ANTI-CRISIS FUND OF THE EURASIAN ECONOMIC COMMUNITY

Financial Statements
For the Year Ended 31 December 2014

ANTI-CRISIS FUND OF THE EURASIAN ECONOMIC COMMUNITY

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050051 Almaty, 180 Dostyk Avenue,
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Independent Auditors' Report

To the Member-states of the Anti-Crisis Fund of the Eurasian Economic Community

We have audited the accompanying financial statements of the Anti-Crisis Fund of the Eurasian Economic Community (the "Fund"), which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in net assets attributable to the Member-states of the Fund and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No МФ-0000053 of 6 January 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Alla Nigay
General Director of KPMG Audit LLC
acting on the basis of the Charter

26 February 2015

ANTI-CRISIS FUND OF THE EURASIAN ECONOMIC COMMUNITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of US dollars)

	Note	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012
Interest income	4	103,627	80,685	57,442
Net gain on financial assets available-for-sale		-	2	4
Net loss on transactions in foreign currencies		-	(1)	(1)
Fee and commission expense		(8)	(11)	(12)
Other income		1	-	-
Operating income		**103,620**	**80,675**	**57,433**
Operating expenses		(4,340)	(5,395)	(1,831)
NET PROFIT		**99,280**	**75,280**	**55,602**
OTHER COMPREHENSIVE INCOME:				
Items that are or may be reclassified subsequently to profit or loss:				
Revaluation reserve for financial assets available-for-sale:				
- Net change in fair value		-	-	7
- Net change in fair value transferred to profit or loss		(76)	(2)	(4)
Total items that are or may be reclassified subsequently to profit or loss		*(76)*	*(2)*	*3*
OTHER COMPREHENSIVE INCOME		**(76)**	**(2)**	**3**
TOTAL COMPREHENSIVE INCOME		**99,204**	**75,278**	**55,605**

Approved on behalf of the Asset Manager of the Fund, as appointed by the Member-states of the Fund:

Pankin D.V.
Chairman of the Executive Board
Eurasian Development Bank

26 February 2015
Almaty, Kazakhstan

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

26 February 2015
Almaty, Kazakhstan

The notes on pages 9-31 form an integral part of these financial statements.

ANTI-CRISIS FUND OF THE EURASIAN ECONOMIC COMMUNITY

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(in thousands of US dollars)

	Note	31 December 2014	31 December 2013	31 December 2012
ASSETS				
Cash and cash equivalents	5	285,358	123,175	61,108
Loans to Member-states	6	2,366,423	2,630,795	1,750,486
Financial assets available-for-sale	7	399,648	-	24,999
Amounts receivable from the Member-states of the Fund in the form of committed contributions	8	260,000	260,000	500,000
Other assets		26	-	-
TOTAL ASSETS		**3,311,455**	**3,013,970**	**2,336,593**
LIABILITIES				
Payables to Eurasian Development Bank		2,228	1,661	62
Other liabilities		430	1	1
Total liabilities		**2,658**	**1,662**	**63**
NET ASSETS ATTRIBUTABLE TO THE MEMBER-STATES OF THE FUND		**3,308,797**	**3,012,308**	**2,336,530**
Net assets attributable to the Member-states of the Fund represented by:				
Paid-in contributions by the Member-states of the Fund	8	2,798,985	2,601,700	1,761,200
Initial contributions receivable from the Member-states of the Fund	8	260,000	260,000	500,000
Revaluation reserve for financial assets available-for-sale		(76)	-	2
Increase in net assets attributable to the Member-states of the Fund		249,888	150,608	75,328
		3,308,797	**3,012,308**	**2,336,530**

Approved on behalf of the Asset Manager of the Fund, as appointed by the Member-states of the Fund:

Pankin D.V.
Chairman of the Executive Board
Eurasian Development Bank

26 February 2015
Almaty, Kazakhstan

Mukhambetzhanov B.K.
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26 February 2015
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ANTI-CRISIS FUND OF THE EURASIAN ECONOMIC COMMUNITY

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE MEMBER-STATES OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 2014

(in thousands of US dollars)

	Paid-in contributions by the Member-states of the Fund	Initial contributions receivable from the Member-states of the Fund	Revaluation reserve for financial assets available-for-sale	(Decrease)/ increase in net assets attributable to the Member-states of the Fund	Total
Balance at 1 January 2012	**1,540,600**	**500,000**	**(1)**	**19,726**	**2,060,325**
Net profit	-	-	-	55,602	55,602
Other comprehensive income	-	-	3	-	3
Total comprehensive income	**-**	**-**	**3**	**55,602**	**55,605**
Contributions by the Member-states of the Fund	220,600	-	-	-	220,600
Balance at 31 December 2012	**1,761,200**	**500,000**	**2**	**75,328**	**2,336,530**
Net profit	-	-	-	75,280	75,280
Other comprehensive income	-	-	(2)	-	(2)
Total comprehensive income	**-**	**-**	**(2)**	**75,280**	**75,278**
Contributions by the Member-states of the Fund	600,500	-	-	-	600,500
Initial contributions paid	240,000	(240,000)	-	-	-
Balance at 31 December 2013	**2,601,700**	**260,000**	**-**	**150,608**	**3,012,308**
Net profit	-	-	-	99,280	99,280
Other comprehensive income	-	-	(76)	-	(76)
Total comprehensive income	**-**	**-**	**(76)**	**99,280**	**99,204**
Contributions by the Member-states of the Fund	197,285	-	-	-	197,285
Balance at 31 December 2014	**2,798,985**	**260,000**	**(76)**	**249,888**	**3,308,797**

