

EURASIAN DEVELOPMENT BANK

Interim Condensed Financial Information (Unaudited)
For the six-month period ended 30 June 2017

EURASIAN DEVELOPMENT BANK

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED FINANCIAL INFORMATION	1
INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017:	
Interim statement of profit or loss and other comprehensive income (unaudited)	2
Interim statement of financial position (unaudited)	3
Interim statement of changes in equity (unaudited)	4
Interim statement of cash flows (unaudited)	5-6
Selected explanatory notes to the interim condensed financial information (unaudited)	7-41

INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED FINANCIAL INFORMATION

To the Members of the Council of Eurasian Development Bank:

Introduction

We have reviewed the accompanying interim statement of financial position of Eurasian Development Bank ("the Bank") as at 30 June 2017 and the related interim statements of profit or loss and comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information 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 information 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 accompanying interim financial information does not present fairly, in all material respects, the financial position of the Bank as at 30 June 2017, and its financial performance and its cash flows for the six months then ended in accordance with IAS 34 Interim Financial Reporting.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2015 were audited by other auditor who expressed an unmodified opinion on those statements on 16 April 2016.

The interim condensed financial information of the Bank for the six-month period ended 30 June 2017, were reviewed by another auditor whose report dated 27 July 2015, stated that based on their review, nothing has come to their attention that caused them to believe that the interim condensed financial information was not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Deloitte, LLP

8 August 2017
Almaty

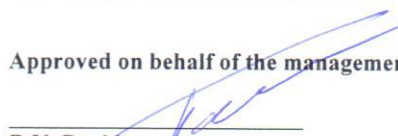
EURASIAN DEVELOPMENT BANK

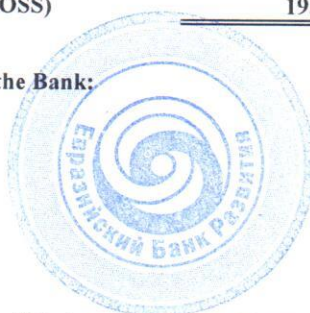
**INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**


(in thousands of US dollars)

	Note	Six-month period ended 30 June 2017 Unaudited	Six-month period ended 30 June 2016 Unaudited	Six-month period ended 30 June 2015 Unaudited
Interest income	5	98,090	97,362	119,909
Interest expense	5	(53,811)	(41,352)	(72,948)
Net interest income before provision for impairment losses on interest bearing assets		44,279	56,010	46,961
Provision for impairment losses on interest bearing assets	6	(15,568)	(11,711)	(139,186)
NET INTEREST INCOME/(EXPENSE)		28,711	44,299	(92,225)
Provision for impairment losses on equity financial assets available-for-sale		-	-	(5,907)
Recovery/(provision) of impairment losses on other assets	16	-	435	(42,587)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	7	(48,830)	(1,043)	12,209
Net realised gain on financial assets available-for- sale		2,290	7,992	1,541
Net gain/(loss) on transactions in foreign currencies	8	49,984	4,406	(3,160)
Fee and commission income		3,114	1,610	3,371
Fee and commission expense		(137)	(98)	(106)
Net loss on trading with debt securities issued		(2)	(63)	-
Other income		71	157	225
Other expenses		-	(20)	(3)
Net non-interest income/(loss)		6,490	13,376	(34,417)
Net result from financial operations		35,201	57,675	(126,642)
Operating expenses	9	(17,365)	(17,021)	(21,749)
Technical Assistance Fund expenses	10	-	-	(78)
NET PROFIT/(LOSS)		17,836	40,654	(148,469)
OTHER COMPREHENSIVE INCOME:				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net unrealised gain on revaluation of financial assets available-for-sale		3,524	13,604	5,740
Net realised gain on financial assets available-for- sale transferred to the profit and loss		(2,290)	(7,992)	(1,541)
OTHER COMPREHENSIVE INCOME		1,234	5,612	4,199
TOTAL COMPREHENSIVE INCOME/(LOSS)		19,070	46,266	(144,270)

Approved on behalf of the management of the Bank:


D.V. Pan'kin
Chairman of the Executive Board




B.K. Mukhambetzhonov
Managing Director, Finance
Member of the Executive Board

8 August 2017
Almaty, Kazakhstan

8 August 2017
Almaty, Kazakhstan

The notes on pages 7-41 form an integral part of this interim condensed financial information.

EURASIAN DEVELOPMENT BANK


**INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017
(in thousands of US dollars)**

	Note	30 June 2017 Unaudited	31 December 2016	31 December 2015
ASSETS				
Cash and cash equivalents	11	373,985	477,882	288,287
Financial assets at fair value through profit or loss		422	6,531	-
Loans and advances to banks	12	85,695	127,960	61,539
Loans to customers	13	1,485,465	1,482,208	1,499,391
Financial assets available-for-sale	14	1,446,497	1,145,519	609,749
Investments held to maturity	15	-	-	402,714
Property and equipment		11,344	11,727	12,513
Intangible assets		971	1,128	1,246
Other assets	16	4,067	2,120	5,195
TOTAL ASSETS		3,408,446	3,255,075	2,880,634
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and deposits from banks	17	459,930	408,243	161,351
Financial liabilities at fair value through profit or loss		13,075	904	5,137
Debt securities issued	18	1,223,253	1,156,129	1,196,357
Other liabilities		26,033	22,714	18,456
Total liabilities		1,722,291	1,587,990	1,381,301
EQUITY:				
Share capital:				
Authorised share capital		7,000,000	7,000,000	7,000,000
Less: callable share capital		(5,484,300)	(5,484,300)	(5,484,300)
Paid-in share capital		1,515,700	1,515,700	1,515,700
Reserve fund		90,872	90,872	90,872
Revaluation reserve for financial assets available-for-sale		5,703	4,469	226
Retained earnings/(accumulated deficit)		73,880	56,044	(107,465)
Total equity		1,686,155	1,667,085	1,499,333
TOTAL LIABILITIES AND EQUITY		3,408,446	3,255,075	2,880,634

Approved on behalf of the management of the Bank:


D.V. Pankin
Chairman of the Executive Board




B.K. Mukhambetzhano
Managing Director, Finance
Member of the Executive Board

8 August 2017
Almaty, Kazakhstan

8 August 2017
Almaty, Kazakhstan

The notes on pages 7-41 form an integral part of this interim condensed financial information.

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017
(in thousands of US dollars)

	Share capital		Reserve fund	Revaluation (deficit)/reserve for financial assets available-for-sale	Retained earnings/ (accumulated deficit)	Total
	Authorised	Callable				
1 January 2015	7,000,000	(5,484,300)	90,872	(4,446)	36,144	1,638,270
Net loss (unaudited)	-	-	-	-	(148,469)	(148,469)
Other comprehensive income (unaudited)	-	-	-	4,199	-	4,199
Total comprehensive income/(loss) (unaudited)	-	-	-	4,199	(148,469)	(144,270)
30 June 2015 (unaudited)	7,000,000	(5,484,300)	90,872	(247)	(112,325)	1,494,000
1 January 2016	7,000,000	(5,484,300)	90,872	226	(107,465)	1,499,333
Net income (unaudited)	-	-	-	-	40,654	40,654
Other comprehensive income (unaudited)	-	-	-	5,612	-	5,612
Total comprehensive income (unaudited)	-	-	-	5,612	40,654	46,266
30 June 2016 (unaudited)	7,000,000	(5,484,300)	90,872	5,838	(66,811)	1,545,599
1 January 2017	7,000,000	(5,484,300)	90,872	4,469	56,044	1,667,085
Net income (unaudited)	-	-	-	-	17,836	17,836
Other comprehensive income (unaudited)	-	-	-	1,234	-	1,234
Total comprehensive income (unaudited)	-	-	-	1,234	17,836	19,070
30 June 2017 (unaudited)	7,000,000	(5,484,300)	90,872	5,703	73,880	1,686,155

Approved on behalf of the management of the Bank:


D.V. Pankin
Chairman of the Executive Board


B.K. Mukhambetzhanov
Managing Director, Finance
Member of the Executive Board

8 August 2017
Almaty, Kazakhstan

8 August 2017
Almaty, Kazakhstan

The notes on pages 7-41 form an integral part of this interim condensed financial information.

