 million

Note 1: As of March 31, 2021, the Bank has received cash contributions amounting to USD 0.11 million (unaudited) (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 instalment payments of the subscribed paid-in capital, which is regarded as an equity transaction. The subsequent unwinding of interest on paid-in capital receivables is reclassified from retained earnings to other reserves immediately following the unwinding treatment in the relevant accounting period.

30. COMMITMENTS

1) Capital commitments

As at March 31, 2021, the Bank had no irrevocable capital expenditures commitment.

2) Credit Commitments

	As at March <u>31, 2021</u> USD million (unaudited)	As at December <u>31, 2020</u> USD million (audited)
Letters of effectiveness signed	8,438	7,653
Letter of effectiveness yet to be signed	620	1,620
Total	<u>9,058</u>	<u>9,273</u>

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.

31. RELATED PARTY DISCLOSURE

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

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

The name and relationship with founding member governments are disclosed below. As March 31, 2021 and December 31, 2020, no transactions, individually or collectively with government are considered significant to the Bank.

(1) Name and relationship

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

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

According to the Agreement between the Government of the Russian Federation and the Bank on the Hosting of the New Development Bank Eurasian Regional Center ("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 March 31, 2021 are set out in Note 29.

Details of the paid-in capital receivables as at March 31, 2021 and December 31, 2020 are set out in Note 20, and unwinding of interest on paid-in capital receivables for the three months ended March 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.

31. RELATED PARTY DISCLOSURE - continued

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

The following persons were KMP of the Bank during the three months ended March 31, 2021:

Name	Country	Position
Marcos Prado Troyjo	Brazil	President
Anil Kishora	India	Vice President; Chief Risk Officer
Vladimir Kazbekov	Russia	Vice President; Chief Administrative Officer
Xian Zhu	China	Vice President; Chief Operations Officer
Leslie Warren Maasdorp	South Africa	Vice President; Chief Financial Officer

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

	Three months ended March <u>31, 2021</u> USD million (unaudited)	Three months ended March <u>31, 2020</u> USD million (unaudited)	Three months ended December <u>31, 2020</u> USD million (unaudited)	Year ended December <u>31, 2020</u> USD million (audited)
Salary and allowance	1	1	1	3
Staff Retirement Plan	.*	.*	.*	.*
Post-Retirement Insurance Plan	.*	.*	.*	.*
Other short term benefits	.*	.*	.*	1
Total	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>

\* Less than USD half of a million

32. SEGMENT INFORMATION

For the three months ended March 31, 2021, the Bank has a single reportable segment and evaluates the financial performance of the Bank as a whole.

33. 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 March 31, 2021, the NDB-PPF had received contributions amounting to USD 7 million (unaudited) (December 31, 2020: USD 7 million). The Bank has not earned any income from NDB-PPF for the three months ended March 31, 2021 and 2020.

34. RECLASSIFICATION OF COMPARATIVE FIGURES

For the three months ended December 31, 2020, less than USD half of a million bond issuance costs was included in other operating expenses. The Bank reclassified the bond issuance costs included in other operating expenses, to other expense for the three months ended March 31, 2021. As a result, the figure for the three months ended December 31, 2020 has been reclassified in the condensed statement of profit or loss and other comprehensive income for the three months ended March 31, 2021 to conform with current interim period presentation.

The reclassification does not have a material impact on the information in the Bank's condensed statement of profit or loss and other comprehensive income.

35. SUBSEQUENT EVENTS

On April 15, 2021, USD 350 million of paid-in capital related to seventh instalment was received ahead of schedule from China.

On April 19, 2021, a loan agreement for EUR 436 million was signed with the People's Republic of China to finance the Beijing Gas Tianjin Nangang Lng Emergency Reserve Project. This agreement shall be effective when the effectiveness condition of the loan agreement have been complied with. As at the reporting date, the effectiveness conditions are yet to be complied with.

On April 27, 2021, the Bank issued a five-year Euro Medium Term Note with par value of USD 1.5 billion at a discount. The note bears an interest rate of 1.125% with the maturity date on April 27, 2026.

35. SUBSEQUENT EVENTS - continued

On June 8, 2021, a loan agreement for USD 1 billion was signed with South Africa for supporting South Africa's economic recovery from COVID-19. This agreement became effective on June 8, 2021.

On June 14, 2021, USD 125 million of paid-in capital receivables was received relating to the partial payment of the sixth instalment, which reduced the overdue amount to USD 167 million.

On June 25, 2021, USD 220 million of paid-in capital related to seventh instalment was received ahead of schedule from Russia.

Subsequent to March 31, 2021, the Bank issued several zero-coupon notes with aggregate notional amounts of USD 1.28 billion and two zero-coupon notes of EUR 52 million with original maturity date within one year.

36. APPROVAL OF CONDENSED FINANCIAL STATEMENTS

The condensed financial statements were approved by the Management and the Board of Directors and authorised for issuance on June 29, 2021.

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