

EURASIAN DEVELOPMENT BANK

Unaudited Interim Condensed Financial Statements
For the six-month period ended 30 June 2015

EURASIAN DEVELOPMENT BANK

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Independent Auditors' Report on Review of Interim Condensed Financial Information

To the Members of the Council of Eurasian Development Bank

Introduction

We have reviewed the accompanying condensed statement of financial position of Eurasian Development Bank (the "Bank") as at 30 June 2015, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed financial information (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information as at 30 June 2015 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

KPMG Audit LLC



KPMG Audit LLC

27 July 2015

EURASIAN DEVELOPMENT BANK

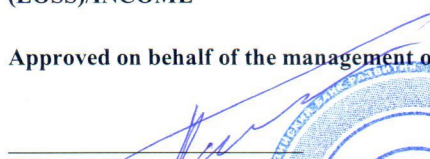
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

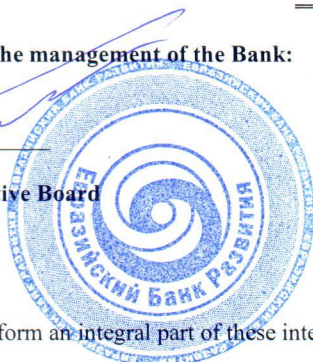
(in thousands of US dollars)


	Note	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Interest income	4	119,909	132,188	116,965
Interest expense	4	(72,948)	(85,310)	(70,479)
Net interest income before provision for impairment losses on interest bearing assets		46,961	46,878	46,486
Provision for impairment losses on interest bearing assets	5	(139,186)	(21,787)	(59,698)
NET INTEREST (EXPENSE)/INCOME		(92,225)	25,091	(13,212)
Provision for impairment losses on equity financial assets available-for-sale		(5,907)	-	-
Provision for impairment losses on other assets	14	(42,587)	-	-
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	12,209	(19,692)	7,307
Net realised gain/(loss) on financial assets available-for-sale		1,541	(294)	99
Net (loss)/gain on transactions in foreign currencies	7	(3,160)	21,158	(11,873)
Fee and commission income		3,371	2,450	4,475
Fee and commission expense		(106)	(138)	(127)
Net loss on trading with debt securities issued		-	(650)	-
Other income		225	124	5
Other expenses		(3)	-	(392)
Net non-interest (loss)/income		(34,417)	2,958	(506)
Net result from financial operations		(126,642)	28,049	(13,718)
Operating expenses	8	(21,827)	(22,212)	(24,151)
NET (LOSS)/PROFIT		(148,469)	5,837	(37,869)
OTHER COMPREHENSIVE INCOME:				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net unrealised gain/(loss) on revaluation of financial assets available-for-sale		5,740	(3,790)	(3,265)
Net realised (gain)/loss on financial assets available-for-sale transferred to the profit and loss		(1,541)	294	(99)
Net unrealised gain on hedging instruments		-	371	660
OTHER COMPREHENSIVE INCOME/(LOSS)		4,199	(3,125)	(2,704)
TOTAL COMPREHENSIVE (LOSS)/INCOME		(144,270)	2,712	(40,573)

Approved on behalf of the management of the Bank:


D.V. Pankin
Chairman of the Executive Board

27 July 2015
Almaty, Kazakhstan




B.K. Mukhambetzhano" data-bbox="593 835 807 873"/>
Managing Director, Finance
Member of the Executive Board

27 July 2015
Almaty, Kazakhstan

The notes on pages 9-33 form an integral part of these interim condensed financial statements.

EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

(in thousands of US dollars)


	Note	Unaudited 30 June 2015	31 December 2014	31 December 2013
ASSETS				
Cash and cash equivalents	9	519,277	296,652	274,958
Financial assets at fair value through profit or loss		1,978	1,821	5
Loans and advances to banks	10	169,126	249,980	406,893
Loans to customers	11	1,852,678	2,151,623	2,327,603
Financial assets available-for-sale	12	855,246	716,228	1,129,244
Investments held-to-maturity	13	426,912	437,271	403,786
Non-current assets held-for-sale		-	-	20,393
Property and equipment		12,838	13,311	14,161
Intangible assets		1,255	1,451	1,330
Other assets	14	3,075	47,161	15,285
TOTAL ASSETS		3,842,385	3,915,498	4,593,658
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans from banks		187,516	187,923	127,035
Financial liabilities at fair value through profit or loss		886	3,471	781
Hedging derivative financial instrument		-	-	16,763
Debt securities issued	15	2,111,705	2,061,561	2,785,565
Other liabilities		48,278	24,273	31,355
Total liabilities		2,348,385	2,277,228	2,961,499
EQUITY:				
Share capital:				
Authorised share capital		7,000,000	7,000,000	1,515,700
Less: callable share capital		(5,484,300)	(5,484,300)	-
Paid-in share capital		1,515,700	1,515,700	1,515,700
Reserve fund		90,872	90,872	90,872
Hedging reserve		-	-	(371)
Revaluation reserve for financial assets available-for-sale		(247)	(4,446)	7,597
Retained earnings		(112,325)	36,144	18,361
Total equity		1,494,000	1,638,270	1,632,159
TOTAL LIABILITIES AND EQUITY		3,842,385	3,915,498	4,593,658

Approved on behalf of the management of the Bank:


D.V. Pankin
Chairman of the Executive Board

27 July 2015
Almaty, Kazakhstan




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

27 July 2015
Almaty, Kazakhstan

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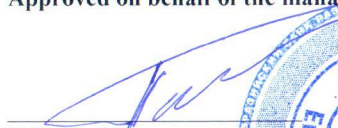
EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(in thousands of US dollars)


