

EURASIAN DEVELOPMENT BANK

Interim Condensed Financial Information (Unaudited)

For the six-month period ended 30 June 2019

EURASIAN DEVELOPMENT BANK

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Members of the Council and the Management Board 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 2019 and the related interim statements of profit or loss and other 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 of 30 June 2019, 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 Eurasian Development Bank for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 20 February 2019.



1 August 2019
Almaty, Kazakhstan

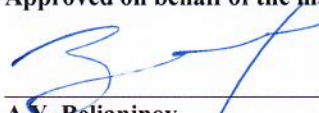
EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019


(in thousands of US dollars)

	Note	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Interest income	5	119,865	103,760
Interest expense	5	(71,819)	(56,490)
Net interest income before expected credit losses on interest bearing assets	5	48,046	47,270
Recovery of expected credit losses on interest bearing assets	6	1,987	5,310
NET INTEREST INCOME		50,033	52,580
Losses from equity securities at fair value through profit or loss		(137)	(1,073)
Provision for impairment losses on other assets		(312)	-
Net loss from modification and recognition of new financial instruments		(2,364)	(2,261)
Net (loss)/ gain on financial assets and liabilities at fair value through profit and loss	7	(14,183)	17,581
Net realised (loss)/ gain on financial assets at fair value through other comprehensive income		(568)	191
Net gain/(loss) on transactions in foreign currencies	8	24,068	(14,437)
Fee and commission income		3,605	2,170
Fee and commission expense		(230)	(153)
Net loss on trading with debt securities issued		-	(1)
Other income		25	219
Net non-interest income		9,904	2,236
Net result from financial operations		59,937	54,816
Operating expenses	9	(20,821)	(17,251)
Technical Assistance Fund expenses		-	(23)
NET PROFIT		39,116	37,542
OTHER COMPREHENSIVE INCOME:			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net unrealised gain/(loss) on revaluation of financial assets at fair value through other comprehensive income		24,853	(21,052)
Net realised loss/(gain) on financial assets at fair value through other comprehensive income transferred to the profit and loss		568	(191)
Net unrealized loss on revaluation of hedge instruments		(1,412)	-
OTHER COMPREHENSIVE INCOME/(LOSS)		24,009	(21,243)
TOTAL COMPREHENSIVE INCOME		63,125	16,299

Approved on behalf of the management of the Bank:


A.Y. Belianinov
Chairman of the Executive Board




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

1 August 2019
Almaty, Kazakhstan

1 August 2019
Almaty, Kazakhstan

The notes on pages 6-41 form an integral part of this interim condensed financial information

EURASIAN DEVELOPMENT BANK

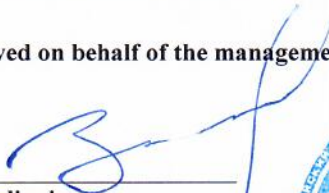
INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

(in thousands of US dollars)


	Note	30 June 2019 Unaudited	31 December 2018
ASSETS			
Cash and cash equivalents	10	592,369	641,170
Financial assets at fair value through profit or loss	11	12,343	17,169
Loans and advances to banks	13	263,278	245,510
Loans to customers	14	1,752,282	1,650,290
Financial assets at fair value through other comprehensive income	15	1,520,066	1,139,341
Hedging instruments		-	86
Property and equipment		10,884	11,156
Intangible assets		1,005	1,148
Other assets	16	16,166	4,596
TOTAL ASSETS		4,168,393	3,710,466
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and deposits from banks	17	266,831	242,931
Financial liabilities at fair value through profit or loss	11	19,530	3,329
Deposits from customers	18	205,791	177,145
Hedging instruments	12	3,355	521
Debt securities issued	19	1,840,167	1,525,786
Other liabilities		31,614	22,774
Total liabilities		2,367,288	1,972,486
EQUITY:			
Share capital:			
Authorised share capital		7,000,000	7,000,000
Less: callable share capital		(5,484,300)	(5,484,300)
Paid-in share capital		1,515,700	1,515,700
Reserve fund		111,732	111,732
Technical assistance fund reserve	20	19,133	-
Revaluation reserve/(deficit) for financial assets at fair value through other comprehensive income		8,357	(17,064)
Revaluation deficit of hedging instruments		(1,847)	(435)
Retained earnings		148,030	128,047
Total equity		1,801,105	1,737,980
TOTAL LIABILITIES AND EQUITY		4,168,393	3,710,466

Approved on behalf of the management of the Bank:


A.Y. Belianinov
Chairman of the Executive Board

1 August 2019
Almaty, Kazakhstan




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

1 August 2019
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

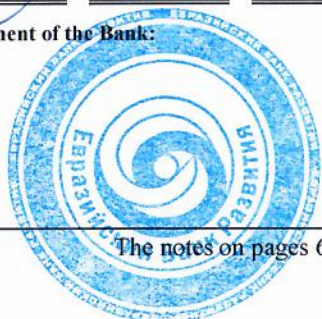
(in thousands of US dollars)

	Share capital			Reserve fund	Technical assistance fund reserve	Revaluation reserve/(deficit) for financial assets available-for-sale	Revaluation reserve/(deficit) for financial assets at fair value through other comprehensive income	Revaluation (deficit)/reserve for hedging instruments	Retained earnings/(accumulated deficit)	Total
	Authorised	Callable	Paid-in							
31 December 2017	7,000,000	(5,484,300)	1,515,700	90,872	-	5,265	-	-	97,764	1,709,601
Reclassification of opening balance	-	-	-	-	-	(5,265)	5,265	-	-	-
Changes at initial application of IFRS 9	-	-	-	-	-	-	-	-	(15,302)	(15,302)
Recalculated balance as of 1 January 2018	7,000,000	(5,484,300)	1,515,700	90,872	-	-	5,265	-	82,462	1,694,299
Net profit (unaudited)	-	-	-	-	-	-	-	-	37,542	37,542
Other comprehensive loss (unaudited)	-	-	-	-	-	-	(21,243)	-	-	(21,243)
Total comprehensive (loss)/ income (unaudited)	-	-	-	-	-	-	(21,243)	-	37,542	16,299
Transfer to Reserve fund from retained earnings	-	-	-	20,860	-	-	-	-	(20,860)	-
30 June 2018 (unaudited)	7,000,000	(5,484,300)	1,515,700	111,732	-	-	(15,978)	-	99,144	1,710,598
31 December 2018	7,000,000	(5,484,300)	1,515,700	111,732	-	-	(17,064)	(435)	128,047	1,737,980
Net profit (unaudited)	-	-	-	-	-	-	-	-	39,116	39,116
Other comprehensive loss (unaudited)	-	-	-	-	-	-	25,421	(1,412)	-	24,009
Total comprehensive income/(loss) (unaudited)	-	-	-	-	-	-	25,421	(1,412)	39,116	63,125
Transfer to Technical assistance fund reserve from retained earnings	-	-	-	-	19,133	-	-	-	(19,133)	-
30 June 2019 (unaudited)	7,000,000	(5,484,300)	1,515,700	111,732	19,133	-	8,357	(1,847)	148,030	1,801,105

Approved on behalf of the management of the Bank:

A. V. Belianinov
Chairman of the Executive Board

1 August 2019
Almaty, Kazakhstan



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

1 August 2019
Almaty, Kazakhstan

The notes on pages 6-41 form an integral part of this interim condensed financial information