Approved on behalf of the Asset Manager of the Fund, as appointed by the Member-states of the Fund:

Pankin D.V.
Chairman of the Executive Board
Eurasian Development Bank

26 February 2015
Almaty, Kazakhstan

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

26 February 2015
Almaty, Kazakhstan

The notes on pages 9-31 form an integral part of these financial statements.

ANTI-CRISIS FUND OF THE EURASIAN ECONOMIC COMMUNITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of US dollars)

	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to Member-states	103,878	80,296	57,319
Interest received on cash and cash equivalents	18	55	161
Fee and commission paid	(8)	(11)	(12)
Operating expenses paid	(3,773)	(3,796)	(1,799)
Cash inflow from operating activities before changes in operating assets and liabilities	**100,115**	**76,544**	**55,669**
Changes in operating assets and liabilities			
Decrease/(increase) in loans to Member-states	264,451	(880,000)	(440,000)
Increase in other liabilities	6	-	-
Net cash inflow/(outflow) from operating activities	**364,572**	**(803,456)**	**(384,331)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale and redemption of financial assets available-for-sale	-	224,996	500,000
Purchase of financial assets available-for-sale	(399,674)	(199,973)	(349,956)
Net cash (outflow)/inflow from investing activities	**(399,674)**	**25,023**	**150,044**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from contributions made by the Member-states of the Fund	197,285	840,500	220,600
Net cash inflow from financing activities	**197,285**	**840,500**	**220,600**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**162,183**	**62,067**	**(13,687)**
CASH AND CASH EQUIVALENTS, at beginning of the year	123,175	61,108	74,795
CASH AND CASH EQUIVALENTS, at end of the year (Note 5)	**285,358**	**123,175**	**61,108**

Approved on behalf of the Asset Manager of the Fund, as appointed by the Member-states of the Fund:

Pankin D.V.
Chairman of the Executive Board
Eurasian Development Bank

26 February 2015
Almaty, Kazakhstan

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

26 February 2015
Almaty, Kazakhstan

The notes on pages 9-31 form an integral part of these financial statements.

1 BACKGROUND

(a) Principal activities

The Anti-crisis Fund of the Eurasian Economic Community ("the Fund") was established by the Member-states of the Fund: the Republic of Belarus, the Republic of Kazakhstan, Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan and the Republic of Armenia in accordance with a Treaty of Establishment of the Anti-crisis Fund of the Eurasian Economic Community signed in Moscow on 9 June 2009.

The Fund's main goals are to assist Member-states in overcoming the consequences of the global financial crisis, to ensure their long-run economic stability and to foster economic integration. The Fund has two main instruments: financial credits and investment loans.

The Fund's activities are not subject to the national legislations of the Member-states of the Fund. The Fund's activities are under regulation of international agreements and decisions of governing bodies and applicable regulations and decisions of Asset Manager of the Fund.

The Fund's net assets are attributable to the Member-states of the Fund.

The Member-states of the Fund have appointed Eurasian Development Bank ("the Bank") as an Asset Manager of the Fund ("the Asset Manager"). The Asset Manager's function is performed by the Bank under the Agreement on asset management of the Fund between Member-states of the Fund and the Bank which was signed in Moscow on 9 June 2009. The Bank undertakes the Asset Manager's function for the Fund and manages the Fund's assets according to terms and conditions stipulated by this Agreement.

As at 31 December 2014, 2013 and 2012, the breakdown of the paid-in contributions by the Member-states of the Fund is distributed as follows:

	31 December 2014 %	31 December 2014	31 December 2013 %	31 December 2013	31 December 2012 %	31 December 2012
The Russian Federation	82.10	2,298,000	88.32	2,298,000	94.14	1,658,000
The Republic of Kazakhstan	17.74	496,785	11.53	300,000	5.68	100,000
The Republic of Belarus	0.07	2,000	0.08	2,000	0.11	2,000
The Republic of Armenia	0.04	1,000	0.03	800	0.03	500
The Republic of Tajikistan	0.04	1,000	0.03	700	0.03	500
The Kyrgyz Republic	0.01	200	0.01	200	0.01	200
Total	**100.00**	**2,798,985**	**100.00**	**2,601,700**	**100.00**	**1,761,200**

According to the Treaty of Establishment of the Anti-crisis Fund of the Eurasian Economic Community, as at 31 December 2014, 2013 and 2012 the contributions not paid in by the Member-states are as follows:

	Authorised, but not paid-in contributions as at 31 December 2014	Authorised, but not paid-in contributions as at 31 December 2013	Authorised, but not paid-in contributions as at 31 December 2012
The Russian Federation	4,942,000	4,942,000	5,342,000
The Republic of Kazakhstan	503,215	700,000	900,000
The Republic of Belarus	8,000	8,000	8,000
The Kyrgyz Republic	800	800	800
The Republic of Tajikistan	-	300	500
The Republic of Armenia	-	200	500
Total	**5,454,015**	**5,651,300**	**6,251,800**

The amounts above exclude initial contributions receivable.

