

EURASIAN DEVELOPMENT BANK

Interim Condensed Financial Information (Unaudited)

For the six-month period ended 30 June 2020

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 condensed statement of financial position of Eurasian Development Bank ("the Bank") as at 30 June 2020 and the related interim condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed 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 condensed financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Deloitte LLP

7 August 2020
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(in thousands of US dollars)


	Note	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Interest income	4	141,524	119,865
Interest expense	4	(102,210)	(71,819)
Net interest income before expected credit losses on interest bearing assets	4	39,314	48,046
(Provision for)/recovery of expected credit losses on interest bearing assets	5	(12,832)	1,987
NET INTEREST INCOME		26,482	50,033
Losses from equity securities at fair value through profit or loss		(1,338)	(137)
Provision for impairment losses on contingent liabilities		(181)	(312)
Net gain/(loss) from modification and recognition of new financial instruments		745	(2,364)
Net gain/(loss) on financial assets and liabilities at fair value through profit and loss	6	24,208	(14,183)
Net realised gain/(loss) on financial assets at fair value through other comprehensive income		893	(568)
Net (loss)/gain on transactions in foreign currencies	7	(13,794)	24,068
Fee and commission income		6,636	3,605
Fee and commission expense		(404)	(230)
Net loss on trading with debt securities issued		(295)	-
Other income		55	25
Other expenses		(5)	-
Net non-interest income		16,520	9,904
Net result from financial operations		43,002	59,937
Operating expenses	8	(21,863)	(20,821)
NET PROFIT		21,139	39,116
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 at fair value through other comprehensive income		7,980	24,853
Net realised (gain)/loss on financial assets at fair value through other comprehensive income transferred to the profit and loss		(893)	568
Net unrealized loss on revaluation of hedge instruments		(292)	(1,412)
OTHER COMPREHENSIVE INCOME		6,795	24,009
TOTAL COMPREHENSIVE INCOME		27,934	63,125

Approved on behalf of the management of the Bank:


N.R. Podguzov
Chairman of the Management Board

6 August 2020
Almaty, Kazakhstan




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

6 August 2020
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(in thousands of US dollars)


	Note	30 June 2020 Unaudited	31 December 2019
ASSETS			
Cash and cash equivalents	9	887,301	765,144
Financial assets at fair value through profit or loss	10	20,727	10,017
Loans and advances to banks	12	256,507	266,298
Loans to customers	13	1,964,485	1,960,004
Financial assets at fair value through other comprehensive income	14	2,269,062	2,106,299
Investments in associates		20,154	20,131
Property and equipment		10,888	11,046
Intangible assets		865	1,011
Other assets	15	19,038	20,814
TOTAL ASSETS		5,449,027	5,160,764
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and deposits from banks	16	1,196,154	740,475
Financial liabilities at fair value through profit or loss	10	8,078	26,955
Deposits from customers	17	271,021	297,344
Hedging instruments	11	-	1,616
Debt securities issued	18	2,061,545	2,209,328
Other liabilities		34,299	35,050
Total liabilities		3,571,097	3,310,768
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	19	19,133	19,133
Revaluation reserve for financial assets at fair value through other comprehensive income		32,335	25,248
Revaluation reserve for hedging instruments		-	292
Retained earnings		199,030	177,891
Total equity		1,877,930	1,849,996
TOTAL LIABILITIES AND EQUITY		5,449,027	5,160,764

Approved on behalf of the management of the Bank:


 N.R. Podguzov
 Chairman of the Management Board

6 August 2020
 Almaty, Kazakhstan




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

6 August 2020
 Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(in thousands of US dollars)

	Share capital			Reserve fund	Technical assistance fund reserve	Revaluation (deficit)/ reserve for financial assets at fair value through other comprehensive income	Revaluation (deficit)/ reserve for hedging instruments	Retained earnings	Total
	Authorized	Callable	Paid-in						
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 income/(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
31 December 2019	7,000,000	(5,484,300)	1,515,700	111,732	19,133	25,248	292	177,891	1,849,996
Net profit (unaudited)	-	-	-	-	-	-	-	21,139	21,139
Other comprehensive income/(loss) (unaudited)	-	-	-	-	-	7,087	(292)	-	6,795
Total comprehensive income/(loss) (unaudited)	-	-	-	-	-	7,087	(292)	21,139	27,934
30 June 2020 (unaudited)	7,000,000	(5,484,300)	1,515,700	111,732	19,133	32,335	-	199,030	1,877,930

Approved on behalf of the management of the Bank:


N.R. Podguzov
Chairman of the Management Board

6 August 2020
Almaty, Kazakhstan




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

6 August 2020
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

**INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**
(in thousands of US dollars)

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans to customers	70,606	71,273
Interest received on cash and cash equivalents and loans and advances to banks (Expense paid for)/income received from financial assets at fair value through profit or loss	14,343	16,498
Interest and income received on financial assets at fair value through other comprehensive income	(14,620)	8,214
Interest paid on loans and deposits from banks	23,313	21,416
Interest paid on deposits from customers	(7,650)	(4,726)
Interest paid on debt securities issued	(7,726)	(5,179)
Fees and commissions received	(77,365)	(52,399)
Fees and commissions paid	6,845	200
Other income received	(389)	(196)
Operating expenses paid	55	25
	<u>(20,846)</u>	<u>(19,926)</u>
Cash flows (used in)/from operating activities before changes in operating assets and liabilities	<u>(13,434)</u>	<u>35,200</u>
Changes in operating assets:		
Increase in loans to customers	(95,375)	(58,005)
Decrease/(increase) in loans and advances to banks	97	(9,240)
Increase in other assets	(157)	(701)
Changes in operating liabilities:		
Decrease in deposits from banks	(28,967)	(22,823)
(Decrease)/increase in deposits from customers	(7,439)	28,127
Decrease in other liabilities	(22)	(20)
	<u>(145,297)</u>	<u>(27,462)</u>
Cash flows used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(2,442,099)	(3,360,572)
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income	2,258,682	3,024,272
Purchase of property, equipment and intangible assets	(557)	(300)
	<u>(183,974)</u>	<u>(336,600)</u>
Cash flows used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt securities (Note 18)	207,435	286,839
Repayments of debt securities issued (Note 18)	(235,511)	(29,751)
Proceeds from loans from banks and loans under repurchase agreements (Note 16)	673,617	56,880
Repayments of loans from banks and loans under repurchase agreements (Note 16)	(188,569)	(10,906)
	<u>456,972</u>	<u>303,062</u>
Cash flows from financing activities		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period (Note 9)	127,701	(61,000)
Effect of changes in foreign exchange rate on cash and cash equivalents	765,144	641,170
	(5,544)	12,199
CASH AND CASH EQUIVALENTS, at end of the period (Note 9)	<u>887,301</u>	<u>592,369</u>