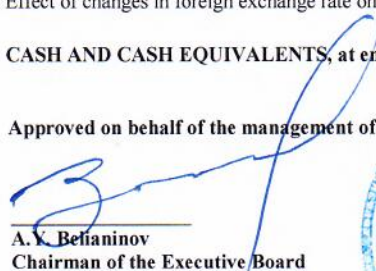
EURASIAN DEVELOPMENT BANK

**INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**


(in thousands of US dollars)

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans to customers	71,273	66,227
Interest received on cash and cash equivalents and loans and advances to banks	16,498	11,985
Income received from/(expense paid for) financial assets at fair value through profit or loss	8,214	(167)
Interest and income received on financial assets at fair value through other comprehensive income	21,416	22,577
Interest paid on loans and deposits from banks	(4,726)	(12,931)
Interest paid on deposits from customers	(5,179)	-
Interest paid on debt securities issued	(52,399)	(42,061)
Fees and commissions received	200	213
Fees and commissions paid	(196)	(160)
Other income received	25	220
Operating expenses paid	(19,926)	(15,541)
Cash flows from operating activities before changes in operating assets and liabilities	35,200	30,362
Changes in operating assets:		
Increase in loans to customers	(58,005)	(415,287)
Increase in loans and advances to banks	(9,240)	(50,259)
Increase in other assets	(701)	(350)
Changes in operating liabilities:		
(Decrease)/increase in deposits from banks	(22,823)	152,175
Increase in deposits from customers	28,127	-
(Decrease)/increase in other liabilities	(20)	24
Cash flows used in operating activities	(27,462)	(283,335)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(3,360,572)	(1,661,876)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income	3,024,272	2,069,110
Purchase of property, equipment and intangible assets	(300)	(706)
Cash flows (used in)/from investing activities	(336,600)	406,528
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt securities	286,839	238,244
Repayments of debt securities issued	(29,751)	(136,373)
Proceeds from loans from banks	56,880	-
Repayments of loans from banks	(10,906)	(10,599)
Cash flows from financing activities	303,062	91,272
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period (Note 10)	641,170	167,370
Effect of changes in foreign exchange rate on cash and cash equivalents	12,199	(4,001)
CASH AND CASH EQUIVALENTS, at end of the period (Note 10)	592,369	377,834

Approved on behalf of the management of the Bank:


A. V. Belianinov
Chairman of the Executive Board




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

1 August 2019
Almaty, Kazakhstan

1 August 2019
Almaty, Kazakhstan

The notes on pages 6-41 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 2019

(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”). The Agreement on Incorporation became effective on 16 June 2006, since its ratification by the Russian Federation and the Republic of Kazakhstan via adoption of relevant laws.

The Bank’s membership is open to new participants such that other states and international organisations that have mutual objectives with 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 aims 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, made its contribution to the share capital and became Member state of the Bank on 26 August 2011.

As at 30 June 2019, 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 activity is an engagement in investment activities for the benefit of socioeconomic development of the member states. 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 headquarters of the Bank is registered at: 220, Dostyk Avenue, Almaty, the Republic of Kazakhstan. Also the Bank has a branch office in St. Petersburg and representative offices in Bishkek, Dushanbe, Minsk, Moscow, Nur-Sultan and Yerevan

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

(in thousands of US dollars)

1 BACKGROUND (CONTINUED)

(a) Principal activities, continued

In accordance with article 31 of the Charter of the Bank, which is an integral part of the 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. Actions may be brought against the Bank only in a court of competent jurisdiction in the territory of a state in which the Bank has its principal or a branch office, a subsidiary bank or a representative office, or has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. Property and assets of the Bank located in member states shall be immune from search, requisition, attachment, confiscation, expropriation or any other form of taking or foreclosure unless and until a final judgment is delivered against the Bank. The Bank, its income, property, assets, and its operations and transactions carried out as per this Charter in the territory of member states shall be exempt from all taxes, duties, levies or fees, except charges for particular services.

As at 30 June 2019 and 31 December 2018, shares of the Bank were owned as follows:

	%
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	0.01
Total	100.00

According to the Charter of the Bank, significant decisions like: accession of new Member states, changes in share capital of the Bank, liquidation/suspension of activity of the Bank must be approved by no less than 75% of votes. Also the Council of the Bank elects the Chairman and members of the Executive Board and approves/disapproves all counterparty risks above 100 million US dollars. According to the Charter at least 75% of the shareholders must be present at the Council's meeting, thus effectively requiring both the Russian Federation and the Republic of Kazakhstan to vote similarly on most of the key decision of the Council. No ultimate controlling party. All six Member states have representatives in the Council of the Bank.

(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.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

(in thousands of US dollars)

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 2018, as this interim condensed financial information provides an update of previously reported financial statements.

This interim condensed financial information was authorised for issue on 1 August 2019 by the management of the Bank.

(b) Basis of measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation financial instruments categorised at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”).

(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

In preparing this interim condensed financial information, the significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Bank’s annual financial statements for 2018 prepared in accordance with IFRS.

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 2018.

EURASIAN DEVELOPMENT BANK**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)***(in thousands of US dollars)***4 NEW ACCOUNTING STANDARDS****IFRS 16 Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)**

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Bank decided that it will apply the standard using the modified retrospective method, without restatement of comparatives. The Bank recognised a right of use asset of 7,719 thousand US dollars against a corresponding lease liability on 1 January 2019:

<i>In thousands of US dollars</i>	31 December 2018 / 1 January 2019
Total future minimum lease payments for non-cancellable operating leases	8,427
- Effect of discounting to present value	(708)
Total lease liabilities	7,719

5 INTEREST INCOME

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Interest income comprises:		
Loans to customers	71,322	68,653
Financial assets at fair value through other comprehensive income	29,887	22,751
Cash and cash equivalents	9,781	3,159
Loans and advances to banks	8,875	9,197
Total interest income	119,865	103,760
Interest expense comprises:		
Debt securities issued	(62,219)	(41,199)
Deposits from customers	(5,180)	-
Loans and deposits from banks	(4,420)	(15,291)
Total interest expense	(71,819)	(56,490)
Net interest income before expected credit losses on interest bearing assets	48,046	47,270

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

(in thousands of US dollars)

6 RECOVERY OF EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS

The movements in accumulated allowance for expected credit losses on loans to customers were as follows:

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Beginning of the period	<u>(66,202)</u>	<u>(55,180)</u>
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	(11,154)
Net recovery	1,390	4,838
Write-offs	9,178	-
Effect of foreign currency movements	<u>(552)</u>	<u>358</u>
End of the period	<u>(56,186)</u>	<u>(61,138)</u>

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

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Beginning of the period	<u>(2,670)</u>	<u>(111)</u>
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	(1,631)
Net recovery/(charge)	350	(355)
Effect of foreign currency movements	<u>(53)</u>	<u>62</u>
End of the period	<u>(2,373)</u>	<u>(2,035)</u>

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

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Beginning of the period	<u>(2,163)</u>	<u>(162)</u>
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	(2,484)
Net recovery	210	825
Effect of foreign currency movements	<u>(57)</u>	<u>34</u>
End of the period	<u>(2,010)</u>	<u>(1,787)</u>

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

(in thousands of US dollars)

**6 RECOVERY OF EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS
(CONTINUED)**

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

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Beginning of the period	(68)	-
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	(33)
Net recovery	37	2
End of the period	(31)	(31)

