EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

Financial Statements and
Independent Auditor's Report
For the Year ended 31 December 2019

EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

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INDEPENDENT AUDITOR'S REPORT

To the Representatives of the Member-states of the Eurasian Fund for Stabilization and Development

Opinion

We have audited the financial statements of Eurasian Fund for Stabilization and Development (the "Fund"), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to the Member-states of the Fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Fund for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those statements on 14 March 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nurlan Bekenov
Auditor performer
Qualification certificate № 0082
dated 13 June 1994
General Director
Deloitte LLP
State license on auditing in the Republic of Kazakhstan
No. 0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan
dated 13 September 2006

Mark Smith
Engagement partner
Chartered Accountant
Institute of Chartered Accountants of Scotland Licence № M21857
Glasgow, Scotland

19 March 2020

EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)

	Note	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
Interest income calculated using the effective interest method	4	130,505	130,915	109,393
Reversal of provision for expected credit losses on interest bearing assets	5	10,972	24,922	-
NET INTEREST INCOME		**141,477**	**155,837**	**109,393**
Net (loss)/gain on financial assets at fair value through other comprehensive income (2017: available-for-sale)		-	(6)	5
Fee and commission income		1,336	19	-
Fee and commission expense		(57)	(30)	(27)
Other income		62	-	-
Operating income		**142,818**	**155,820**	**109,371**
Operating expenses		(7,312)	(4,018)	(3,846)
NET PROFIT		**135,506**	**151,802**	**105,525**
OTHER COMPREHENSIVE INCOME:				
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of financial assets at fair value through other comprehensive income		44	51	-
Net change in fair value of financial assets available-for-sale		-	-	19
Total items that are or may be reclassified subsequently to profit or loss		**44**	**51**	**19**
OTHER COMPREHENSIVE INCOME		**44**	**51**	**19**
TOTAL COMPREHENSIVE INCOME		**135,550**	**151,853**	**105,544**

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

A.Y. Belianinov
Chairman of the Management Board
Eurasian Development Bank

18 March 2020
Almaty, Kazakhstan

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

18 March 2020
Almaty, Kazakhstan

EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(in thousands of US dollars)

	Note	31 December 2019	31 December 2018	31 December 2017
ASSETS				
Cash and cash equivalents	6	143,595	135,639	231,692
Loans to Member-states	7	2,703,762	3,042,086	3,234,555
Financial assets at fair value through other comprehensive income	8	982,722	508,650	-
Financial assets available-for-sale	8	-	-	144,931
Other assets		322	165	11
TOTAL ASSETS		**3,830,401**	**3,686,540**	**3,611,189**
LIABILITIES				
Payables to Eurasian Development Bank		8,724	1,499	1,234
Other liabilities		2,769	1,683	1,837
Total liabilities		**11,493**	**3,182**	**3,071**
NET ASSETS ATTRIBUTABLE TO THE MEMBER-STATES OF THE FUND		**3,818,908**	**3,683,358**	**3,608,118**
Net assets attributable to the Member-states of the Fund represented by:				
Contributions by the Member-states of the Fund paid in cash	9	3,058,985	3,058,985	3,058,985
Revaluation reserve for financial assets at fair value through other comprehensive income		101	57	-
Revaluation reserve for financial assets available-for-sale		-	-	6
Increase in net assets attributable to the Member-states of the Fund		759,822	624,316	549,127
		3,818,908	**3,683,358**	**3,608,118**

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

A.Y. Belianinov
Chairman of the Management Board
Eurasian Development Bank

18 March 2020
Almaty, Kazakhstan

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

18 March 2020
Almaty, Kazakhstan

EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE MEMBER-STATES OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars)

	Contributions by the Member-states of the Fund paid in cash	Revaluation reserve for financial assets available-for-sale	Revaluation reserve for financial assets at fair value through other comprehensive income	Increase in net assets attributable to the Member-states of the Fund	Total
Balance at 1 January 2017	**3,058,985**	**(13)**	**-**	**443,602**	**3,502,574**
Net profit	-	-	-	105,525	105,525
Other comprehensive income	-	19	-	-	19
Total comprehensive income	**-**	**19**	**-**	**105,525**	**105,544**
Balance at 31 December 2017	**3,058,985**	**6**	**-**	**549,127**	**3,608,118**
Reclassification of opening balance	-	(6)	6	-	-
Changes at initial application of IFRS 9 (Note 3)	-	-	-	(76,613)	(76,613)
Recalculated balance as of 1 January 2018	**3,058,985**	**-**	**6**	**472,514**	**3,531,505**
Net profit	-	-	-	151,802	151,802
Other comprehensive income	-	-	51	-	51
Total comprehensive income	**-**	**-**	**51**	**151,802**	**151,853**
Balance at 31 December 2018	**3,058,985**	**-**	**57**	**624,316**	**3,683,358**
Net profit	-	-	-	135,506	135,506
Other comprehensive income	-	-	44	-	44
Total comprehensive income	**-**	**-**	**44**	**135,506**	**135,550**
Balance at 31 December 2019	**3,058,985**	**-**	**101**	**759,822**	**3,818,908**

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

A.Y. Belianinov
Chairman of the Management Board
Eurasian Development Bank

18 March 2020
Almaty, Kazakhstan

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

18 March 2020
Almaty, Kazakhstan

EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of US dollars)