Approved on behalf of the management of the Bank:

N.R. Podguzov
Chairman of the Management Board



6 August 2020
Almaty, Kazakhstan

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

6 August 2020
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(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 2020 and 31 December 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 located 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 2020 (CONTINUED)

(in thousands of US dollars)

1 BACKGROUND (CONTINUED)

(a) Principal activities, continued

In accordance with the 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 2020 and 31 December 2019, 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 Management 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.

1 BACKGROUND (CONTINUED)

(b) Business environment, notinued

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have a significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on the business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Bank may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Bank's business largely depends on the duration and the incidence of the pandemic effects on the world and CIS economies.

With this in mind, the Bank carried out an analysis of the current situation and simulated the potential impact of stress scenarios on the activities and financial indicators of the Bank, taking into account the possible negative effect of the events mentioned above.

In accordance with the results, the Bank believes that at the reporting date, the recognized provisions for expected credit losses represent the best estimate of the possible negative effect of the above set of events, including those related to the impact of COVID-19.

Based on the results of simulation, the Bank compiled a list of possible anti-crisis tools to minimize the consequences of negative scenarios, developed an Anti-crisis program. Its strategic goal is to provide financial assistance to affected business entities in order to promote sustainable economic development and integrational cooperation between the Bank's Member states. The Bank has to execute the task of providing active support to the Member states in overcoming the consequences of the pandemic, while strengthening the status of the leading regional development institution of the EAEU, preserving the achieved results of activities and preventing a significant deterioration in the quality of the investment portfolio.

The Bank plans to further refine macroeconomic forecasts and update models to assess the macroeconomic effect on financial results of the Bank.

2 BASIS OF PREPARATION

This interim condensed financial information has been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future.

(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 2019, as this interim condensed financial information provides an update of previously reported financial statements.

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance, continued

The Bank operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, since the results of the Bank's operations closely relate to and depend on changing market conditions, the results of the Bank's operations for the interim period are not necessarily indicative of the results for the year ending 31 December 2020.

This interim condensed financial information was authorised for issue on 6 August 2020 by the management of the Bank.

(b) Basis of measurement

This interim condensed financial information has 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 2019 prepared in accordance with IFRS.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

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 2019.

4 INTEREST INCOME

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Interest income comprises:		
Interest income on financial assets measured at amortised cost comprises:		
loans to customers	72,342	71,322
loans and advances to banks	8,070	8,875
cash and cash equivalents	7,357	9,781
Total interest income on financial assets recorded at amortised cost	87,769	89,978
Interest income on financial assets measured at fair value comprises:		
financial assets at fair value through other comprehensive income	48,441	29,887
financial assets at fair value through profit or loss	5,314	-
Total interest income on financial assets recorded at fair value	53,755	29,887
Total interest income	141,524	119,865
Interest expense comprises:		
Interest expense on financial liabilities measured at amortised cost comprises:		
debt securities issued	(69,266)	(62,219)
loans and deposits from banks	(12,593)	(4,420)
deposits from customers	(7,657)	(5,180)
Total interest expense on financial liabilities recorded at amortised cost	(89,516)	(71,819)
Interest expense on financial liabilities measured at fair value comprises:		
financial liabilities at fair value through profit or loss	(12,694)	-
Total interest expense	(102,210)	(71,819)
Net interest income before expected credit losses on interest bearing assets	39,314	48,046

5 (PROVISION FOR)/RECOVERY OF EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS

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

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Beginning of the period	(67)	(68)
Net (charge)/recovery	(1)	37
Effect of foreign currency movements	3	-
End of the period	(65)	(31)

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

5 (PROVISION FOR)/RECOVERY OF EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS (CONTINUED)

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

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Beginning of the period	(2,126)	(2,670)
Net recovery	394	350
Effect of foreign currency movements	96	(53)
End of the period	(1,636)	(2,373)

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

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Beginning of the period	(62,758)	(66,202)
Net (charge)/recovery	(9,237)	1,390
Write-offs	973	9,178
Effect of foreign currency movements	568	(552)
End of the period	(70,454)	(56,186)

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 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Beginning of the period	(3,946)	(2,163)
Net (charge)/recovery	(3,988)	210
Effect of foreign currency movements	160	(57)
End of the period	(7,774)	(2,010)

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

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Net gain/(loss) on derivative financial instruments in foreign currency	24,208	(14,183)
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss	24,208	(14,183)

The Bank enters into most deals with derivative financial instruments with an aim to minimise the possible gain/loss from foreign exchange revaluation of its on-balance sheet financial instruments. Consequently, the result of operations with derivative financial instruments should be considered in conjunction with the gain/loss on foreign currency revaluation (Note 7).