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

	Six-month period ended 30 June 2017 <u>Unaudited</u>	Six-month period ended 30 June 2016* <u>Unaudited</u>	Six-month period ended 30 June 2015* <u>Unaudited</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to customers	82,885	103,700	90,619
Interest received on loans and advances to banks	7,299	6,653	8,482
Interest (expense paid)/income received from financial assets and liabilities at fair value through profit or loss	(30,550)	(8,362)	9,467
Interest and income received on financial assets available-for-sale	18,664	15,249	4,114
Interest received on investments held to maturity	-	8,830	9,755
Interest paid on loans and deposits from banks	(6,688)	(1,684)	(2,463)
Interest paid on debt securities issued	(41,785)	(41,779)	(72,497)
Fees and commissions received	3,121	4,492	5,610
Fees and commissions paid	(128)	(97)	(110)
Other income received	71	137	226
Operating expenses paid	(13,316)	(13,520)	(16,837)
Cash flows from operating activities before changes in operating assets and liabilities	19,573	73,619	36,366
Changes in operating assets			
Decrease in loans to customers	16,029	168,324	232,014
Decrease/(increase) in loans and advances to banks	41,898	(51,652)	76,350
Increase in other assets	(1,868)	(100)	(1,378)
Changes in operating liabilities			
Increase in deposits from banks	40,226	150,224	-
Increase/(decrease) in other liabilities	406	895	(12)
Cash flows from operating activities	116,264	341,310	343,340
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets available-for-sale	(2,065,132)	(691,429)	(758,633)
Proceeds from sale and redemption of financial assets available-for-sale	1,765,961	734,303	619,323
Proceeds from redemption of investments held to maturity	-	37,771	7,800
Purchase of property, equipment and intangible assets	(117)	(110)	(208)
Cash flows (used in)/from investing activities	(299,888)	80,535	(131,718)

*As restated, see Note 4

The notes on pages 7-41 form an integral part of this interim condensed financial information.

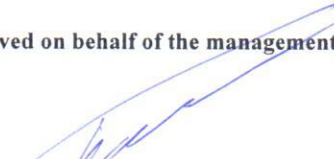
EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (CONTINUED)
(in thousands of US dollars)

	Six-month period ended 30 June 2017 Unaudited	Six-month period ended 30 June 2016* Unaudited	Six-month period ended 30 June 2015* Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities	69,383	25,613	324
Repayments of debt securities issued	(1,766)	(141,154)	(324)
Proceeds from loans from banks	-	2,792	11,604
Repayments of loans from banks	(10,325)	(9,585)	(5,084)
Cash flows from/(used in) financing activities	57,292	(122,334)	6,520
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(125,732)	299,511	218,142
CASH AND CASH EQUIVALENTS, at beginning of the period (Note 11)	477,882	288,287	346,436
Effect of changes in foreign exchange rate on cash and cash equivalents	21,835	1,875	(2,217)
CASH AND CASH EQUIVALENTS, at end of the period (Note 11)	373,985	589,673	562,361


*As restated, see Note 4

Approved on behalf of the management of the Bank:


D.V. Pankin
Chairman of the Executive Board

8 August 2017
Almaty, Kazakhstan




B.K. Mukhambetzhano"v
Managing Director, Finance
Member of the Executive Board

8 August 2017
Almaty, Kazakhstan

The notes on pages 7-41 form an integral part of this interim condensed financial information.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

1 BACKGROUND

(a) Principal activities

Eurasian Development Bank (“the Bank”) is an international organisation, which was established in accordance with the Agreement Establishing Eurasian Development Bank, entered into between the Russian Federation and the Republic of Kazakhstan on 12 January 2006 (“the Agreement on Incorporation”). This Agreement on Incorporation became effective on 16 June 2006, upon fulfilment of domestic procedures necessary for it to become effective.

The Bank’s membership is open to new participants such that other states and international organisations may join the Agreement on Incorporation of the Bank. The strategic objective of the Bank is to promote the development of the market economy in its Member states, including their economic growth and the expansion of mutual trade and economic relations through investment activity. The Bank was established to assist Member states in integrating their economies and developing their infrastructure.

In December 2008, the Council of the Bank approved the accession of the Republic of Armenia, the Republic of Belarus and the Republic of Tajikistan to the Agreement on Incorporation. The Republic of Armenia, the Republic of Tajikistan and the Republic of Belarus have fulfilled their respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation of the Bank, made their contributions to the share capital and became Member states of the Bank on 3 April 2009, on 22 June 2009 and 21 June 2010, respectively.

On 28 June 2011, the Council of the Bank approved the accession of the Kyrgyz Republic to the Agreement on Incorporation of the Bank. The Kyrgyz Republic has fulfilled its respective appropriate domestic procedures related to the ratification of the Agreement on Incorporation of the Bank, made its contribution to the share capital and became a Member state of the Bank on 26 August 2011.

As at 30 June 2017, the following states were members of the Bank: the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Tajikistan, the Republic of Belarus and the Kyrgyz Republic.

The Bank's principal activities consist of lending and operations with securities and foreign currencies. One of the Bank’s primary functions is to provide financing for large infrastructure projects in the Member states, which it implements through the provision of loans and debt financing to private and public entities, investing in the equity of customers, participating in, or establishing, private equity funds, providing investment consulting, and providing other financial instruments. The Bank seeks to insure that all its projects are financially viable. The Bank does not finance social projects, such as construction of schools or hospitals.

The headquarters of the Bank is registered at: 220, Dostyk Avenue, Almaty, the Republic of Kazakhstan.

In accordance with Agreement on Incorporation, the Bank possesses immunity against any legal proceedings under jurisdiction of its Member states, except in cases which do not result from its execution of its powers. The property and the assets of the Bank possess the same immunities from search, requisition, arrest, confiscation, expropriation or any other form of withdrawal or alienation prior to final judgment in relation to the Bank. The Bank is exempted on the territory of the Member states from any taxes, levies, duties, income taxes and other payments, except for those that represent a payment for specific types of service.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

1. BACKGROUND, CONTINUED

(a) Principal activities, continued

As at 30 June 2017, 31 December 2016 and 2015, shares of the Bank were owned as follows:

	<u>%</u>
The Russian Federation	65.97
The Republic of Kazakhstan	32.99
The Republic of Belarus	0.99
The Republic of Tajikistan	0.03
The Republic of Armenia	0.01
The Kyrgyz Republic	<u>0.01</u>
Total	<u><u>100.00</u></u>

(b) Business environment

The Bank's operations are primarily located in the Member states. Consequently, the Bank is exposed to the economic and financial markets of the Member states that display characteristics of emerging markets. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Member states. In particular, the current economic and political situation, including the situation in Ukraine and the introduction of sanctions against the Russian Federation by particular countries and the introduction of responsive sanctions against particular countries by the Russian Federation, creates risks for operations conducted by the Bank. The financial statements reflect management's assessment of the impact of the Member states' business environment on the operations and financial position of the Bank. The future business environment may differ from management's assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance

This interim condensed financial information is prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial information have been omitted or condensed. This interim condensed financial information should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2016, as this interim condensed financial information provides an update of previously reported financial statements.

This interim condensed financial information was authorised for issue on 8 August 2017 by the management of the Bank.

(b) Basis of measurement

The interim condensed financial information is prepared on the historical cost basis except that financial assets available-for-sale, financial instruments at fair value through profit and loss and derivative financial instruments designated as hedging instruments are stated at fair value.

2 BASIS OF PREPARATION, CONTINUED

(c) Functional and presentation currency

The functional currency of the Bank is the US dollar as it reflects the economic substance of the majority of underlying events and circumstances relevant to the Bank.

The US dollar is also the presentation currency for the purposes of this interim condensed financial information.

The Bank considered the following factors in determining its functional currency: the Bank is an international organisation, share capital is formed in US dollars, funds from financing activities are generated mainly in US dollars, and the majority of the Bank's principal activities are conducted in US dollars.

Financial information presented in US dollars is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of the interim condensed financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the interim condensed financial information is described in Note 13 "Loans to customers" and Note 16 "Other assets".