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

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Net (loss)/gain on derivative financial instruments in foreign currency	(14,183)	17,581
Total net (loss)/gain on operations with financial assets and liabilities at fair value through profit or loss	(14,183)	17,581

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

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Translation differences, net	23,949	(14,398)
Dealing, net	119	(39)
Total net gain/(loss) on transactions in foreign currencies	24,068	(14,437)

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

(in thousands of US dollars)

9 OPERATING EXPENSES

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Staff costs and other payments to employees	15,487	12,955
Premises expenses	1,232	1,110
Business trip expenses	864	423
Depreciation and amortisation	633	583
Business development expenses	546	257
Professional services	538	490
Communication	381	403
Maintenance of acquired systems and programs	330	365
Security	240	242
Transportation	110	96
Office, postal and printing expenses	68	78
Training	48	24
Other	344	225
Total operating expenses	20,821	17,251

10 CASH AND CASH EQUIVALENTS

	30 June 2019 Unaudited	31 December 2018
Cash and balances with national (central) banks of Member states of the Bank	2,225	540
Correspondent accounts with other banks		
- with credit ratings A- and above	13,705	24,290
- with credit ratings below A- and not rated	15,196	12,489
Term deposits in other banks		
- with credit ratings A- and above	315,513	110,456
- with credit ratings from BBB+ to BBB-	20,003	42,908
- with credit ratings from BB+ to BB-	149,020	13,003
- with credit ratings below BB-	20,615	566
Loans under reverse repurchase agreements		
- with pledge credit ratings from BBB+ to BBB-	56,123	114,874
- with pledge credit ratings from BB+ to BB- and not rated	-	322,112
	592,400	641,238
Less: expected credit loss provisions	(31)	(68)
Total cash and cash equivalents	592,369	641,170

As at 30 June 2019 and 31 December 2018, all cash and cash equivalents were classified within stage 1 of credit quality assessment. There were no movements between different stages of credit quality assessment during the six-month period ended 30 June 2019 and year ended 31 December 2018.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
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(in thousands of US dollars)

10 CASH AND CASH EQUIVALENTS (CONTINUED)

The fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 Unaudited		31 December 2018	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
With pledge credit ratings from BBB+ to BBB-	56,123	57,828	114,874	124,541
With pledge credit ratings from BB+ to BB-	-	-	322,112	352,258
	56,123	57,828	436,986	476,799

11 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 Unaudited	31 December 2018
Equity instruments	11,713	16,878
Derivative financial instruments – assets	630	291
Total financial assets, carried at fair value through profit or loss	12,343	17,169
Derivative financial instruments – liabilities	(19,530)	(3,329)
Total financial liabilities, carried at fair value through profit or loss	(19,530)	(3,329)

As at 30 June 2019 and 31 December 2018, equity instruments, carried at fair value through profit or loss, are as follows:

	30 June 2019 Unaudited		31 December 2018	
	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%	11,713	15.87%	16,878

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.

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(in thousands of US dollars)

**11 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
(CONTINUED)**

At the first adoption of IFRS 9 requirements the Bank has decided to carry its equity investment into the Fund at fair value through profit or loss. Up to 31 December 2017, the Bank had carried this investment as available-for-sale. At the date of transition, no changes in the carrying value of the instrument in the amount of 19,814 thousand US dollars were made, and this amount was recognized as at 1 January 2018. The table below shows the reconciliation of changes in this investment:

	Six-month period ended 30 June 2019 Unaudited	Year ended 31 December 2018
Equity instruments in Investment portfolio, carried at fair value through profit or loss, as at beginning of a period	<u>16,878</u>	<u>19,814</u>
Net (redemption)/purchase of new instruments	(5,028)	539
Income received	-	(172)
Losses less gains from equity securities at fair value through profit or loss	<u>(137)</u>	<u>(3,303)</u>
Equity instruments in Investment portfolio, carried at fair value through profit or loss, as at end of a period	<u>11,713</u>	<u>16,878</u>

A loss of 137 thousand US dollars was recognised during the six-months period ended 30 June 2019 (the year ended 31 December 2018: 3,303 thousand US dollars) as the result of the decline of the fair value of the equity investment.

As at 30 June 2019 and 31 December 2018, 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 21.

As at 30 June 2019 and 31 December 2018, derivative financial instruments are as follows:

	30 June 2019 Unaudited			31 December 2018		
	Notional amount	Net fair value		Notional amount	Net fair value	
		Asset	Liability		Asset	Liability
Derivative financial instruments:						
Foreign currency contracts						
Swaps	584,959	630	(19,530)	403,375	291	(3,319)
Forwards	-	-	-	4,994	-	(10)
		<u>630</u>	<u>(19,530)</u>		<u>291</u>	<u>(3,329)</u>

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(in thousands of US dollars)

12 HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019			31 December		
	Unaudited			2018		
	Notional amount	Net fair value		Notional amount	Net fair value	
	Asset	Liability		Asset	Liability	
Fair value hedge:						
Currency swaps	211,466	-	(3,355)	219,018	86	(521)
Total derivative financial liabilities/ assets designated for hedging		-	(3,355)		86	(521)

The Bank may enter into swap agreements for hedging purposes.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Bank's exposure to long- or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the Bank's swap positions would increase or decrease depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of Bank's investments.

The Bank's ability to realise profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Bank. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Bank will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of a counterparty's insolvency.

In December 2018 and in June 2019, the Bank has entered into certain EUR/USD swap deals with the purpose to hedge a fair value risk arising from significant difference between funding currencies and loan to customer.

These swap agreements were designated as fair value hedge principally to minimize the exchange rate risk associated with the future cash inflows from loan to customer with the principal amount denominated in euro. The length of the swap agreements is six months and was chosen to match the date of the expected payments from the borrower. As a part of hedging strategy in December 2019, the Bank will enter into new swap agreements to hedge reduced principal amount of the loan.

The designated hedged risk is the forward exchange rate risk and, therefore the Bank has designated only the change in the value of the spot element as the hedging instrument. Consequently, spot and forward elements of the swap agreements are separated, and only changes in fair value of the forward element of swap agreements are recorded in the hedging reserve to the extent the hedge is effective.

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(in thousands of US dollars)

13 LOANS AND ADVANCES TO BANKS

	30 June 2019 Unaudited	31 December 2018
Loans to banks	241,198	225,180
Loans under reverse repurchase agreements: - with pledge credit ratings A- and above	<u>24,453</u>	<u>23,000</u>
	265,651	248,180
Less expected credit loss provisions	<u>(2,373)</u>	<u>(2,670)</u>
Total loans and advances to banks	<u>263,278</u>	<u>245,510</u>

As at 30 June 2019 and 31 December 2018, all loans and advances to banks were classified within stage 1 of credit quality assessment. There were no movements between different stages of credit quality assessment during the six-month period ended 30 June 2019 and year ended 31 December 2018.

The fair value of assets pledged and carrying amount of loans under reverse repurchase agreements as at 30 June 2019 and 31 December 2018:

	30 June 2019 Unaudited		31 December 2018	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Loans under reverse repurchase agreements:				
- with pledge credit ratings A- and above	<u>24,453</u>	<u>24,936</u>	<u>23,000</u>	<u>24,610</u>

As at 30 June 2019, loans and advances to banks include accrued interest income amounting to 5,109 thousand US dollars (31 December 2018: 3,295 thousand US dollars).