	Share capital			Reserve fund	Hedging reserve	Revaluation reserve for financial assets available-for-sale	Retained earnings	Total
	Authorised	Callable	Paid-in					
1 January 2013	1,515,700	-	1,515,700	84,878	(3,057)	14,696	96,865	1,709,082
Net loss (unaudited)	-	-	-	-	-	-	(37,869)	(37,869)
Other comprehensive loss (unaudited)	-	-	-	-	660	(3,364)	-	(2,704)
Total comprehensive loss (unaudited)	-	-	-	-	660	(3,364)	(37,869)	(40,573)
Transactions with owners, recorded directly in equity								
Transfer to reserve fund (unaudited)	-	-	-	5,994	-	-	(5,994)	-
30 June 2013 (unaudited)	1,515,700	-	1,515,700	90,872	(2,397)	11,332	53,002	1,668,509
1 January 2014	1,515,700	-	1,515,700	90,872	(371)	7,597	18,361	1,632,159
Net income (unaudited)	-	-	-	-	-	-	5,837	5,837
Other comprehensive loss (unaudited)	-	-	-	-	371	(3,496)	-	(3,125)
Total comprehensive income (unaudited)	-	-	-	-	371	(3,496)	5,837	2,712
30 June 2014 (unaudited)	1,515,700	-	1,515,700	90,872	-	4,101	24,198	1,634,871
1 January 2015	7,000,000	(5,484,300)	1,515,700	90,872	-	(4,446)	36,144	1,638,270
Net loss (unaudited)	-	-	-	-	-	-	(148,469)	(148,469)
Other comprehensive income (unaudited)	-	-	-	-	-	4,199	-	4,199
Total comprehensive loss (unaudited)	-	-	-	-	-	4,199	(148,469)	(144,270)
30 June 2015 (unaudited)	7,000,000	(5,484,300)	1,515,700	90,872	-	(247)	(112,325)	1,494,000

Approved on behalf of the management of the Bank:


D.V. Pankin
Chairman of the Executive Board

27 July 2015
Almaty, Kazakhstan

The notes on pages 9-33 form an integral part of these interim condensed financial statements.


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

27 July 2015
Almaty, Kazakhstan

EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(in thousands of US dollars)

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans to customers	90,619	98,868	84,292
Interest received on loans and advances to banks	8,482	8,567	9,021
Interest and income received/(expense paid) from financial assets and liabilities at fair value through profit or loss	9,467	(42,956)	5,637
Interest and income received on financial assets available-for-sale	4,114	13,388	6,504
Interest received on investments held-to-maturity	9,755	10,126	9,483
Interest paid on loans and deposits from banks	(2,463)	(4,343)	(1,035)
Interest paid on debt securities issued	(72,497)	(94,713)	(67,858)
Fees and commissions received	5,610	3,852	815
Fees and commissions paid	(110)	(64)	(119)
Other income received	226	124	7
Operating expenses paid	(16,837)	(18,181)	(21,067)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	36,366	(25,332)	25,680
Changes in operating assets			
Decrease/(increase) in loans to customers	232,014	(212,663)	(352,476)
Decrease/(increase) in loans and advances to banks	83,050	91,938	(81,386)
(Increase)/decrease in other assets	(1,378)	468	277
Changes in operating liabilities			
Increase in deposits from banks	-	58,841	-
(Decrease)/increase in other liabilities	(12)	2,369	47
Cash flows from/(used in) operating activities	350,040	(84,379)	(407,858)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets available-for-sale	(758,633)	(387,348)	(939,025)
Proceeds from sale and redemption of financial assets available-for-sale	619,323	828,474	1,141,388
Purchase of investments held-to-maturity	-	-	(142,291)
Proceeds from redemption of investments held-to-maturity	7,800	22,641	44,000
Purchase of property, equipment and intangible assets	(208)	(439)	(582)
Cash flows (used in)/from investing activities	(131,718)	463,328	103,490

The notes on pages 9-33 form an integral part of these interim condensed financial statements.


EURASIAN DEVELOPMENT BANK

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015 (CONTINUED)

(in thousands of US dollars)


	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities issued	324	148,140	158,911
Repayments of debt securities issued	(324)	(372,551)	(50,000)
Proceeds from loans from banks	11,604	56,068	17,370
Repayments of loans from banks	(5,084)	(3,538)	(1,038)
Cash flows from/(used in) financing activities	6,520	(171,881)	125,243
NET INCREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS, at beginning of the period	224,842	207,068	(179,125)
Effect of changes in foreign exchange rate on cash and cash equivalents	296,652	274,958	434,936
	(2,217)	(13,376)	(2,296)
CASH AND CASH EQUIVALENTS, at end of the period (Note 9)	519,277	468,650	253,515

Approved on behalf of the management of the Bank:


D.V. Pankin
Chairman of the Executive Board

27 July 2015
Almaty, Kazakhstan




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

27 July 2015
Almaty, Kazakhstan

The notes on pages 9-33 form an integral part of these interim condensed financial statements.

EURASIAN DEVELOPMENT BANK
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015
(in thousands of US dollars)

1 BACKGROUND

(a) Principal activities

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

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

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

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

As at 30 June 2015, the following states were members of the Bank: the Russian Federation, the Republic of Kazakhstan, the Republic of Armenia, the Republic of Tajikistan, the Republic of Belarus and the Kyrgyz Republic.

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

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

The total number of employees of the Bank as at 30 June 2015 was 288 (31 December 2014: 294; 31 December 2013: 293).

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

EURASIAN DEVELOPMENT BANK
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015
(in thousands of US dollars)

1 BACKGROUND, CONTINUED

(a) Principal activities, continued

As at 30 June 2015 and 31 December 2014 and 2013, shares of the Bank were owned as follows:

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

(b) Business environment

The Bank's operations are primarily located in the Member states. Consequently, the Bank is exposed to the economic and financial markets of the Member states which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Member states. The interim condensed 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 Bank. The future business environment may differ from management's assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed financial statements are prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. Accordingly, certain information and disclosures normally required to be included in the notes to the annual financial statements have been omitted or condensed. These interim condensed financial statements should be read in conjunction with the financial statements of the Bank for the year ended 31 December 2014, as these interim condensed financial statements provide an update of previously reported financial information.