3 SIGNIFICANT ACCOUNTING POLICIES

In preparing this interim condensed financial information the Bank applied the same accounting policies as those applied in the financial statements of the Bank for the year ended 31 December 2016.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

4 RESTATEMENTS AND RECLASSIFICATION

Restatements. In 2016, the Bank determined that loans under reverse repurchase agreements had not been appropriately presented in the financial statements for the years ended 31 December 2015 and 2014 and in the interim financial statements for the six-month periods ended 30 June 2016 and 30 June 2015. The Bank determined that these balances should have been presented within cash and cash equivalents instead of loans and advances to banks. In accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors,” these financial statements have been restated as detailed in the following table:

Financial statement line item	As previously reported	Adjustment	As restated
Statement of financial position			
As at 31 December 2015			
Cash and cash equivalents	281,984	6,303	288,287
Loans and advances to banks	67,842	(6,303)	61,539
Statement of cash flows			
Six-month period ended 30 June 2016 (unaudited)			
(Increase)/decrease in loans and advances to banks	(145,702)	94,050	(51,652)
Cash flows from operating activities	247,260	94,050	341,310
Net increase in cash and cash equivalents	205,461	94,050	299,511
Cash and cash equivalents, at beginning of the period	281,984	6,303	288,287
Cash and cash equivalents, at end of the period	489,320	100,353	589,673
Six-month period ended 30 June 2015 (unaudited)			
Decrease/(increase) in loans and advances to banks	83,050	(6,700)	76,350
Cash flows from operating activities	350,040	(6,700)	343,340
Net increase/(decrease) in cash and cash equivalents	224,842	(6,700)	218,142
Cash and cash equivalents, at beginning of the period	296,652	49,784	346,436
Cash and cash equivalents, at end of the period	519,277	43,084	562,361

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

5 NET INTEREST INCOME

	Six-month period ended 30 June 2017 <u>Unaudited</u>	Six-month period ended 30 June 2016 <u>Unaudited</u>	Six-month period ended 30 June 2015 <u>Unaudited</u>
Interest income comprises:			
Interest income on financial assets measured at amortised cost comprises:			
Interest on unimpaired assets	81,756	88,509	114,097
Interest on loans to customers that were defaulted and/or overdue more than 90 days	1,111	1,933	4,359
Interest income on financial assets available-for-sale	15,223	6,920	1,453
Total interest income	98,090	97,362	119,909
Interest income on financial assets recorded at amortised cost comprises:			
Interest on loans to customers	76,280	76,529	103,575
Interest on loans and advances to banks	3,721	4,055	6,676
Interest on cash and cash equivalents	2,866	3,513	1,002
Interest on investments held to maturity	-	6,345	7,203
Total interest income on financial assets recorded at amortised cost	82,867	90,442	118,456
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortised cost comprises:			
Interest on debt securities issued	(40,368)	(39,012)	(70,315)
Interest on loans and deposits from banks	(13,443)	(2,340)	(2,633)
Total interest expense on financial liabilities recorded at amortised cost	(53,811)	(41,352)	(72,948)
Net interest income before provision for losses on interest bearing financial assets	44,279	56,010	46,961

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

6 PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

The movements in allowance for impairment losses on loans to customers were as follows:

	Six-month period ended 30 June 2017 Unaudited	Six-month period ended 30 June 2016 Unaudited	Six-month period ended 30 June 2015 Unaudited
Beginning of the period	(83,274)	(132,695)	(41,924)
Net charge	(15,520)	(11,392)	(139,424)
Write-offs	-	-	43,534
Effect of foreign currency movements	(2,254)	(7,535)	(368)
End of the period	(101,048)	(151,622)	(138,182)

The movements in allowance for impairment losses on loans and advances to banks were as follows:

	Six-month period ended 30 June 2017 Unaudited	Six-month period ended 30 June 2016 Unaudited	Six-month period ended 30 June 2015 Unaudited
Beginning of the period	(101)	(122)	(602)
Net (charge)/recovery	(48)	(319)	234
End of the period	(149)	(441)	(368)

The movements in allowance for impairment losses on debt financial assets available-for-sale were as follows:

	Six-month period ended 30 June 2017 Unaudited	Six-month period ended 30 June 2016 Unaudited	Six-month period ended 30 June 2015 Unaudited
Beginning of the period	-	-	(873)
Net recovery	-	-	4
Write-offs	-	-	848
Effect of foreign currency movements	-	-	21
End of the period	-	-	-

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

7 NET (LOSS)/GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six-month period ended 30 June 2017 <u>Unaudited</u>	Six-month period ended 30 June 2016 <u>Unaudited</u>	Six-month period ended 30 June 2015 <u>Unaudited</u>
Net (loss)/gain on derivative financial instruments in foreign currency	(48,830)	(1,043)	12,209
Total net (loss)/gain on operations with financial assets and liabilities at fair value through profit or loss	<u>(48,830)</u>	<u>(1,043)</u>	<u>12,209</u>

8 NET GAIN/(LOSS) ON TRANSACTIONS IN FOREIGN CURRENCIES

	Six-month period ended 30 June 2017 <u>Unaudited</u>	Six-month period ended 30 June 2016 <u>Unaudited</u>	Six-month period ended 30 June 2015 <u>Unaudited</u>
Translation differences, net	49,982	5,251	(2,514)
Dealing, net	2	(845)	(646)
Total net gain/(loss) on transactions in foreign currencies	<u>49,984</u>	<u>4,406</u>	<u>(3,160)</u>

9 OPERATING EXPENSES

	Six-month period ended 30 June 2017 <u>Unaudited</u>	Six-month period ended 30 June 2016 <u>Unaudited</u>	Six-month period ended 30 June 2015 <u>Unaudited</u>
Staff costs and other payments to employees	13,265	13,030	16,659
Premises expenses	869	926	1,124
Depreciation and amortisation	647	724	804
Professional services	557	540	360
Communication	416	363	487
Business trip expenses	401	249	541
Maintenance of acquired systems and programs	369	396	481
Security	278	231	458
Business development expenses	174	197	344
Transportation	91	80	122
Office, postal and printing expenses	86	99	69
Training	33	13	93
Other	179	173	207
Total operating expenses	<u>17,365</u>	<u>17,021</u>	<u>21,749</u>

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

10 TECHNICAL ASSISTANCE FUND EXPENSES

	Six-month period ended 30 June 2017 Unaudited	Six-month period ended 30 June 2016 Unaudited	Six-month period ended 30 June 2015 Unaudited
Technical assistance fund expenses	-	-	78

The purpose of Technical Assistance Fund (“the TAF”) is to effectively assist to strategic objective of the Bank via: a) financing pre-investment researches, b) supporting programs of regional integration; and c) carrying out researches aimed at economic growth, development of market economies and the expansion of mutual trade between Member states.

The amount of resources available for the TAF programs is set by the Council of the Bank annually. The unused part of the Council of the Bank annual allocation is accumulated and could be used in future periods.

	30 June 2017 Unaudited	31 December 2016	31 December 2015
TAF reserve	9,487	9,487	7,297

11 CASH AND CASH EQUIVALENTS

	30 June 2017 Unaudited	31 December 2016	31 December 2015
Cash and balances with national (central) banks of Member states of the Bank	4,772	955	563
Correspondent accounts with other banks			
with credit ratings A- and above	140,054	136,700	124,425
with credit ratings below A- and not rated	4,650	8,423	1,326
Term deposits in other banks			
with credit ratings A- and above	64,429	95,589	44,647
with credit ratings from BBB+ to BBB-	45,751	-	30,091
with credit ratings from BB+ to BB-	44,776	96,467	80,932
with credit ratings B+ and below	19,671	-	-
Loans under reverse repurchase agreements			
with pledge credit ratings from BBB+ to BBB-	30,638	11,402	1,535
with pledge credit ratings from BB+ to BB-	19,244	128,346	4,768
Total cash and cash equivalents	373,985	477,882	288,287

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

11 CASH AND CASH EQUIVALENTS, CONTINUED

The fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2017, 31 December 2016 and 2015 are as follows:

	30 June 2017 Unaudited		31 December 2016		31 December 2015	
	Carrying value of Loans	Fair value of collateral	Carrying value of Loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
With pledge credit ratings from BBB+ to BBB-	30,638	35,606	11,402	13,320	1,535	1,803
With pledge credit ratings from BB+ to BB-	19,244	22,223	128,346	148,815	4,768	5,632
	49,882	57,829	139,748	162,135	6,303	7,435

12 LOANS AND ADVANCES TO BANKS

	30 June 2017 Unaudited	31 December 2016	31 December 2015
Loans to banks	85,844	77,109	61,661
Term deposits in other bank	-	50,952	-
	85,844	128,061	61,661
Less country risk provisions	(149)	(101)	(122)
Total loans and advances to banks	85,695	127,960	61,539

As at 30 June 2017, loans and advances to banks include loans to three banks in the amount of 29,661 thousand US dollars (31 December 2016: two banks in the amount of 20,203 thousand US dollars; 31 December 2015: loans to three banks in the amount of 24,367 thousand US dollars), against which the Bank records country risk provisions in the amount of 149 thousand US dollars (31 December 2016: 101 thousand US dollars; 31 December 2015: 122 thousand US dollars).