These financial statements were authorised for issue on 26 February 2015 by the Asset Manager of the Fund, as appointed by the Member-states of the Fund.

1 BACKGROUND, CONTINUED

(b) Business environment

Member-states, that are emerging markets, are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Member-states and their economies in general.

Laws and regulations affecting businesses in Member-states continue to change. Tax, currency and customs legislation within Member-states are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges that might be faced by entities currently operating in Member-states. The future economic direction of Member-states is largely dependent upon economic, fiscal and monetary measures undertaken by their governments, together with legal, regulatory, and political developments.

Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment and from decline in the oil and gas prices could slow or disrupt the economies of Member-states, adversely affect business, results of operations, financial condition and prospects of the Fund.

The financial statements reflect management's assessment of the impact of the business environment in the Member states on the operations and the financial position of the Fund. The future business environment may differ from management's assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial assets available-for-sale are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Fund is the US dollar ("USD") as it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The US dollar is also the presentation currency for the purposes of these financial statements.

The following factors were considered in determining the functional currency by the Asset Manager of the Fund: contributions by the Member-states of the Fund are formed in US dollars, and the majority of the Fund's principal activities are conducted in US dollars.

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

2 BASIS OF PREPARATION, CONTINUED

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the Note 6 “Loans to Member-states”.

(e) Change in accounting policies

The Asset Manager of the Fund has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014:

- *Investment Entities* (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements) (see (i));
- *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32 Financial Instruments: Presentation) (see (ii));
- *Recoverable Amount Disclosures for Non-Financial Assets* (Amendments to IAS 36 Impairment of Assets) (see (iii));
- *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39 Financial Instruments: Recognition and Measurements) (see (iv)).

The nature and the effect of the changes are explained below.

(i) Investment entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

These amendments do not have an impact on the financial statements as the Fund does not meet the definition of an investment entity under IFRS 10.

(ii) Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 32 Financial Instruments: Disclosure and Presentation - Offsetting Financial Assets and Financial Liabilities do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

As the Asset Manager of the Fund does not have significant offsetting arrangements in respect of the Fund’s assets and liabilities, the amendment does not have an impact on the Fund’s financial statements.

(iii) Recoverable Amount Disclosures for Non-Financial Assets

The amendments remove the requirement to disclose the recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment.

2 BASIS OF PREPARATION, CONTINUED

(e) Change in accounting policies, continued

(iv) Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

The Asset Manager of the Fund does not expect that these amendments will have an impact on the Fund's financial statements as the Fund does not apply hedge accounting according to IFRS as at the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Asset Manager of the Fund during preparation of the financial statements, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Cash and cash equivalents

Cash and cash equivalents include notes and balances (nostro accounts) held with the banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Asset Manager of the Fund in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(b) Loans to Member-states

Loans to Member-states are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets. Loans to Member-states with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Loans to Member-states are carried net of allowance for impairment losses, if any.

(c) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated by the Fund as at fair value through profit or loss.

The Asset Manager of the Fund may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.
- all trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Financial instruments, continued

(i) Classification, continued

Asset Manager of the Fund determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Asset Manager of the Fund:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

*Held-to-maturity investment*s are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Asset Manager of the Fund has the positive intention and ability to hold to maturity, other than those that:

- the Asset Manager of the Fund upon initial recognition designates as at fair value through profit or loss
- the Asset Manager of the Fund designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Asset Manager of the Fund becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Financial instruments, continued

(iii) Measurement, continued

- held-to-maturity investments which are measured at amortised cost using the effective interest method and,
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the the Asset Manager of the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Asset Manager of the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Asset Manager of the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Asset Manager of the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Asset Manager of the Fund measures assets and long positions at the bid price and liabilities and short positions at the ask price.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Financial instruments, continued

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Asset Manager of the Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Asset Manager of the Fund neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Asset Manager of the Fund is recognised as a separate asset or liability in the statement of financial position. The Asset Manager of the Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Asset Manager of the Fund enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Asset Manager of the Fund neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Asset Manager of the Fund continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Asset Manager of the Fund writes off assets deemed to be uncollectible.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position of the Fund when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Impairment

The Asset Manager of the Fund assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Asset Manager of the Fund determines the amount of any impairment loss.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Impairment, continued

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Asset Manager of the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Asset Manager of the Fund reviews its loans and receivables to assess impairment on a regular basis.