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)**

(in thousands of US dollars)

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

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Translation differences, net	(13,753)	23,949
Dealing, net	(41)	119
Total net (loss)/gain on transactions in foreign currencies	(13,794)	24,068

8 OPERATING EXPENSES

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Staff costs and other payments to employees	17,923	15,487
Premises expenses	1,235	1,232
Depreciation and amortization	722	633
Communication	373	381
Maintenance of acquired systems and programs	324	330
Professional services	317	538
Business trip expenses	248	864
Security	222	240
Business development expenses	164	546
Transportation	83	110
Office, postal and printing expenses	50	68
Training	20	48
Other	182	344
Total operating expenses	21,863	20,821

9 CASH AND CASH EQUIVALENTS

	30 June 2020 Unaudited	31 December 2019
Cash and balances with national (central) banks of Member states of the Bank	720	499
Correspondent accounts with other banks:		
with credit ratings A- and above	36,272	17,879
with credit ratings below A- and not rated	12,750	11,674
Term deposits in other banks:		
with credit ratings A- and above	284,364	342,604
with credit ratings from BBB+ to BBB-	38,549	67,407
with credit ratings from BB+ to BB-	39,355	53,676
with credit ratings below BB- and not rated	1,527	15,075
Loans under reverse repurchase agreements:		
with pledge credit ratings A- and above	20,847	-
with pledge credit ratings from BBB+ to BBB-	450,700	256,397
with pledge credit ratings from BB+ to BB-	2,282	-
	887,366	765,211
Less expected credit loss provisions (Note 5)	(65)	(67)
Total cash and cash equivalents	887,301	765,144

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

9 CASH AND CASH EQUIVALENTS (CONTINUED)

As at 30 June 2020 and 31 December 2019, 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 2020 and six-month period ended 30 June 2019.

The fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 Unaudited		31 December 2019	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
With pledge credit ratings A- and above	20,847	19,999	-	-
With pledge credit ratings from BBB+ to BBB-	450,700	492,425	256,397	285,450
With pledge credit ratings from BB+ to BB-	2,282	2,655	-	-
	473,829	515,079	256,397	285,450

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

	30 June 2020 Unaudited	31 December 2019
Equity instruments	5,229	6,567
Derivative financial instruments – assets	15,498	3,450
Total financial assets, carried at fair value through profit or loss	20,727	10,017
Derivative financial instruments – liabilities	(8,078)	(26,955)
Total financial liabilities, carried at fair value through profit or loss	(8,078)	(26,955)

As at 30 June 2020 and 31 December 2019, equity instruments, carried at fair value through profit or loss, are as follows:

	30 June 2020 Unaudited		31 December 2019	
	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%	5,229	15.87%	6,567

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.

A loss of 1,338 thousand US dollars was recognised during the six-month period ended 30 June 2020 (six-month period ended 30 June 2019: 137 thousand US dollars) as the result of the decline of the fair value of the equity investment.

EURASIAN DEVELOPMENT BANK**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)***(in thousands of US dollars)***10 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
(CONTINUED)**

As at 30 June 2020 and 31 December 2019, 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 20.

As at 30 June 2020 and 31 December 2019, derivative financial instruments are as follows:

	30 June 2020			31 December 2019		
	Notional amount	Net fair value		Notional amount	Net fair value	
Asset		Liability	Asset		Liability	
Derivative financial instruments:						
Foreign currency contracts						
Swaps	723,039	15,498	(8,078)	364,482	3,450	(26,953)
Forwards	-	-	-	1,279	-	(2)
		<u>15,498</u>	<u>(8,078)</u>		<u>3,450</u>	<u>(26,955)</u>

11 HEDGING INSTRUMENTS

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.

On 19 December 2019, the Bank has entered into six EUR/USD swap deals with a nominal amount of 183,396 thousand EUR maturing on 22 June 2020. The purpose of these deals was to hedge a fair value risk arising from significant difference between investment and funding currencies.

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 of EUR 183,396 thousand, with the next payment date on 22 June 2020. The length of the swap agreements was chosen to match the date of the expected payments from the borrower.

EURASIAN DEVELOPMENT BANK

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)**

(in thousands of US dollars)

11 HEDGING INSTRUMENTS (CONTINUED)

The designated hedged risk is the forward exchange rate risk and, therefore, the changes in fair value of the swap are recorded initially in the hedging reserve to the extent the hedge is effective.

In June 2020, the Bank decided not to enter into new swap agreements and stopped hedge accounting.

12 LOANS AND ADVANCES TO BANKS

	30 June 2020 Unaudited	31 December 2019
Loans to banks	188,137	233,739
Loans under reverse repurchase agreements: with pledge credit ratings A- and above	70,006	34,685
	258,143	268,424
Less expected credit loss provisions (Note 5)	(1,636)	(2,126)
Total loans and advances to banks	256,507	266,298

As at 30 June 2020 and 31 December 2019, all loans and advances to banks were classified within Stage 1 of credit quality assessment except for two loans classified into Stage 2 with an outstanding balance of 17,047 thousand US dollars (31 December 2019: one loan with an outstanding balance of 294 thousand US dollars) and with 387 thousand US dollars of expected credit loss provisions against it (31 December 2019: none). One loan in amount of 16,908 thousand US dollars and with 387 thousand US dollars of expected credit loss provisions against it was transferred from Stage 1 to Stage 2 of credit quality assessment during the six-month period ended 30 June 2020. There were no movements between different stages of credit quality assessment during the six-month period ended 30 June 2019.

The fair value of assets pledged and carrying amount of loans under reverse repurchase agreements as at 30 June 2020 and 31 December 2019:

	30 June 2020 Unaudited		31 December 2019	
	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	70,006	74,712	34,685	34,682

As at 30 June 2020, loans and advances to banks include accrued interest income amounting to 4,603 thousand US dollars (31 December 2019: 3,328 thousand US dollars).

As at 30 June 2020 and 31 December 2019, 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 2020 (CONTINUED)

(in thousands of US dollars)

13 LOANS TO CUSTOMERS

	30 June 2020 Unaudited	31 December 2019
Loans to customers at amortized cost:		
Unimpaired loans to customers	1,975,879	1,961,190
Impaired loans to customers, including:		
not overdue or overdue less than 90 days	11,854	32,479
overdue more than 90 days	34,003	15,890
defaulted loans	13,203	13,203
	2,034,939	2,022,762
Less expected credit loss provisions (Note 5)	(70,454)	(62,758)
Total loans to customers	1,964,485	1,960,004

As at 30 June 2020, the Bank has one customer in default for a total gross amount of 13,203 thousand US dollars (as at 31 December 2019: the same customer for a total gross amount of 13,203 thousand US dollars). As at 30 June and 31 December 2019, the loan to this customer was fully provisioned.

As at 30 June 2020, the Bank has two customers (31 December 2019: two customers) with impaired loans overdue more than 90 days. As at 30 June 2020, the outstanding balance of these loans was 34,003 thousand US dollars (31 December 2019: 15,890 thousand US dollars) with a related allowance for expected credit losses of 16,023 thousand US dollars (31 December 2019: 15,196 thousand US dollars).