As at 30 June 2017, loans and advances to banks include accrued interest income amounting to 578 thousand US dollars (31 December 2016: 3,098 thousand US dollars; 31 December 2015: 500 thousand US dollars).

As at 30 June 2017, 31 December 2016 and 2015 no loans and advances to banks were past due.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

13 LOANS TO CUSTOMERS

	<u>30 June 2017 Unaudited</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Unimpaired loans to customers	1,459,888	1,410,756	1,318,086
Impaired loans to customers, including:			
- not overdue or overdue less than 90 days	40,851	55,296	246,373
- overdue more than 90 days	-	19,311	-
- defaulted loans	85,774	80,119	67,627
	<u>1,586,513</u>	<u>1,565,482</u>	<u>1,632,086</u>
Less allowance for impairment losses	(101,048)	(83,274)	(132,695)
Total loans to customers	<u><u>1,485,465</u></u>	<u><u>1,482,208</u></u>	<u><u>1,499,391</u></u>

As at 30 June 2017, the Bank has loans to seven customers in default for a total gross amount of 85,774 thousand US dollars (31 December 2016: four customers in default for a total gross amount of 80,119 thousand US dollars; 31 December 2015: three customers for a total gross amount of 67,627 thousand US dollars).

One of the defaulted loans in the amount of 13,207 thousand US dollars (31 December 2016: 13,250 thousand US dollars 31 December 2015: 13,301 thousand US dollars) was overdue for more than 360 days as at 30 June 2017 and the Bank has recognised 100% allowance for impairment losses.

Two of the other defaulted customers are companies that invested funds into one industrial project that severely deteriorated due to changes in market conditions. The outstanding balance of these loans is 61,516 thousand US dollars (31 December 2016: 65,181 thousand US dollars; 31 December 2015: 54,326 thousand US dollars) and the allowance for impairment losses is 58,402 thousand US dollars (31 December 2016: 42,192 thousand US dollars; 31 December 2015: 34,816 thousand US dollars).

The remaining defaulted projects have defaulted due to various reasons, primarily due to deterioration of market conditions. The outstanding balance of these loans is 11,051 thousand US dollars and the allowance for impairment losses is 10,532 thousand US dollars.

The Bank has started or is in process of initiating legal procedures against all defaulted customers.

As at 30 June 2017, the Bank has no customers (31 December 2016: three; 31 December 2015: none) with impaired loans overdue more than 90 days other than those classified as defaulted and discussed above. The outstanding balance of these loans as at 31 December 2016 was 19,311 thousand US dollars and the allowance for impairment losses was 4,629 thousand US dollars.

As at 30 June 2017, the Bank has six customers (31 December 2016: seven; 31 December 2015: seven) with outstanding impaired loans not overdue or overdue less than 90 days for a total gross amount of 40,851 thousand US dollars (31 December 2016: 55,296 thousand US dollars; 31 December 2015: 246,373 thousand US dollars) with related allowance for impairment losses of 17,317 thousand US dollars (31 December 2016: 21,166 thousand US dollars; 31 December 2015: 84,408 thousand US dollars).

On 15 February 2015, the contractual terms of loans with a net book value of 40,394 thousand US dollars were modified by decreasing the interest rate and amending the repayment schedule with the provision of a grace period for principal repayment until 2017. As a result of this, the Bank has derecognised the loan and recognised a restructured loan as a new financial instrument with a fair value of 19,722 thousand US dollars, estimated by discounting the new contractual cash flows using an estimated market interest rate of 23.2%.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

13 LOANS TO CUSTOMERS, CONTINUED

The Bank estimates loan impairment for its loans to customers based on an analysis of the future cash flows and collateral realisation approach. Management makes the following key assumptions:

- a discount up to 70% to the originally appraised value if the property pledged is sold;
- a delay up to 36 months in obtaining proceeds from the foreclosure of collateral;
- for impaired loans dependent on the realisation of a business plan, a decrease of market price on customers products up to 30% due to changes in market conditions and a decrease in production plans up to 70% due to changes in market conditions.

The table below summarises the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	30 June 2017 Unaudited	31 December 2016	31 December 2015
Loans collateralised by real estate, equipment and inventories	668,717	681,450	750,422
Loans collateralised by guarantees:			
State entities	369,649	381,473	349,773
Governments of the Member-states of the Bank	241,485	244,933	253,425
Financial and commercial organisations	209,057	206,337	254,162
Loans collateralised by future cash inflows from clients' contracts or without collateral	97,605	51,289	24,304
	1,586,513	1,565,482	1,632,086
Less allowance for impairment losses	(101,048)	(83,274)	(132,695)
Total loans to customers	1,485,465	1,482,208	1,499,391

The table below presents the economical sector breakdown of the loans:

	30 June 2017 Unaudited	31 December 2016	31 December 2015
Mining and metallurgy	386,534	430,988	306,944
Energy	318,482	327,002	349,690
Transport	252,204	301,327	360,399
Infrastructure	240,251	134,948	78,102
Machinery	216,690	221,580	252,662
Agriculture	61,305	36,344	34,828
Chemical industry	19,533	19,509	150,403
Other	91,514	93,784	99,058
	1,586,513	1,565,482	1,632,086
Less allowance for impairment losses	(101,048)	(83,274)	(132,695)
Total loans to customers	1,485,465	1,482,208	1,499,391

As at 30 June 2017, loans to customers included accrued interest income amounting to 32,180 thousand US dollars (31 December 2016: 40,958 thousand US dollars; 31 December 2015: 65,339 thousand US dollars).

Concentration of loans to customers

As at 30 June 2017, the Bank has one customer (31 December 2016: one customer; 31 December 2015: one customer), whose balance exceeds 10% of total equity of the Bank. The value of this balance as at 30 June 2017 is 194,560 thousand US dollars (31 December 2016: 200,710 thousand US dollars; 31 December 2015: 214,017 thousand US dollars).

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

14 FINANCIAL ASSETS AVAILABLE-FOR-SALE

As at 30 June 2017, 31 December 2016 and 2015, financial assets available-for-sale consist of:

	30 June 2017 Unaudited	31 December 2016	31 December 2015
Debt instruments in Treasury portfolio	1,388,392	1,090,480	589,068
Debt instruments in Investment portfolio	35,615	34,085	415
Equity instruments in Investment portfolio	22,490	20,954	20,266
Total financial assets available-for-sale	1,446,497	1,145,519	609,749

On 15 August 2016, the Bank has reclassified securities from investments held-to-maturity into financial assets available-for-sale according to the Bank's decision to no longer record financial assets in investments held-to-maturity category:

	Financial assets available- for-sale	Investments held to maturity	Fair value adjustment
Before reclassification	554,464	377,339	
Securities reclassified from investments held to maturity to financial assets available-for-sale:			
Eurobonds of the Russian Federation	239,847	220,096	19,751
US Treasuries	100,327	99,981	346
Bonds issued by non-financial organisations	33,575	33,465	110
Notes issued by National Bank of the Republic of Kazakhstan	14,212	14,234	(22)
Bonds issued by banks and financial institutions of the Russian Federation	9,648	9,563	85
	397,609	377,339	20,270
After reclassification	952,073	-	

The difference between the amortised cost and the fair value of the assets reclassified amounted to 20,270 thousand US dollars. This amount was recorded in other comprehensive income.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

14 FINANCIAL ASSETS AVAILABLE-FOR-SALE, CONTINUED

	30 June 2017 Unaudited		31 December 2016		31 December 2015	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt instruments in Treasury portfolio						
Bonds issued by banks and financial institutions of non-member states	0.00 – 3.50%	425,833	0.00 - 0.63%	268,754	-	-
Bonds issued by governments of USA and Japan	0.10 - 3.50%	310,930	0.10 - 3.50%	129,919	0.63%	419,465
Bonds issued by non-financial organisations of the Russian Federation and the Republic of Kazakhstan	2.93 - 9.50%	268,976	3.15 - 9.50%	208,390	6.13 - 9.25%	63,933
Bonds issued by banks and financial institutions of the Russian Federation and the Republic of Kazakhstan	3.98 – 7.88%	178,823	3.98–12.00%	263,509	4.22 - 6.88%	7,142
Notes issued by National Bank of the Republic of Kazakhstan	0.00%	78,093	0.00%	127,887	-	-
Eurobonds of the Russian Federation	3.50 –10.35%	77,731	3.25 – 4.88%	92,021	3.50 - 4.88%	18,442
Bonds issued by non-financial organisations of non-member states	1.75 – 2.75%	48,006	-	-	-	-
Eurobonds of the Republic of Kazakhstan	-	-	-	-	3.88 - 5.13%	80,086
		<u>1,388,392</u>		<u>1,090,480</u>		<u>589,068</u>