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to Member-states	112,555	121,265	103,888
Interest received on cash and cash equivalents	1,729	2,338	1,546
Interest received on financial assets at fair value through other comprehensive income (2017: available-for-sale)	-	-	1,439
Fee and commission received	1,178	19	-
Fee and commission paid	(52)	(30)	(28)
Operating expenses paid	-	(3,823)	(2,259)
Cash inflow from operating activities before changes in operating assets and liabilities	**115,410**	**119,769**	**104,586**
Changes in operating assets and liabilities			
Decrease/(increase) in loans to Member-states	350,295	140,900	(548,355)
(Increase)/decrease in other assets	-	(165)	8
Net cash inflow/(outflow) from operating activities	**465,705**	**260,504**	**(443,761)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale and redemption of financial assets at fair value through other comprehensive income (2017: available-for-sale)	7,866,400	8,101,907	5,610,603
Purchase of financial assets at fair value through other comprehensive income (2017: available-for-sale)	(8,324,149)	(8,458,464)	(5,259,922)
Net cash (outflow)/inflow from investing activities	**(457,749)**	**(356,557)**	**350,681**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**7,956**	**(96,053)**	**(93,080)**
CASH AND CASH EQUIVALENTS, at beginning of the year	135,639	231,692	324,772
CASH AND CASH EQUIVALENTS, at end of the year (Note 5)	**143,595**	**135,639**	**231,692**

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

A.Y. Belianinov
Chairman of the Management Board
Eurasian Development Bank

18 March 2020
Almaty, Kazakhstan

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

18 March 2020
Almaty, Kazakhstan

1. BACKGROUND

(a) Principal activities

The Eurasian Fund for Stabilization and Development (formerly "Anti-Crisis Fund of the Eurasian Economic Community", hereinafter - "the Fund") was established by the Member-states of the Fund: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan 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's main instrument is financial credits. Also the Fund provides investment loans to support state/interstate investment projects and Grants to support state/interstate projects in social spheres.

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 2019, 2018 and 2017, the breakdown of the contributions by the Member-states paid in cash of the Fund is distributed as follows:

	%	Contributions by the Member-states paid in cash
The Russian Federation	83.62	2,558,000
The Republic of Kazakhstan	16.24	496,785
The Republic of Belarus	0.07	2,000
The Republic of Armenia	0.03	1,000
The Republic of Tajikistan	0.03	1,000
The Kyrgyz Republic	0.01	200
Total	**100.00**	**3,058,985**

1. BACKGROUND, CONTINUED

(a) Principal activities, continued

According to the Treaty of Establishment of the Eurasian Fund for Stabilization and Development, as at 31 December 2019, 2018 and 2017 the contributions not paid in by the Member-states are as follows:

	Contributions in form of ordinary, irreversible and non-interest bills
The Russian Federation	4,942,000
The Republic of Kazakhstan	503,215
The Republic of Belarus	8,000
The Kyrgyz Republic	800
The Republic of Tajikistan	-
The Republic of Armenia	-
Total	**5,454,015**

These financial statements were authorised for issue on 18 March 2020 by the Asset Manager of the Fund, as appointed by the Member-states of the Fund.

(b) Business environment

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 significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on 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 Fund 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 Fund largely depends on the duration and the incidence of the pandemic effects on economies of the Member-states and the world economy.

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.

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 the demand for the resources of the Fund, as of regional financial institution.

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

These financial statements have been prepared 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 other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated.

(c) Functional and presentation currency

Contributions by the Member-states could be done in US dollars and/or Euro.

The functional currency of the Fund is the US dollar as contributions by the Member-states were made in US dollars, and most of operations of the Fund are conducted in US dollars.

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

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

(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 Note 7 "Loans to Member-states".

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.

*(*a) Financial instruments

(i) Financial instruments – key measurement terms.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets, (ii) level two measurements are valuations techniques with all material inputs observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(a) Financial instruments, continued

(i) Financial instruments – key measurement terms, continued

The effective interest rate method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

(ii) Financial instruments – initial recognition.

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit loss allowance is recognized for financial assets measured at amortised cost and for financial assets at fair value through other comprehensive income, resulting in an immediate accounting loss.

(iii) Financial assets – classification and subsequent measurement – measurement categories.

The Asset Manager of the Fund classifies financial assets in the following measurement categories: fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Asset Manager of the Fund's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

(iv) Financial assets – classification and subsequent measurement – business model.

The business model reflects how the assets are managed in order to generate cash flows – whether the objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at fair value through profit or loss.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that were undertaken to achieve the objective set out for the portfolio available at the date of the assessment.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(a) Financial instruments, continued

(v) Financial assets – classification and subsequent measurement – cash flow characteristics.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Asset Manager of the Fund assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Asset Manager of the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at fair value through profit or loss. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

(vi) Financial assets – reclassification.

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. There were no changes its business model during the current and comparative period and no reclassifications.

(vii) Financial assets impairment – credit loss allowance for expected credit loss.

The Asset Manager of the Fund assesses, on a forward-looking basis, the expected credit loss for financial assets measured at amortised cost and fair value through other comprehensive income and for the exposures arising from loan commitments and financial guarantee contracts. The Asset Manager of the Fund measures expected credit loss and recognises credit loss allowance at each reporting date. The measurement of expected credit loss reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial assets measured at amortised cost are presented in the statement of financial position net of the allowance for expected credit loss. For financial assets at fair value through other comprehensive income, changes in amortised cost, net of allowance for expected credit loss, are recognised in profit or loss and other changes in carrying value are recognised in other comprehensive income as gains less losses on financial assets at fair value through other comprehensive income.

The Asset Manager of the Fund applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months or until contractual maturity, if shorter. If the Asset Manager of the Fund identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its expected credit loss is measured based on expected credit loss on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any. If the Asset Manager of the Fund determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its expected credit loss is measured as a lifetime expected credit loss. For financial assets that are purchased or originated credit-impaired, the expected credit loss is always measured as a lifetime expected credit loss.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(a) Financial instruments, continued

(viii) Financial assets – write-off.

Financial assets are written-off, in whole or in part, when all practical recovery efforts were exhausted and it was concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Asset Manager of the Fund may write-off financial assets that are still subject to enforcement activity when the Asset Manager of the Fund seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

(ix) Financial assets – derecognition.

The Asset Manager of the Fund derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the rights to the cash flows from the financial assets has been transferred or the Asset Manager of the Fund has entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale. Please see details on critical judgements over derecognition in Note 3 (p).