As at 30 June 2020, the Bank has one customer (31 December 2019: two customers) with outstanding impaired loans not overdue or overdue less than 90 days in the amount of 11,854 thousand US dollars (31 December 2019: 32,479 thousand US dollars) with a related allowance for expected credit losses of 6,744 thousand US dollars (31 December 2019: 7,441 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 2020:

	Stage 1	Stage 2	Stage 3	Total
Outstanding amount				
As at 1 January 2020	1,668,863	115,885	238,014	2,022,762
Net issue/(redemption)	113,352	-	(12,905)	100,447
Transfer from Stage 1 to Stage 2	(88,652)	88,652	-	-
Transfer from Stage 2 to Stage 3	-	(76,625)	76,625	-
Transfer from Stage 2 to Stage 1	27,769	(27,769)	-	-
Net change in discounts/premiums	(91)	(222)	1,533	1,220
Write-offs	-	-	(973)	(973)
Effect of foreign currency movements	(77,919)	(7,387)	(3,211)	(88,517)
As at 30 June 2020	1,643,322	92,534	299,083	2,034,939
Allowance for expected credit losses				
As at 1 January 2020	(20,022)	(1,406)	(41,330)	(62,758)
Net charge	(1,837)	(5,650)	(1,750)	(9,237)
Transfer from Stage 1 to Stage 2	750	(750)	-	-
Transfer from Stage 2 to Stage 3	-	1,273	(1,273)	-
Transfer from Stage 2 to Stage 1	(29)	29	-	-
Write-offs	-	-	973	973
Effect of foreign currency movements	714	25	(171)	568
As at 30 June 2020	(20,424)	(6,479)	(43,551)	(70,454)
Total loans to customers	1,622,898	86,055	255,532	1,964,485

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

13 LOANS TO CUSTOMERS (CONTINUED)

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:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
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	<u>1,420,489</u>	<u>150,281</u>	<u>237,698</u>	<u>1,808,468</u>
Allowance for expected credit losses				
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	<u>(10,589)</u>	<u>(1,624)</u>	<u>(43,973)</u>	<u>(56,186)</u>
Total loans to customers	<u>1,409,900</u>	<u>148,657</u>	<u>193,725</u>	<u>1,752,282</u>

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

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

	<u>30 June 2020</u> <u>Unaudited</u>	<u>31 December</u> <u>2019</u>
Loans collateralised by real estate, equipment and inventories	762,206	955,107
Loans collateralised by guarantees:		
financial and commercial organisations	545,877	455,324
state entities	293,953	319,083
governments of the Member-states of the Bank	74,973	94,554
Loans collateralised by future cash inflows from clients' contracts	357,930	198,694
	<u>2,034,939</u>	<u>2,022,762</u>
Less: expected credit loss provisions	(70,454)	(62,758)
Total loans to customers	<u>1,964,485</u>	<u>1,960,004</u>

The table below summarises the amount of Stage 3 loans secured by type of collateral, rather than the fair value of the collateral itself:

	<u>30 June 2020</u> <u>Unaudited</u>	<u>31 December</u> <u>2019</u>
Loans collateralised by real estate, equipment and inventories	59,059	61,571
Loans collateralised by guarantees:		
state entities	183,555	176,443
governments of the Member-states of the Bank	56,469	-
	<u>299,083</u>	<u>238,014</u>
Less: expected credit loss provisions	(43,551)	(41,330)
Total Stage 3 loans to customers	<u>255,532</u>	<u>196,684</u>

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

13 LOANS TO CUSTOMERS (CONTINUED)

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

	30 June 2020 Unaudited	31 December 2019
Transport	641,896	657,389
Energy	505,800	490,302
Mining and metallurgy	337,898	397,052
Chemical industry	311,481	112,431
Infrastructure	111,288	212,876
Machinery	56,011	73,650
Agriculture	26,120	29,093
Other	44,445	49,969
	2,034,939	2,022,762
Less: expected credit loss provisions	(70,454)	(62,758)
Total loans to customers	1,964,485	1,960,004

As at 30 June 2020, loans to customers included accrued interest income amounting to 18,349 thousand US dollars (31 December 2019: 17,852 thousand US dollars).

Concentration of loans to customers

As at 30 June 2020, the Bank has two customers (31 December 2019: one customer), whose balance exceeds 10% of total equity of the Bank. As at 30 June 2020 their outstanding balances were 331,862 thousand US dollars and 269,036 thousand US dollars, respectively (31 December 2019: 356,651 thousand US dollars).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2020 and 31 December 2019, financial assets at fair value through other comprehensive income consist of:

	30 June 2020 Unaudited	31 December 2019
Debt instruments in Treasury portfolio	1,669,008	1,513,960
Debt instruments in Investment portfolio	600,054	592,339
Total financial assets at fair value through other comprehensive income	2,269,062	2,106,299

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 2020 and 31 December 2019:

	Stage 1	Stage 2	Stage 3	30 June 2020 Unaudited
Debt instruments in Treasury portfolio	1,669,008	-	-	1,669,008
Debt instruments in Investment portfolio	499,985	100,064	5	600,054
Total debt instruments at fair value through other comprehensive income	2,168,993	100,064	5	2,269,062

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

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

The tables below presents the breakdown of the debt instruments by credit risk rating:

	30 June 2020 Unaudited	31 December 2019
	Fair value	Fair value
Debt instruments in Treasury portfolio		
with credit ratings AA- and above	939,171	590,841
with credit ratings from A+ to A-	134,829	429,135
with credit ratings from BBB+ to BBB-	595,008	493,984
	1,669,008	1,513,960
	30 June 2020 Unaudited	31 December 2019
	Fair value	Fair value
Debt instruments in Investment portfolio		
with credit ratings from BB+ to BB-	430,313	415,602
with credit ratings below BB- and not rated	169,741	176,737
	600,054	592,339

As at 30 June 2020, debt instruments at fair value through other comprehensive income include accrued interest income amounting to 38,345 thousand US dollars (31 December 2019: 22,830 thousand US dollars).