The table below presents the breakdown of the debt instruments in Treasury portfolio by credit risk rating:

	30 June 2017 Unaudited	31 December 2016	31 December 2015
	Fair value	Fair value	Fair value
Debt instruments in Treasury portfolio			
with credit ratings AA- and above	638,129	285,072	419,465
with credit ratings from A+ to A-	146,640	113,524	-
with credit ratings from BBB+ to BBB-	78,093	170,462	153,476
with credit ratings from BB+ to BB-	525,530	521,422	16,127
	<u>1,388,392</u>	<u>1,090,480</u>	<u>589,068</u>

	30 June 2017 Unaudited		31 December 2016		31 December 2015	
	Nominal interest rate	Fair value	Nominal interest Rate	Fair value	Nominal interest rate	Fair value
Debt instruments in Investment portfolio						
Bonds issued by financial organisations	10.25 - 15.00%	34,918	10.25 - 15.00%	33,585	-	-
Bonds issued by non-financial organisations	8.50%	697	8.50%	500	8.50%	415
		<u>35,615</u>		<u>34,085</u>		<u>415</u>

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

14 FINANCIAL ASSETS AVAILABLE-FOR-SALE, CONTINUED

As at 30 June 2017, debt instruments available-for-sale include accrued interest income amounting to 8,370 thousand US dollars (31 December 2016: 7,216 thousand US dollars; 31 December 2015: 1,861 thousand US dollars).

	30 June 2017		31 December 2016		31 December 2015	
	Ownership interest	Fair value	Ownership interest	Fair value	Ownership interest	Fair value
Equity instruments in Investment portfolio						
Investments into private equity fund “Macquarie Russia and CIS Infrastructure Fund”	15.87%	22,490	15.87%	20,954	15.87%	20,266

In 2010, the Bank committed to invest 100,000 thousand US dollars into private equity fund “Macquarie Russia and CIS Infrastructure Fund” (hereinafter “the Fund”) which is focused on infrastructure investment in Russia and other CIS countries to support the economic development in the region. The Bank’s committed investment represents 15.87% of total capital committed to the fund by its participants.

During the years ended 31 December 2015 and 2014, the fair value of the equity investment significantly declined due to depreciation of the Russian rouble in which a the major part of revenues is generated by the Fund’s underlying projects.

An impairment loss of 21,732 thousand US dollars was recognised during the year ended 31 December 2015 as the result of the decrease of the fair value of the equity investment.

As at 30 June 2017, 31 December 2016 and 2015, the fair value of the Bank’s investments in the Fund was estimated using a valuation technique based on discounted cash flows, where the discount rate for future cash flows comprised of the risk-free interest rate applicable in the country where the asset is located and risk premium reflecting the uncertainty associated with the cash flows.

The uninvested balance of the commitment is presented in Note 19.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

15 INVESTMENTS HELD TO MATURITY

On 15 August 2016, the Bank has reclassified securities from investments held-to-maturity into financial assets available-for-sale according to the Bank's decision to no longer classify financial assets as investments held-to-maturity (see Note 14).

	30 June 2017		31 December 2016		31 December 2015	
	Unaudited					
	Nominal interest rate	Amount	Nominal interest Rate	Amount	Nominal interest rate	Amount
Debt securities						
Eurobonds of the Russian Federation	-	-	-	-	3.25 - 7.50%	228,501
US Treasuries	-	-	-	-	0.88%	100,247
Bonds issued by non-financial organisations	-	-	-	-	3.15 - 5.74%	53,638
Bonds issued by banks and financial institutions of the Russian Federation	-	-	-	-	4.95 - 5.38%	20,328
Total investments held-to-maturity		-		-		402,714

As at 31 December 2015, investments held-to-maturity include accrued interest income amounting 4,605 thousand US dollars.

As at 31 December 2015 no investments held-to-maturity were past due or impaired.

16 OTHER ASSETS

As at 30 June 2017, other assets include certain assets received as consideration for loans to customers, which the Bank has taken over as a new owner as a result of an agreement between the borrower and the Bank. They consist of grain certificates that the Bank has received during 2014 in the amount equivalent to 42,587 thousand US dollars. During 2015, due to failure to access, unload and sell the grain, the Bank assessed that it was unlikely to be able to realise any future economic benefit from the grain. It therefore decided to provide for impairment of this asset in full and recognised a "provision for impairment losses on other assets" of 42,587 thousand US dollars in profit or loss.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

17 LOANS AND DEPOSITS FROM BANKS

	<u>30 June 2017 Unaudited</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Loans from banks	115,882	116,998	161,351
Deposits from banks	76,921	143,855	-
Loans under repurchase agreements:			
in Russian rouble	166,254	96,812	-
in Kazakhstani tenge	100,873	50,578	-
	<u>459,930</u>	<u>408,243</u>	<u>161,351</u>

In 2016, the Bank has started to conclude repurchase agreement operations in order to: a) satisfy its need of Russian rouble liquidity, and b) borrow Kazakhstani tenge funds from National Bank of Republic of Kazakhstan for project financing.

The fair value of assets pledged and carrying value of loans under repurchase agreements as at 30 June 2017 and 31 December 2016 are as follows:

	<u>30 June 2017 Unaudited</u>		<u>31 December 2016</u>	
	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>	<u>Carrying value of loans</u>	<u>Fair value of collateral</u>
US Treasuries	194,188	198,624	100,061	102,582
Eurobonds of the Republic of Kazakhstan and Notes issued by National Bank of the Republic of Kazakhstan	46,682	48,363	-	-
Bonds issued by non-financial organisations of non-member states	26,257	29,026	-	-
Bonds issued by banks and financial institutions of non-member states	-	-	47,329	54,014
	<u>267,127</u>	<u>276,013</u>	<u>147,390</u>	<u>156,596</u>

As at 30 June 2017, loans and deposits from banks included accrued interest payable amounting to 9,621 thousand US dollars (31 December 2016: 2,885 thousand US dollars; 31 December 2015: 528 thousand US dollars).

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

18 DEBT SECURITIES ISSUED

				<u>30 June 2017</u>	<u>31 December</u>	<u>31 December</u>
				<u>Unaudited</u>	<u>2016</u>	<u>2015</u>
Debt securities issued and denominated in USD						
<u>Issue series</u>	<u>Put option date</u>	<u>Due date</u>	<u>Interest rate, %</u>			
Series 03	-	Sep 2022	4.767	302,365	302,318	311,186
Series 05	-	Sep 2020	5.000	281,668	280,278	277,625
Total debt securities issued and denominated in USD				584,033	582,596	588,811
Debt securities issued and denominated in RUB						
<u>Issue series</u>	<u>Put option date</u>	<u>Due date</u>	<u>Interest rate, %</u>			
Series 04, Eurobond	-	Oct 2017	8.000	86,524	82,757	69,879
Series 09	Nov 2017	May 2021	9.750	85,553	81,858	69,107
Series 06	Apr 2018	Sep 2020	9.500	57,837	55,338	69,903
Series 10	-	Jan 2023	12.250	35,830	34,287	-
Series 05	Jul 2019	Jul 2020	9.500	26,055	24,962	-
Series 07	Oct 2018	Sep 2020	9.350	21,792	20,851	69,903
Series 04	-	Feb 2018	8.100	9,021	8,629	7,281
Series 02	Aug 2017	Feb 2019	10.000	9,002	8,613	69,490
Series 01	-	Jan 2019	9.300	3,913	5,446	4,596
Series 08	Oct 2017	Oct 2020	8.000	-	-	837
Total debt securities issued and denominated in RUB				335,527	322,741	360,996
Debt securities issued and denominated in KZT						
<u>Issue series</u>	<u>Put option date</u>	<u>Due date</u>	<u>Interest rate, %</u>			
Series 02	-	Apr 2018	6.000	99,100	98,505	96,473
Series 03	-	Aug 2019	7.200	63,692	61,490	60,233
Series 04	-	Sep 2019	7.200	63,318	61,129	59,879
Series 04	-	May 2020	10.100	46,850	-	-
Series 01	-	Dec 2017	6.250	30,733	29,668	29,965
Total debt securities issued and denominated in KZT				303,693	250,792	246,550
Total debt securities issued				1,223,253	1,156,129	1,196,357

As at 30 June 2017, debt securities issued included accrued interest payable amounting to 19,719 thousand US dollars (31 December 2016: 21,703 thousand US dollars; 31 December 2015: 21,181 thousand US dollars).