These interim condensed financial statements were authorised for issue on 27 July 2015 by the management of the Bank.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015
(in thousands of US dollars)

2 BASIS OF PREPARATION, CONTINUED

(d) Use of estimates and judgments

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the interim condensed financial statements is described in Note 11 “Loans to customers” and Note 14 “Other assets”.

3 SIGNIFICANT ACCOUNTING POLICIES

In preparing these interim condensed financial statements the Bank applied the same accounting policies as those applied in the annual financial statements of the Bank for the year ended 31 December 2014.

4 NET INTEREST INCOME

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Interest income comprises:			
Interest income on financial assets measured at amortised cost	118,456	126,946	112,918
Interest income on financial assets available-for-sale	1,453	5,242	4,047
Total interest income	119,909	132,188	116,965
Interest income on financial assets recorded at amortised cost comprises:			
Interest on loans to customers	103,575	110,488	95,931
Interest on investments held-to- maturity	7,203	8,002	7,966
Interest on loans and advances to banks	7,072	7,845	8,598
Interest on cash and cash equivalents	606	611	423
Total interest income on financial assets recorded at amortised cost	118,456	126,946	112,918
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortised cost comprises:			
Interest on debt securities issued	(70,315)	(81,307)	(68,854)
Interest on loans and deposits from banks	(2,633)	(4,003)	(1,625)
Total interest expense on financial liabilities recorded at amortised cost	(72,948)	(85,310)	(70,479)
Net interest income before provision for losses on interest bearing financial assets	46,961	46,878	46,486

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015
(in thousands of US dollars)

5 PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS

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

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Beginning of the period	(41,924)	(142,238)	(30,816)
Net charge	(139,424)	(20,895)	(59,576)
Write-offs	43,534	4,061	-
Effect of foreign currency movements	(368)	-	2
End of the period	(138,182)	(159,072)	(90,390)

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

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Beginning of the period	(602)	(420)	(273)
Net recovery/(charge)	234	16	(122)
End of the period	(368)	(404)	(395)

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

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Beginning of the period	(873)	-	-
Net recovery/(charge)	4	(908)	-
Write-offs	848	-	-
Effect of foreign currency movements	21	(5)	-
End of the period	-	(913)	-

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015
(in thousands of US dollars)

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

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Net gain/(loss) on derivative financial instruments in foreign currency	12,209	(19,692)	7,242
Net gain on debt securities	-	-	65
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss	12,209	(19,692)	7,307

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

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Translation differences, net	(2,514)	20,863	(11,507)
Dealing, net	(646)	295	(366)
Total net (loss)/gain on transactions in foreign currencies	(3,160)	21,158	(11,873)

8 OPERATING EXPENSES

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Staff costs and other payments to employees	16,659	15,873	16,998
Premises expenses	1,124	1,476	1,684
Depreciation and amortisation	804	1,002	943
Business trip expenses	541	556	938
Communication	487	519	588
Maintenance of acquired systems and programs	481	438	334
Security	458	438	685
Professional services	360	577	423
Business development expenses	344	428	547
Transportation	122	183	213
Training	93	97	77
Research and regional development expenses	78	147	337
Office, postal and printing expenses	69	65	89
Other	207	413	295
Total operating expenses	21,827	22,212	24,151

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015
(in thousands of US dollars)

9 CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2015	31 December 2014	31 December 2013
Cash and balances with national (central) banks of Member states of the Bank	1,635	201,284	905
Correspondent accounts with other banks			
with credit ratings A and above	409,754	57,825	80,504
with credit ratings below A	15,133	1,928	1,621
Term deposits in other banks			
with credit ratings A and above	74,661	35,615	28,073
with credit ratings below A	18,094	-	163,855
Total cash and cash equivalents	519,277	296,652	274,958

As at 30 June 2015, the Bank had a balance of 293,678 thousand US dollars, unaudited, with Euroclear Bank SA/NV which exceeded 10% of the Bank's equity (31 December 2014: National Bank of Republic of Kazakhstan with a balance amounting to 232,466 thousand US dollars; 31 December 2013: no banks).

10 LOANS AND ADVANCES TO BANKS

	Unaudited 30 June 2015	31 December 2014	31 December 2013
Loans to banks	126,410	200,798	223,878
Loans under reverse repurchase agreements	43,084	49,784	183,435
	169,494	250,582	407,313
Less country risk provisions	(368)	(602)	(420)
Total loans and advances to banks	169,126	249,980	406,893

As at 30 June 2015, loans and advances to banks include loans to six banks in the amount of 43,775 thousand US dollars, unaudited (31 December 2014: loans to seven banks in the amount of 84,895 thousand US dollars; 31 December 2013: loans to four banks in the amount of 76,145 thousand US dollars), against which the Bank records country risk provisions in the amount of 368 thousand US dollars, unaudited (31 December 2014: 602 thousand US dollars; 31 December 2013: 420 thousand US dollars).

As at 30 June 2015, loans and advances to banks include accrued interest income amounting to 1,489 thousand US dollars, unaudited (31 December 2014: 2,533 thousand US dollars; 31 December 2013: 2,582 thousand US dollars).

The fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 30 June 2015, 31 December 2014 and 2013 are as follows:

	Unaudited 30 June 2015		31 December 2014		31 December 2013	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds issued by banks and financial institutions of the Russian Federation	41,566	46,734	46,691	53,366	112,964	129,623
Bonds issued by non-financial organisations	1,518	1,790	3,093	3,669	70,471	81,881
	43,084	48,524	49,784	57,035	183,435	211,504

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11 LOANS TO CUSTOMERS

	Unaudited 30 June 2015	31 December 2014	31 December 2013
Unimpaired loans to customers	1,582,283	1,969,945	2,213,284
Impaired loans to customers, including:			
- not overdue or overdue less than 90 days	360,634	116,291	132,049
- with overdue more than 90 days	-	107,311	-
- defaulted loans	47,943	-	124,508
	1,990,860	2,193,547	2,469,841
Less allowance for impairment losses	(138,182)	(41,924)	(142,238)
Total loans to customers	1,852,678	2,151,623	2,327,603