As at 30 June 2020, debt instruments at fair value through other comprehensive income include financial assets used as collateral for Repo operations with a fair value of 763,595 thousand US dollars (31 December 2019: 251,643 thousand US dollars). (Note 16)

15 OTHER ASSETS

	30 June 2020 Unaudited	31 December 2019
Other financial assets:		
Accrued commission income and other receivables	10,642	10,868
	10,642	10,868
Other non-financial assets:		
Assets received as consideration for loans to customers	42,587	42,587
Right-of-use asset	5,612	6,967
Prepaid expenses	2,276	1,911
Value added tax reimbursable	245	243
Capital expenditure debtors	166	390
Other	256	611
	51,142	52,709
Less: allowance for impairment losses	(42,746)	(42,763)
	8,396	9,946
Total other assets	19,038	20,814

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

16 LOANS AND DEPOSITS FROM BANKS

	30 June 2020 Unaudited	31 December 2019
Loans from banks		
in Euro	218,082	226,689
in Kazakhstani tenge	135,621	138,557
in US dollars	127,234	88,283
in Russian rouble	14,593	-
Deposits from banks	16,532	44,796
Loans under repurchase agreements:		
in Euro	597,529	147,458
in Kazakhstani tenge	86,563	94,692
	1,196,154	740,475

The Bank has signed several loan agreements to receive financing from different international banks to fund its investment projects. Due to the terms of such agreements, the Bank shall comply with the covenants such as maintaining financial stability, non-payment clauses, cross-default, encumbrances, court proceedings and some others. As at 30 June 2020 (unaudited) and 31 December 2019, the Bank was in compliance with all covenants.

The Bank concludes repurchase agreement operations in order to: a) satisfy its need in Euro, and b) satisfy its need of Kazakhstani tenge liquidity.

The fair value of assets pledged and carrying amount of loans under repurchase agreements are as follows:

	30 June 2020 Unaudited		31 December 2019	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
US Treasuries	503,387	546,265	35,133	37,782
Eurobonds of the Russian Federation	94,142	128,256	112,325	116,240
Bonds issued by Ministry of Finance and National Bank of the Republic of Kazakhstan	86,563	89,074	94,692	97,621
Total loans under repurchase agreements	684,092	763,595	242,150	251,643

As at 30 June 2020, loans and deposits from banks included accrued interest payable amounting to 10,948 thousand US dollars (31 December 2019: 5,885 thousand US dollars).

Reconciliation of loans from banks movement to cash flows arising from financing activities during the six-month period ended 30 June 2020 is as follows:

	31 December 2019	Cash inflow	Cash outflow	Foreign exchange and interest accrued movement	30 June 2020 Unaudited
Loans from banks and loans under repurchase agreements	695,679	673,617	(188,569)	(1,105)	1,179,622

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

16 LOANS AND DEPOSITS FROM BANKS (CONTINUED)

Reconciliation of loans from banks movement to cash flows arising from financing activities during the six-month period ended 30 June 2019 is as follows:

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

17 DEPOSITS FROM CUSTOMERS

	30 June 2020 Unaudited	31 December 2019
Current accounts:		
in Kazakhstani tenge	77,525	113,496
in US dollars	43,491	25,210
in Russian rouble	1,329	1,925
in Euro	518	516
Deposits from customers:		
in Kazakhstani tenge	73,700	20,515
in Russian rouble	29,806	31,582
in Euro	24,381	1
in US dollars	20,271	104,099
	271,021	297,344

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 2020 and 31 December 2019, all deposits were from corporate customers based in the member-states of the Bank.

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

	30 June 2020 Unaudited	31 December 2019
Current accounts:		
state-owned companies	118,940	106,945
private companies	3,923	34,202
Deposits from customers:		
private companies	91,119	112,476
state-owned companies	57,039	43,721
	271,021	297,344

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

18 DEBT SECURITIES ISSUED

				30 June 2020	31 December
				Unaudited	2019
Debt securities issued and denominated in USD					
Issue series	Next put option date	Due date	Interest rate, %		
Series 03	-	Sep 2022	4.767	513,460	515,383
Series 05	-	Sep 2020	5.000	290,961	289,291
Total debt securities issued and denominated in USD				804,421	804,674
Debt securities issued and denominated in RUB					
Issue series	Next put option date	Due date	Interest rate, %		
Series 001P-07	-	May 2024	5.900	140,968	-
Series 001P-05	-	Jun 2023	6.800	112,576	129,339
Series 001P-04	-	Jan 2023	8.000	72,719	83,386
Series 11	Aug 2021	Jan 2025	7.750	72,420	83,060
Series 001P-03	-	Mar 2021	8.600	72,049	82,595
Series 08	-	Oct 2020	8.200	71,557	82,061
Series 001P-06	-	Apr 2023	7.600	71,259	-
Series 001P-02	-	May 2021	8.900	71,086	81,490
Series 06	-	Sep 2020	7.300	47,087	54,002
Series 10	-	Jan 2023	12.250	29,681	34,044
Series 07	-	Sep 2020	8.750	24,643	28,254
Series 05	-	Jul 2020	7.800	13,961	16,038
Series 001P-01	Jan 2023	Jul 2028	5.950	8,057	166,248
Series 002P-02	-	Feb 2020	6.150	-	48,389
Total debt securities issued and denominated in RUB				808,063	888,906
Debt securities issued and denominated in KZT					
Issue series	Next put option date	Due date	Interest rate, %		
Series 05, programme 1	-	Feb 2022	9.700	50,896	53,964
Series 10, programme 2	-	Oct 2020	9.400	50,289	53,314
Series 06, programme 2	-	Oct 2023	9.500	50,206	53,243
Series 03, programme 2	-	Nov 2022	9.700	49,906	52,920
Series 05, programme 2	-	May 2024	9.500	49,653	52,663
Series 09, programme 2	-	May 2024	9.500	49,653	52,663
Series 01, programme 2	-	Jun 2021	9.100	49,453	52,432
Series 02, programme 2	-	Jun 2021	9.100	49,453	52,431
Series 11, programme 2	-	May 2024	9.500	24,826	26,331
Series 07, programme 2	-	Jun 2021	9.100	24,726	26,216
Series 04, programme 2	-	May 2020	10.100	-	39,571
Total debt securities issued and denominated in KZT				449,061	515,748
Total debt securities issued				2,061,545	2,209,328

As at 30 June 2020, debt securities issued included accrued interest payable amounting to 31,276 thousand US dollars (31 December 2019: 37,392 thousand US dollars).