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

19 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the interim condensed statement of financial position.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments. The Bank plans to fund these commitments primarily with debt securities issued.

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

As at 30 June 2017, 31 December 2016 and 2015, the nominal or contractual amounts were:

	30 June 2017 Unaudited Nominal Amount	31 December 2016 Nominal amount	31 December 2015 Nominal amount
Commitments on loans and unused credit lines	673,965	605,839	490,739
Guarantees and letters of credit issued	84,928	160,563	5,275
Commitments to join private equity funds	16,681	17,231	17,635
Total contingent liabilities and credit commitments	775,574	783,633	513,649

Fiduciary activities

The Bank provides trust services to Eurasian Fund for Stabilisation and Development (formerly "Anti-crisis Fund of the Eurasian Economic Community") ("the Fund"), whereby it holds and manages assets or invests funds received in various financial instruments as a Manager of Fund.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

20 TRANSACTIONS WITH RELATED PARTIES

Related parties and transactions with related parties are assessed in accordance with IAS 24 *Related Party Disclosures*. As discussed in Note 1, the Bank's operations include the financing of projects within its Member states, which include projects undertaken by governmental entities. Accordingly, the Bank enters into numerous transactions with related parties as a result of its ownership by the Member states.

(a) Transactions with key management

The remuneration of directors and other members of key management included in staff costs and other payments to employees (including accommodation cost of employees) (Note 9) was as follows:

	Six-month period ended 30 June 2017 Unaudited		Six-month period ended 30 June 2016 Unaudited		Six-month period ended 30 June 2015 Unaudited	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation, short-term employee benefits:						
Staff costs and other payments to employees	2,219	12,773	2,178	12,328	2,453	15,636
Accommodation costs of employees	62	492	38	702	156	1,023
Total	2,281	13,265	2,216	13,030	2,609	16,659

The outstanding balances as at 30 June 2017, 31 December 2016 and 2015 for transactions with the members of the Executive Board are as follows:

	30 June 2017 Unaudited	31 December 2016	31 December 2015
Interim condensed statement of financial position			
Other liabilities - pension reserves and accrued bonuses	2,619	2,072	1,541

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

20 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties

According to IAS 24 Related Party Disclosures other related parties of the Bank comprise the Russian Federation and the Republic of Kazakhstan, national companies and other organisations controlled by these Member states and the Fund.

The outstanding balances and the related average interest rates as at 30 June 2017, 31 December 2016 and 2015 with other related parties are as follows:

	30 June 2017		31 December 2016		31 December 2015	
	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %
Statement of financial position						
ASSETS						
Cash and cash equivalents						
USD	292	-	252	-	180	-
RUB	8,268	8.69%	3,635	8.94%	211	-
KZT	4,586	-	8,046	9.08%	294	-
Other currencies	82,368	4.51%	33,711	0.50%	39	-
Loans and advances to banks						
USD	10,555	7.54%	67,357	3.12%	29,205	5.80%
RUB	-	-	-	-	-	-
KZT	32,360	11.93%	1,347	10.18%	1,648	10.18%
Other currencies	-	-	-	-	-	-
Loans to customers						
USD	172,878	9.84%	179,713	9.28%	275,187	9.35%
RUB	191,957	11.89%	188,488	12.40%	144,391	12.51%
KZT	201,722	10.45%	207,223	10.62%	187,295	9.25%
Financial assets available-for-sale						
USD	71,533	5.29%	303,064	4.84%	141,040	5.38%
RUB	54,485	9.80%	14,221	9.59%	-	-
KZT	87,579	1.59%	137,046	12.03%	-	-
Other currencies	246,694	3.95%	84,014	4.59%	-	-
Investments held-to-maturity						
USD	-	-	-	-	302,468	5.55%
Other assets						
USD	1	-	1	-	2,998	-
RUB	2	-	2	-	8	-
KZT	-	-	-	-	-	-
Other currencies	-	-	105	-	-	-
LIABILITIES						
Loans and deposits from banks						
RUB	30,745	9.50%	-	-	-	-
KZT	54,191	6.61%	50,578	6.84%	-	-
Debt securities issued						
RUB	96,628	9.50%	84,709	9.44%	123,091	11.08%
KZT	264,671	6.82%	247,163	6.75%	242,961	6.65%
Other liabilities						
USD	1,705	-	1,713	-	1,738	-
RUB	-	-	-	-	97	-
KZT	585	-	563	-	-	-
Guarantees received						
USD	192,275	-	191,555	-	191,157	-
KZT	147,185	-	153,262	-	141,535	-
Commitments						
USD	244,760	-	245,197	-	250,035	-
RUB	-	-	-	-	19,492	-
KZT	-	-	-	-	157	-
Other currencies	-	-	78,878	-	-	-

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

(in thousands of US dollars)

20 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(b) Transactions with other related parties, continued

The profit or loss amounts of transactions for the six-month periods ended 30 June 2017, 2016 and 2015 with other related parties are as follows:

	Six-month period ended 30 June 2017 Unaudited	Six-month period ended 30 June 2016 Unaudited	Six-month period ended 30 June 2015 Unaudited
Statement of profit or loss			
Interest income	41,925	44,041	48,882
Interest expense	(16,010)	(13,020)	(31,194)
Net recovery/(charge) of provisions for impairment losses on interest bearing assets	9	22	(160)
Net gain on financial assets and liabilities at fair value through profit or loss	206	210	-
Net realised gain on financial assets available-for-sale	1,802	7,918	447
Net gain/(loss) on transactions in foreign currencies	26,401	10,558	(9,565)
Fee and commission income	1,898	1,455	3,135
Other income	26	18	45

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

21 SEGMENT REPORTING

Segment performance – geographic

The Bank operates in the Russian Federation, the Republic of Kazakhstan and other countries. In presenting geographical information the allocation of revenue is based on the geographical location of customers and assets.

Segment information for the main geographical segments of the Bank is set out below.

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total for the six-month period ended 30 June 2017 Unaudited
Interest income	37,898	43,416	13,035	901	2,840	98,090
Interest expense	(16,606)	(10,891)	-	-	(26,314)	(53,811)
Net charge of provisions for impairment losses on interest bearing assets	(14,443)	(1,010)	(48)	(67)	-	(15,568)
Net loss on financial assets and liabilities at fair value through profit or loss	(1,195)	(5,359)	-	-	(42,276)	(48,830)
Net realised gain/(loss) on financial assets available-for-sale	2,318	(27)	-	-	(1)	2,290
Net gain/(loss) on transactions in foreign currencies	2,002	3,991	-	(3)	43,994	49,984
Fee and commission income	3,110	4	-	-	-	3,114
Fee and commission expense	(31)	(14)	-	-	(92)	(137)
Net loss on trading with debt securities issued	(2)	-	-	-	-	(2)
Other income	16	55	-	-	-	71
Net result from financial operations	13,067	30,165	12,987	831	(21,849)	35,201
Capital expenditure	35	69	2	-	-	106
Depreciation and amortisation	93	541	1	12	-	647

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

21 SEGMENT REPORTING, CONTINUED

Segment performance – geographic, continued

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total 30 June 2017 Unaudited
Cash and cash equivalents	48,663	74,480	51	66	250,725	373,985
Financial assets at fair value through profit or loss	2	-	-	-	420	422
Loans and advances to banks	-	38,369	29,672	17,654	-	85,695
Loans to customers	482,170	733,203	267,751	2,341	-	1,485,465
Financial assets available-for-sale	573,592	88,136	-	-	784,769	1,446,497
Property, equipment and intangible assets	268	12,023	6	18	-	12,315
Other assets	1,542	1,976	5	42	502	4,067
Total assets	1,106,237	948,187	297,485	20,121	1,036,416	3,408,446
Total liabilities	281,195	428,907	1	10	1,012,178	1,722,291
Contingent liabilities and credit commitments	286,866	296,713	171,995	20,000	-	775,574