As at 30 June 2015, the Bank has defaulted loans to two customers for a total gross amount of 47,943 thousand US dollars, unaudited. These loans were overdue for more than 90 days as at 31 December 2014. As at 30 June 2015, one of the borrowers has a loan with a gross amount of 34,642 thousand US dollars, unaudited (31 December 2014: 34,776 thousand US dollars; 31 December 2013: 71,521 thousand US dollars) and allowance for impairment losses of 11,190 thousand US dollars, unaudited (31 December 2014: 6,661 thousand US dollars; 31 December 2013: nil). A loan to the other borrower has a gross amount of 13,301 thousand US dollars, unaudited (31 December 2014: 10,913 thousand US dollars; 31 December 2013: 49,979 thousand US dollars) and allowance for impairment losses of 13,301 thousand US dollars, unaudited (31 December 2014: 1,978 thousand US dollars; 31 December 2013: nil). The Bank is under negotiation process with these borrowers.

Also, as at 30 June 2015, the Bank has five customers (31 December 2014: two customers; 31 December 2013: three customers) with outstanding impaired loans for a total gross amount of 360,634 thousand US dollars, unaudited (31 December 2014: 116,291 thousand US dollars; 31 December 2013: 132,049 thousand US dollars) with related allowance for impairment losses of 112,018 thousand US dollars, unaudited (31 December 2014: 12,380 thousand US dollars; 31 December 2013: 17,730 thousand US dollars).

These impaired loans include a loan of 75,896 thousand US dollars, unaudited, to a company operating in the machinery industry in the Republic of Belarus. During the six-month period ended 30 June 2015, given the significant decline in sales of this borrower, the Bank recognised an impairment allowance of 64,685 thousand US dollars, unaudited, against this loan.

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

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

- a discount up to 70% to the originally appraised value if the property pledged is sold;
- a delay up to 36 months in obtaining proceeds from the foreclosure of collateral;
- a decrease of market price on customers products up to 30 % due to changes in market conditions.

As at 30 June 2015, 31 December 2014 and 2013 no collective provision was recognised in respect of other loans to customers as all possible risks have been considered in individual impairment assessments.

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11 LOANS TO CUSTOMERS, CONTINUED

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

	Unaudited 30 June 2015	31 December 2014	31 December 2013
Loans collateralised by real estate, equipment and inventories	979,660	1,093,949	1,536,358
Loans collateralised by guarantees	973,656	1,048,936	871,302
Loans collateralised by future cash inflows from clients' contracts	37,544	50,662	62,181
	1,990,860	2,193,547	2,469,841
Less allowance for impairment losses	(138,182)	(41,924)	(142,238)
Total loans to customers	1,852,678	2,151,623	2,327,603

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

	Unaudited 30 June 2015	31 December 2014	31 December 2013
Energy	453,678	592,577	722,733
Transport	437,599	390,569	333,492
Machinery	367,846	436,346	499,902
Mining and metallurgy	303,031	300,855	286,230
Chemical industry	162,557	179,863	288,542
Infrastructure	90,004	81,485	72,208
Agriculture	47,871	88,728	110,113
Other	128,274	123,124	156,621
	1,990,860	2,193,547	2,469,841
Less allowance for impairment losses	(138,182)	(41,924)	(142,238)
Total loans to customers	1,852,678	2,151,623	2,327,603

As at 30 June 2015, loans to customers included accrued interest income amounting to 66,792 thousand US dollars, unaudited (31 December 2014: 56,104 thousand US dollars; 31 December 2013: 61,758 thousand US dollars).

Concentration of loans to customers

As at 30 June 2015, the Bank has two customers (31 December 2014: two customers; 31 December 2013: three customers), whose balances exceeded 10% of total equity. The value of these balances as at 30 June 2015 was 237,743 thousand US dollars, unaudited, and 189,486 thousand US dollars, unaudited, respectively (31 December 2014: 239,800 thousand US dollars and 196,718 thousand US dollars, respectively; 31 December 2013: 327,399 thousand US dollars, 273,209 thousand US dollars and 236,535 thousand US dollars, respectively).

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12 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Unaudited 30 June 2015	31 December 2014	31 December 2013
Debt securities in Treasury portfolio	818,959	673,964	1,056,900
Debt securities in Investment portfolio	690	1,632	1,850
Equity securities in Investment portfolio	35,597	41,505	70,494
	855,246	717,101	1,129,244
Less allowance for impairment losses	-	(873)	-
Total financial assets available-for-sale	855,246	716,228	1,129,244

	Unaudited 30 June 2015		31 December 2014		31 December 2013	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities in Treasury portfolio						
US Treasuries	0.50 - 1.00%	749,580	0.50 - 1.00%	589,439	0.25%	923,852
Eurobonds of the Republic of Kazakhstan	3.875%	25,710	-	-	-	-
Bonds issued by banks and financial institutions of the Russian Federation	4.22 – 6.875%	25,617	1.75 – 6.88%	54,069	1.99 - 9.00%	83,417
Bonds issued by non-financial organisations	4.30 – 9.25%	18,052	4.30 – 5.09%	7,460	5.09 - 8.13%	25,044
Eurobonds of the Russian Federation	-	-	7.50%	22,996	7.50%	24,587
		818,959		673,964		1,056,900

	Unaudited 30 June 2015		31 December 2014		31 December 2013	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities in Investment portfolio						
Bonds issued by non-financial organisations	8.00%	690	8.50%	1,632	8.50%	1,850
Less allowance for impairment losses		-		(873)		-
		690		759		1,850

As at 30 June 2015, debt instruments available-for-sale include accrued interest income amounting to 821 thousand US dollars, unaudited (31 December 2014: 1,326 thousand US dollars; 31 December 2013: 2,471 thousand US dollars).