(x) Financial liabilities – measurement categories.

Financial liabilities are classified as subsequently measured at amortised cost.

(xi) Financial liabilities – derecognition.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(xii) Financial instruments – statement of financial position lines

Cash and cash equivalents are non-derivative financial assets that are carried at amortised cost in the statement of financial position. Cash and cash equivalents include notes and coins on hand, balances (nostro accounts) held with other 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.

Loans to Member-states are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Based on the business model and the cash flow characteristics, the Asset Manager of the Fund classifies loans to Member-states at amortised cost: loans that are held for collection of contractual cash flows. Loans to Member-states are subsequently measured at amortised cost using the effective interest method and are carried net of expected credit losses. The Assets Manager of the Fund believes the interest rates on loans to member states are at fair value, as they constitute a separate market.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(a) Financial instruments, continued

Financial assets at fair value through other comprehensive income are carried at fair value through other comprehensive income if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at fair value through profit or loss. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

(b) Credit related commitments

In the normal course of business, the Fund has credit related commitments, comprised of undrawn loan commitments. These commitments represent the Fund's credit agreements to enter into a specific project. Loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the remaining unamortised balance of the amount at initial recognition.

(c) 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.

(d) Income and expense recognition

Interest income and expense are recorded for all debt instruments, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received relating to the creation or acquisition of a financial asset. Commitment fees received are integral to the effective interest rate if it is probable that the Fund will enter into a specific lending arrangement. The Asset Manager of the Fund does not designate loan commitments as financial liabilities at fair value through profit or loss.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows to the fair value on initial recognition. As a result, the effective interest rate is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortised cost.

Fee and commission income is recognised over time on a straight line basis as the services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs affecting amounts reported in the financial statements

The following amended standards became effective from 1 January 2019, but did not have any material impact on the Fund:

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation.*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures.*
- Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3 Business *Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.*
- *Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement.*
- IFRIC 23 *Uncertainty over Income Tax Treatments.*

IFRS 9 *Financial Instruments*

In 2016 the Asset Manager of the Fund has started its transition process to accommodate IFRS 9 requirements. By the end of 2017 the Asset Manager of the Fund has adopted a number of internal regulative documents and implemented new procedures that resulted in adoption of IFRS 9 effective 1 January 2018.

The Asset Manager of the Fund has adopted IFRS 9 issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Asset Manager of the Fund did not early adopt IFRS 9 in previous periods.

Under transitional provisions of IFRS 9, the Asset Manager of the Fund decided not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Accordingly, for disclosure notes, subsequent amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period disclosure notes repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification, measurement and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 “Financial Instruments: Disclosures”.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Application of new and revised International Financial Reporting Standards (IFRSs), continued

The following table provides a reconciliation of the carrying amount of financial assets under the previous measurement categories in accordance with IAS 39 with their new measurement categories adopted, at the transition to IFRS 9 as of 1 January 2018:

	Measurement categories		Carrying amount according to IAS 39 (closing balance as of 31 December 2017)	Impact of IFRS 9 Expected credit losses	Carrying amount according to IFRS 9 (opening balance on 1 January 2018)
	IAS 39	**IFRS 9**			
Cash and cash equivalents	Loans and receivables	Measured at amortised cost			
Short-term deposits			129,024	(19)	129,005
Correspondent accounts in banks			102,231	(1)	102,230
Correspondent accounts in banks on broker operations			437	-	437
Loans to Member-states:	Loans and receivables	Measured at amortised cost	3,234,555	(76,593)	3,157,962
Financial assets at fair value through other comprehensive income	Available for sale	Measured at fair value through other comprehensive income			
Bonds issued by Governments of foreign countries – US Treasury			69,980	-	69,980
Bonds issued by banks and financial institutions of non-member states			74,951	-	74,951
TOTAL FINANCIAL ASSETS			**3,611,178**	**(76,613)**	**3,534,565**

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Application of new and revised International Financial Reporting Standards (IFRSs), continued

The following table shows the reconciliation of the impairment allowance at the end of the previous period, in accordance with the IAS 39 incurred loss model, and the new provision for expected credit losses, in accordance with the expected loss model in accordance with IFRS 9 as of 1 January 2018:

	Provision for credit losses under IAS 39	Impact of IFRS 9 Expected credit losses	Provision for expected credit losses under IFRS 9
Cash and cash equivalents:			
Short-term deposits	-	(19)	(19)
Correspondent accounts in banks		(1)	(1)
Correspondent accounts in banks on broker operations	-	-	-
	-		
Loans to Member-states:	-	(76,593)	(76,593)
Financial assets at fair value through other comprehensive income			
Bonds issued by Governments of foreign countries – US Treasury	-	-	-
Bonds issued by banks and financial institutions of non-member states	-	-	-
Other financial assets	-	-	-
TOTAL	**-**	**(76,613)**	**(76,613)**

(f) Critical Accounting Estimates, and Judgements in Applying Accounting Policies

Valuation of expected credit losses

In accordance with the requirements of IFRS 9, the Asset Manager of the Fund applies the model of expected credit losses for the purpose of reserving financial assets, the key principle of which is the timely reflection of the deterioration or improvement in the credit quality of financial assets, taking into account information about past events, current conditions, and reasonable forecasts of future events and economic conditions.

Within the general approach, the provision for impairment is formed on the basis of:

a) 12 months expected credit losses - for financial assets without evidence of a significant increase in credit risk since the initial recognition;

b) lifetime expected credit losses - for financial assets with an evidence of a significant increase in credit risk since the initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued

In accordance with the general approach, depending on the degree of deterioration in credit risk from the time of initial recognition, financial assets fall into one of the following stages:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(1) Stage 1 - Financial assets for which there was no significant increase in credit risk and for which 12 months expected credit losses are calculated;

(2) Stage 2 - Financial assets with a significant increase in credit risk, but not credit-impaired;

(3) Stage 3 - Financial assets with one or more events of credit-impairment, or in expected/occurred default.