As at 30 June 2019 and 31 December 2018, no loans and advances to banks were past due.

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(in thousands of US dollars)

14 LOANS TO CUSTOMERS

	30 June 2019 Unaudited	31 December 2018
Unimpaired loans to customers	1,761,696	1,659,470
Impaired loans to customers, including:		
- not overdue or overdue less than 90 days	33,569	33,853
- defaulted loans	13,203	23,169
	1,808,468	1,716,492
Less: expected credit loss provisions	(56,186)	(66,202)
Total loans to customers	1,752,282	1,650,290

As at 30 June 2019, the Bank has one customer in default for a total gross amount of 13,203 thousand US dollars (31 December 2018: five customers for a total gross amount of 23,169 thousand US dollars). As at 30 June and 31 December 2018, the loan to this customer was fully provisioned.

During the first six months of 2019 loans to four defaulted customers, who were in default as at 31 December 2018, in the amount of 9,178 thousand US dollars were written-off.

As at 30 June 2019, the Bank has no customers (31 December 2018: no customers) with impaired loan overdue more than 90 days.

As at 30 June 2019, the Bank has three customers (31 December 2018: four customers) with outstanding impaired loans not overdue or overdue less than 90 days, in the amount of 33,569 thousand US dollars (31 December 2018: 33,853 thousand US dollars) with a related allowance for expected credit losses as at 30 June 2019 of 26,085 thousand US dollars (31 December 2018: 26,913 US dollars).

The table below summarizes the movement of loans to customers between the stages of credit quality assessment during the six-month period ended 30 June 2019:

	Stage 1	Stage 2	Stage 3	Total
Outstanding amount:				
As at 1 January 2019	1,282,963	81,631	351,898	1,716,492
Net issue/(redemption)	105,865	(21,272)	(17,410)	67,183
Transfer from Stage 1 to Stage 3	(4,144)	-	4,144	-
Transfer from Stage 3 to Stage 2	-	92,666	(92,666)	-
Net change in discounts/premiums	(2,220)	(2,166)	730	(3,656)
Write-offs	-	-	(9,178)	(9,178)
Effect of foreign currency movements	38,025	(578)	180	37,627
As at 30 June 2019	1,420,489	150,281	237,698	1,808,468
Allowance for expected credit losses:				
Expected credit loss provisions as at 1 January 2019	(9,329)	(1,930)	(54,943)	(66,202)
Net (charge)/ recovery	(840)	310	1,920	1,390
Transfer from Stage 1 to Stage 3	1	-	(1)	-
Write-offs	-	-	9,178	9,178
Effect of foreign currency movements	(421)	(4)	(127)	(552)
As at 30 June 2019	(10,589)	(1,624)	(43,973)	(56,186)
Total loans to customers	1,409,900	148,657	193,725	1,752,282

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
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(in thousands of US dollars)

14 LOANS TO CUSTOMERS (CONTINUED)

The table below summarizes the movement of loans to customers between the stages of credit quality assessment during the year ended 31 December 2018:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Outstanding amount:				
As at 1 January 2018	865,296	110,418	423,731	1,399,445
Net issue/(redemption)	537,221	(27,034)	(55,457)	454,730
Net change in discounts/premiums	2,862	190	(152)	2,900
Write-offs	-	-	(3,636)	(3,636)
Effect of foreign currency movements	(122,416)	(1,943)	(12,588)	(136,947)
As at 31 December 2018	<u>1,282,963</u>	<u>81,631</u>	<u>351,898</u>	<u>1,716,492</u>
Allowance for expected credit losses:				
Impairment losses as at 31 December 2017	(9)	(12)	(55,159)	(55,180)
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	(10,151)	12	(1,015)	(11,154)
Net recovery / (charge)	935	(1,949)	(5,054)	(6,068)
Write-offs	-	-	3,636	3,636
Effect of foreign currency movements	(104)	19	2,649	2,564
As at 31 December 2018	<u>(9,329)</u>	<u>(1,930)</u>	<u>(54,943)</u>	<u>(66,202)</u>
Total loans to customers	<u>1,273,634</u>	<u>79,701</u>	<u>296,955</u>	<u>1,650,290</u>

During the year ended 31 December 2018 there were no movements of loans between stages of credit quality assessment.

The Bank estimates loan impairment for its loans to customers based on an analysis of the future cash flows and collateral realization 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 realization 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.

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(in thousands of US dollars)

14 LOANS TO CUSTOMERS (CONTINUED)

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

	30 June 2019	31 December
	Unaudited	2018
Loans collateralised by real estate, equipment and inventories	845,401	891,565
Loans collateralised by guarantees:		
- State entities	375,012	381,888
- Financial and commercial organisations	353,785	176,028
- Governments of the Member-states of the Bank	118,411	153,165
Loans collateralised by future cash inflows from clients' contracts	115,859	113,846
	1,808,468	1,716,492
Less: expected credit loss provisions	(56,186)	(66,202)
Total loans to customers	1,752,282	1,650,290

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

	30 June 2018	31 December
	Unaudited	2018
Transport	648,316	596,419
Energy	415,949	349,254
Mining and metallurgy	375,761	369,840
Infrastructure	231,965	219,245
Machinery	72,019	68,299
Agriculture	29,166	57,520
Chemical industry	10,726	14,722
Other	24,566	41,193
	1,808,468	1,716,492
Less: expected credit loss provisions	(56,186)	(66,202)
Total loans to customers	1,752,282	1,650,290

As at 30 June 2019, loans to customers included accrued interest income amounting to 19,840 thousand US dollars (31 December 2018: 22,238 thousand US dollars).

Concentration of loans to customers

As at 30 June 2019, the Bank has one customer (31 December 2018: two customers), whose balance exceeds 10% of total equity of the Bank. As at 30 June 2019 outstanding balance was 363,053 thousand US dollars (31 December 2018: 357,076 thousand US dollars and 183,457 thousand US dollars, respectively).

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
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(in thousands of US dollars)

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2019 and 31 December 2018, financial assets at fair value through other comprehensive income consist of:

	<u>30 June 2019</u> <u>Unaudited</u>	<u>31 December</u> <u>2018</u>
Debt instruments in Treasury portfolio	1,247,999	912,498
Debt instruments in Investment portfolio	<u>272,067</u>	<u>226,843</u>
Total financial assets at fair value through other comprehensive income	<u>1,520,066</u>	<u>1,139,341</u>

The tables below summarise the distribution of financial instruments at fair value through other comprehensive income between the stages of credit quality assessment as at 30 June 2019 and 31 December 2018:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>30 June 2019</u> <u>Unaudited</u>
Debt instruments in Treasury portfolio	1,247,999	-	-	1,247,999
Debt instruments in Investment portfolio	<u>272,062</u>	<u>-</u>	<u>5</u>	<u>272,067</u>
Total debt instruments at fair value through other comprehensive income	<u>1,520,061</u>	<u>-</u>	<u>5</u>	<u>1,520,066</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>31 December</u> <u>2018</u>
Debt instruments in Treasury portfolio	912,498	-	-	912,498
Debt instruments in Investment portfolio	<u>226,840</u>	<u>-</u>	<u>3</u>	<u>226,843</u>
Total debt instruments at fair value through other comprehensive income	<u>1,139,338</u>	<u>-</u>	<u>3</u>	<u>1,139,341</u>

During the six-month period ended 30 June 2019 and the year ended 31 December 2018 there were no movements of financial assets at fair value through other comprehensive income between stages of credit quality assessment.