	Unaudited 30 June 2015		31 December 2014		31 December 2013	
	Ownership interest	Fair value	Ownership interest	Fair value	Ownership interest	Fair value
Equity securities						
Investments into private equity fund “Macquarie Renaissance Infrastructure Fund”	15.87%	35,597	15.87%	41,505	15.87%	70,494
		35,597		41,505		70,494

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13 INVESTMENTS HELD-TO-MATURITY

	Unaudited					
	30 June 2015		31 December 2014		31 December 2013	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities						
Eurobonds of the Russian Federation	3.25 - 7.50%	238,166	3.25 - 7.50%	247,856	3.25 - 7.50%	266,619
US Treasuries	0.875%	100,193	0.88%	100,147	-	-
Bonds issued by non-financial organisations	3.15– 5.74%	68,099	3.15– 5.74%	68,692	3.15 - 5.74%	67,731
Bonds issued by banks and financial institutions of the Russian Federation	4.95 – 5.375%	20,454	4.95 – 5.38%	20,576	4.95 - 6.25%	69,436
Total investments held-to-maturity		426,912		437,271		403,786

As at 30 June 2015, investments held-to-maturity include accrued interest income amounting to 4,811 thousand US dollars, unaudited (31 December 2014: 4,951 thousand US dollars; 31 December 2013: 4,798 thousand US dollars).

14 OTHER ASSETS

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

15 DEBT SECURITIES ISSUED

	Issue series	Offer date	Due date	Interest rate, %	Unaudited	31 December	31 December
					30 June 2015	2014	2013
Debt securities issued and denominated in USD							
	Series 03	-	Sep 2022	4.767	505,184	505,101	504,904
	Series 05	-	Sep 2020	5.000	478,129	475,496	470,089
	Series 02	-	Sep 2014	7.375	-	-	122,677
Total debt securities issued and denominated in USD					983,313	980,597	1,097,670
Debt securities issued and denominated in RUB							
	Series 06 and 07	Sep 2016	Sep 2020	7.850	184,189	167,613	309,564
	Series 05	Jul 2015	Jul 2020	7.700	93,412	85,006	157,001
	Series 04, Eurobond	-	Oct 2017	8.000	92,094	83,783	154,746
	Series 08	Oct 2015	Oct 2020	7.650	91,759	83,499	154,207
	Series 02	Mar 2016	Feb 2019	15.500	91,499	82,836	152,962
	Series 09	May 2016	May 2021	9.650	91,039	82,852	-
	Series 03	Oct 2015	Oct 2016	7.250	24,591	22,330	41,065
	Series 04	-	Feb 2018	7.700	9,591	8,726	156,155
	Series 01	Feb 2017	Jan 2019	8.000	6,055	5,510	153,811
Total debt securities issued and denominated in RUB					684,229	622,155	1,279,511
Debt securities issued and denominated in KZT							
	Series 02	-	Apr 2018	6.000	171,339	180,133	212,845
	Series 03	-	Aug 2019	7.200	110,165	112,539	-
	Series 04	-	Sep 2019	7.200	109,519	111,880	-
	Series 01	-	Dec 2017	6.250	53,140	54,257	64,110
	Series 01, Eurobond	-	Apr 2014	8.000	-	-	131,429
Total debt securities issued and denominated in KZT					444,163	458,809	408,384
Total debt securities issued					2,111,705	2,061,561	2,785,565

As at 30 June 2015, debt securities issued included accrued interest expense amounting to 32,369 thousand US dollars, unaudited (31 December 2014: 36,200 thousand US dollars; 31 December 2013: 50,138 thousand US dollars).

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16 COMMITMENTS AND CONTINGENCIES

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

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

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

As at 30 June 2015, 31 December 2014 and 2013, the nominal or contractual amounts were:

	Unaudited 30 June 2015	31 December 2014	31 December 2013
	Nominal amount	Nominal amount	Nominal amount
Commitments on loans and unused credit lines	423,059	677,081	1,092,645
Commitments to join private equity funds	31,150	31,150	31,543
Guarantees and letters of credit issued	17,975	48,373	24,358
Total contingent liabilities and credit commitments	472,184	756,604	1,148,546

Fiduciary activities

The Bank provides trust services to Eurasian Fund for Stabilisation and Development (formerly “Anti-crisis Fund of the Eurasian Economic Community”) (the “Fund”), whereby it holds and manages assets or invests funds received in various financial instruments as a Manager of Fund. In the judgment of management, as at 30 June 2015 the maximum potential financial risk on securities and due from banks accepted by the Bank on behalf of the Fund does not exceed 385,508 thousand US dollars, unaudited (31 December 2014: 685,022 thousand US dollars; 31 December 2013: 123,175 thousand US dollars). These amounts represent clients’ funds under the management of the Bank as at respective dates.

17 TRANSACTIONS WITH RELATED PARTIES

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

(a) Transactions with key management

The remuneration of directors and other members of key management included in staff costs and other payments to employees (including accommodation cost of employees) (Note 8) was as follows:

	Unaudited Six-month period ended 30 June 2015		Unaudited Six-month period ended 30 June 2014		Unaudited Six-month period ended 30 June 2013	
	Total category as per financial statements caption	Total category as per financial statements caption	Total category as per financial statements caption	Total category as per financial statements caption	Total category as per financial statements caption	Total category as per financial statements caption
Key management personnel compensation, short-term employee benefits:						
Staff costs and other payments to employees	2,453	15,636	2,503	14,838	3,411	16,040
Accommodation costs of employees	156	1,023	146	1,035	154	958
Key management personnel compensation	2,609	16,659	2,649	15,873	3,565	16,998

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17 TRANSACTIONS WITH RELATED PARTIES, CONTINUED

(a) Transactions with key management, continued

The outstanding balances as at 30 June 2015 and 31 December 2014 and 2013 for transactions with the members of the Executive Board are as follows:

	Unaudited 30 June 2015	31 December 2014	31 December 2013
Interim condensed statement of financial position			
Other liabilities - pension reserves and accrued bonuses	4,360	3,554	2,298

(b) Transactions with other related parties

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

The outstanding balances and the related average interest rates as at 30 June 2015, 31 December 2014 and 2013 with other related parties are as follows.