Significant increase in credit risk

For the reporting period, the Asset Manager of the Fund measures a significant increase in the credit risk for each financial asset. In the event of an increase in credit risk, the Asset Manager of the Fund transfers the asset to the Stage 2 of the three-stage model.

The Asset Manager of the Fund determines a significant increase in credit risk 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.

The Asset Manager of the Fund applies the "low credit risk" exception for cash and cash equivalents and financial assets at fair value through other comprehensive income with credit rating equal or above BBB-/Baa3/BBB- assigned by Fitch Ratings \ Moody's Investors Service \ S&P Global Ratings that allows using the assumption that no significant increase in credit risk has occurred, provided that the financial instrument still demonstrates a low credit risk.

The Asset Manager of the Fund doesn't make a sensitivity analysis of possible effects on ECL due to the specifics of Fund's operations.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(f) Critical Accounting Estimates, and Judgements in Applying Accounting Policies, continued

Definition of default

Defaulted financial assets are those that have the highest credit risk, with zero probability of full repayment within initially agreed terms. A full/partial impairment loss is expected; significant modification of an asset might reduce the losses. The deterioration in the financial condition of the borrower/issuer is beyond critical level, including significant operating losses, loss of market position and negative equity.

Calculation of expected credit losses

As the source of assessment the Asset Manager of the Fund uses an external credit rating of the borrower/issuer. To estimate expected credit loss the Asset Manager of the Fund multiplies its exposure by probability of default and loss given default (an opposite of recovery rate). Both probability of default and recovery rate are according to data of Moody's Investors Service.

(g) New and revised IFRS in issue, but not yet effective

At the date of authorisation of these financial statements, the Asset Manager of the Fund has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The below new standards and interpretations are not expected to affect significantly the Fund's financial statements:

- IFRS 10 and IAS 28 (amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture".
- Amendments to IFRS 3 "Definition of a business".
- Amendments to IAS 1 and IAS 8 "Definition of material".
- Amendments to References to the Conceptual Framework in IFRS Standards.

(h) Accounting policy used during the year ended 31 December 2017

Accounting policy used during the years ended 31 December 2017 was generally the same except for the changes originated by introduction of IFRS 9. Below are accounting policies that were used by the Asset Manager of the Fund before introduction of IFRS 9:

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Accounting policy used during the year ended 31 December 2017, continued

Financial instruments – Classification

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.

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.

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.

Measurement

A financial asset or liability is initially measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial 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.

Financial instruments – 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Accounting policy used during the year ended 31 December 2017, continued

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.

Financial instruments – Impairment – 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.

Financial instruments – Impairment – 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.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Accounting policy used during the year ended 31 December 2017, continued

Financial instruments – Impairment – Financial assets available-for-sale

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.

4. INTEREST INCOME

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
Interest income calculated using the effective interest method comprises:			
Loans to Member-states	112,494	121,460	104,283
Financial assets at fair value through other comprehensive income (2017: available-for-sale)	16,280	7,117	3,565
Cash and cash equivalents	1,731	2,338	1,545
Total interest income calculated using the effective interest method	**130,505**	**130,915**	**109,393**

5. REVERSAL OF PROVISION FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS

The movements in allowance for expected credit losses on loans to Member-states were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Beginning of the year	**(51,690)**	**-**
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	(76,593)
Net recovery	10,976	24,903
End of the year	**(40,714)**	**(51,690)**

The primary reason for recovery of expected credit losses in 2019 was the net redemption of the loans to Member-states by 349,125 thousand US dollars.

The primary reason for recovery of expected credit losses in 2018 was the improvement of the credit rating from Moody's international rating agency of the Republic of Belarus from Caa1 as at 1 January 2018 up to B3 as at 31 December 2018. This improvement has led to reduction of an average probability of default on loans to the Republic of Belarus from 5.61% to 3.70% and consequently to the recovery of allowance.

There were no impairment losses in 2017.

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

	Year ended 31 December 2019	Year ended 31 December 2018
Beginning of the year	**(1)**	**-**
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	(20)
Net (charge)/ recovery	(2)	19
End of the year	**(3)**	**(1)**

There were no impairment losses in 2017.

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

	Year ended 31 December 2019	Year ended 31 December 2018
Beginning of the year	**-**	**-**
Expected credit loss adjustment per IFRS 9 as at 1 January 2018	-	-
Net (charge)/ recovery	(2)	-
End of the year	**(2)**	**-**

There were no impairment losses on financial assets available-for-sale in 2017.

6. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018	31 December 2017
Short-term deposits in banks			
with credit ratings A- and above	47,802	-	-
with credit ratings from BBB+ to BBB-	95,000	130,035	-
with credit ratings from BB+ to BB-	-	-	129,024
Correspondent accounts in banks			
with credit ratings A- and above	353	208	102,231
Correspondent accounts in banks on broker operations			
with credit ratings A- and above	140	156	437
Overnight loan			
with credit ratings A- and above	303	5,241	-
	143,598	**135,640**	**231,692**
Less expected credit loss provisions (2017: allowance for impairment losses)	(3)	(1)	-
Total cash and cash equivalents	**143,595**	**135,639**	**231,692**

As at 31 December 2019, 2018 and 2017, short-term deposits in banks with credit ratings from BBB+ to BBB- and from BB+ to BB- were placed with Russian state banks.

As at 31 December 2019 and 2018, all cash and cash equivalents were classified within stage 1 of credit quality assessment. There were no movements between different stages of credit quality assessment during the years ended 31 December 2019 and 2018.

There were no material non-cash transactions to disclose within the statement of cash flows.

As at 31 December 2019, cash and cash equivalents include accrued interest in the amount of 2 thousand US dollars (31 December 2018: 34 thousand US dollars; 31 December 2017: 24 thousand US dollars).