The Asset Manager of the Fund assesses whether objective evidence of impairment exists individually for all loans and receivables. If the Asset Manager of the Fund determines that no objective evidence of impairment exists for an individually assessed loan or receivable, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Asset Manager of the Fund uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Asset Manager of the Fund writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Impairment, continued

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

(iii) Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(e) Contributions by the Member-states of the Fund

Contributions by the Member-states of the Fund are recognised at cost and upon the confirmation of contribution transfer to the bank accounts specified in the Fund's bylaws.

The Council of the Fund reviews the capital structure on a regular basis. As a part of this review, the Council of the Fund approves changes in the authorised contributions by the Member-states of the Fund.

(f) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in interest income and expense.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised when the corresponding services provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2014, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Asset Manager of the Fund plans to adopt these pronouncements when they become effective. The Asset Manager of the Fund has not yet analysed the likely impact of these new standards on its financial position and performance.

- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalised and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Asset Manager of the Fund recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the Fund's financial statements. The Asset Manager of the Fund has not analysed the impact of these changes yet. The Asset Manager of the Fund does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2015. The Asset Manager of the Fund has not yet analysed the likely impact of the improvements on its financial position or performance.

4 INTEREST INCOME

	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012
Interest income comprises:			
Interest income on financial assets measured at amortised cost	103,577	80,660	57,402
Interest income on financial assets available-for-sale	50	25	40
Total interest income	**103,627**	**80,685**	**57,442**
Interest income on financial assets measured at amortised cost comprises:			
Interest on loans to Member-states	103,559	80,605	57,241
Interest on cash and cash equivalents	18	55	161
Total interest income on financial assets measured at amortised cost	**103,577**	**80,660**	**57,402**
Interest income before impairment losses on interest bearing assets	**103,627**	**80,685**	**57,442**

5 CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013	31 December 2012
Correspondent accounts in banks on broker operations	157,882	40,059	1,541
Overnight loan	127,471	310	560
Correspondent accounts in banks	5	5	7
Term deposits	-	82,801	59,000
Total cash and cash equivalents	**285,358**	**123,175**	**61,108**

None of cash and cash equivalents are impaired or past due.

As at 31 December 2014, 2013 and 2012, cash and cash equivalents do not include accrued interest.

Overnight loan is placed with one bank that has a credit rating of A+ by Standard&Poor's. Correspondent accounts in banks on broker operations are placed with one bank that has a credit rating of AA by Standard&Poor's.

6 LOANS TO MEMBER-STATES

	31 December 2014	31 December 2013	31 December 2012
Loans to Member-states:			
Loan to the Republic of Belarus	2,295,797	2,560,544	1,680,235
Loan to the Republic of Tajikistan	70,251	70,251	70,251
Loan to the Kyrgyz Republic	375	-	-
Total loans to Member-states	**2,366,423**	**2,630,795**	**1,750,486**

In 2014, the loan to Kyrgyz Republic was organised and was provided within the framework of agricultural industry support. Total amount per loan agreement is 20,000 thousand US dollars. The loan bears an interest rate of 1%. As at 31 December 2014, the amount of 375 thousand was disbursed. The loan is not collateralised.

In 2011, the agreement granting the loan to the Republic of Belarus was signed within the framework of the anti-crisis program. The loan is committed for the total amount of 3,000,000 thousand US dollars, bears interest equal to the borrowing rate of the Russian Federation but not exceeding 4.9%, reset quarterly. In June 2014, the Republic of Belarus has started to repay the principal amount of loan obtained. The loan is not collateralised.

The loan to Republic of Tajikistan is not collateralised and was provided for support of the healthcare, education and social sectors. The loan amount is 70,000 thousand US dollars. The loan bears an interest rate of 1%. The loan matures in year 2030 and has a grace period of 5 years for the principal amount from the date when the agreement comes into force.

As at 31 December 2014, 2013 and 2012, the maximum credit risk exposure on loans to Member-states amounts to 2,366,423 thousand US dollars (31 December 2013: 2,630,795 thousand US dollars; 31 December 2012: 1,750,486 thousand US dollars).

As at 31 December 2014, 2013 and 2012, no loans to Member-states are past due.

As at 31 December 2014 loans to Member-states include accrued interest income amounting to 874 thousand US dollars (31 December 2013: 795 thousand US dollars; 31 December 2012: 486 thousand US dollars).

6 LOANS TO MEMBER-STATES, CONTINUED

Key assumptions and judgments for estimating loan impairment

Loans to the Member-states are measured at amortised cost less allowance for impairment losses. The estimation of allowances for impairment losses involves the exercise of significant judgment. The Asset Manager of the Fund estimates allowances for impairment losses with the objective of maintaining allowances in the statement of financial position at a level believed by the Asset Manager of the Fund to be sufficient to absorb losses on loans to Member-states. The calculation of allowances for losses on loans to the Member-states is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using available information on the country's current debt servicing status, analysis of the country's debt service capacity and assessment of recoverable amounts of the loan in case of default. These determinations are supplemented by the judgment of the Asset Manager of the Fund. The allowance for losses as at 31 December 2014, 31 December 2013 and 31 December 2012 was nil.