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(in thousands of US dollars)

**15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
(CONTINUED)**

The tables below presents the breakdown of the financial assets at fair value through other comprehensive income by issuers:

	30 June 2019 Unaudited		31 December 2018	
	Effective interest rate	Fair value	Effective interest rate	Fair value
Debt instruments in Treasury portfolio:				
Bonds issued by banks and financial institutions of non-member states	2.09 – 2.93%	548,729	2.09 - 3.21%	228,088
US Treasury	2.18 - 2.62%	274,970	2.34 - 2.63%	194,584
Bonds issued by non-financial organisations	3.08 – 4.23%	267,591	3.08 - 9.21%	288,290
Eurobonds of the Russian Federation	3.34 - 4.29%	131,538	3.21 – 7.38%	197,423
Discount notes issued by National Bank of the Republic of Kazakhstan	9.86 – 9.99%	21,009	-	-
Eurobonds of the Republic of Armenia	3.92 - 3.99%	4,162	3.92 - 3.99%	4,113
		1,247,999		912,498

	30 June 2019 Unaudited		31 December 2018	
	Effective interest rate	Fair value	Effective interest rate	Fair value
Debt instruments in Investment portfolio:				
Bonds issued by non-financial organisations	4.48 - 11.51%	252,692	4.45 - 11.76%	208,512
Bonds issued by financial organisations	9.49 - 15.54%	19,375	9.48 - 15.56%	18,331
		272,067		226,843

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(in thousands of US dollars)

**15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
(CONTINUED)**

The tables below presents the breakdown of the financial assets at fair value through other comprehensive income by credit risk rating:

	30 June 2019 Unaudited Fair value	31 December 2018 Fair value
Debt instruments in Treasury portfolio:		
- with credit ratings AA- and above	563,403	204,746
- with credit ratings from A+ to A-	260,296	217,926
- with credit ratings from BBB+ to BBB-	420,138	176,742
- with credit ratings from BB+ to BB-	-	308,971
- with credit ratings below BB-	4,162	4,113
	1,247,999	912,498
	30 June 2019 Unaudited Fair value	31 December 2018 Fair value
Debt instruments in Investment portfolio:		
- with credit ratings from BB+ to BB-	229,479	216,684
- with credit ratings below BB- or not rated	42,588	10,159
	272,067	226,843

As at 30 June 2019, debt instruments at fair value through other comprehensive income include accrued interest income amounting to 9,926 thousand US dollars (31 December 2018: 9,178 thousand US dollars).

16 OTHER ASSETS

	30 June 2019 Unaudited	31 December 2018
Other financial assets recorded as loans and receivables:		
Accrued commission income and other receivables	6,301	2,842
	6,301	2,842
Other non-financial assets:		
Assets received as consideration for loans to customers	42,587	42,587
Leased premises	7,353	-
Prepaid expenses	1,824	1,279
Capital expenditure debtors	239	156
Value added tax reimbursable	81	108
Other debtors	545	301
	52,629	44,431
Less allowance for impairment losses	(42,764)	(42,677)
	9,865	1,754
Total other assets	16,166	4,596

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17 LOANS AND DEPOSITS FROM BANKS

	30 June 2019 Unaudited	31 December 2018
Loans from banks	155,013	108,999
Deposits from banks	74,946	68,810
Correspondent accounts from banks	1,215	-
Loans under repurchase agreements:		
- in Euro	35,657	-
- in Russian rouble	-	17,970
- in Kazakhstani tenge	-	43,238
- in Armenian dram	-	3,914
	266,831	242,931

During 2019 and 2018, the Bank has concluded repurchase agreement operations in order to: a) satisfy its need of Russian rouble liquidity, and b) borrow Kazakhstani tenge funds from the 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 2019 and 31 December 2018 are as follows:

	30 June 2019 Unaudited		31 December 2018	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Eurobonds of the Russian Federation	35,657	45,224	17,970	25,496
US Treasuries	-	-	43,238	44,136
Eurobonds of the Republic of Armenia	-	-	3,914	4,052
Total loans under repurchase agreements	35,657	45,224	65,122	73,684

As at 30 June 2019, loans and deposits from banks included accrued interest payable amounting to 758 thousand US dollars (31 December 2018: 1,112 thousand US dollars).

Reconciliation of loans from banks movement to cash flows arising from financing activities in 2019 is as follows:

	31 December 2018	Cash inflow	Cash outflow	Foreign exchange movement	30 June 2019 Unaudited
Loans from banks	108,999	56,880	(10,906)	40	155,013

Reconciliation of loans from banks movement to cash flows arising from financing activities in 2018 is as follows:

	31 December 2017	Cash inflow	Cash outflow	Foreign exchange movement	31 December 2018
Loans from banks	109,253	25,125	(21,021)	(4,358)	108,999

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(in thousands of US dollars)

18 DEPOSITS FROM CUSTOMERS

	30 June 2019 Unaudited	31 December 2018
Current accounts:		
- in US dollars	40,214	13,342
- in Kazakhstani tenge	21,592	56,307
- in Russian rouble	4,496	8
- in Euro	1,263	-
Deposits from customers:		
- in US dollars	57,637	82,669
- in Kazakhstani tenge	55,450	24,819
- in Euro	22,753	-
- in Russian rouble	2,386	-
	205,791	177,145

During 2018, the Council of the Bank has adopted a Strategy for the period from 2018 to 2022. In accordance with the Strategy, the Bank has started to provide settlement and clearing services to its customers. As at 30 June 2019 and 31 December 2018, all deposits were from customers based in the Russian Federation and the Republic of Kazakhstan.

The table below present the breakdown of the deposits from customers by counterparty:

	30 June 2019 Unaudited	31 December 2018
Current accounts:		
- state-owned companies	61,805	68,147
- private companies	5,759	1,510
Deposits from customers:		
- state-owned companies	88,289	54,850
- private companies	49,938	52,638
	205,791	177,145

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(in thousands of US dollars)

19 DEBT SECURITIES ISSUED

				<u>30 June 2019</u> Unaudited	<u>31 December</u> 2018
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	302,564	302,513
Series 05	-	Sep 2020	5.000	287,672	286,100
Total debt securities issued and denominated in USD				590,236	588,613
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 001P-01	Jan 2020	Jul 2028	7.600	163,074	148,627
Series 11	Aug 2021	Jan 2025	7.750	81,472	74,253
Series 001P-03	-	Mar 2021	8.600	80,962	-
Series 08	-	Oct 2020	8.200	80,482	73,345
Series 001P-02	-	May 2021	8.900	79,888	72,780
Series 06	-	Sep 2020	7.300	52,967	48,272
Series 10	-	Jan 2023	12.250	33,388	30,436
Series 07	-	Sep 2020	8.750	27,704	25,243
Series 05	Jul 2019	Jul 2020	9.500	24,148	22,042
Series 01	-	Jan 2019	9.300	-	3,325
Series 02	-	Feb 2019	8.300	-	2
Total debt securities issued and denominated in RUB				624,085	498,325
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 05, programme 1	-	Feb 2022	9.700	54,228	-
Series 03, programme 1	-	Aug 2019	7.200	53,932	53,890
Series 04, programme 1	-	Sep 2019	7.200	53,615	53,574
Series 10, programme 2	-	Oct 2020	9.400	53,569	53,516
Series 06, programme 2	-	Oct 2023	9.500	53,513	53,464
Series 03, programme 2	-	Nov 2022	9.700	53,185	53,133
Series 05, programme 2	-	May 2024	9.500	52,936	-
Series 09, programme 2	-	May 2024	9.500	52,936	-
Series 01, programme 2	-	Jun 2021	9.100	52,686	52,628
Series 02, programme 2	-	Jun 2021	9.100	52,686	52,628
Series 04, programme 2	-	May 2020	10.100	39,749	39,702
Series 11, programme 2	-	May 2024	9.500	26,468	-
Series 07, programme 2	-	Jun 2021	9.100	26,343	26,313
Total debt securities issued and denominated in KZT				625,846	438,848
Total debt securities issued				1,840,167	1,525,786

As at 30 June 2019, debt securities issued included accrued interest payable amounting to 33,658 thousand US dollars (31 December 2018: 27,522 thousand US dollars).