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

21 SEGMENT REPORTING, CONTINUED

Segment performance – geographic, continued

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total for the six-month period ended 30 June 2016 Unaudited
Interest income	41,926	31,660	20,249	1,721	1,806	97,362
Interest expense	(15,539)	(7,862)	-	-	(17,951)	(41,352)
Net recovery/(charge) of provisions for impairment losses on interest bearing assets	287	8	(6,702)	(5,304)	-	(11,711)
Recovery of impairment losses on other assets	-	435	-	-	-	435
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	160	448	-	-	(1,651)	(1,043)
Net realised gain/(loss) on financial assets available-for-sale	9,586	(1,589)	-	-	(5)	7,992
Net gain/(loss) on transactions in foreign currencies	4,448	(1,155)	(3)	2	1,114	4,406
Fee and commission income	1,469	124	17	-	-	1,610
Fee and commission expense	(35)	(12)	-	-	(51)	(98)
Net (loss)/gain on trading with debt securities issued	(232)	-	-	-	169	(63)
Other income	3	75	56	23	-	157
Other expenses	-	-	-	-	(20)	(20)
Net result from financial operations	42,073	22,132	13,617	(3,558)	(16,589)	57,675
Capital expenditure	20	34	3	2	-	59
Depreciation and amortization	109	597	1	17	-	724

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

21 SEGMENT REPORTING, CONTINUED

Segment performance – geographic, continued

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total 31 December 2016
Cash and cash equivalents	226,347	18,175	52	44	233,264	477,882
Financial assets at fair value through profit or loss	-	-	-	-	6,531	6,531
Loans and advances to banks	-	36,040	20,102	20,866	50,952	127,960
Loans to customers	463,153	724,697	291,712	2,646	-	1,482,208
Financial assets available-for-sale	596,173	150,674	-	-	398,672	1,145,519
Property, equipment and intangible assets	326	12,494	5	30	-	12,855
Other assets	1,238	688	13	36	145	2,120
Total assets	1,287,237	942,768	311,884	23,622	689,564	3,255,075
Total liabilities	241,247	321,768	634	5	1,024,336	1,587,990
Contingent liabilities and credit commitments	320,126	322,352	138,155	3,000	-	783,633

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

21 SEGMENT REPORTING, CONTINUED

Segment performance – geographic, continued

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total for the six-month period ended 30 June 2015 Unaudited
Interest income	58,192	38,479	18,839	3,460	939	119,909
Interest expense	(28,593)	(14,617)	-	-	(29,738)	(72,948)
Net (charge)/recovery of provisions for impairment losses on interest bearing assets	(45,540)	(29,488)	(64,265)	107	-	(139,186)
Provision for impairment losses on equity financial assets available-for-sale	(5,907)	-	-	-	-	(5,907)
Provision for impairment losses on other assets	-	(42,587)	-	-	-	(42,587)
Net gain on financial assets and liabilities at fair value through profit or loss	3,076	440	-	-	8,693	12,209
Net realised gain on financial assets available-for-sale	447	-	-	-	1,094	1,541
Net gain/(loss) on transactions in foreign currencies	2,390	716	(12)	(10)	(6,244)	(3,160)
Fee and commission income	1,367	1,842	151	11	-	3,371
Fee and commission expense	(24)	(21)	-	-	(61)	(106)
Other income	52	94	29	50	-	225
Other expenses	(3)	-	-	-	-	(3)
Net result from financial operations	(14,543)	(45,142)	(45,258)	3,618	(25,317)	(126,642)
Capital expenditure	35	78	-	29	-	142
Depreciation and amortisation	113	668	5	18	-	804

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

21 SEGMENT REPORTING, CONTINUED

Segment performance – geographic, continued

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total 31 December 2015
Cash and cash equivalents	82,210	498	40	72	205,467	288,287
Loans and advances to banks	1,017	1,648	24,245	34,629	-	61,539
Loans to customers	559,830	607,404	319,114	13,043	-	1,499,391
Financial assets available-for-sale	109,783	80,501	-	-	419,465	609,749
Investments held-to-maturity	302,467	-	-	-	100,247	402,714
Property, equipment and intangible assets	446	13,252	3	58	-	13,759
Other assets	4,244	422	42	25	462	5,195
Total assets	1,059,997	703,725	343,444	47,827	725,641	2,880,634
Total liabilities	361,357	263,709	916	6	755,313	1,381,301
Contingent liabilities and credit commitments	143,980	221,554	148,115	-	-	513,649

Net result from financial operations, assets, liabilities and capital expenditure have generally been allocated based on the domicile of the counterparty. Tangible assets (cash on hand, premises and equipment) have been allocated based on the country in which they are physically held.

For the six-month period ended 30 June 2017, 2016 and 2015 there were no loans to customers with interest income individually exceeding 10% of interest income.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determining fair values

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a market exchange from the sale of its full holdings of a particular instrument.

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

(b) Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair value using valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting in an arm's length transaction.

The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

22 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

Instruments involving significant unobservable inputs are presented by certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The table below analyses financial instruments measured at fair value as at 30 June 2017, 31 December 2016 and 2015, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position:

	Level 1	Level 2	Level 3	30 June 2017 Total Unaudited
Financial assets at fair value through profit or loss	-	422	-	422
Financial assets available-for-sale:				
- Debt instruments	1,388,392	-	35,615	1,424,007
- Equity instruments	-	-	22,490	22,490
Financial liabilities at fair value through profit or loss	-	(13,075)	-	(13,075)
	Level 1	Level 2	Level 3	31 December 2016 Total
Financial assets at fair value through profit or loss	-	6,531	-	6,531
Financial assets available-for-sale:				
- Debt instruments	1,090,480	-	34,085	1,124,565
- Equity instruments	-	-	20,954	20,954
Financial liabilities at fair value through profit or loss	-	(904)	-	(904)
	Level 1	Level 2	Level 3	31 December 2015 Total
Financial assets available-for-sale:				
- Debt instruments	589,068	-	415	589,483
- Equity instruments	-	-	20,266	20,266
Financial liabilities at fair value through profit or loss	-	(5,137)	-	(5,137)

22 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED**(b) Valuation of financial instruments, continued**

The following table shows reconciliation for the periods ended 30 June 2017, 31 December 2016 and 31 December 2015 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3		
	Six-month period ended 30 June 2017 Unaudited	Year-ended 31 December 2016	Year-ended 31 December 2015
Financial assets available-for-sale			
Balance at beginning of the period	55,039	20,681	42,264
Purchase of new instruments	-	33,952	
Impairment loss	-	-	(21,728)
Revaluation	3,066	406	145
Balance at end of the period	58,105	55,039	20,681

The Bank uses different methodologies to value the assets at Level 3 such as a “Book Value to Equity multiplier” or “Discounted Cash Flow” approach. Under any scenario the above estimates are sensitive to changes in the market parameters and future expectations and may result in a change of the carrying value of the investments by 10 or more percent within a one year horizon.

The table below analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 30 June 2017, 31 December 2016 and 2015. The Bank believes that carrying value of loans to customers and loans and advances to banks represents their fair value. The Bank is a financial organisation oriented for development and, thus, most of the loans are unique and interest rates are specific for each project and less sensitive to the market fluctuations.

	Level 1	Level 2	Level 3	30 June 2017 Unaudited	
				Total fair value	Total carrying value
Financial assets					
Cash and cash equivalents	-	373,985	-	373,985	373,985
Loans and advances to banks	-	85,695	-	85,695	85,695
Loans to customers	-	1,459,826	25,639	1,485,465	1,485,465
Other financial assets	-	1,833	-	1,833	1,833
Financial liabilities					
Loans and deposits from banks	-	459,930	-	459,930	459,930
Debt securities issued	1,251,569	-	-	1,251,569	1,223,253
Other financial liabilities	-	25,445	-	25,445	25,445

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

22 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

	Level 1	Level 2	Level 3	31 December 2016	
				Total fair value	Total carrying value
Financial assets					
Cash and cash equivalents	-	477,882	-	477,882	477,882
Loans and advances to banks	-	127,960	-	127,960	127,960
Loans to customers	-	1,410,694	71,514	1,482,208	1,482,208
Other financial assets	-	589	-	589	589
Financial liabilities					
Loans and deposits from banks	-	408,243	-	408,243	408,243
Debt securities issued	1,192,230	-	-	1,192,230	1,156,129
Other financial liabilities	-	21,425	-	21,425	21,425

	Level 1	Level 2	Level 3	31 December 2015	
				Total fair value	Total carrying value
Financial assets					
Cash and cash equivalents	-	288,287	-	288,287	288,287
Loans and advances to banks	-	61,539	-	61,539	61,539
Loans to customers	-	1,317,942	181,449	1,499,391	1,499,391
Investments held-to-maturity	417,936	-	-	417,936	402,714
Other financial assets	-	3,249	-	3,249	3,249
Financial liabilities					
Loans from banks	-	161,351	-	161,351	161,351
Debt securities issued	1,194,030	-	-	1,194,030	1,196,357
Other financial liabilities	-	18,041	-	18,041	18,041

23 RISK MANAGEMENT POLICIES

(a) Credit risk

As at 30 June 2017, the credit ratings and credit risk of the counterparties have not significantly changed compared to 31 December 2016.