7. LOANS TO MEMBER-STATES

	31 December 2019	31 December 2018	31 December 2017
Loan to the Republic of Belarus, dated 25 March 2016	1,800,406	1,800,406	1,600,361
Loan to the Republic of Belarus, dated 9 June, 2011	529,741	883,010	1,236,126
Loan to the Republic of Armenia, dated 4 November 2015	300,823	300,823	300,700
Loan to the Republic of Tajikistan, dated 24 July 2010	51,517	56,201	60,884
Loan to the Republic of Tajikistan, dated 15 August 2016	20,077	20,077	20,077
Loan to the Kyrgyz Republic, dated 20 March 2014	14,261	14,223	11,245
Loan to the Republic of Armenia, dated 16 October 2015	9,447	6,187	5,162
Loan to the Kyrgyz Republic, dated 20 March 2014	9,355	7,055	-
Loan to the Kyrgyz Republic, dated 31 July 2015	8,200	5,794	-
Loan to the Republic of Armenia, dated 14 April 2015	649	-	-
	2,744,476	**3,093,776**	**3,234,555**
Less expected credit loss provisions (2017: allowance for impairment losses)	(40,714)	(51,690)	-
Total loans to Member-states	**2,703,762**	**3,042,086**	**3,234,555**

On the reporting dates the Member-states, that borrowed funds from EFSD, had credit ratings by international rating agencies within B+ to B- range. There is only one exception: as at 31 December 2017 the Republic of Belarus had Caa1 rating from Moody's international rating agency.

In 2016, an Agreement was signed to provide a financial loan to the Republic of Belarus to support the government's program to stabilize the economy and structural reforms for 2,000,000 thousand US dollars. The interest rate on the loan is fixed at 4.06% per annum, which reflects the yield of Eurobonds of the Russian Federation and the Republic of Kazakhstan corresponding to the weighted average loan term (7 years) as at 23 March 2016, weighted by the share of countries in the capital of the EFSD. Due to the expiration of the financial loan availability period on 30 June 2019, the unused balance of this loan commitment in the amount of 200,000 thousand US dollars was automatically canceled according to the conditions of the loan agreement. As at 31 December 2019, the principal amount of the loan outstanding was 1,800,000 thousand US dollars (31 December 2018: 1,800,000 thousand US dollars; 31 December 2017: 1,600,000 thousand US dollars).

In 2011, an Agreement was signed to provide a financial loan to the Republic of Belarus under the anti-crisis program for 3,000,000 thousand US dollars. In fact, the loan amount amounted to 2,560,000 thousand US dollars due to the closure of the Program without issuing a sixth tranche of 440,000 thousand US dollars by the decision of the Board of the Fund. The interest rate is equal to the interest rate on borrowed capital of the Russian Federation, but does not exceed 4.9%, and is subject to quarterly revisions. In June 2014, the Republic of Belarus started to repay the principal of the loan and as at 31 December 2019, the principal amount of the loan outstanding was 529,655 thousand US dollars (31 December 2018: 882,759 thousand US dollars; 31 December 2017: 1,235,862 thousand US dollars).

In 2015, a loan to the Republic of Armenia was approved to support a 3-year program of reforms aimed at increasing effectiveness of fiscal policy and improving the business environment. The total amount under the loan agreement is 300,000 thousand US dollars. The loan bears an interest rate of 2.1% per annum. As at 31 December 2019, the principal amount of the loan outstanding was 300,000 thousand US dollars (31 December 2018 and 2017: 300,000 thousand US dollars).

In 2010, a loan to the Republic of Tajikistan was provided for state budget support of the healthcare, education and social sectors. The total amount under the loan agreement is 70,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2019, the principal amount of the loan outstanding was 51,333 thousand US dollars.

7. LOANS TO MEMBER-STATES, CONTINUED

In 2016, an agreement granting a loan to the Republic of Tajikistan was signed for the purpose of supporting state budget. The total amount under the loan agreement is 40,000 thousand US dollars. The loan bears an interest rate of 1% per annum. In May 2018 the unused balance of the loan commitment in amount of 20,000 thousand US dollar was cancelled due to expiration of the financial loan availability period. As at 31 December 2019, the principal amount of the loan outstanding was 20,000 thousand US dollars.

In 2014, a loan to the Kyrgyz Republic was approved within the framework of agricultural industry support. The total amount under the loan agreement is 20,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2019, the principal amount of the loan outstanding was 14,499 thousand US dollars.

In 2015, an agreement granting a loan to the Republic of Armenia was signed within the framework of the "Modernization of irrigation systems" project. The total amount under the loan agreement is 40,000 thousand US dollars. The loan bears an interest rate of 2% per annum. As at 31 December 2019, the principal amount of the loan outstanding was 9,487 thousand US dollars.

In 2014, a loan to the Kyrgyz Republic was approved within the framework of "Reconstruction of Bishkek-Osh highway, phase IV" project. The total amount under the loan agreement is 60,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2019, the principal amount of the loan outstanding was 9,444 thousand US dollars.

In 2015, a loan to the Kyrgyz Republic was approved within the framework of "Rehabilitation of Toktogul water power plant, phase 2" project. The total amount under the loan agreement is 100,000 thousand US dollars. The loan bears an interest rate of 1% per annum. As at 31 December 2019, the principal amount of the loan outstanding was 8,217 thousand US dollars.

In 2015, a lending agreement with the Republic of Armenia was signed within the framework of the "Construction of the North-South road corridor in Armenia" project. The total amount under the loan agreement is 150 000 thousand US dollars. The loan bears an interest rate of 1.65% per annum. As at 31 December 2019, the principal amount of the loan outstanding was 652 thousand US dollars.

As at 31 December 2019 and 2018, all loans to Member-states were classified within stage 1 of credit quality assessment. There were no movements between different stages of credit quality assessment during the years ended 31 December 2019 and 2018.