Reconciliation of debt securities issued movement to cash flows arising from financing activities in 2019 is as follows:

	<u>31 December</u> 2018	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange</u> <u>movement</u>	<u>30 June 2019</u> Unaudited
Debt securities issued	1,525,786	286,839	(29,751)	57,293	1,840,167

Reconciliation of debt securities issued movement to cash flows arising from financing activities in 2018 is as follows:

	<u>31 December</u> 2017	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange</u> <u>movement</u>	<u>31 December</u> 2018
Debt securities issued	1,198,341	587,991	(147,888)	(112,658)	1,525,786

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(in thousands of US dollars)

20 TECHNICAL ASSISTANCE FUND RESERVE

	30 June 2019 Unaudited
Technical Assistance Fund reserve	<u>19,133</u>

The purpose of Technical Assistance Fund (“the TAF”) is to effectively assist to strategic objective of the Bank via financing events aimed for preparation and implementation of investment projects, supporting programs of regional integration, carrying out cross-state, interstate, industrial and innovation researches aimed at economic growth, development of market economies, expansion of mutual trade between Member states and other measures related to the mission of the Bank.

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.

In May 2019, the Council of the Bank has decided to separate TAF reserve as an individual part of the equity of the Bank via transferring funds from retained earnings.

21 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 are impaired, 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 2019 and 31 December 2018, the nominal or contractual amounts were:

	30 June 2019 Unaudited Nominal amount	31 December 2018 Nominal amount
Commitments on loans and unused credit lines	<u>1,296,598</u>	<u>1,244,532</u>
Guarantees and letters of credit issued	79,085	1,021
Commitments to join private equity fund	<u>4,008</u>	<u>15,724</u>
	1,379,691	1,261,277
Less: expected credit loss provisions	<u>(330)</u>	<u>(8)</u>
Total contingent liabilities and credit commitments	<u>1,379,361</u>	<u>1,261,269</u>

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(in thousands of US dollars)

21 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Bank does not recognize an allowance for expected credit losses on commitments on loans and unused credit lines because there are no automatic issues within the loan commitments of the Bank. Whenever the Bank receives a request from a customer for a new loan tranche within unused credit lines, it is reviewed each time on an individual and independent basis. As the Bank on a regular basis declines part of the requests for new tranches, the Bank considers that the issue of new loan tranches within its commitments is debatable, and makes an allowance for expected credit losses only after transfer of funds to the borrower.

Trust services

The Bank provides trust services to Eurasian Fund for Stabilisation and Development (“the Fund”), whereby it holds and manages assets or invests funds received in various financial instruments as a Manager of Fund.

22 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. The Bank decided not to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the member countries has control, joint control or significant influence over such party.

(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 2019 Unaudited		Six-month period ended 30 June 2018 Unaudited	
	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	4,391	14,888	1,783	12,449
Accommodation costs of employees	33	599	73	506
Total	4,424	15,487	1,856	12,955

The outstanding balances as at 30 June 2019 and 31 December 2018 for transactions with the members of the Executive Board are as follows:

	30 June 2019 Unaudited	31 December 2018
Interim statement of financial position		
Other liabilities	2,196	1,543
Retirement savings	1,335	851

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22 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 Eurasian Fund for Stabilisation and Development. Russian Federation and Republic of Kazakhstan have significant influence over the Bank. At the same time Russian Federation and Republic of Kazakhstan have control over companies, which are related parties of the Bank.

The Bank did not use the exemption on disclosure of government related entities.

The outstanding balances and the related average interest rates as at 30 June 2019 and 31 December 2018 with other related parties are as follows:

	30 June 2019 Unaudited		31 December 2018	
	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %
Statement of financial position				
ASSETS				
Cash and cash equivalents				
USD	4,822	2.30%	1,155	-
RUB	4,485	6.95%	13	-
KZT	60,305	5.22%	284	-
EUR	289	-	23,362	0.10%
Other currencies	40	-	22	-
Less expected credit losses	(1)	-	(2)	-
Financial assets at fair value through profit or loss				
USD	-	-	291	-
Loans and advances to banks				
USD	1,192	12.60%	705	5.61%
KZT	26,104	10.76%	26,246	10.66%
EUR	28,386	3.51%	22,390	3.52%
Less expected credit losses	(504)	-	(43)	-
Loans to customers				
USD	244,069	9.46%	256,306	9.72%
RUB	237,161	10.56%	214,150	11.00%
KZT	144,304	10.81%	145,041	10.60%
EUR	217,885	2.16%	223,012	2.10%
Less expected credit losses	(6,002)	-	(6,061)	-
Financial assets at fair value through other comprehensive income				
USD	331,036	3.99%	396,537	3.95%
RUB	96,385	8.46%	134,491	7.83%
KZT	113,727	10.62%	91,755	11.94%
Less expected credit losses	(1,219)	-	(1,410)	-
Other assets				
USD	4,678	-	1,438	-
RUB	6	-	80	-
Other currencies	5	-	-	-

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22 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(b) Transactions with other related parties, continued

	30 June 2019 Unaudited		31 December 2018	
	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %
LIABILITIES				
Loans and deposits from banks				
RUB	-	-	21,202	7.68%
KZT	-	-	43,238	7.00%
Financial liabilities at fair value through profit or loss				
USD	3,334	-	1,027	-
Deposits from customers				
USD	76,214	1.96%	8	-
KZT	73,845	8.18%		
Debt securities issued				
RUB	309,979	8.24%	227,394	8.11%
KZT	410,749	8.95%	260,250	8.57%
Other liabilities				
USD	158	-	168	-
RUB	474	-	22	-
KZT	166	-	10	-
Guarantees received				
USD	179,583	-	193,338	-
RUB	155,354	-	87,620	-
KZT	88,771	-	98,613	-
Commitments				
USD	127,652	-	115,687	-
RUB	171,456	-	160,322	-
KZT	11,328	-	3,335	-
EUR	149,100	-	144,410	-

The profit or loss amounts of transactions for the six-month periods ended 30 June 2019 and 30 June 2018 with other related parties are as follows:

	Six-month period ended 30 June 2019 Unaudited	Six-month period ended 30 June 2018 Unaudited
Statement of profit or loss		
Interest income	54,924	45,503
Interest expense	(27,556)	(14,442)
Net recovery of provisions for impairment losses on interest bearing assets	284	200
Net loss from modification of financial assets	-	(150)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(5,046)	1,804
Net realised (loss)/gain on financial assets at fair value through other comprehensive income	(966)	232
Net gain on transactions in foreign currencies	5,842	18,055
Fee and commission income	3,256	1,982
Fee and commission expense	(60)	(7)
Other income	6	28