The Asset Manager of the Fund considers accounting estimates related to allowances for impairment losses on loans to the Member-states to be key sources of estimation uncertainty because: (i) they are highly susceptible to change from period to period as the assumptions about probabilities of default and valuation of losses relating to loans and advances are based on recent performance experience, and (ii) any significant difference between the Fund's estimated losses and actual losses would require the Asset Manager of the Fund to record allowances for losses which could have a material impact on the Fund's financial statements in future periods.

7 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	31 December 2014	31 December 2013	31 December 2012
Bonds issued by Governments of foreign countries – US Treasury	399,648	-	24,999
Total financial assets available-for-sale	**399,648**	**-**	**24,999**

As at 31 December 2014 and 2012, financial assets available for sale do not include accrued interest.

As at 31 December 2014 and 2012 no financial assets available-for-sale are past due or impaired.

8 CONTRIBUTIONS BY THE MEMBER-STATES OF THE FUND

As at 31 December 2014, the contributions of the Member-states to the Fund comprise the following:

	Paid-in contributions	Initial contributions receivable	Authorised, but not paid-in contributions	Total authorised contributions
The Russian Federation	2,298,000	260,000	4,942,000	7,500,000
The Republic of Kazakhstan	496,785	-	503,215	1,000,000
The Republic of Belarus	2,000	-	8,000	10,000
The Republic of Armenia	1,000	-	-	1,000
The Republic of Tajikistan	1,000	-	-	1,000
The Kyrgyz Republic	200	-	800	1,000
Total	**2,798,985**	**260,000**	**5,454,015**	**8,513,000**

As at 31 December 2013, the contributions of the Member-states to the Fund comprise the following:

	Paid-in contributions	Initial contributions receivable	Authorised, but not paid-in contributions	Total authorised contributions
The Russian Federation	2,298,000	260,000	4,942,000	7,500,000
The Republic of Kazakhstan	300,000	-	700,000	1,000,000
The Republic of Belarus	2,000	-	8,000	10,000
The Republic of Armenia	800	-	200	1,000
The Republic of Tajikistan	700	-	300	1,000
The Kyrgyz Republic	200	-	800	1,000
Total	**2,601,700**	**260,000**	**5,651,300**	**8,513,000**

As at 31 December 2012, the contributions of the Member-states to the Fund comprise the following:

	Paid-in contributions	Initial contributions receivable	Authorised, but not paid-in contributions	Total authorised contributions
The Russian Federation	1,658,000	500,000	5,342,000	7,500,000
The Republic of Kazakhstan	100,000	-	900,000	1,000,000
The Republic of Belarus	2,000	-	8,000	10,000
The Republic of Tajikistan	500	-	500	1,000
The Republic of Armenia	500	-	500	1,000
The Kyrgyz Republic	200	-	800	1,000
Total	**1,761,200**	**500,000**	**6,251,800**	**8,513,000**

As at 31 December 2014, the contributions paid in by and the initial contributions receivable from the Member-states, amount to 35.93% of total authorised contributions, totaling 3,058,985 thousand US dollars (31 December 2013: 33.62% and 2,861,700 thousand US dollars; 31 December 2012: 26.56% and 2,261,200 thousand US dollars, respectively). Of this amount as at 31 December 2014, 2013 and 2012, the initial contributions committed by the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Armenia have been completely met and are equal, collectively, to 500,985 thousand US dollars, 303,700 thousand US dollars and 103,200 thousand US dollars, respectively.

8 CONTRIBUTIONS BY THE MEMBER-STATES OF THE FUND, CONTINUED

As at 31 December 2014, 2013 and 2012 the contribution committed by the Russian Federation amount to 2,558,000 thousand US dollars. As at 31 December 2014, 2013 and 2012, 2,298,000 thousand US dollars, 2,298,000 thousand US dollars and 1,658,000 thousand US dollars have been paid in, respectively, and a further 260,000 thousand US dollars (31 December 2013: 260,000 thousand US dollars; 31 December 2012: 500,000 thousand US dollars) have been transferred to the account opened by the Ministry of Finance of Russian Federation with the Central Bank of Russian Federation available on request of the Asset Manager of the Fund as agreed by the Member-state. In 2013, the Ministry of Finance of Russian Federation has transferred 240,000 thousand US dollars upon request by the Asset manager from this account to the Fund's nostro account, which were further distributed as a part of amount to Republic of Belarus in terms of loan agreement.

9 CAPITAL RISK MANAGEMENT

The Asset Manager of the Fund manages the capital of the Fund to ensure that it will be able to continue as a going concern while improving its performance through the optimisation of debt and net assets attributable to the Member-states of the Fund.

The capital structure of the Fund consists of net assets attributable to the Member-states of the Fund, comprising paid-in contributions and change in net assets as disclosed in statements of changes in net assets attributable to the Member-states of the Fund.