All loans represent sovereign debt, and Member-states must acknowledge that no other debt would have higher priority than loans received from the Fund. All of these loans are not collateralized.

As at 31 December 2019, 2018 and 2017, no loans to Member-states were past due. As at 31 December 2019, loans to Member-states included accrued interest income amounting to 1,690 thousand US dollars (31 December 2018: 1,781 thousand US dollars; 31 December 2017: 1,609 thousand US dollars).

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (2017: FINANCIAL ASSETS AVAILABLE-FOR-SALE)

	31 December 2019		31 December 2018		31 December 2017	
	Effective interest rate	Fair value	Effective interest rate	Fair value	Effective interest rate	Fair value
Bonds issued by Governments of foreign countries – US Treasury						
with credit ratings from AA- and above	1.47-1.55%	771,583	2.28-2.37%	403,720	1.95%	69,980
Bonds issued by banks and financial institutions of non-member states						
with credit ratings from AAA- and above	1.88%	70,979	-	-	-	-
with credit ratings from AA+ to AA-	1.81-2.07%	140,160	2.49-2.58%	104,930	2.48-2.53%	74,951
Total financial assets at fair value through other comprehensive income (2017: assets available-for-sale)		**982,722**		**508,650**		**144,931**

As at 31 December 2019 and 2018, all financial assets at fair value through other comprehensive income were classified within stage 1 of credit quality assessment. There were no movements between different stages of credit quality assessment during the years ended 31 December 2019 and 2018.

As at 31 December 2019, 2018 and 2017 accrued interest on financial assets at fair value through other comprehensive income (2017: assets available-for-sale) was nil.

9. CONTRIBUTIONS OF THE MEMBER-STATES OF THE FUND

As at 31 December 2019, 2018 and 2017, the contributions of the Member-states to the Fund comprise the following:

	Contributions paid in cash	Contributions in form of ordinary, irreversible and non-interest bills	Total initial contributions
The Russian Federation	2,558,000	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	**3,058,985**	**5,454,015**	**8,513,000**

As at 31 December 2019, 2018 and 2017 the contributions paid in cash by the Member-states amount to 35.93% of total initial contributions.

10. FUND RESOURCES MANAGEMENT

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

The Asset Manager of the Fund manages operational activities of the Fund and is guided solely by the interests of the member states of the Fund and the goals of its foundation.

11. 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. The Asset Manager of the Fund did not use the exemption on disclosure of government related entities.

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 2019		31 December 2018		31 December 2017	
	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	95,000	143,595	130,035	135,639	129,024	231,692
Payables to Eurasian Development Bank	8,724	8,724	1,499	1,499	1,234	1,234

Included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2019, 2018 and 2017 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	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
Interest income	651	130,505	1,708	130,915	1,293	109,393
Net (charge)/recovery for expected credit losses on cash and cash equivalents	-	(2)	19	19	-	-
Operating expenses	(7,312)	(7,312)	(3,993)	(4,018)	(3,831)	(3,846)

12. 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 of the Fund 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.

12. 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.

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 tables below analyze the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2019, 2018 and 2017:

				As at 31 December 2019	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets at fair value through other comprehensive income	771,583	211,139	-	982,722	982,722

				As at 31 December 2018	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets at fair value through other comprehensive income	403,720	104,930	-	508,650	508,650

				As at 31 December 2017	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets available-for-sale	69,980	74,951	-	144,931	144,931

12. FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(a) Valuation of financial instruments, continued

The tables below analyze 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 2019, 2018 and 2017:

				As at 31 December 2019	
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Cash and cash equivalents					
Short-term deposits	-	142,799	-	142,799	142,799
Correspondent accounts in banks	-	353	-	353	353
Correspondent accounts in banks on broker operations	-	140	-	140	140
Overnight loan	-	303	-	303	303
Total cash and cash equivalents	-	**143,595**	-	**143,595**	**143,595**
Loans to Member-states	-	2,703,762	-	2,703,762	2,703,762

				As at 31 December 2018	
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Cash and cash equivalents					
Short-term deposits	-	130,034	-	130,034	130,034
Correspondent accounts in banks	-	208	-	208	208
Correspondent accounts in banks on broker operations	-	156	-	156	156
Overnight loan	-	5,241	-	5,241	5,241
Total cash and cash equivalents	-	**135,639**	-	**135,639**	**135,639**
Loans to Member-states	-	3,042,086	-	3,042,086	3,042,086

				As at 31 December 2017	
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Cash and cash equivalents					
Short-term deposits	-	129,024	-	129,024	129,024
Correspondent accounts in banks	-	102,231	-	102,231	102,231
Correspondent accounts in banks on broker operations	-	437	-	437	437
Total cash and cash equivalents	-	**231,692**	-	**231,692**	**231,692**
Loans to Member-states	-	3,234,555	-	3,234,555	3,234,555

The Asset Manager of the Fund believes that the carrying amount of loans to Member-states represents their fair value, because all loans are unique and interest rates are specific for each project.

13. 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 2019	31 December 2018	31 December 2017
Contracted amount			
Loan and credit line commitments – the Kyrgyz Republic	257,840	152,622	108,507
Loan and credit line commitments – the Republic of Armenia	179,861	183,725	184,763
Loan and credit line commitments – the Republic of Belarus	-	200,000	400,000
Loan and credit line commitments – the Republic of Tajikistan	-	-	20,000
	437,701	**536,347**	**713,270**

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. The Asset Manager of the Fund doesn't create an allowance for expected credit losses on commitments and makes an allowance for expected credit losses only after transfer of funds to the borrower.

14. 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 Management 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:

14. RISK MANAGEMENT, CONTINUED

(a) Credit risk

Management of Credit risk of the Fund is maintained by the Council of the Fund, Council of Experts and by Management 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 Management 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.