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
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23 SEGMENT REPORTING

Segment performance

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 2019 Unaudited
Interest income	55,823	44,534	6,392	1,545	11,571	119,865
Interest expense	(23,569)	(30,320)	(6)	-	(17,924)	(71,819)
Recovery of expected credit losses on interest bearing assets	940	544	(115)	632	(14)	1,987
Losses from equity securities at fair value through profit or loss	(137)	-	-	-	-	(137)
Provision for impairment losses on other assets	(314)	2	-	-	-	(312)
Net loss from modification and recognition of new financial instruments	-	(2,364)	-	-	-	(2,364)
Net gain/(loss) on financial assets and liabilities at fair value through profit and loss	1,048	(6,517)	-	-	(8,714)	(14,183)
Net realised(loss)/gain on financial assets at fair value through other comprehensive income	(247)	(302)	-	-	(19)	(568)
Net gain/(loss) on transactions in foreign currencies	15,058	12,069	7	13	(3,079)	24,068
Fee and commission income	3,514	70	6	-	15	3,605
Fee and commission expense	(132)	(36)	(1)	(5)	(56)	(230)
Other income	-	25	-	-	-	25
Net result from financial operations	51,984	17,705	6,283	2,185	(18,220)	59,937
Capital expenditure	111	86	7	13	-	217
Depreciation and amortization	89	533	1	10	-	633

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

(in thousands of US dollars)

23 SEGMENT REPORTING (CONTINUED)

Segment performance, continued

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total 30 June 2019 Unaudited
Cash and cash equivalents	6,932	233,938	220	1,936	349,343	592,369
Financial assets at fair value through profit or loss	11,713	-	-	-	630	12,343
Loans and advances to banks	63,382	50,522	93,288	56,086	-	263,278
Loans to customers	946,667	666,832	118,411	20,372	-	1,752,282
Financial assets at fair value through other comprehensive income	475,453	216,752	-	4,162	823,699	1,520,066
Property, equipment and intangible assets	408	11,404	9	68	-	11,889
Other assets	13,627	1,972	147	181	239	16,166
Total assets	1,518,182	1,181,420	212,075	82,805	1,173,911	4,168,393
Total liabilities	665,447	825,001	230	1,142	875,468	2,367,288
Contingent liabilities and credit commitments	594,119	505,474	205,278	74,820	-	1,379,691

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
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23 SEGMENT REPORTING (CONTINUED)

Segment performance, continued

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total for the six-month period ended 30 June 2018 Unaudited
Interest income	41,893	46,612	9,271	1,110	4,874	103,760
Interest expense	(13,446)	(14,689)	-	-	(28,355)	(56,490)
Recovery of expected credit losses on interest bearing assets	279	(4,708)	9,754	(56)	41	5,310
Losses from equity securities at fair value through profit or loss	(1,073)	-	-	-	-	(1,073)
Net loss from modification and recognition of new financial instruments	-	(1,842)	(419)	-	-	(2,261)
Net gain/(loss) on financial assets and liabilities at fair value through profit and loss	1,829	6,640	-	(300)	9,412	17,581
Net realised gain/(loss) on financial assets at fair value through other comprehensive income	253	45	-	(2)	(105)	191
Net gain/(loss) on transactions in foreign currencies	(6,148)	(3,109)	-	8	(5,188)	(14,437)
Fee and commission income	2,084	12	2	-	72	2,170
Fee and commission expense	(50)	(16)	-	(1)	(86)	(153)
Net loss on trading with debt securities issued	(1)	-	-	-	-	(1)
Other income	-	90	125	4	-	219
Net result from financial operations	25,620	29,035	18,733	763	(19,335)	54,816
Capital expenditure	113	303	-	2	-	418
Depreciation and amortization	100	478	1	4	-	583

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**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

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23 SEGMENT REPORTING (CONTINUED)

Segment performance, continued

	<u>Russia</u>	<u>Kazakhstan</u>	<u>Belarus</u>	<u>Other Member states</u>	<u>Non-member states</u>	<u>Total 31 December 2018</u>
Cash and cash equivalents	420,943	41,601	128	196	178,302	641,170
Financial assets at fair value through profit or loss	17,169	-	-	-	-	17,169
Loans and advances to banks	67,912	49,212	74,536	53,850	-	245,510
Loans to customers	834,539	675,607	138,826	1,318	-	1,650,290
Financial assets at fair value through other comprehensive income	525,153	187,405	-	4,111	422,672	1,139,341
Hedge instruments	-	-	-	-	86	86
Property, equipment and intangible assets	385	11,851	2	66	-	12,304
Other assets	2,687	1,667	25	28	189	4,596
Total assets	<u>1,868,788</u>	<u>967,343</u>	<u>213,517</u>	<u>59,569</u>	<u>601,249</u>	<u>3,710,466</u>
Total liabilities	<u>530,192</u>	<u>718,674</u>	<u>11</u>	<u>4,009</u>	<u>719,600</u>	<u>1,972,486</u>
Contingent liabilities and credit commitments	632,176	368,307	99,987	160,807	-	1,261,277

The 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 2019 and 2018, there were no loans to customers with interest income individually exceeding 10% of interest income.

24 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 premium 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.

24 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 2019 and 31 December 2018, 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	30 June 2019 Total Unaudited
Financial assets at fair value through profit or loss				
- derivatives	-	630	-	630
- equity instruments	-	-	11,713	11,713
Financial assets at fair value through other comprehensive income				
- debt instruments Treasury	976,246	271,753	-	1,247,999
- debt instruments Projects	-	272,062	5	272,067
Financial liabilities at fair value through profit or loss	-	(19,530)	-	(19,530)
Hedging instruments	-	(3,355)	-	(3,355)
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	31 December 2018 Total
Financial assets at fair value through profit or loss				
- derivatives	-	291	-	291
- equity instruments	-	-	16,878	16,878
Financial assets at fair value through other comprehensive income				
- debt instruments Treasury	620,096	292,402	-	912,498
- debt instruments Projects	-	226,840	3	226,843
Hedging instruments	-	86	-	86
Financial liabilities at fair value through profit or loss	-	(3,329)	-	(3,329)
Hedging instruments	-	(521)	-	(521)

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation of financial instruments, continued

The following table shows reconciliation for the periods ended 30 June 2019 and 31 December 2018 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3	
	Six-month period ended 30 June 2019 Unaudited	Year ended 31 December 2018
Financial assets at fair value through profit or loss		
Balance at beginning of the period	16,878	19,814
(Redemption)/purchase of new instruments, net	(5,028)	539
Interest income	-	(172)
Losses less gains from equity securities at fair value through profit or loss	(137)	(3,303)
Balance at end of the period	11,713	16,878
Financial assets at fair value through other comprehensive income		
Balance at beginning of the period	3	415
IFRS 9 adjustment	-	(253)
Interest income accrued	2	-
Impairment loss	-	(71)
Revaluation	-	(88)
Balance at end of the period	5	3

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 Bank believes that the carrying amount of loans to customers and loans and advances to banks represents their fair value. The Bank is a development financial organisation and, thus, most of the loans are unique and interest rates are specific for each project and thus are less sensitive to market fluctuations. The Bank and its customers have contractual rights to review interest rates according to changes on financial markets. Due to such changes in market environment (not credit-related) some of the financial instruments of the Bank had changes in interest rate and/or were modified.