10 TRANSACTIONS WITH RELATED PARTIES

Related parties and transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". The related parties of the Fund comprise the Russian Federation, national companies and other organisations controlled by this Member-state, and the Asset Manager of the Fund. As discussed in Note 1, operations with the Fund's assets include the financing of Member-states. Accordingly, the Asset Manager of the Fund on behalf of the Fund enters into numerous transactions with related parties as a result of its ownership by the Member-states.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Asset Manager of the Fund on behalf of the Fund had the following transactions with related parties:

	31 December 2014		31 December 2013		31 December 2012	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Cash and cash equivalents	-	285,358	82,801	123,175	59,000	61,108
-Russian Federation	-		82,801		59,000	
Amounts receivable from the Member-states of the Fund in the form of committed contributions	260,000	260,000	260,000	260,000	500,000	500,000
-Russian Federation	260,000		260,000		500,000	
Payables to Eurasian Development Bank	2,228	2,228	1,661	1,661	62	62

10 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

Included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2014, 2013 and 2012 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2014		Year ended 31 December 2013		Year ended 31 December 2012	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Operating expenses	4,340	4,340	5,395	5,395	1,831	1,831
- *the Asset Manager of the Fund*	4,340		5,395		1,831	

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 Asset Manager of the Fund 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.

Fair values of financial assets and liabilities approximate their carrying amounts in the statement of financial position of the Fund. The Fund is a development financial institute and, thus, the loans to Member-states are unique and interest rates are specific for each loan and less sensitive to the market fluctuations.

(a) Valuation of financial instruments

The Asset Manager 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.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(a) Valuation of financial instruments, continued

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 Asset Manager of the Fund determines fair value using valuation techniques.

As at 31 December 2014, financial assets available-for-sale of 399,648 thousand US dollars are valued using quoted prices in an active market (Level 1).

As at 31 December 2013, the Fund has no financial assets available-for-sale.

As at 31 December 2012, financial assets available-for-sale of 24,999 thousand US dollars are valued using quoted prices in an active market (Level 1).

The table below analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2014, 2013 and 2012.

				As at 31 December 2014	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets					
Cash and cash equivalents	-	285,358	-	285,358	285,358
Loans to Member-states	-	2,366,423	-	2,366,423	2,366,423
Amounts receivable from the Member-states of the Fund in the form of committed contributions	-	260,000	-	260,000	260,000

				As at 31 December 2013	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets					
Cash and cash equivalents	-	123,175	-	123,175	123,175
Loans to Member-states	-	2,630,795	-	2,630,795	2,630,795
Amounts receivable from the Member-states of the Fund in the form of committed contributions	-	260,000	-	260,000	260,000

				As at 31 December 2012	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets					
Cash and cash equivalents	-	61,108	-	61,108	61,108
Loans to Member-states	-	1,750,486	-	1,750,486	1,750,486
Amounts receivable from the Member-states of the Fund in the form of committed contributions	-	500,000	-	500,000	500,000

12 CREDIT RELATED COMMITMENTS

The Asset Manager of the Fund on behalf of the Fund has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loan facilities.

The Asset Manager of the Fund applies the same credit risk management policies and procedures when granting credit commitments as it does for granting loans to Member-states.

The contractual amounts of loan commitments are set out in the following table. The amounts reflected in the table for commitments assume that amounts are fully advanced.

	31 December 2014	31 December 2013	31 December 2012
Contracted amount			
Loan and credit line commitments – Republic of Belarus	440,000	440,000	1,320,000
Loan and credit line commitments – Kyrgyz Republic	79,623	-	-
	519,623	**440,000**	**1,320,000**

In March 2014, a loan agreement on amount of 60,000 thousand US dollars was concluded between Asset Manager of the Fund and Kyrgyz Republic. The loan will be provided for support of the construction of Bishkek - Osh motor-road. As at 31 December 2014, no disbursements were made.

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

13 RISK MANAGEMENT

Management of risk is fundamental and an essential element of the operations with assets of the Fund. The main risks inherent to the operations with assets of the Fund are those related to:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk.

The Member-states of the Fund recognise that it is essential to have efficient and effective risk management processes in place. To enable this, a risk management framework was established, whose main purpose is to protect the assets of the Fund from risk and allow the Asset Manager of the Fund to achieve the Fund's performance objectives. The risk management framework involves the Council of the Fund, Council of Experts, the Executive Board of the Asset Manager of the Fund and different departments and staff of the Asset Manager of the Fund, in relation to the daily operations with the assets of the Fund. Through the risk management framework, the Asset Manager of the Fund manages the following risks:

(a) Credit risk

Management of Credit risk of the Fund is maintained by the Council of the Fund, Council of Experts and by Executive Board of the Asset Manager of the Fund. These groups manage Credit risk primarily through the issuance of loans only within set limits.

On issuing loans, a draft of the loan agreement is prepared by the Asset Manager of the Fund and approved by the Council of the Fund. In its role as Asset Manager of the Fund, the Asset Manager of the Fund provides an opinion on the application for each financial loan, which is then submitted to the Executive Board of the Asset Manager of the Fund and, if approved, forwarded to the Fund's Council of Experts for further consideration and appropriate conclusion. After consideration by the Council of Experts of the Fund, the application and the conclusion of the Asset Manager of the Fund and Council of Experts are sent to the Council of the Fund for the final decision.