(i) Assets allocation in portfolios

The Bank separates its assets into two portfolios which are the investment portfolio and the treasury portfolio. The purpose of this separation is to provide management of the Bank with the information about the portfolios' assets structure as these portfolios pursue different aims of the Bank and are managed differently. For each of the portfolios the Executive Board of the Bank and the Assets and Liabilities Management Committee review internal management reports on at least a monthly basis. The following summary describes the operations in each of the portfolios:

23 RISK MANAGEMENT POLICIES, CONTINUED**(a) Credit risk, continued***(i) Assets allocation in portfolios, continued*

- Assets in the treasury portfolio are intended to protect the share capital of the Bank from the influence of risk factors, and also to maintain a sufficient level of liquidity. Assets in treasury portfolio are managed in accordance with the Investment declaration, the Market and treasury risks management rules and internal guidelines regulation, which set forth strategy, structure and principles for the treasury portfolio. These assets are managed by the Treasury department, overviewed and controlled by the Assets and Liabilities Management Committee. The credit and risk management department supervises compliance with investment limits.
- Assets in the investment portfolio pursue the strategic objectives of the Bank of development of the market economy and integration in its Member states. These assets must conform with the Investment regulations, which set out the main principles that guide the Bank when considering investment projects. Origination and acquisition of these assets must be approved by the Credit Committee, the Executive Board and, in certain cases, the Council of the Bank.

Performance is measured based on structure and quality of assets in respective portfolios as included in the internal management reports.

Information regarding each portfolio is included below:

	Current investment portfolio	Treasury Portfolio	Unallocated*	30 June 2017 Total Unaudited
Cash and cash equivalents	-	373,985	-	373,985
Financial assets at fair value through profit or loss	-	422	-	422
Loans and advances to banks	83,663	-	2,032	85,695
Loans to customers	1,583,856	-	(98,391)	1,485,465
Financial assets available-for-sale	58,199	1,388,392	(94)	1,446,497
Property, equipment and intangible assets	-	-	12,315	12,315
Other assets	-	-	4,067	4,067
Total assets	1,725,718	1,762,799	(80,071)	3,408,446
Total liabilities	-	357,122	1,365,169	1,722,291
Contingent liabilities and credit commitments	775,574	-	-	775,574
Total current investment portfolio	2,501,292			

*According to the internal policies, the Bank allocates balance of current investment portfolio based on the nominal values, excluding allowances for impairment losses, accrued interest and unamortised premiums and discounts.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017*(in thousands of US dollars)***23 RISK MANAGEMENT POLICIES, CONTINUED****(a) Credit risk, continued***(i) Assets allocation in portfolios, continued*

	Current investment portfolio	Treasury Portfolio	Unallocated	31 December 2016 Total
Cash and cash equivalents	-	477,882	-	477,882
Financial assets at fair value through profit or loss	-	6,531	-	6,531
Loans and advances to banks	75,167	50,952	1,841	127,960
Loans to customers	1,555,830	-	(73,622)	1,482,208
Financial assets available-for-sale	55,206	1,090,480	(167)	1,145,519
Property, equipment and intangible assets	-	-	12,855	12,855
Other assets	-	-	2,120	2,120
Total assets	1,686,203	1,625,845	(56,973)	3,255,075
Total liabilities	-	292,149	1,295,841	1,587,990
Contingent liabilities and credit commitments	783,633	-	-	783,633
Total current investment portfolio	2,469,836			
	Current investment portfolio	Treasury Portfolio	Unallocated	31 December 2015 Total
Cash and cash equivalents	-	288,287	-	288,287
Loans and advances to banks	61,421	-	118	61,539
Loans to customers	1,604,210	-	(104,819)	1,499,391
Financial assets available-for-sale	21,135	589,068	(454)	609,749
Investments held-to-maturity	-	402,714	-	402,714
Property, equipment and intangible assets	-	-	13,759	13,759
Other assets	-	-	5,195	5,195
Total assets	1,686,766	1,280,069	(86,201)	2,880,634
Total liabilities	-	5,137	1,376,164	1,381,301
Contingent liabilities and credit commitments	513,649	-	-	513,649
Total current investment portfolio	2,200,415			

(b) Liquidity risk

During the six-month period ended 30 June 2017, there were no significant changes in liquidity risk comparing to 31 December 2016.

(c) Market risk

Market risk covers interest rate risk, currency and pricing risks. In order to measure price and currency risks the Bank uses value-at-risk (VAR) methodology. In order to measure interest rate risk the Bank assesses its sensitivity to changes in interest rates. The Bank uses a system of limits to manage these risks. During the six-month period ended 30 June 2017, there were no significant changes in market risk comparing to 31 December 2016.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of US dollars)

23 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	US dollars Unaudited	Kazakhstan tenge Unaudited	Russian rouble Unaudited	Euro Unaudited	Other currencies Unaudited	30 June 2017 Total Unaudited
Open balance sheet position	1,139,150	33,616	(2,714)	500,940	15,161	1,686,153
Net spot and derivative financial instruments position	540,238	(33,525)	(1,635)	(503,025)	(14,706)	(12,653)
TOTAL OPEN POSITION	1,679,388	91	(4,349)	(2,085)	455	
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2016 Total
Open balance sheet position	1,238,940	21,483	48,961	230,199	93,451	1,633,034
Net spot and derivative financial instruments position	386,433	(20,244)	(49,875)	(223,943)	(86,744)	5,627
TOTAL OPEN POSITION	1,625,373	1,239	(914)	6,256	6,707	
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2015 Total
Open balance sheet position	1,427,663	(27,075)	(61,836)	124,896	129	1,463,777
Net spot and derivative financial instruments position	25,795	25,265	68,834	(125,031)	-	(5,137)
TOTAL OPEN POSITION	1,401,868	(1,810)	6,998	(135)	129	

23 RISK MANAGEMENT POLICIES, CONTINUED**(e) Financial ratios**

In December 2011, the Council of the Bank has set financial ratios:

	30 June 2017	31 December	31 December
	Total	2016	2015
	Unaudited		
Minimum amount of liquid assets in Treasury portfolio			
- required amount in thousands US dollars*	330,910	525,990	837,301
- <i>actual amount</i>	1,418,329	1,328,069	1,280,069
Financial leverage ratio			
- should be less or equal to 300% of the Bank's equity	300.00%	300.00%	300.00%
- <i>actual ratio</i>	78.89%	75.79%	90.15%
Maximum principal amount of the Bank's borrowings			
- allowed amount in thousands of US Dollars	1,606,800	1,444,336	2,734,000
- <i>actual amount of the Bank's borrowings</i>	1,330,221	1,263,521	1,351,601

* In December 2016, the Council of the Bank approved the changes in the procedure for calculating the minimum level of liquidity ratio. According to the previous approach the size of the treasury portfolio should not be less than 65% of the Bank's commitments under its investment activities less issued guarantees and bilateral commitments, plus the annual cost of financial debt. The new approach sets the minimum level of treasury portfolio not less than 1-year projected net loan disbursements (loans disbursed less repayments) if greater than zero, less bilateral commitments, plus the annual cost of financial debt. The new procedure of calculation has taken effect from 1 January 2017 and this limit is reviewed on a quarterly basis.

The ALMC regularly monitors compliance of the Bank with the financial ratios set by the Council of the Bank.

24 EVENTS AFTER THE REPORTING PERIOD

Up to the date of issue of this financial information Management have not identified any significant subsequent events which require disclosure.