Reconciliation of debt securities issued movement to cash flows arising from financing activities during the six-month period ended 30 June 2020 is as follows:

	31 December			Foreign	Accrued	30 June
	2019	Cash inflow	Cash outflow	exchange	interest	2020
				movement	movement	Unaudited
Debt securities issued	2,209,328	207,435	(235,511)	(113,886)	(5,821)	2,061,545

EURASIAN DEVELOPMENT BANK**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)***(in thousands of US dollars)***18 DEBT SECURITIES ISSUED (CONTINUED)**

Reconciliation of debt securities issued movement to cash flows arising from financing activities during the six-month period ended 30 June 2019 is as follows:

	<u>31 December 2019</u>	<u>Cash inflow</u>	<u>Cash outflow</u>	<u>Foreign exchange movement</u>	<u>Accrued interest movement</u>	<u>30 June 2020 Unaudited</u>
Debt securities issued	1,525,786	286,839	(29,751)	49,660	7,633	1,840,167

19 TECHNICAL ASSISTANCE FUND RESERVE

	<u>30 June 2020 Unaudited</u>	<u>31 December 2019</u>
Technical Assistance Fund reserve	19,133	19,133

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.

20 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 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.

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

20 COMMITMENTS AND CONTINGENCIES (CONTINUED)

As at 30 June 2020 and 31 December 2019, the nominal or contractual amounts were:

	30 June 2020 Unaudited Nominal amount	31 December 2019 Nominal amount
Commitments on loans and unused credit lines	1,187,189	1,275,796
Guarantees and letters of credit issued	193,775	185,604
Commitments to join private equity funds	3,995	3,995
	<u>1,384,959</u>	<u>1,465,395</u>
Less expected credit loss provisions	(879)	(720)
Total contingent liabilities and credit commitments	<u>1,384,080</u>	<u>1,464,675</u>

The Bank doesn't create 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. The procedure of issuing new tranches includes an updated review of current financial position of a customer by credit risk, compliance and law departments of the Bank and is similar to the procedure of initial approval of credit line. 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.

Fiduciary activities

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.

21 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.

EURASIAN DEVELOPMENT BANK

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

21 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(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 8) was as follows:

	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	Unaudited		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	4,684	16,945	4,391	14,888
Accommodation costs of employees	27	978	33	599
Total	4,711	17,923	4,424	15,487

The outstanding balances as at 30 June 2020 and 31 December 2019 for transactions with the members of the Executive Board are as follows:

	30 June 2020	31 December 2019
	Unaudited	
Interim statement of financial position		
Other liabilities	2,501	3,613
Retirement savings	1,750	1,541

(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.

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

21 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The outstanding balances as at 30 June 2020 and 31 December 2019 with other related parties are as follows:

	30 June 2020	31 December
	Unaudited	2019
Statement of financial position		
ASSETS		
Cash and cash equivalents:		
in US dollars	11,205	2,218
in Russian rouble	16,418	220,878
in Kazakhstani tenge	17,892	16,714
in Euro	39,387	39,506
in other currencies	180	66
less expected credit losses	(12)	(18)
Financial assets at fair value through profit or loss:		
in US dollars	29	2,308
in Russian rouble	143	451
Loans and advances to banks:		
in US dollars	741	1,151
in Kazakhstani tenge	139	25,839
in Euro	52,168	38,839
less expected credit losses	(395)	(448)
Loans to customers:		
in US dollars	255,282	227,000
in Russian rouble	210,132	239,337
in Kazakhstani tenge	152,570	164,774
in Euro	268,666	266,573
less expected credit losses	(12,125)	(7,482)
Financial assets at fair value through other comprehensive income:		
in US dollars	314,952	336,411
in Russian rouble	97,152	106,710
in Kazakhstani tenge	576,039	513,852
in Euro	31,435	-
in other currencies	23,137	-
less expected credit losses	(5,606)	(1,929)
Other assets:		
in US dollars	8,304	8,765
in Russian rouble	18	13
in Euro	14	-

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(in thousands of US dollars)

21 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(b) Transactions with other related parties, continued

	30 June 2020 Unaudited	31 December 2019
Statement of financial position		
LIABILITIES		
Loans and deposits from banks:		
in US dollars	-	25,000
in Russian rouble	14,606	8
in Kazakhstani tenge	135,623	138,558
in Euro	7	101,003
Financial liabilities at fair value through profit or loss:		
in US dollars	5,044	4,646
in Kazakhstani tenge	379	786
Deposits from customers:		
in US dollars	42,465	57,887
in Russian rouble	1,048	-
in Kazakhstani tenge	132,685	92,779
Hedging instruments:		
in US dollars	-	632
Debt securities issued:		
in Russian rouble	399,979	442,819
in Kazakhstani tenge	275,753	301,400
Other liabilities:		
in US dollars	7	793
in Russian rouble	1,531	678
in Kazakhstani tenge	6	91
in Euro	200	216
Guarantees received:		
in US dollars	263,779	265,978
in Russian rouble	80,743	25,563
in Kazakhstani tenge	26,848	89,192
Commitments:		
in US dollars	53,836	167,699
in Russian rouble	257,911	174,649
in Kazakhstani tenge	37,702	48,107
in Euro	80,056	86,416

The profit or loss amounts of transactions for the six-month periods ended 30 June 2020 and 30 June 2019 with other related parties are as follows:

	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Statement of profit or loss		
Interest income	75,056	54,924
Interest expense	(39,933)	(27,556)
(Provision for)/recovery of expected credit losses on interest bearing assets	(6,577)	284
Net loss from modification and recognition of new financial instruments	(10)	-
Net loss on financial assets and liabilities at fair value through profit and loss	(13,027)	(5,046)
Net realised gain/(loss) on financial assets at fair value through other comprehensive income	748	(966)
Net gain on transactions in foreign currencies	11,336	5,842
Fee and commission income	5,727	3,256
Fee and commission expense	(186)	(60)
Other income	-	6