The Fund resources, which are not required in the nearest future for the purposes of providing financing, may be invested and/or placed on deposits. The Asset Manager of the Fund must place these temporarily unused resources into financial instruments that have credit rating not less than A/A2/A or the equivalent assigned by Fitch Ratings \ Moody's Investors Service \ S&P Global Ratings, respectively or into financial instruments of state-owned institutions of the Republic of Kazakhstan and the Russian Federation.

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 deterioration in the credit quality of the loan, the Asset Manager of the Fund reviews the level of credit expected losses.

As the source of assessment the Asset Manager of the Fund uses an external credit rating of the borrower/issuer. To estimate expected credit loss the Asset Manager of the Fund multiplies its exposure by probability of default and loss given default (an opposite of recovery rate). Both probability of default and recovery rate are according to data of Moody's Investors Service.

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 2019	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	143,595	135,639	231,692
Loans to Member-states	2,703,762	3,042,086	3,234,555
Financial assets at fair value through other comprehensive income (2017: financial assets available-for-sale)	982,722	508,650	144,931

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 13.

14. 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	From BB+ to B-	31 December 2019 Total
Cash and cash equivalents	-	140	48,455	95,000	-	143,595
Loans to Member-states	-	-	-	-	2,703,762	2,703,762
Financial assets at fair value through other comprehensive income	70,979	911,743	-	-	-	982,722

	AAA	AA	A	BBB	From BB+ to B-	31 December 2018 Total
Cash and cash equivalents	-	156	5,448	130,035	-	135,639
Loans to Member-states	-	-	-	-	3,042,086	3,042,086
Financial assets at fair value through other comprehensive income	-	508,650	-	-	-	508,650

	AAA	AA	A	BBB	From BB+ and below	31 December 2017 Total
Cash and cash equivalents	-	437	102,231	-	129,024	231,692
Loans to Member-states					3,234,555	3,234,555
Financial assets available-for-sale	-	144,931	-	-	-	144,931

(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.

14. RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

An analysis of the liquidity risk based in final dates of repayment 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 2019 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1.39%	142,799	-	-	-	-	142,799
Loans to Member-states	3.50%	-	91,440	291,838	1,623,298	697,186	2,703,762
Financial assets at fair value through other comprehensive income	1.60%	425,263	557,459	-	-	-	982,722
Total interest bearing financial assets		**568,062**	**648,899**	**291,838**	**1,623,298**	**697,186**	**3,829,283**
Cash and cash equivalents		796	-	-	-	-	796
Total financial assets		**568,858**	**648,899**	**291,838**	**1,623,298**	**697,186**	**3,830,079**
FINANCIAL LIABILITIES:							
Payables to Eurasian Development Bank		(3,497)	(5,227)	-	-	-	(8,724)
Total financial liabilities		**(3,497)**	**(5,227)**	**-**	**-**	**-**	**(8,724)**
Net liquidity surplus on recognised financial assets and liabilities		**565,361**	**643,672**	**291,838**	**1,623,298**	**697,186**	

	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 2018 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	2.42%	135,275	-	-	-	-	135,275
Loans to Member-states	3.93%	-	2,611	356,324	1,241,099	1,442,052	3,042,086
Financial assets at fair value through other comprehensive income	2.36%	508,650	-	-	-	-	508,650
Total interest bearing financial assets		**643,925**	**2,611**	**356,324**	**1,241,099**	**1,442,052**	**3,686,011**
Cash and cash equivalents		364	-	-	-	-	364
Total financial assets		**644,289**	**2,611**	**356,324**	**1,241,099**	**1,442,052**	**3,686,375**
FINANCIAL LIABILITIES:							
Payables to Eurasian Development Bank		-	(1,499)	-	-	-	(1,499)
Total financial liabilities		**-**	**(1,499)**	**-**	**-**	**-**	**(1,499)**
Net liquidity surplus on recognised financial assets and liabilities		**644,289**	**1,112**	**356,324**	**1,241,099**	**1,442,052**	

14. 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 2017 Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1.34%	129,024	-	-	-	-	129,024
Loans to Member-states	3.61%	-	3,630	267,161	1,440,213	1,523,551	3,234,555
Financial assets available-for-sale	1.23%	144,931	-	-	-	-	144,931
Total interest bearing financial assets		**273,955**	**3,630**	**267,161**	**1,440,213**	**1,523,551**	**3,508,510**
Cash and cash equivalents		102,668	-	-	-	-	102,668
Total financial assets		**376,623**	**3,630**	**267,161**	**1,440,213**	**1,523,551**	**3,611,178**
FINANCIAL LIABILITIES:							
Payables to Eurasian Development Bank		-	(1,234)	-	-	-	(1,234)
Total financial liabilities		**-**	**(1,234)**	**-**	**-**	**-**	**(1,234)**
Net liquidity surplus on recognised financial assets and liabilities		**376,623**	**2,396**	**267,161**	**1,440,213**	**1,523,551**	

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded in the statement of financial position as the presentation below includes a maturity analysis for financial assets and liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognised in the statement of financial position under the effective interest rate method.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	142,849	-	-	-	-	142,849
Loans to Member-states	-	113,495	361,806	1,948,976	745,057	3,169,334
Financial assets at fair value through other comprehensive income	425,600	558,500	-	-	-	984,100
Total interest bearing financial assets	**568,449**	**671,995**	**361,806**	**1,948,976**	**745,057**	**4,296,283**
Cash and cash equivalents	796	-	-	-	-	796
Total financial assets	**569,245**	**671,995**	**361,806**	**1,948,976**	**745,057**	**4,297,079**
FINANCIAL LIABILITIES:						
Payables to Eurasian Development Bank	(3,497)	(5,227)	-	-	-	(8,724)
Total financial liabilities	**(3,497)**	**(5,227)**	**-**	**-**	**-**	**(8,724)**
Net position	**565,748**	**666,768**	**361,806**	**1,948,976**	**745,057**	
Credit related commitments	**-**	**-**	**(5,501)**	**(432,200)**	-	