	Level 1	Level 2	Level 3	30 June 2019 Unaudited	
				Total fair value	Total carrying value
Financial assets					
Cash and cash equivalents	-	592,369	-	592,369	592,369
Loans and advances to banks	-	-	263,278	263,278	263,278
Loans to customers	-	-	1,752,282	1,752,282	1,752,282
Other financial assets	-	-	6,301	6,301	6,301
Financial liabilities					
Loans and deposits from banks	-	-	266,831	266,831	266,831
Deposits from customers	-	-	205,791	205,791	205,791
Debt securities issued	1,853,563	-	-	1,853,563	1,840,167
Other financial liabilities	-	-	10,513	10,513	10,513

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24 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation of financial instruments, continued

	Level 1	Level 2	Level 3	31 December 2018	
				Total fair value	Total carrying value
Financial assets					
Cash and cash equivalents	-	641,170	-	641,170	641,170
Loans and advances to banks	-	-	245,510	245,510	245,510
Loans to customers	-	-	1,650,290	1,650,290	1,650,290
Other financial assets	-	-	2,842	2,842	2,842
Financial liabilities					
Loans and deposits from banks	-	-	242,931	242,931	242,931
Deposits from customers	-	-	177,145	177,145	177,145
Debt securities issued	1,529,457	-	-	1,529,457	1,525,786
Other financial liabilities	-	-	2,767	2,767	2,767

25 RISK MANAGEMENT POLICIES

(a) Credit risk

As at 30 June 2019, the credit ratings and credit risk of the counterparties have not significantly changed compared to 31 December 2018.

(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:

- 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 and liabilities management division monitors currency, interest rate and liquidity risks of the treasury portfolio on a daily basis.
- 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 report

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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

(in thousands of US dollars)

25 RISK MANAGEMENT POLICIES (CONTINUED)

(a) Credit risk, continued

(i) Assets allocation in portfolios, continued

Information regarding each portfolio is included below:

	Current investment portfolio	Treasury Portfolio	Unallocated*	30 June 2019 Total Unaudited
Cash and cash equivalents	-	592,369	-	592,369
Financial assets at fair value through profit or loss	11,713	630	-	12,343
Loans and advances to banks	238,921	24,452	(95)	263,278
Loans to customers	1,812,461	-	(60,179)	1,752,282
Financial assets at fair value through other comprehensive income	265,791	1,247,999	6,276	1,520,066
Property, equipment and intangible assets	-	-	11,889	11,889
Other assets	-	-	16,166	16,166
Total assets	2,328,886	1,865,450	(25,943)	4,168,393
Total liabilities	-	134,703	2,232,585	2,367,288
Contingent liabilities and credit commitments	1,379,691	-	-	1,379,691
Total current investment portfolio	3,708,577			

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

	Current investment portfolio	Treasury Portfolio	Unallocated*	31 December 2018 Total
Cash and cash equivalents	-	641,170	-	641,170
Financial assets at fair value through profit or loss	16,878	291	-	17,169
Loans and advances to banks	223,479	23,000	(969)	245,510
Loans to customers	1,714,385	-	(64,095)	1,650,290
Financial assets at fair value through other comprehensive income	225,925	912,498	918	1,139,341
Hedge instrument	-	86	-	86
Property, equipment and intangible assets	-	-	12,304	12,304
Other assets	-	-	4,596	4,596
Total assets	2,180,667	1,577,045	(47,246)	3,710,466
Total liabilities	-	137,868	1,834,618	1,972,486
Contingent liabilities and credit commitments	1,261,277	-	-	1,261,277
Total current investment portfolio	3,441,944			

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

(in thousands of US dollars)

25 RISK MANAGEMENT POLICIES (CONTINUED)

(b) Liquidity risk

During the six-month period ended 30 June 2019, there were no significant changes in liquidity risk comparing to 31 December 2018.

(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 2019, there were no significant changes in market risk comparing to 31 December 2018.

(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 2019 Total Unaudited
Total financial assets	2,367,752	496,353	770,370	466,805	44,729	4,146,009
Total financial liabilities	717,904	778,632	640,127	185,558	1,081	2,323,302
Open balance sheet position	1,649,848	(282,279)	130,243	281,247	43,648	1,822,707
Net spot and derivative financial instruments position	159,119	280,721	(136,429)	(283,187)	(42,479)	(22,255)
TOTAL OPEN POSITION	1,808,967	(1,558)	(6,186)	(1,940)	1,169	1,800,452
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2018 Total
Total financial assets	2,113,210	430,227	692,098	460,141	732	3,696,408
Total financial liabilities	721,425	563,260	539,621	124,259	3,914	1,952,479
Open balance sheet position	1,391,785	(133,033)	152,477	335,882	(3,182)	1,743,929
Net spot and derivative financial instruments position	357,026	130,506	(154,548)	(340,313)	3,856	(3,473)
TOTAL OPEN POSITION	1,748,111	(2,527)	(2,071)	(4,431)	674	1,740,456

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

(in thousands of US dollars)

25 RISK MANAGEMENT POLICIES (CONTINUED)

(d) Currency risk, continued

Impact on net profit based on asset values as at 30 June 2019 and 31 December 2018:

	As at 30 June 2019 Unaudited					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	928	(928)	234	(234)	194	(194)

	As at 31 December 2018					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	311	(311)	379	(379)	223	(223)

Impact on equity based on asset values as at 30 June 2019 and 31 December 2018:

	As at 30 June 2019 Unaudited					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on equity	928	(928)	234	(234)	194	(194)

	As at 31 December 2018					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on equity	311	(311)	379	(379)	443	(443)

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (CONTINUED)

(in thousands of US dollars)

25 RISK MANAGEMENT POLICIES (CONTINUED)

(e) Financial ratios

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

	<u>30 June 2019</u> <u>Unaudited</u>	<u>31 December</u> <u>2018</u>
Minimum amount of liquid assets in Treasury portfolio		
- required amount in thousands US dollars*	653,087	852,321
- <i>actual amount</i>	<u>1,547,211</u>	<u>1,265,592</u>
Financial leverage ratio		
- should be less or equal to 300% of the Bank's equity	300.00%	300.00%
- <i>actual ratio</i>	<u>109.23%</u>	<u>92.98%</u>

* The minimum level of liquid assets in treasury portfolio must be not less than 1-year projected net loan disbursements (loans disbursed less repayments and tied financing), if greater than zero, plus the annual cost of financial debt. 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.

26 EVENTS AFTER THE REPORTING PERIOD

On 16 July 2019, the Bank issued Russian rouble bonds (series 001P-04) listed on the Moscow Exchange for a total amount of 5,000 million Russian roubles with maturity date on 10 January 2023. In accordance with the terms of the issuance, the Russian rouble bonds bear an interest rate fixed at 8.00% per annum until maturity date on 10 January 2023.

After 22 July 2019, as a result of a put option exercise, the nominal value of Russian rouble bonds (series 05) in circulation amounts to 1 billion Russian roubles. The interest rate was fixed at 7.80% per annum until maturity date on 15 July 2020. The interest rate was fixed at 7.80% per annum until maturity date on 15 July 2020.