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

22 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 2020 Unaudited
Interest income	51,188	69,220	8,844	1,624	10,648	141,524
Interest expense	(27,051)	(45,925)	(12)	(5)	(29,217)	(102,210)
(Provision for)/recovery of expected credit losses on interest bearing assets	(2,454)	(4,182)	(7,519)	1,267	56	(12,832)
Losses from equity securities at fair value through profit or loss	(1,338)	-	-	-	-	(1,338)
Provision for impairment losses on contingent liabilities	(181)	-	-	-	-	(181)
Net gain from modification and recognition of new financial instruments	-	745	-	-	-	745
Net gain/(loss) on financial assets and liabilities at fair value through profit and loss	6,929	(26,889)	8	(30)	44,190	24,208
Net realised gain on financial assets at fair value through other comprehensive income	860	3	22	6	2	893
Net (loss)/gain on transactions in foreign currencies	(17,452)	1,460	(18)	(4)	2,220	(13,794)
Fee and commission income	6,196	403	21	-	16	6,636
Fee and commission expense	(256)	(41)	(4)	(6)	(97)	(404)
Net (loss)/gain on trading with debt securities issued	(308)	-	-	-	13	(295)
Other income	53	2	-	-	-	55
Other expenses	-	(5)	-	-	-	(5)
Net result from financial operations	16,186	(5,209)	1,342	2,852	27,831	43,002
Capital expenditure	134	320	-	3	-	457
Depreciation and amortization	96	612	3	11	-	722

EURASIAN DEVELOPMENT BANK

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

22 SEGMENT REPORTING (CONTINUED)

Segment performance, continued

	Russia Unaudited	Kazakhstan Unaudited	Belarus Unaudited	Other Member states Unaudited	Non-member states Unaudited	Total 30 June 2020 Unaudited
Cash and cash equivalents	541,820	23,245	236	377	321,623	887,301
Financial assets at fair value through profit or loss	5,352	165	1	-	15,209	20,727
Loans and advances to banks	60,120	34,884	84,425	41,817	35,261	256,507
Loans to customers	873,235	705,748	375,924	9,578	-	1,964,485
Financial assets at fair value through other comprehensive income	492,667	651,370	35,970	14,346	1,074,709	2,269,062
Investments in associates	20,154	-	-	-	-	20,154
Property, equipment and intangible assets	481	11,205	11	56	-	11,753
Other assets	14,380	2,661	192	642	1,163	19,038
Total assets	2,008,209	1,429,278	496,759	66,816	1,447,965	5,449,027
Total liabilities	898,227	918,565	511	8,355	1,745,439	3,571,097
Contingent liabilities and credit commitments	456,328	479,163	384,320	64,269	-	1,384,080

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

22 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 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/(provision for) 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)/recovery of impairment losses on contingent liabilities	(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 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

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

22 SEGMENT REPORTING (CONTINUED)

Segment performance, continued

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total 31 December 2019
Cash and cash equivalents	345,908	19,825	13,580	146	385,685	765,144
Financial assets at fair value through profit or loss	6,567	2,759	-	30	661	10,017
Loans and advances to banks	78,495	60,505	84,204	43,094	-	266,298
Loans to customers	1,044,024	704,256	192,589	19,135	-	1,960,004
Financial assets at fair value through other comprehensive income	463,513	591,370	15,359	15,567	1,020,490	2,106,299
Investments in associates	20,131	-	-	-	-	20,131
Property, equipment and intangible assets	462	11,518	13	64	-	12,057
Other assets	8,072	2,480	124	471	9,667	20,814
Total assets	1,967,172	1,392,713	305,869	78,507	1,416,503	5,160,764
Total liabilities	1,139,959	997,061	174	5,288	1,168,286	3,310,768
Contingent liabilities and credit commitments	703,081	521,443	156,290	83,861	-	1,464,675

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 2020 and 2019, there were no loans to customers with interest income individually exceeding 10% of interest income.

23 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 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 observable information 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.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation of financial instruments, continued

The Bank uses widely recognised 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.

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 2020 and 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	Level 1	Level 2	Level 3	30 June 2020 Total Unaudited
Financial assets at fair value through profit or loss:				
derivatives	-	15,498	-	15,498
equity instruments	-	-	5,229	5,229
Financial assets at fair value through other comprehensive income:				
debt instruments in Treasury portfolio	1,184,874	484,134	-	1,669,008
debt instruments in Investment portfolio	-	600,049	5	600,054
Financial liabilities at fair value through profit or loss:				
derivatives	-	(8,078)	-	(8,078)
	Level 1	Level 2	Level 3	As at 31 December 2019 Total
Financial assets at fair value through profit or loss:				
derivatives	-	3,450	-	3,450
equity instruments	-	-	6,567	6,567
Financial assets at fair value through other comprehensive income:				
debt instruments in Treasury portfolio	964,121	549,839	-	1,513,960
debt instruments in Investment portfolio	-	592,334	5	592,339
Financial liabilities at fair value through profit or loss: derivatives	-	(26,955)	-	(26,955)
Hedge instruments	-	(1,616)	-	(1,616)

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23 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation of financial instruments, continued

The following table shows reconciliation for the six month-period ended 30 June 2020 and the six month-period ended 30 June 2019 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3	
	Six-month period ended 30 June 2020 Unaudited	Six-month period ended 30 June 2019 Unaudited
Financial assets at fair value through profit or loss		
Balance at beginning of the year	6,567	16,878
Redemption of instruments, net	-	(5,028)
Losses from equity securities at fair value through profit or loss	(1,338)	(137)
Balance at end of the period	5,229	11,713
Financial assets at fair value through other comprehensive income		
Balance at the beginning of the year	5	3
Interest income accrued	-	2
Balance at end of the period	5	5