	Unaudited 30 June 2015		31 December 2014		31 December 2013	
	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %	Other related parties	Average interest rate, %
Statement of financial position						
ASSETS						
Cash and cash equivalents	1,985	-	201,541	-	119,959	4.46%
Loans and advances to customers	59,752	6.69%	89,086	6.54%	106,913	5.21%
Loans to customers	801,463	9.63%	847,794	9.29%	845,914	8.95%
Financial assets available-for-sale	61,240	4.78%	84,524	4.60%	133,047	6.37%
Investments held-to-maturity	326,719	5.95%	337,124	5.99%	394,005	5.65%
Other assets	32	-	2,227	-	1,759	-
LIABILITIES						
Debt securities issued	793,686	7.86%	793,967	7.28%	865,522	7.72%
Other liabilities	304	-	2,291	-	10,857	-
Guarantees received	465,536	-	508,309	-	423,949	-
Commitments	182,255	-	374,903	-	615,908	-

The profit or loss amounts of transactions for the six-month periods ended 30 June 2015, 2014 and 2013 with other related parties are as follows.

	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Profit/(loss)			
Interest income	48,882	51,038	32,990
Interest expense	(31,194)	(23,893)	(22,848)
Net (charge)/recovery of provisions for impairment losses	(160)	51	(137)
Net realised gain/(loss) on financial assets available-for-sale	447	(314)	-
Net (loss)/gain on transactions in foreign currencies	(9,565)	(61)	31,668
Fee and commission income	3,135	2,365	3,900
Other income	45	1	-

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18 SEGMENT REPORTING**Segment performance – geographic**

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

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

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

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18 SEGMENT REPORTING, CONTINUED

	Unaudited Russia	Unaudited Kazakhstan	Unaudited Belarus	Unaudited Other Member states	Unaudited Non-member states	Unaudited Total 30 June 2015
Cash and cash equivalents	33,638	834	3	51	484,751	519,277
Financial assets at fair value through profit or loss	889	-	-	-	1,089	1,978
Loans and advances to banks	64,533	21,194	33,627	49,772	-	169,126
Loans to customers	662,022	804,128	339,797	46,731	-	1,852,678
Financial assets available-for-sale	79,267	26,400	-	-	749,579	855,246
Investments held-to-maturity	326,719	-	-	-	100,193	426,912
Property, equipment and intangible assets	370	13,640	6	77	-	14,093
Other assets	1,746	883	62	88	296	3,075
Total assets	1,169,184	867,079	373,495	96,719	1,335,908	3,842,385
Total liabilities	685,121	469,184	229	22,022	1,171,829	2,348,385
Contingent liabilities and credit commitments	178,381	172,889	118,409	2,505	-	472,184

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18 SEGMENT REPORTING, CONTINUED

	Unaudited Russia	Unaudited Kazakhstan	Unaudited Belarus	Unaudited Other Member states	Unaudited Non-member states	Unaudited Total for the six-month period ended 30 June 2014
Interest income	76,979	40,263	11,636	2,912	398	132,188
Interest expense	(40,898)	(10,302)	-	-	(34,110)	(85,310)
Net (charge)/recovery of provisions for impairment losses	(7,032)	(14,250)	(233)	(272)	-	(21,787)
(Loss)/gain on financial assets and liabilities at fair value through profit or loss	(1,642)	(1,714)	-	-	(16,336)	(19,692)
Realised (loss)/gain on financial assets available-for-sale	(314)	-	-	-	20	(294)
Gain/(loss) on transactions in foreign currencies	14,170	15,196	(1)	(11)	(8,196)	21,158
Fee and commission income	2,270	169	-	11	-	2,450
Fee and commission expense	(53)	(24)	-	-	(61)	(138)
Net loss on trading with debt securities issued	(650)	-	-	-	-	(650)
Other income	25	50	48	1	-	124
External operating income/(expense)	42,855	29,388	11,450	2,641	(58,285)	28,049
Capital expenditure	33	313	-	-	-	346
Depreciation and amortisation	124	842	10	26	-	1,002

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18 SEGMENT REPORTING, CONTINUED

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total 31 December 2014
Cash and cash equivalents	1,687	201,413	31	76	93,445	296,652
Financial assets at fair value through profit or loss	-	-	-	-	1,821	1,821
Loans and advances to banks	91,495	24,654	74,528	59,303	-	249,980
Loans to customers	860,376	845,619	406,011	39,617	-	2,151,623
Financial assets available-for-sale	126,030	759	-	-	589,439	716,228
Investments held-to-maturity	337,124	-	-	-	100,147	437,271
Property, equipment and intangible assets	462	14,216	11	73	-	14,762
Other assets	3,101	43,537	104	107	312	47,161
Total assets	1,420,275	1,130,198	480,685	99,176	785,164	3,915,498
Total liabilities	622,763	481,768	341	198	1,172,158	2,277,228
Contingent liabilities and credit commitments	243,117	383,348	120,116	10,023	-	756,604

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18 SEGMENT REPORTING, CONTINUED

	Unaudited Russia	Unaudited Kazakhstan	Unaudited Belarus	Unaudited Other Member states	Unaudited Non-member states	Unaudited Total for the six-month period ended 30 June 2013
Interest income	69,072	37,199	6,439	3,929	326	116,965
Interest expense	(33,261)	(8,572)	-	-	(28,646)	(70,479)
Net (charge)/recovery of provisions for impairment losses	(56,735)	571	(135)	(3,399)	-	(59,698)
Gain/(loss) on financial assets and liabilities at fair value through profit or loss	(2,482)	688	-	-	9,101	7,307
Realised gain) on financial assets available-for-sale	48	4	-	-	47	99
Loss on transactions in foreign currencies	(7,625)	(13)	(27)	(1)	(4,207)	(11,873)
Fee and commission income	4,187	138	118	32	-	4,475
Fee and commission expense	(13)	(25)	-	-	(89)	(127)
Other income	(1)	4	2	-	-	5
Other expenses	-	(392)	-	-	-	(392)
External operating (expense)/income	(26,810)	29,602	6,397	561	(23,468)	(13,718)
Capital expenditure	74	250	3	63	-	390
Depreciation and amortisation	125	771	13	34	-	943