13 RISK MANAGEMENT, CONTINUED

(a) Credit risk, continued

Appropriate departments of the Asset Manager of the Fund conduct regular monitoring of the risk levels of loans and debt servicing. In cases where routine monitoring of a financial loan, it becomes aware of events that may lead to an apparent deterioration in the credit quality of the loan, the Asset Manager of the Fund reviews the level of impairment allowance.

Loans to Member-states are classified into one of two categories. These categories are as follows:

- the first category (standard loans) - include financial loans with a low credit risk and good debt servicing.

second category (non-standard loans) - financial loans with a low level of credit risk and poor level of debt servicing, financial loans with high level of credit risk and average level of debt servicing as well as financial loans with high credit risk and poor level of debt servicing

The level of country risk on loans to Member-states is based on a combination of the following classification criteria:

- Sovereign debt default/partial default occurred, and/or

- According to professional judgment of the Asset Manager of the Fund, there are indications of inevitability of the sovereign debt default/partial default.

In other cases, loans are treated as financial loans with low country risk.

Maximum exposure

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2014	31 December 2013	31 December 2012
ASSETS			
Cash and cash equivalents	285,358	123,175	61,108
Loans to Member-states	2,366,423	2,630,795	1,750,486
Financial assets available-for-sale	399,648	-	24,999
Amounts receivable from the Member-states of the Fund in the form of committed contributions	260,000	260,000	500,000

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 12.

Financial assets are graded according to the current credit rating issued by an internationally recognised rating agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings BBB- and lower are classed as speculative grade.

13 RISK MANAGEMENT, CONTINUED

(a) Credit risk, continued

Maximum exposure, continued

The following table details the credit ratings of financial assets held by the Asset Manager of the Fund on behalf of the Fund:

	AAA	AA	A	BBB	B-	Not rated	31 December 2014 Total
Cash and cash equivalents	-	157,882	127,476	-	-	-	**285,358**
Loans to Member-states	-	-	-	-	2,295,797	70,626	**2,366,423**
Financial assets available-for-sale	-	399,648	-	-	-	-	**399,648**
Amounts receivable from the Member-states of the Fund in the form of committed contributions	-	-	-	260,000	-	-	**260,000**

	AAA	AA	A	BBB	B-	Not rated	31 December 2013 Total
Cash and cash equivalents	-	40,059	315	82,801	-	-	**123,175**
Loans to Member-states	-	-	-	-	2,560,544	70,251	**2,630,795**
Amounts receivable from the Member-states of the Fund in the form of committed contributions	-	-	-	260,000	-	-	**260,000**

	AAA	AA	A	BBB	B-	Not rated	31 December 2012 Total
Cash and cash equivalents	-	2,108	-	59,000	-	-	**61,108**
Loans to Member-states	-	-	-	-	1,680,235	70,251	**1,750,486**
Financial assets available-for-sale	24,999	-	-	-	-	-	**24,999**
Amounts receivable from the Member-states of the Fund in the form of committed contributions	-	-	-	500,000	-	-	**500,000**

As at 31 December 2014, loans to the Republic of Belarus, the Republic of Tajikistan and to Kyrgyz Republic have been issued. The Republic of Tajikistan and Kyrgyz Republic are not rated by international rating agencies; however, the Asset Manager of the Fund is able to perform specific monitoring of the loans.

(b) Liquidity risk

Liquidity risk refers to the risk of the availability of sufficient funds to meet debt repayments and other financial commitments associated with financial instruments as they actually fall due.

The Asset Manager of the Fund manages this risk by analysing asset and liability maturity and performance of money market transactions to maintain current liquidity and optimise cash flows.

13 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

An analysis of the liquidity risk is presented in the following table:

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2014 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	0.01%	127,471	-	-	-	-	127,471
Loans to Member-states	4.24%	-	89,150	264,828	1,431,080	581,365	2,366,423
Financial assets available-for-sale	0.09%	-	-	399,648	-	-	399,648
Total interest bearing financial assets		**127,471**	**89,150**	**664,476**	**1,431,080**	**581,365**	**2,893,542**
Cash and cash equivalents		157,887	-	-	-	-	157,887
Amounts receivable from the Member-states of the Fund in the form of committed contributions		260,000	-	-	-	-	260,000
Total financial assets		**545,358**	**89,150**	**664,476**	**1,431,080**	**581,365**	**3,311,429**
FINANCIAL LIABILITIES:							
Payables to Eurasian Development Bank		(2,228)	-	-	-	-	(2,228)
Total financial liabilities		**(2,228)**	**-**	**-**	**-**	**-**	**(2,228)**
Net liquidity gap on recognised financial assets and liabilities		**543,130**	**89,150**	**664,476**	**1,431,080**	**581,365**	
Credit related commitments		**(519,623)**	**-**	**-**	**-**	**-**	