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 organization 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 2020 Unaudited	
				Total fair value	Total carrying value
Financial assets					
Cash and cash equivalents	-	-	887,301	887,301	887,301
Loans and advances to banks	-	-	256,507	256,507	256,507
Loans to customers	-	-	1,964,485	1,964,485	1,964,485
Other financial assets	-	-	10,642	10,642	10,642
Financial liabilities					
Loans and deposits from banks	-	-	1,196,154	1,196,154	1,196,154
Deposits from customers	-	-	271,021	271,021	271,021
Debt securities issued	-	2,088,951	-	2,088,951	2,061,545
Other financial liabilities	-	-	8,619	8,619	8,619

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

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23 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation of financial instruments, continued

	Level 1	Level 2	Level 3	31 December 2019	
				Total fair value	Total carrying value
Financial assets					
Cash and cash equivalents	-	-	765,144	765,144	765,144
Loans and advances to banks	-	-	266,298	266,298	266,298
Loans to customers	-	-	1,960,004	1,960,004	1,960,004
Other financial assets	-	-	10,868	10,868	10,868
Financial liabilities					
Loans and deposits from banks	-	-	740,475	740,475	740,475
Deposits from customers	-	-	297,344	297,344	297,344
Debt securities issued	-	2,225,417	-	2,225,417	2,209,328
Other financial liabilities	-	-	9,854	9,854	9,854

24 RISK MANAGEMENT POLICIES

(a) Credit risk

As at 30 June 2020, the credit ratings and credit risk of the counterparties have not significantly changed compared to 31 December 2019.

(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 Management Board of the Bank reviews 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 Management 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.

EURASIAN DEVELOPMENT BANK

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

24 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 2020 Total Unaudited
Cash and cash equivalents	-	887,301	-	887,301
Financial assets at fair value through profit or loss	5,229	15,498	-	20,727
Loans and advances to banks	187,378	70,006	(877)	256,507
Loans to customers	2,039,765	-	(75,280)	1,964,485
Financial assets at fair value through other comprehensive income	562,751	1,669,008	37,303	2,269,062
Investments in associates	20,154	-	-	20,154
Property, equipment and intangible assets	-	-	11,753	11,753
Other assets	-	-	19,038	19,038
Total assets	2,815,277	2,641,813	(8,063)	5,449,027
Total liabilities	-	708,703	2,862,394	3,571,097
Contingent liabilities and credit commitments	1,361,002	-	23,078	1,384,080
Total current investment portfolio	4,176,269			

*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/discounts and secured letters of credit.

	Current investment portfolio	Treasury Portfolio	Unallocated*	31 December 2019 Total
Cash and cash equivalents	-	765,144	-	765,144
Financial assets at fair value through profit or loss	6,567	3,450	-	10,017
Loans and advances to banks	232,334	34,685	(721)	266,298
Loans to customers	2,031,401	-	(71,397)	1,960,004
Financial assets at fair value through other comprehensive income	566,283	1,513,960	26,056	2,106,299
Investments in associates	20,131	-	-	20,131
Property, equipment and intangible assets	-	-	12,057	12,057
Other assets	-	-	20,814	20,814
Total assets	2,856,716	2,317,239	(13,191)	5,160,764
Total liabilities	-	315,517	2,995,251	3,310,768
Contingent liabilities and credit commitments	1,465,395	-	(720)	1,464,675
Total current investment portfolio	4,322,111			

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

24 RISK MANAGEMENT POLICIES (CONTINUED)

(b) Liquidity risk

During the six-month period ended 30 June 2020, there were no significant changes in liquidity risk comparing to 31 December 2019.

(c) Market risk

Market risk covers interest rate risk, currency and pricing risks. In order to measure price and currency risks the Bank uses a 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 2020, there were no significant changes in market risk comparing to 31 December 2019.

(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 2020 Total Unaudited
Total financial assets	2,732,722	901,025	823,381	926,854	24,742	5,408,724
Total financial liabilities	1,018,929	823,822	861,187	841,200	279	3,545,417
Open balance sheet position	1,713,793	77,203	(37,806)	85,654	24,463	1,863,307
Net spot and derivative financial instruments position	153,354	(71,146)	36,788	(86,728)	(24,108)	8,160
TOTAL OPEN POSITION	1,867,147	6,057	(1,018)	(1,074)	355	1,871,467
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2019 Total
Total financial assets	2,359,916	855,446	1,249,215	653,563	490	5,118,630
Total financial liabilities	1,077,328	884,610	947,698	375,760	176	3,285,572
Open balance sheet position	1,282,588	(29,164)	301,517	277,803	314	1,833,058
Net spot and derivative financial instruments position	527,717	33,175	(306,521)	(280,429)	(442)	(26,500)
TOTAL OPEN POSITION	1,810,305	4,011	(5,004)	(2,626)	(128)	1,806,558

EURASIAN DEVELOPMENT BANK

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

(in thousands of US dollars)

24 RISK MANAGEMENT POLICIES (CONTINUED)

(d) Currency risk, continued

Impact on net profit based on asset values as at 30 June 2020 and 31 December 2019:

	As at 30 June 2020 Unaudited					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	153	(153)	(909)	909	107	(107)
	As at 31 December 2019					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on net profit	751	(751)	(602)	602	263	(263)

Impact on equity based on asset values as at 30 June 2020 and 31 December 2019:

	As at 30 June 2020 Unaudited					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on equity	153	(153)	(909)	909	107	(107)
	As at 31 December 2019					
	USD/RUB +15%	USD/RUB -15%	USD/KZT +15%	USD/KZT -15%	USD/EUR +10%	USD/EUR -10%
Impact on equity	751	(751)	(602)	602	263	(263)

(e) Financial ratios

The Council of the Bank has set the following financial ratios:

	30 June 2020 Unaudited	31 December 2019
Minimum amount of liquid assets in Treasury portfolio required amount in thousands US dollars* <i>actual amount</i>	1,025,750 1,654,670	893,910 1,729,498
Financial leverage ratio should be less or equal to 300% of the Bank's equity <i>actual ratio</i>	300.00% 133.75%	300.00% 141.40%

* 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.

25 EVENTS AFTER THE REPORTING PERIOD

On 15 July 2020, in accordance with the terms of the issuance the Bank redeemed issued Rouble Bonds (series 05) listed on the Moscow Exchange for a total amount of 959 million Russian roubles.