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18 SEGMENT REPORTING, CONTINUED

	Russia	Kazakhstan	Belarus	Other Member states	Non-member states	Total 31 December 2013
Cash and cash equivalents	120,551	45,822	10	32	108,543	274,958
Financial assets at fair value through profit or loss	-	-	-	-	5	5
Loans and advances to banks	55,868	30,896	74,224	62,470	183,435	406,893
Loans to customers	1,243,969	889,093	184,700	9,841	-	2,327,603
Financial assets available-for-sale	203,542	1,850	-	-	923,852	1,129,244
Investments held-to-maturity	403,786	-	-	-	-	403,786
Non-current assets held for sale	-	20,393	-	-	-	20,393
Property, equipment and intangible assets	516	14,841	32	102	-	15,491
Other assets	5,497	1,136	497	7,767	388	15,285
Total assets	2,033,729	1,004,031	259,463	80,212	1,216,223	4,593,658
Total liabilities	1,282,680	434,905	424	33	1,243,457	2,961,499
Contingent liabilities and credit commitments	410,763	481,605	231,115	25,063	-	1,148,546

External operating income, assets, liabilities and capital expenditure have generally been allocated based on the domicile of the counterparty. Tangible assets (cash on hand, premises and equipment) have been allocated based on the country in which they are physically held.

For the six-month period ended 30 June 2015, there were no loans to customers with interest income exceeding 10% of interest income. For the six-month period ended 30 June 2014, interest income on loans to two customers (30 June 2013: one customer) individually exceeds 10% of interest income and amounts to 17,186 thousand US dollars and 14,435 thousand US dollars, respectively (30 June 2013: 14,914 thousand US dollars).

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19 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Determining fair values

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

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

(b) Valuation of financial instruments

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

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

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

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

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

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19 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

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

The table below analyses financial instruments measured at fair value at 30 June 2015, 31 December 2014 and 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	Level 1	Level 2	Level 3	Unaudited 30 June 2015 Total
Financial assets at fair value through profit or loss	-	1,978	-	1,978
Financial assets available-for-sale				
- Debt securities	818,959	-	690	819,649
- Equity securities	-	-	35,597	35,597
Financial liabilities at fair value through profit or loss	-	(886)	-	(886)
				31 December 2014
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	1,821	-	1,821
Financial assets available-for-sale				
- Debt securities	673,964	-	759	674,723
- Equity securities	-	-	41,505	41,505
Financial liabilities at fair value through profit or loss	-	(3,471)	-	(3,471)
				31 December 2013
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	5	-	5
Financial assets available-for-sale				
- Debt securities	1,056,900	-	1,850	1,058,750
- Equity securities	-	-	70,494	70,494
Financial liabilities at fair value through profit or loss	-	(781)	-	(781)
Hedging derivative financial instrument	-	(16,763)	-	(16,763)

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19 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

The following table shows reconciliation for the periods ended 30 June 2015, 31 December 2014 and 2013 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3		
	Unaudited Six-month period ended 30 June 2015	Unaudited Six-month period ended 30 June 2014	Unaudited Six-month period ended 30 June 2013
Financial assets available for sale			
Balance at beginning of the period	42,264	72,344	75,277
Net impairment loss	(5,907)	(908)	-
Revaluation	(70)	(6,807)	(773)
Balance at end of the period	36,287	64,629	74,504

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

The table below analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2015, 31 December 2014 and 2013. The Bank believes that carrying value of loans to customers and loans and advances to banks represents their fair value. The Bank is a development financial organisation and, thus, most of the loans are unique and interest rates are specific for each project and less sensitive to the market fluctuations.

	Level 1	Level 2	Level 3	Unaudited As at 30 June 2015	
				Total fair value	Total carrying amount
Financial assets					
Cash and cash equivalents	-	519,277	-	519,277	519,277
Loans and advances to banks	-	169,126	-	169,126	169,126
Loans to customers	-	1,580,560	272,118	1,852,678	1,852,678
Investments held-to-maturity	438,628	-	-	438,628	426,912
Other financial assets	-	546	-	546	546
Financial liabilities					
Loans from banks	-	187,516	-	187,516	187,516
Debt securities issued	2,088,774	-	-	2,088,774	2,111,705
Other financial liabilities	-	45,815	-	45,815	45,815
				As at 31 December 2014	
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Cash and cash equivalents	-	296,652	-	296,652	296,652
Loans and advances to banks	-	249,980	-	249,980	249,980
Loans to customers	-	1,968,846	182,777	2,151,623	2,151,623
Investments held-to-maturity	416,382	-	-	416,382	437,271
Other financial assets	-	2,522	-	2,522	2,522
Financial liabilities					
Loans from banks	-	187,923	-	187,923	187,923
Debt securities issued	1,937,683	-	-	1,937,683	2,061,561
Other financial liabilities	-	23,538	-	23,538	23,538

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19 FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

(b) Valuation of financial instruments, continued

	Level 1	Level 2	Level 3	As at 31 December 2013	
				Total fair value	Total carrying amount
Financial assets					
Cash and cash equivalents	-	274,958	-	274,958	274,958
Loans and advances to banks	-	406,893	-	406,893	406,893
Loans to customers	-	2,213,284	114,319	2,327,603	2,327,603
Investments held-to-maturity	416,878	-	-	416,878	403,786
Other financial assets	-	4,857	-	4,857	4,857
Financial liabilities					
Loans from banks	-	127,035	-	127,035	127,035
Debt securities issued	2,826,645	-	-	2,826,645	2,785,565
Other financial liabilities	-	29,744	-	29,744	29,744

20 RISK MANAGEMENT POLICIES

(a) Credit risk

As at 30 June 2015, the credit ratings and credit risk of the counterparties have not significantly changed compared to 31 December 2014.