14. RISK MANAGEMENT, CONTINUED

(b) Liquidity risk, continued

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2018 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	135,352	-	-	-	-	135,352
Loans to Member-states	-	2,722	472,157	1,540,653	1,627,326	3,642,858
Financial assets at fair value through other comprehensive income	509,000	-	-	-	-	509,000
Total interest bearing financial assets	**644,352**	**2,722**	**472,157**	**1,540,653**	**1,627,326**	**4,287,210**
Cash and cash equivalents	364	-	-	-	-	364
Total financial assets	**644,716**	**2,722**	**472,157**	**1,540,653**	**1,627,326**	**4,287,574**
FINANCIAL LIABILITIES:						
Payables to Eurasian Development Bank	-	(1,499)	-	-	-	(1,499)
Total financial liabilities	**-**	**(1,499)**	**-**	**-**	**-**	**(1,499)**
Net position	**644,716**	**1,223**	**472,157**	**1,540,653**	**1,627,326**	
Credit related commitments	**(325)**	**(200,000)**	**(35,995)**	**(300,027)**		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	31 December 2017 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	129,074	-	-	-	-	129,074
Loans to Member-states	52	118,445	242,757	1,804,222	1,675,750	3,841,226
Financial assets available-for-sale	145,000	-	-	-	-	145,000
Total interest bearing financial assets	**274,126**	**118,445**	**242,757**	**1,804,222**	**1,675,750**	**4,115,300**
Cash and cash equivalents	102,668	-	-	-	-	102,668
Total financial assets	**376,794**	**118,445**	**242,757**	**1,804,222**	**1,675,750**	**4,217,968**
FINANCIAL LIABILITIES:						
Payables to Eurasian Development Bank	-	(1,234)	-	-	-	(1,234)
Total financial liabilities	**-**	**(1,234)**	**-**	**-**	**-**	**(1,234)**
Net position	**376,794**	**117,211**	**242,757**	**1,804,222**	**1,675,750**	
Credit related commitments	**(238)**	**-**	**(229,613)**	**(463,977)**	**(19,442)**	

14. RISK MANAGEMENT, CONTINUED

(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.

The following table details the Fund's sensitivity to a 1% increase and decrease in the interest rates in 2019, 2018 and 2017. The sensitivity analysis includes only outstanding financial assets and liabilities with variable interest rates. As at 31 December 2019, 2018 and 2017, the Fund has one loan to Member-state with variable interest rate.

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 2019, 2018 and 2017 is as follows:

	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Loans to Member-states	5,297	(5,297)	2,180	(8,830)	13,241	(13,241)
- Republic of Belarus	5,297	(5,297)	2,180	(8,830)	13,241	(13,241)

Interest rates on loan issued to the Republic of Belarus have an upper limit equal to 4.9%. Hence, the effect of positive fluctuation of interest rate in 2018 is limited.

An analysis of sensitivity of equity as a result of changes in the financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2019, 2018 and 2017, and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	As at 31 December 2018		As at 31 December 2018		As at 31 December 2017	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Financial assets at fair value through other comprehensive income (2017: available-for-sale)	(983)	924	(218)	117	(53)	54
Net impact on equity	**(983)**	**924**	**(218)**	**117**	**(53)**	**54**

14. RISK MANAGEMENT, CONTINUED

(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 2019, 2018 and 2017, 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.

(e) Presentation of Financial Instruments by Measurement Category

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2019:

	Amortised cost	At fair value through other comprehensive income	31 December 2019
Cash and cash equivalents			
Short-term deposits	142,799	-	142,799
Correspondent accounts in banks	353	-	353
Correspondent accounts in banks on broker operations	140	-	140
Overnight loan	303	-	303
Total cash and cash equivalents	**143,595**	**-**	**143,595**
Loans to Member-states	**2,703,762**	**-**	**2,703,762**
Financial assets at fair value through other comprehensive income			
Bonds issued by Governments of foreign countries – US Treasury	-	771,583	771,583
Bonds issued by banks and financial institutions of non-member states	-	211,139	211,139
Total financial assets at fair value through other comprehensive income	**-**	**982,722**	**982,722**

14. RISK MANAGEMENT, CONTINUED

(e) Presentation of Financial Instruments by Measurement Category, continued

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2018:

	Amortised cost	At fair value through other comprehensive income	31 December 2018
Cash and cash equivalents			
Short-term deposits	130,035	-	130,035
Correspondent accounts in banks	208	-	208
Correspondent accounts in banks on broker operations	156	-	156
Overnight loan	5,241	-	5,241
Total cash and cash equivalents	**135,639**	**-**	**135,639**
Loans to Member-states	**3,042,086**	**-**	**3,042,086**
Financial assets at fair value through other comprehensive income			
Bonds issued by Governments of foreign countries – US Treasury	-	403,720	403,720
Bonds issued by banks and financial institutions of non-member states	-	104,930	104,930
Total financial assets at fair value through other comprehensive income	**-**	**508,650**	**508,650**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2017:

	Loans and receivables	Available-for-sale	31 December 2017
Cash and cash equivalents			
Short-term deposits	129,024	-	129,024
Correspondent accounts in banks	102,231	-	102,231
Correspondent accounts in banks on broker operations	437	-	437
Total cash and cash equivalents	**231,692**	**-**	**231,692**
Loans to Member-states	**3,234,555**	**-**	**3,234,555**
Financial assets available-for-sale			
Bonds issued by Governments of foreign countries – US Treasury	-	69,980	69,980
Bonds issued by banks and financial institutions of non-member states	-	74,951	74,951
Total financial assets available-for-sale	**-**	**144,931**	**144,931**

As at 31 December 2019, 2018 and 2017, all of the Fund's financial liabilities were carried at amortised cost.

15. EVENTS AFTER THE REPORTING PERIOD

Up to the date of issue of these financial statements Asset Manager of the Fund has not identified any significant subsequent events which require disclosure.