13 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2013 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	0.08%	83,111	-	-	-	-	83,111
Loans to Member-states	3.41%	-	795	264,828	1,412,414	952,758	2,630,795
Total interest bearing financial assets		**83,111**	**795**	**264,828**	**1,412,414**	**952,758**	**2,713,906**
Cash and cash equivalents		40,064	-	-	-	-	40,064
Amounts receivable from the Member-states of the Fund in the form of committed contributions		260,000	-	-	-	-	260,000
Total financial assets		**383,175**	**795**	**264,828**	**1,412,414**	**952,758**	**3,013,970**
FINANCIAL LIABILITIES:							
Payables to Eurasian Development Bank		(1,661)	-	-	-	-	(1,661)
Total financial liabilities		**(1,661)**	**-**	**-**	**-**	**-**	**(1,661)**
Net liquidity gap on recognised financial assets and liabilities		**381,514**	**795**	**264,828**	**1,412,414**	**952,758**	
Credit related commitments		**(440,000)**	**-**	**-**	**-**	**-**	

13 RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2012 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	0.15%	59,560	-	-	-	-	59,560
Loans to Member-states	2.51%	-	486	-	878,299	871,701	1,750,486
Financial assets available-for-sale	0.09%	-	-	24,999	-	-	24,999
Total interest bearing financial assets		**59,560**	**486**	**24,999**	**878,299**	**871,701**	**1,835,045**
Cash and cash equivalents		1,548	-	-	-	-	1,548
Amounts receivable from the Member-states of the Fund in the form of committed contributions		500,000	-	-	-	-	500,000
Total financial assets		**561,108**	**486**	**24,999**	**878,299**	**871,701**	**2,336,593**
FINANCIAL LIABILITIES:							
Payables to Eurasian Development Bank		(62)	-	-	-	-	(62)
Other liabilities		(1)	-	-	-	-	(1)
Total financial liabilities		**(63)**	**-**	**-**	**-**	**-**	**(63)**
Net liquidity gap on recognised financial assets and liabilities		**561,045**	**486**	**24,999**	**878,299**	**871,701**	
Credit related commitments		**(1,320,000)**	**-**	**-**	**-**	**-**	

(c) Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Fund's assets and liabilities are exposed.

Interest rate sensitivity

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments due to changes in market interest rates.

The Asset Manager of the Fund manages interest rate risk through the management of interest-sensitive asset and liability positions of the Fund, and ensures the positive margin and expected profitability from changes in market interest rates with set limits on the maximum amount of interest rate risk accepted by the Asset Manager of the Fund. The credit and risk management department of the Asset Manager of the Fund monitors interest rate risk, estimates sensitivity of the Fund in relation to changes in interest rates and the influence of changes in interest rates on the net profit of the Fund.

13 RISK MANAGEMENT, CONTINUED

(c) Market risk, continued

Interest rate sensitivity, continued

The following table details the Fund's sensitivity to a 1% increase and decrease in the interest rates in 2014, 2013 and 2012. The sensitivity analysis includes only outstanding financial assets and liabilities with variable interest rates. As at 31 December 2014, 2013 and 2012, the Fund has one, one and nil interest bearing assets with variable interest rates, respectively.

An analysis of sensitivity of net profit and net assets attributable to the Member-states of the Fund to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of variable interest rate assets and liabilities existing as at 31 December 2014, 2013, 2012 is as follows:

	As at 31 December 2014		As at 31 December 2013		As at 31 December 2012	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Loans to Member-states	-	(8,170)	19,200	(19,200)	12,600	(12,600)
-Republic of Belarus	-	(8,170)	19,200	(19,200)	12,600	(12,600)

As at 31 December 2014, interest rate on loans issued to the Republic of Belarus has reached its upper limit equal to 4.9%. Hence, the effect of positive fluctuation of interest rate is nil.

(d) Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial assets and liabilities of the Fund are not exposed to the effects of fluctuations in the prevailing exchange rates of currencies other than US dollars on its financial position and cash flows.

Currency risk sensitivity

The Treasury department of the Asset Manager of the Fund, together with the Credit and risk management department of the Asset Manager of the Fund manages currency risk through the management of the quantities held in open currency positions, which enables the Asset Manager of the Fund to minimise losses from significant fluctuations of exchange rates of foreign currencies, if any. The Credit and risk management department of the Asset Manager of the Fund monitors the currency risk limits set by the Council of the Fund. As at 31 December 2014, 2013 and 2012, the financial assets and liabilities of the Fund were not exposed to currency risk, due to the absence of financial assets and liabilities denominated in currencies other than US dollars. As such, for the years ended 31 December 2014, 2013 and 2012, there was no impact on net profit or net assets.

14 EVENTS AFTER THE REPORTING PERIOD

On October 10, 2014, the heads of the EurAsEC member states signed documents in Minsk to liquidate the Eurasian Economic Community. The organisation ceased to exist in connection with the establishment of the Eurasian Economic Union, which became functional as of January 1, 2015. The name of the Fund will be changed later in 2015.

On 1 February 2015 accessibility period of a credit line of 440,000 thousand USD opened to Republic of Belarus (Note 12) has expired.