(i) *Assets allocation in portfolios*

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

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

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

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

Information regarding each portfolio is included below:

	Current investment portfolio	Treasury portfolio	Unallocated*	Unaudited 30 June 2015 Total
Cash and cash equivalents	-	519,277	-	519,277
Financial assets at fair value through profit or loss	-	1,978	-	1,978
Loans and advances to banks	125,339	43,084	703	169,126
Loans to customers	1,985,580	-	(132,902)	1,852,678
Financial assets available-for-sale	37,187	818,959	(900)	855,246
Investments held-to-maturity	-	426,912	-	426,912
Property and equipment and intangible assets	-	-	14,093	14,093
Other assets	-	-	3,075	3,075
Total assets	2,148,106	1,810,210	(115,931)	3,842,385
Total liabilities	-	886	2,347,499	2,348,385
Contingent liabilities and credit commitments	472,184	-	-	472,184
Total current investment portfolio	2,620,290			

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

	Current investment portfolio	Treasury portfolio	Unallocated	31 December 2014 Total
Cash and cash equivalents	-	296,652	-	296,652
Financial assets at fair value through profit or loss	-	1,821	-	1,821
Loans and advances to banks	198,995	49,784	1,201	249,980
Loans to customers	2,157,972	-	(6,349)	2,151,623
Financial assets available-for-sale	43,059	673,964	(795)	716,228
Investments held-to-maturity	-	437,271	-	437,271
Property and equipment and intangible assets	-	-	14,762	14,762
Other assets	-	-	47,161	47,161
Total assets	2,400,026	1,459,492	55,980	3,915,498
Total liabilities	-	3,471	2,273,757	2,277,228
Contingent liabilities and credit commitments	756,604	-	-	756,604
Total current investment portfolio	3,156,630			

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20 RISK MANAGEMENT POLICIES, CONTINUED

(a) Credit risk, continued

(i) Assets allocation in portfolios, continued

	Current investment portfolio	Treasury portfolio	Unallocated	31 December 2013 Total
Cash and cash equivalents	-	274,958	-	274,958
Financial assets at fair value through profit or loss	-	5	-	5
Loans and advances to banks	222,077	183,435	1,381	406,893
Loans to customers	2,403,503	-	(75,900)	2,327,603
Financial assets available-for-sale	72,429	1,056,899	(84)	1,129,244
Investments held-to-maturity	-	403,786	-	403,786
Non-current assets held for sale	35,499	-	(15,106)	20,393
Property and equipment and intangible assets	-	-	15,491	15,491
Other assets	-	-	15,285	15,285
Total assets	2,733,508	1,919,083	(58,933)	4,593,658
Total liabilities	-	781	2,960,718	2,961,499
Contingent liabilities and credit commitments	1,148,546	-	-	1,148,546
Total current investment portfolio	3,882,054			

(b) Liquidity risk

During the six-month period ended 30 June 2015, there were no significant changes in liquidity risk comparing to 31 December 2014.

(c) Market risk

Market risk covers interest rate risk, currency and pricing risks. In order to measure price and currency risks the Bank uses value-at-risk (VAR) methodology. In order to measure interest rate risk the Bank assesses its sensitivity to changes in interest rates using the following financial modelling techniques: duration, modified duration and dollar value of 1 basis point. The Bank uses a system of limits to manage these risks. During the six-month period ended 30 June 2015 there were no significant changes in market risk comparing to 31 December 2014.

(d) Currency risk

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

	Unaudited US dollars	Unaudited Kazakhstan tenge	Unaudited Russian rouble	Unaudited Euro	Unaudited Other currencies	Unaudited 30 June 2015 Total
Open balance sheet position	1,661,175	(23,657)	(199,265)	67,072	93	1,505,418
Net spot and derivative financial instruments position	(154,816)	24,372	198,500	(66,964)	-	1,092
TOTAL OPEN POSITION	1,506,359	715	(765)	108	93	
	US dollars	Kazakhstan tenge	Russian rouble	Euro	Other currencies	31 December 2014 Total
Open balance sheet position	1,529,075	(50,648)	(19,809)	79,330	151	1,538,099
Net spot and derivative financial instruments position	19,002	39,887	18,124	(78,663)	-	(1,650)
TOTAL OPEN POSITION	1,548,077	(10,761)	(1,685)	667	151	

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20 RISK MANAGEMENT POLICIES, CONTINUED

(d) Currency risk, continued

	<u>US dollars</u>	<u>Kazakhstan tenge</u>	<u>Russian rouble</u>	<u>Euro</u>	<u>Other currencies</u>	<u>31 December 2013 Total</u>
Open balance sheet position	1,724,139	(109,734)	(154,287)	56,614	232	1,516,964
Net spot and derivative financial instruments position	<u>(223,823)</u>	<u>108,882</u>	<u>152,116</u>	<u>(56,541)</u>	<u>-</u>	<u>(19,366)</u>
TOTAL OPEN POSITION	<u>1,500,316</u>	<u>(852)</u>	<u>(2,171)</u>	<u>73</u>	<u>232</u>	

(e) Financial ratios

In December 2011 the Council of the Bank has set financial ratios which are reviewed semi-annually and came into effect since 1 January 2012:

	<u>Unaudited 30 June 2015</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
Minimum amount of liquid assets in Treasury portfolio			
- required amount in thousands of US Dollars	851,920	976,648	1,494,219
- <i>actual</i>	<u>1,808,232</u>	<u>1,457,671</u>	<u>1,919,078</u>
Financial leverage ratio			
- should be less or equal to 300% of the Bank's equity*	300.00%	300.00%	200.00%
- <i>actual</i>	<u>153.76%</u>	<u>137.12%</u>	<u>177.11%</u>
Maximum principal amount of the Bank's borrowings			
- allowed amount in thousands of US Dollars	2,734,000	3,312,000	3,432,000
- <i>actual</i>	<u>2,297,245</u>	<u>2,246,391</u>	<u>2,903,443</u>

* After introduction of callable capital on 2 July 2014 the Council of the Bank has increased this limit from 200% to 300%.

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